

Moderator:

Ladies and Gentlemen, good day and welcome to the Q1 FY2014 Earnings Conference Call of Nitesh Estates Ltd. As a reminder, all participants' lines will be in a 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. Joining us on the call today is the senior management of Nitesh Estates, represented by Mr. Nitesh Shetty – Chairman and Managing Director, Mr. L. S. Vaidyanathan – Executive Director, Mr. Ashwini Kumar – Executive Director and Chief Operating Officer and Mr. M A Venkateshan – Chief Finance Officer. This call is divided into two sections: Introductory Remarks by the management and the Q&A session. Before we begin, I would like to mention that some of the statements made in today's call may be forward looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the investor presentation. Nitesh Estates undertakes no obligation to publicly revise any forward-looking statements to reflect future, likely events or circumstances. I would now like to hand the conference over to Mr. Ashwini Kumar. Thank you and over to you, Sir.

Ashwini Kumar:

Thank you very much. Good afternoon ladies and gentlemen and welcome to the call today. Thank you for joining in the call. I would like to take you very briefly through our portfolio of projects and what we have done. And thereafter I will hand it over to my colleague Mr. Venkateshan, who is our CFO, to take you through the financial numbers and thereafter we will open ourselves to questions and answers. Our portfolio of projects currently has 14 projects. The total area under development is 10.66 million square feet. Out of these 14 projects, 12 are in the residential segment; one is the Ritz Carlton, Bangalore, which is in the Hospitality segment and one project is in the retail segment, which is our Nitesh Mall, located in Indiranagar. In fact, bulk of the development, as you can understand from the numbers themselves, is in the residential segment. 9.05 million square feet out of the total 10.66 million square feet is actually in the residential segment. Four of them, I would say, are in the higher segment namely, Nitesh Park Avenue which is in the Central business district; Napa Valley which is a villa project and therefore the ticket size can go up to more than Rs. 4 crores; we have our project in Goa called

Nitesh Fisher Island which is also in this segment and another project, which is Nitesh Logos, is again in the price bracket of 20,000-25,000 per square feet and therefore, also comes in the higher segment. Otherwise, the other projects are all in the mid-income segment. In terms of geographical spread, we have presence all across Bangalore in terms of the active micro-markets like the Outer Ring road, the Sarjapur-Marathalli section of Outer Ring road in specific, we are also present in the northern part of Bangalore and then also on couple of important micro-markets at the Kanakpura Road as well as Bannerghatta Road. We have a fairly nice spread as you see again in terms of the stage of construction in which they are. Some of them have just begun and some of them are getting ready towards completion. If I take you through the numbers in terms of what is the sales potential, it comes to 3,028 crores. Earlier we had also spoken of two projects - Central Park and Camp David, now those projects have actually been closed. So, 3,028 crores is the sales potential of the 12 projects which are right now under construction. Out of these 3,028 crores, we already have bookings worth 827 crores. And out of these again, cash collections have been to the extent of 516 crores. The income that we have recognized so far is 234 crores and therefore you can understand that there is still significant amount of income that still has to be recognized, out of these 12 residential projects.

Coming to the Ritz Carlton Hotel, it is scheduled for opening by September 30 of the current fiscal year. Right now, it is at a point where handing over formalities are getting completed, the operator is already there and in fact, there are almost about 300-350 staff which have already been hired for operation of the hotel. Again taking you to the total portfolio, as I said the revenue potential is 3,028 crores, what we expect the EBITDA to get through on, out of this is around 38%, which will get recognized over the next 3-4 years. This is just a brief that I would like to share with you and with this, I handover to my colleague Mr. Venkateshan, who will take you through the financial numbers.

M.A. Venkateshan: Thank you Ashwini. Welcome to you all, good afternoon. I will provide a brief overview of the consolidated financials of the quarter. The company has achieved a total income of 100.02 crores for the financial quarter, which is up 207% over the corresponding quarter of last year. And this is significantly

higher over the sequential quarter. In fact, for the entire last year, the turnover was within 100 crores and this year we could achieve it in the first quarter itself. The gross profit of 27.90 crores is at a margin of 28%, a healthy level. And EBITDA for the quarter is 15.06 crores. The profit after tax is at 5.65 crores, which is 6% of the total income. The net debt as of 30th June 2013 is 240 crores, which is lower compared to 243 crore as of 31 March, 2013 due to surplus cash generations from the operations. The Net Debt/Equity ratio is 0.74 as of 30th June, as against 0.76 on 31st March as a result of a combination of reduction in debt and increase in net worth during the quarter. This was a brief overview of the financials.

Ashwini Kumar: With this, we would open ourselves to questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Abhishek Bhandari of Macquarie Securities, please go ahead.

Abhishek Bhandari: Sir congratulations on a great set of numbers. My question is more on the macro for Bangalore market, you now there is a gloom and doom around in Indian market in terms of consumer sentiment and potential of rate hike going forward, so do you sense any kind of demand reduction or any kind of softening in enquiries for your kind of products?

L. S. Vaidyanathan: As far as the Bangalore market is concerned, for the mid-income segment which is anything between about 50 lacs–1.2 crores, the momentum is there and there is no reduction. As far as luxury segment is concerned, we see a little drop in the last 1 or 2 quarters. So, if the pricing of the product exceeds 2 crores, we see the momentum is very very less at the moment. And as far as the mid-income is concerned, this has continued to grow. The way our performance has been and the price realization also can be seen from our own numbers. Quarter on quarter, the numbers are improving and that is majorly due to the input costs. The market is accepting the pricing and we are protecting our margin and in some cases, we are also able to improve our margin. So that is the scene of Bangalore and in terms of mid-market.

Abhishek Bhandari: Ok, Sir in terms of the commercial segment, you have limited presence at the moment. But in terms of commercial sector, if you could highlight some points in terms of demand levels or rental outlook or vacancy outlook?

L. S. Vaidyanathan: As far as the commercial segment is concerned, from the peak level which Bangalore has seen of about 12 million, definitely it has come down. This is only for the repeat segment i.e. the big operators who have been operating the Tech Parks and the SEZ's. And we are seeing that the rental levels at the city outskirts have stabilized and some places we have also seen a little increase. In the CBD, not much of supplies are happening, so we have not seen any considerable increase in rentals in the CBD area. The market is moving more towards the peripheral Ring Road that is the Marathalli Ring Road. The second thing, in the North Bangalore around the Tech Parks which are all coming along the Ring road, the real absorptions are happening. And Whitefield which had a very low absorption over the period, has started absorbing because in Whitefield as a market, the supplies have dried down over the period. So there are not much vacancies now in Whitefield, that is on the commercial scene.

Abhishek Bhandari: Ok. Sir and my last question is regarding your Private-Equity transaction. So has that been closed or is there any progress on that?

M. A. Venkateshan: No, it is still under registration. It will take some more time, once the final terms are agreed upon, then the transaction will start happening.

Abhishek Bhandari: And beyond that transaction, are you looking at any more strategic investors, in any other of the SPVs?

L. S. Vaidyanathan: Yes we always are, we have lot of growth ambition and we have lot of land parcels identified, deals for which can be closed in the next 2-3 quarters. So as and when this transaction reaches some kind of closure level, we can expect some kind of equity flow to give the growth. Yes, definitely there could be a possibility of capital infusion through private equity.

Abhishek Bhandari: Alright, so thanks sir and all the very best.

- Moderator:** Thank you. Our next question is from Rahul Bhangadia of Lucky Investment Managers. Please go ahead.
- Rahul Bhangadia:** Sir if you could just kind of broadly tell us what do you expect Nitesh Estates to do over the next two, three years in terms of growth? How much area you are likely to deliver, volume concerned? Just a view of over the next two to three years.
- Ashwini Kumar:** Well, if I talk to you about what will happen in the next two to three years, then it means one has to really talk about the portfolio. As I was saying, right now, in terms of revenue potential of the current projects that we have, which are the build and sell type i.e. the residential type is around 3,000 crores. That is something which we want to be around 4,500 crores. Now it automatically is also an implication on what is going to come out through the balance sheet. I would, of course, not like to make any forward-looking statement in that sense but these 3,000 crores will all flow through the P&L in the next three to four years. Another 1,500 crores, which we are looking at adding in the next two to three quarters. We should be able to make it go through the P&L by the fourth year. So that is what the current outlook is.
- Rahul Bhangadia:** So you are suggesting that a total of about 4,500 crores of topline goes through the P & L in the next three years? Is that is what you are suggesting? Or that is what you will book and then it will slowly apportion over in the P&L?
- Ashwini Kumar:** It is over a period of four years.
- Rahul Bhangadia:** 4,500 crores?
- Ashwini Kumar:** Yes.
- Rahul Bhangadia:** And what would be the consolidated debt as of June?
- Ashwini Kumar:** As of June, the net debt would be around 240 crores.

- Rahul Bhangadia:** And given your plans of these 4,500 crores, what would be your sense of the EBITDA margin that you will make? May be on a per square foot or percentage basis? Whichever you are comfortable with.
- Ashwini Kumar:** If I look at the current portfolio of the projects that are there, I am seeing roughly about 38% EBITDA margin. It is around that, that we should be able to operate.
- Rahul Bhangadia:** So that would translate to how much per square feet sir, roughly?
- L. S. Vaidyanathan:** In terms of square feet today, what we are looking at is something around Rs. 1,000-1,100 per square feet on an average.
- Rahul Bhangadia:** Ok and your average selling price would be around 6,000-7,000? Sorry, it will be lower actually.
- Ashwini Kumar:** See in the last quarter, it was close to 6,100.
- Rahul Bhangadia:** So sir at 6,100, 38% should be much higher than 1,100 right?
- L. S. Vaidyanathan:** That is right, what we are talking about is that we had some large sale happening in the Napa valley project in the last quarter, which has taken the selling price level much higher to the range of 6,000. But going forward, we will be in the range of the mid-segment, so anything between 4,800-5,000 will be our selling price. Plus add-ons will be there. So 1,100 is the fair minimum in terms of what we can achieve to achieve about Rs. 500 or 600 in terms of our PAT level. Going forward, we see most of residential projects will bring down the impact of interest, so our EBITDA and the PBT gap will be very less.
- Rahul Bhangadia:** So roughly on this 4,800-5,000 range that you have just suggested, you will make 38% EBITDA margin roughly?
- L. S. Vaidyanathan:** If I can talk about in terms of the net, most of the deals happening are about 14 to 15% of the PAT.
- Rahul Bhangadia:** All the best Sirs, thank you for your answers.

- Ashwini Kumar:** Thank you.
- Moderator:** Our next question is from Ankit Mistry of Crisil. Please go ahead.
- Ankit Mistry:** Good Afternoon Sir, I actually wanted you to throw some light on the potential of the Kochi project.
- Ashwini Kumar:** Good afternoon Ankit, which project were you referring to?
- Ankit Mistry:** Nitesh Wimbledon Garden in Cochin.
- L. S. Vaidyanathan:** I think this land was registered sometime back and we have no immediate plans to go and launch that. At one point of time, we launched it but because of the market conditions we have withdrawn the product from the market. Now this is lying as a land bank, we are waiting for the right opportunity when the smart city takes shape. And based on that demand in future, we will think of doing it. This year we definitely do not have plans to bring back this product in the market.
- Ankit Mistry:** So this will be a mix of residential and commercial segments?
- L. S. Vaidyanathan:** That was originally what was planned. It was 1.8 msft of mix of residential and commercial segments. It is about 1.2 million of residential and the balance of retail and commercial.
- Ankit Mistry:** And what is the update on the Chennai project?
- L. S. Vaidyanathan:** Chennai project has been put on hold at the moment because of certain issues. And the matter has gone into an internal arbitration between the Church Group. So we are waiting for them to go to the court and file the petition for getting a clearance, which is still awaited. We feel that it may take some more time because they have some problems before they can go to the court and file this.
- Ankit Mistry:** Sir we are present in which market in Chennai?

L. S. Vaidyanathan: At the moment we are looking at Chennai very seriously but we have not closed any deal apart from what is there with this 9-acre parcel in the boat club.

Ankit Mistry: Ok, thanks.

Moderator: Thank you. Our next question is from Shashank Vaidya of SC Associates, please go ahead.

Shashank Vaidya: Tell us more about your Ritz Carlton project.

Ashwini Kumar: Shashank, the Ritz Carlton Project has about 277 rooms and apart from that there are speciality restaurants and separate kind of options that any client would have apart from the bars. There is one swanky rooftop bar which is planned. There is an international and very high-end spa which is also going to be fitted there. Right now, as I was saying that the hotel is in the final shape and the handing over process is happening which we expect will get concluded by 30th of September and we should then be able to open the hotel. In terms of staffing, there are a large numbers of employees who are already on board. Some have been trained and some are still undergoing the training, all getting really ready to open up.

Shashank Vaidya: And what is the final project cost? You have 26% stake in this project, right?

L. S. Vaidyanathan: Yes, it will be in the region of Rs. 800-850 crores. For our stake, we have already put 112 crores of equity, balance will be a small amount which will be about close to about 10 crores. That is pending and will be pumped in the next two months.

Shashank Vaidya: Ok. And the final question is, are you planning any projects in Pune and Hyderabad?

L. S. Vaidyanathan: Hyderabad is very much in our radar and we have lot of options. But there is political instability and various other factors. So we are keeping it on hold and board is also of a cautious view. So, we will wait and watch as far as Hyderabad is concerned and we would not jump immediately into any opportunity. Though we are working on a very serious opportunity and in a

good micro-market, it has been shielded from what is happening in Hyderabad today. If that happens definitely, it could even happen a little early.

Shashank Vaidya: And as you know, Pune is also an equally good market but surprisingly you have not considered any project in the mid-segment there.

L. S. Vaidyanathan: Our focus is more on the southern markets now and we are very seriously looking at Chennai. We are trying to set up an office in the coming months, there are certain opportunities. We feel the market is much more stable and monitoring it from Bangalore will be much easier for us. Whereas, Pune will require a little more effort to from our side to set up our office and we are looking at that in a little long-term, not immediately.

Shashank Vaidya: Ok, thank you very much.

Moderator: Thank you. Our next question is from Abhay Modi of Artemis Advisors. Please go ahead.

Abhay Modi: Can you give us some update on the Nitesh Long Island Project?

Ashwini Kumar: The Long Island is a plotted development project which is located in Devanahalli. It has roughly about 9,00,000 square feet which has to be sold. In terms of the total area of the development, that is roughly about 43 acres. We launched the sales and it has got a very good response from the market. And that is something which makes us quite bold and makes us feel that there is a strong consumer pull for the Nitesh brand.

Abhay Modi: When would this be completed, this entire development?

Ashwini Kumar: I think, in other 12 months, we will be able to complete this development. What we have to do there is basically create the infrastructure that is roadways, distribution of power, water supply system, the sewage, the sewage treatment plants, landscaping, a clubhouse and recreational amenities are the things that we need to create. So we think we will be able to create it over within the next 12 months.

- Abhay Modi:** Thank you.
- Moderator:** Thank you very much. We have a question from Ravi Mehta of Deep Finance. Please go ahead.
- Ravi Mehta:** Good evening. Sir just one question on the debt levels, it is around close to Rs. 240 crores, where do you see this probably two, three years down the line? Do you want to add more with the kind of execution you are looking at or will you be getting a lot of collections which you will use to repay? Any schedule or anything on that if you can share?
- Ashwini Kumar:** See as the business grows we will definitely have a reason to raise more funds. And therefore debt levels going forward will definitely increase.
- Ravi Mehta:** And any arrangement or something you are looking at? Like where do you see this number going by the end of this year?
- L. S. Vaidyanathan:** Look we are not able to put an absolute number. Our objective is to go down the line when more and more reserves are getting built. Keep the debt level as 0.5 and below and ideally we are looking anything between 0.4 and 0.5.
- Ravi Mehta:** I missed out in case if you have mentioned it before. There was some talks of private equity funds being raised at project level in SPV. So any move in that direction?
- Ashwini Kumar:** Actually there are always opportunities which are on the table and discussions are always happening but there is nothing which has got concretized that we can speak of.
- Ravi Mehta:** And some kind of quantum or something? If you can, just a ballpark number, as to what you may be looking to raise even at project level or in terms of funding?
- M. A. Venkateshan:** The current requirement, which we are looking at and are working on is \$50 million. But as Mr. Vaidya has explained earlier, depending upon the land tie-ups which are happening, there may be some more PE requirements coming up. We will keep increasing that as and when deals are happening.

Ravi Mehta: Thank you.

Moderator: Thank you. Our next question is from Rahul Bhangadia of Lucky Investment. Please go ahead.

Rahul Bhangadia: Yes Sir, I just wanted to understand this 4,500 crores number that you are mentioning over the next 3-4 years. But our current revenue base is very-very small so do you see a very-very rapid build-up of this kind of thing? Even if we are growing at a fast and furious pace, the numbers would have to move something like 500 crores, 1,000 crores, 1,500 crores, 2,000 crores, then only we can reach 4,500 crores over the next four years. So is there a huge pipeline that we are currently executing to deliver these kind of numbers?

Ashwini Kumar: In real estate, of course, the values are large, so what I was speaking of, in terms of the scale of development, probably one metric which gives you an idea is, the area which is being developed. So the developable area that we have right now is around 11 million square feet. That is something which we will be growing. If I talk of our current stage, there are still projects which have to come to a point where they will get recognized. So, they have not crossed the threshold. In the last quarter, of course, we did had one project which crossed the threshold for revenue recognition. And there are another 4-5 projects which have already crossed the revenue recognition. What happens is, that let us say the construction expenditure or cumulatively the sales increases, each sale accounts for a much higher revenue. Likewise, correspondingly the expenditure is also substantially higher. So as the project progresses, the revenue and cost recognition starts happening at a much faster pace.

Rahul Bhangadia: If we were just to look at the cost part of the equation, could you give us a sense of what are the kind of costs that we will be incurring over the next two or three years? I do not know how the revenue recognition policies go, but then we can get a sense what we will be investing at least on the expenditure side.

- Ashwini Kumar:** Yes right. So if I am to keep the numbers very simple. Let us say, 3,000 crores and 38% EBITDA, compliment of that is 62%. So you know 1,800-1,900 crores is going to be the kind of expenditure.
- Rahul Bhangadia:** This will be spent over the next four years?
- Ashwini Kumar:** When I say 3,000 crores, yes, over the next 3-4 years.
- Rahul Bhangadia:** Right, all these projects are pre-sold?
- Ashwini Kumar:** It does vary from project to project, I would say some of the projects have just been launched or say are in a soft launch. So there it is as low as 10%, then there are also projects which have gone up to 80-85% of the area having got sold.
- Rahul Bhangadia:** So on this 3,000 crore base that we are talking about, what would be the number that has already been sold?
- Ashwini Kumar:** Right now, in terms of the bookings that have happened, it is 827 crores.
- Rahul Bhangadia:** Out of this 3,000 crores number for which we already have projects on hand, right?
- Ashwini Kumar:** Correct.
- Rahul Bhangadia:** And the trends look encouraging for the balance amount of numbers?
- Ashwini Kumar:** Yes in the last quarter, of course, we did almost 22% sequential increase in sales bookings. We should be able to at least sustain the same level, if not grow.
- Rahul Bhangadia:** Ok what was the sales number for the quarter that has just gone by, in terms of booked amount?
- Ashwini Kumar:** 128 crores was the booking.
- Rahul Bhangadia:** Right sir, thank you very much and all the very best.
- Ashwini Kumar:** Thanks.

- Moderator:** Thank you. Our next question is from Amitabh Sonthalia of SKS Capital. Please go ahead.
- Amitabh Sonthalia:** Hi, just wanted to understand revenue recognition policy as we were discussing in the earlier call. I just wanted to understand the 11 million square feet of developable area that you are doing. How much we have recognized till date? And what will be the run-rate going forward? Will it be in an increasing trend, let us say growth more exponentially from 2 million than in a linear way? Just to get an idea of how the development, deliverables will be taking place, going forward?
- Ashwini Kumar:** Yes as we said, the bookings are at 827 crores. 234 crores has already got recognized as revenue. So bookings around 600 crores are still to be recognized.
- Amitabh Sonthalia:** Over a period of two years or...?
- Ashwini Kumar:** In addition to that, as fresh sales happen they also start getting recognized. So as fresh sales happen, those numbers i.e. 827 crores and 234 crores of realization which has already happened will continue to increase.
- Amitabh Sonthalia:** Right, so say out of 827 crores of bookings, we have recognized 234 crores till date? And balance will be in FY14? 827 crores is what we have received in terms of bookings, so it will be in FY14 itself that we will recognize or it will stretch out to FY15 also?
- Ashwini Kumar:** No, this 827 crores number will keep on increasing as the bookings happen. And then depending on the level of construction, the total bookings which are there, they get recognized as revenue.
- Amitabh Sonthalia:** So out of 3,000 crores, we have done 827 crores of bookings and this number will keep on increasing as and when the development and completion targets are achieved as per the recognition of revenue policy?
- L. S. Vaidyanathan:** That's right. If you are trying to get an answer in terms of what will be the millions square feet. You put anything between 1.5 to start with the year 1, it will keep going and build up to 2.5 in a steady state.

- Amitabh Sonthalia:** Every year it will add 2.5?
- L. S. Vaidyanathan:** 2.5 as we go a little ahead and more and more projects reach the maturity level. It may touch about 2 million on an average and go up to 2.5 million in the coming years.
- Amitabh Sonthalia:** Ok, in terms of bookings, how much square feet have we booked till date?
- Ashwini Kumar:** If we look at the break up, the residential piece is 9.05 million square feet and in terms of saleable area, actually that gets to 7.23 million square feet, in which our own economic interest is 4.69 million square feet. Out of 4.69 million square feet, we have sold 1.94 million square feet.
- Amitabh Sonthalia:** That is reflective to 827 crores of booking.
- Ashwini Kumar:** Correct.
- Amitabh Sonthalia:** 1.94 million?
- L. S. Vaidyanathan:** 1.94 in a percentage basis. And we have recognized so far 234 crores.
- Amitabh Sonthalia:** And one more thing, so at 0.76x Net Debt / Equity, our equity base is around 315 crores right?
- Ashwini Kumar:** 325.
- Amitabh Sonthalia:** 325 crores and we are looking at another 300 crores minimum of private equity funding going forward? So, for dilution of those SPVs, you will also be looking at \$50 million i.e. 300 crores minimum, right?
- Ashwini Kumar:** Yes right.
- Amitabh Sonthalia:** Ok thanks.
- Moderator:** As there are no further questions from the participants, I would now like to hand the floor back to Mr. Ashwini Kumar for closing comments.
- Ashwini Kumar:** Once again, I would like to thank all of you, ladies and gentleman who have given your valuable time to join this call and to understand us much better. In

case, you have any more questions, please feel free to address them to Mr. M. A. Venkateshan, our CFO and we will revert to you. Thank you very much once again and have a great day.

Moderator: Thank you Mr. Kumar. Thank you, members of the management team. Ladies and Gentleman, on behalf of Nitesh Estates Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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