# Nitesh Estates Limited

First Quarter FY2015
Earnings Conference Call

**August 7, 2014**


Management: Mr. Nitesh Shetty, Chairman and Managing Director
Mr. L. S. Vaidyanathan, Executive Director
Mr. Ashwini Kumar, Executive Director and COO
Mr. M. A. Venkateshan, CFO
Mr. G. Subramaniam, SVP – Corporate Finance

**Moderator:** Ladies and gentlemen, good day and welcome to the Nitesh Estates Q1 FY2015 Results 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 to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference to Mr. Nitin Idnani from Axis Capital. Thank you and over to you sir.

**Nitin Idnani**: Thank you Margreth. Good morning everyone. Thank you for taking the time to attend this call. Representing the management today from Nitesh Estates Limited, we have Mr. Nitesh Shetty, Chairman and Managing Director; Mr. L. S. Vaidyanathan, Executive Director; Mr. Ashwini Kumar, Executive Director and Chief Operating Officer; Mr. M. A. Venkateshan, Chief Finance Officer and Mr. G. Subramanian, Vice President – Corporate Finance. I now invite them to start with their opening comments. Over to you gentlemen.

**Ashwini Kumar**: Good morning ladies and gentlemen. I am Ashwini Kumar. First of all, I would like to extend a very warm welcome to all of you and would like to thank you for taking interest in our Company and joining this conference call for discussing the Q1 results of FY2015.

What I would like to do is give you an overview of the business and then I will hand over to my colleague, Mr. Venkateshan, who is our CFO, to give you some details of the results and then we will open ourselves to questions. What we are trying to do is build scale in the business. As we build the scale, consistency in the results starts coming in and that is what is actually happening over the last couple of quarters. This is something which is very heartening to us.

Taking about the portfolio of our projects, we currently have 15 projects in the portfolio. Out of these, 14 are residential and 1 is in the retail segment. This is the mall in Indiranagar in Bangalore. If I look in terms of the total area, the total Developable Area is 11.52 million square feet. Out of this, 10.41 million square feet is in residential and the balance is in the retail segment.

If I look at the residential segment, around 10% of it is in the luxury segment, which we are currently selling at Rs. 20,000 per square feet or higher. And bulk of it is in the mid income space, which we are selling at prices ranging between Rs. 4,000 and Rs. 7,000 per square feet. As I said, the Developable Area in the residential space is 10.41 million square feet and this translates to a Saleable Area of 8.59 million square feet. Within this, if I exclude the landowners' share for projects which are on area sharing basis, then the Saleable Area is 6.75 million square feet. Out of this, we have already sold 2.58 million square feet.

In terms of value, the total Sales Value potential of ongoing projects is Rs. 3,663 Crores, of which, we have booked sales worth Rs. 1,145 Crores. And out of those bookings, we have collected Rs. 808 Crores. If I am to speak of the Company's share, the total Sales Value potential is Rs. 3,159 Crores and the income that has been recognized so far is Rs. 470 Crores. So there is substantial income which is yet to be recognized. The total expected Project Cost is Rs. 2,222 Crores, out of which, we have recognized only about Rs. 338 Crores. So as we continue with the execution, the cost as well as the revenue will get recognized. The total Unrecognized Income is Rs. 531 Crores and the remaining Sales Potential is Rs. 2,158 Crores.

In the last quarter, we had launched a project called Nitesh Melbourne Park and I am happy to report to you that the sales have been very encouraging. The project is located in the Hennur micro-market of Bangalore and we expect to launch another five projects during the fiscal year. This should add about 5.8 million square feet to what we are selling right now. Out of the 14 projects that I had spoken of, there is 1 which we have not yet launched. That will also get launched as far as sales are concerned. So that will bring totally about 5.8 million square feet as additional area during the year and will add another Rs. 2,500 Crores in terms of Revenue Potential to the ongoing projects portfolio that we have.

So this was a very brief overview of our business and with this, I hand over to my colleague, Mr. Venkateshan.

**M. A. Venkateshan**: Thank you Ashwini. Good afternoon to you all. I shall present the brief overview of the consolidated results for the quarter. The Total Income during the quarter is Rs. 57.11 Crores. The Gross Profit for the quarter is Rs. 25.80 Crores with an operating margin of 45%. EBITDA for the quarter is Rs. 14.11 Crores, that is about 25% of the Total Income. Profit before Tax for the quarter is Rs. 7.21 Crores and Profit after Tax is Rs. 5.29 Crores, 9.3% of the Total Income.

Net Profit on a consolidated basis, after adjustment for our share in the AOP is Rs. (3.38) Crores. EPS for the quarter is Rs. (0.23) per share. Regarding the standalone results for the quarter, the Total Income is Rs. 21.45 Crores. Gross Profit is Rs. 10.52 Crores with an operating margin of 49%. EBITDA is Rs. 7.12 Crores for the quarter at 33% margin. PAT is Rs. 3.38 Crores for the quarter, that is 16% of the Total Income.

The Net Debt as of June 30, 2014, is Rs. 329 Crores vis-à-vis Rs. 300 Crores at the end of March 31, 2014. The Net Debt/Equity ratio is 1.02 as of June 30, vis-à-vis 0.92 as of March 31, 2014. This was the brief overview of the consolidated and standalone results for the quarter.

**Ashwini Kumar**: Thank you Venkat. With this, we would like to welcome you to ask any questions that you have and we would answer to the best of our ability right now itself. If there is something wherein we need to get into greater details, we would like to do that individually.

**Moderator**: Thank you very much. The first question is from the line of Mr. Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati**: Thanks. I wanted to get some of the numbers once again. I think I missed a few. You said your share of total value of Saleable Area is about Rs. 3,160 Crores. What is the amount of your share of Saleable Area that you have already sold and what is that you have recognized as income?

**Ashwini Kumar:** What we already sold is 2.58 million square feet.

**Puneet Gulati**: What will be the value for this?

**Ashwini Kumar:** In terms of value, we have sold Rs. 1,002 Crores so far, which is our own share and within that, we have recognized Rs. 470 Crores.

**Puneet Gulati**: Rs. 530 Crores is to be recognized. Okay.

**Ashwini Kumar:** Rs. 808 Crores has been collected already out of the sales that we have done.

**Puneet Gulati**: So Rs. 200 Crores is yet to be collected?

**Ashwini Kumar:** This Rs. 808 Crores was out of the Rs. 1,145 Crores amount, which also includes some of the landowners' revenue.

**Puneet Gulati**: What will be your share of amount collected?

**Ashwini Kumar:** Out of that, I would say that around Rs. 100 Crores would be landowner's share. So around Rs. 710 Crores is our share.

**Puneet Gulati**: So out of 808 I need to subtract around 100. And balance Rs. 300 Crores is yet to be collected. The total cost of projects would be around Rs. 2,220 Crores. What has already been spent out of this?

**Ashwini Kumar:** Correct. Rs. 338 Crores has been recognized as cost.

**Puneet Gulati**: What is your actual spending?

**Ashwini Kumar:** The cost incurred would be Rs. 498 Crores.

**Puneet Gulati**: So that means, some Rs. 1,700 Crores is yet to be spent from your share. Is there any expected recovery that you have from landowner or any refundable deposits that you can still collect back?

**Ashwini Kumar:** There are some refundable deposits, which are there in each of the projects. They roughly range between Rs. 3 and 5 Crores per project.

**Puneet Gulati**: What will be the unsold stock and what will be the worth of that? Would the unsold be 6.75 minus 2.58?

**Ashwini Kumar:** Yes, the total Sales Value potential of our share, as I said, was Rs. 3,159 Crores and this includes even the recent launches that we have done. There is one project, which we have not launched. As I said, we have sold around Rs. 1,000 Crores, so Rs. 2,158 Crores is still to be sold.

**Puneet Gulati**: When you give the total cost of projects, which is around Rs. 2,200 Crores, does that include what you have launched as well as what you have not launched, which will be the unsold inventory?

**Ashwini Kumar:** Yes.

**Puneet Gulati**: That is all from my side. Thank you so much.

**Moderator**: Thank you. The next question is from the line of Mr. Arijit Malakar from Ashika Stock Broking. Please go ahead.

**Arijit Malakar**: Thanks for the opportunity sir. I have few questions, my first question is that are there any new project launches during the quarter? Because you said earlier, that there would be 5 project launches during FY2015?

**Ashwini Kumar:** Correct. So we have launched one project. We launched the project called Nitesh Melbourne Park on May 30 and after this, we plan to launch another five projects during the year. We have actually already initiated sales through our channel partners of yet another project called Nitesh Chelsea, although we have not formally launched it. This project is also seeing quite good attraction from customers.

**Arijit Malakar**: So far in this fiscal year, how many new projects have been launched? Only one or two projects?

**Ashwini Kumar:** During the fiscal year, we have launched one. Another project is more of a test case, where we have we are selling it only through some of the channel partners right now. We have not yet started actively marketing this project, which will start happening in a few weeks from now. In addition to these two projects, we will launch another four projects.

**Arijit Malakar**: Four projects during the rest of the fiscal year?

**Ashwini Kumar:** Correct.

**Arijit Malakar**: Any new projects coming into revenue recognition in this quarter?

**Ashwini Kumar:** If you look at revenue recognition, out of the projects that we have, we have recognized revenue in 8 projects. I expect that 2 other projects will come under revenue recognition this year and there are two other projects where only a part of them is getting recognized. These were divided into Phase I and Phase II. So the second phase will also start getting recognized in this year. So in summary, 2 new projects would start getting recognized and phase II of 2 other projects will get the recognition.

**Arijit Malakar**: For this full year, what revenue are you looking at?

**Ashwini Kumar:** We would not like to give a number but I would say that practically we are expecting a doubling of revenue over the fiscal year 2014.

**Arijit Malakar**: So you are expecting the revenue to be doubled in FY2015?

**Ashwini Kumar:** Correct.

**Arijit Malakar**: Sir my next question is regarding the Rs. 7 to 8 Crores of losses that have been booked in this quarter mainly for your Ritz Carlton Hotel. So would it persist in the next couple of quarters?

**Ashwini Kumar:** Yes, we do expect that for another couple of quarters, we will see these losses hitting our books.

**Arijit Malakar**: So when do you expect it would come into a breakeven?

**Ashwini Kumar:** I think by the end of the fiscal year, it should get to a point where there are no cash losses coming, so it would get to a breakeven point.

**Arijit Malakar**: Can you tell your current occupancy rate of the hotel?

**Ashwini Kumar:** Right now, it is just about 30%. It is inching up but is still around 30%.

**Arijit Malakar**: Do you expect that the occupancy rate will improve in the coming quarters?

**Ashwini Kumar:** Gradually what is happening is that, I think, more corporate customers are getting added. It is a process which does take some time because different corporates have different cycles of tendering out contracts and decisions as to how many partner hotels they want to have. So we have made pretty good progress with some large customers and we do expect that the occupancy will start inching up.

**Arijit Malakar**: Another question is that, the land and the development cost has reduced significantly during this quarter. So could you throw some light on that?

**M. A. Venkateshan**: You mean the construction cost?

**Arijit Malakar**: Yes, land and construction cost. If you compare that as a percentage of sales, I think it has reduced considerably.

**L. S. Vaidyanathan:** That is the fact because some of the projects like Nitesh Flushing Meadows, which we have been selling through an AOP, are in the finishing stage. The selling prices have considerably improved to Rs. 4,000 per square feet currently, as against our cost of around Rs. 1,300 per square feet This is showing up a little higher margin and apart from this, there are certain things like power and water, which are getting accounted in the books as the projects are coming to an end. It does not mean any extra cost as we have already incurred it over a period of time. That is why cost of sales is lower as a percentage of revenues when compared to the earlier quarters.

**Arijit Malakar**: What was your average development cost during the quarter?

**Ashwini Kumar:** As I said, the total estimated cost of projects is Rs. 2,200 Crores.

**L. S. Vaidyanathan:** Current projects are happening at Rs. 2,200 per square feet If you take the earlier costs, which were around Rs. 1,700 per square feet, an average of around Rs. 1,900 per square feet will be our cost of construction against these sales.

**Arijit Malakar**: What was the development cost for the last quarter sir?

**L. S. Vaidyanathan:** Very specific to the mid income housing, where the selling prices are in the range of Rs. 4,500 to Rs. 5,000 per square feet, that is leaving our luxury projects like Nitesh Napa Valley and other projects within the city, the cost of construction could be in the order of Rs. 3,500 to Rs. 4,500 per square feet

**Arijit Malakar**: In the last quarter, what was the Average Realization per square feet?

**Ashwini Kumar:** We had an Average Realization of Rs. 5,726 per square feet.

**Arijit Malakar**: Sir my last question is, are you planning to enter into the Affordable Housing sector as the governments provide an incentive towards the development of that sector?

**L. S. Vaidyanathan:** No, we are very clear that we will try to focus more on the mid income only. Land parcels for Affordable Housing are all a little far away from the city and lack the infrastructure. Also, the costs involved are high because we do not do in-house construction. So we will stay away from the Affordable Housing. We will continue to focus on the mid income segment only.

**Arijit Malakar**: Thank you sir.

**Moderator**: Thank you. The next question is from the line of Mr. Ritwik Sheth from Span Capital. Please go ahead.

**Ritwik Sheth**: Good afternoon. I just had a couple of questions. Firstly, on the Debt side, sir we have been seeing a constant 8% to 10% increase in Debt over the last four to five quarters. Given the launch pipeline that we have, do you think that we will be maintaining that run-rate in FY2015?

**L. S. Vaidyanathan:** This year has been a little abnormal because we have retired the debentures of HDFC AMC with an intention to reduce the cost of funding. So we do not see this trend continuing as more and more project presales happen going forward. These can bring down the Net Debt/Equity ratio to a level of around 0.7 in the next one year.

**Ritwik Sheth**: Are you saying that the exact Net Debt/Equity would be 0.7 in FY2015?

**L. S. Vaidyanathan:** As and when we are able to convert the upcoming projects into agreements, more collections and construction finance will be available. The results would be that the high cost funds will be reduced on one side and the second thing would be that the overall Net Debt/Equity of 1.02 will be reduced to 0.7.

**Ritwik Sheth**: So putting it another way, do you think this will be the peak Net Debt/Equity, that is 1 to 1.1 and we would not go above Rs. 330 to 350 Crores of Net Debt?

**L. S. Vaidyanathan:** Yes, the reason we are saying this is that we have one project, which is a city centric project, where we are holding stock worth about Rs. 50 Crores. Also, there is another project which is likely to be plotted development and will get completed in the month of December. Both of them are likely to provide around Rs. 80 to 90 Crores of cash, which is earmarked for reducing the Debt. We have already spent enough money on this construction, there is nothing more. We will have a surplus of Rs. 50 Crores from the city centric project and another Rs. 30 to 40 Crores would be coming out of the plotted development. Both are dependent on the sales, and if we are successful, then straightway our Rs. 80 Crores of Debt will be reduced.

**Ritwik Sheth**: Earlier in the call, you mentioned that you maintain the guidance of doubling the topline from FY2014. So sir, given the slow start we have had, do you see a rapid turnaround of the sales happening in the existing projects, which are at a higher level of completion?

**Ashwini Kumar:** Yes, two aspects will be the drivers. One is the sales and the other is the pace at which we are doing the construction, I do see those will go up.

**Ritwik Sheth**: Just one general question about the outlook. What is the demand outlook for the Bangalore market and do you see any pickup coming in?

**L. S. Vaidyanathan:** Bangalore market has been pretty much stable, barring the last quarter, when it dipped by around 15% to 20%. Because of the elections and various other things which were happening, things were little slow. Otherwise, we feel it is a steady market with sales of about 40,000 units a year.

**Ashwini Kumar:** As far as our own specific projects are concerned, that is the launches that we have done, that have continued to show that there is a demand. So in terms of our specific projects, we have seen that the demand is there.

**Ritwik Sheth**: Has there been good offtake for the projects which you have launched recently?

**Ashwini Kumar:** Yes, that is what I was saying that for Nitesh Melbourne Park, we sold more than 50 units very quickly actually. So that was quite encouraging. I foresee the same kind of response for other projects, for which we have started actually going to the market through the channel partners.

**Ritwik Sheth**: That is it from my side. All the best for the coming year.

**Moderator**: Thank you. The next question is from the line of Mr. Shashank Vaidya from S. V. Associates. Please go ahead.

**Shashank Vaidya**: I just wanted to ask one question. On standalone basis, you have made some profit but on the consolidated basis, there is a loss. Is this loss mainly because of Ritz Carlton or some other subsidiaries are also incurring some losses?

**L. S. Vaidyanathan:** Only Ritz Carlton. The minority interest is coming only from the Ritz Carlton.

**Shashank Vaidya**: So once the occupancy picks up, probably we will be in a position to breakeven, may be by end of the current financial year?

**L. S. Vaidyanathan:** That is the indication that the operators are giving. So they will be able to give a kind of surplus from the last quarter of this year.

**Shashank Vaidya**: That is it, thanks.

**Moderator**: Thank you. The next question is a follow-up from the line of Mr. Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati**: Thank you once again. Just on this quarter part, what is the extent of the Company's share of area which was sold and the Company's share of value for this quarter?

**L. S. Vaidyanathan:** The total area sold in this quarter was 194,913 square feet, which includes majorly two projects, where we have landowner shares also included. There is a project called Nitesh Hyde Park and we have Nitesh Long Island, which is a plotted development. If you take the landowners' share out of that, about 12,000 to 14,000 square feet will go out. So, roughly around 180,000 square feet has been sold, which is the Company share's in this quarter.

**Puneet Gulati**: Okay and in terms of value?

**L. S. Vaidyanathan**: Rs. 104 Crores is the total value. If you take out the landowners' value, Rs. 80 to 85 Crores will be our value.

**Puneet Gulati**: Rs. 85 Crores will be your value.

**L. S. Vaidyanathan**: Total value is Rs. 104 Crores.

**Puneet Gulati**: What is the amount collected in this quarter?

**Ashwini Kumar**: Collection during the quarter is Rs. 78 Crores.

**Puneet Gulati**: Just on the residential part, what will be the income recognized in this quarter?

**M. A. Venkateshan**: The entire recognition is from residential except for a very small amount of Rs. 66 lakhs, which is other income but otherwise everything is from residential.

**Puneet Gulati**: So will the cost be the same or will it include anything else?

**Ashwini Kumar**: For the cost, again amount to the extent of around Rs. 50 lakhs is for other and rest of it is all for residential.

**Puneet Gulati**: Thank you so much.

**Moderator**: Thank you. The next question is from the line of Mr. Ranjit Dighe, he is an individual investor. Please go ahead.

**Ranjit Dighe**: What is the EPS that we expect to end FY2015 with?

**L. S. Vaidyanathan:** We are looking at something better than the last year because we have reached a certain scale with the high turnover expected and the advertisement and the personnel expenses will also be controlled.

**Ranjit Dighe**: Thanks, that is all from my side.

**Moderator**: Thank you. The next question is from the line of Mr. Samar Sarda from Kotak Securities. Please go ahead.

**Samar Sarda**: Good afternoon. With regards to the Indiranagar mall, how much have we spent until now on construction?

**L. S. Vaidyanathan**: Construction is yet to commence but in terms of the deposit to the landowner, the preliminary work approval, the design and various investments, we have spent close to Rs. 165 Crores.

**Samar Sarda**: How much of this would be refundable?

**L. S. Vaidyanathan**: There is no refundable portion in that. We have given a nonrefundable portion of 104 Crores is included in this.

**Samar Sarda**: What would be the construction cost of the around million square feet mall?

**L. S. Vaidyanathan**: For the million square feet mall, the total project cost is anything between Rs. 586 and 605 Crores. So on the MEP, we are still finalizing the rates. Around Rs. 600

Crores will be the total cost of construction including the interest during construction period and marketing.

**Samar Sarda**: With regards to your development portfolio, that is the residential projects, how many projects would be revenue share and area share in percentage terms or in absolute terms?

**L. S. Vaidyanathan**: From the ongoing projects, four projects are under revenue share and rest of them are on the area share basis. Going forward, we feel that most of the landowners will also like to participate more. Normally, our ratios in the overall development will be around 60% to 65% and 35% will be the landowners' share. Going forward, we expect 85% of ours and another 15% to 20% with be landowners' share. They are not giving the full stock for participation. 50% of them are coming to us.

**Samar Sarda**: Which projects would be under revenue sharing?

**L. S. Vaidyanathan**: Nitesh Hyde Park, Nitesh Long Island, Nitesh British Columbia and Nitesh Palo Alto.

**Samar Sarda**: With regards to new land tie-ups, any expenditure done in the first quarter or any payment for the existing land parcels?

**L. S. Vaidyanathan**: For a new plotted development, we have spent Rs. 3 Crores. In another project, Rs. 2.5 Crores, so we have spent around Rs. 5.5 Crores in the quarter.

**Samar Sarda**: Is there any additional land expenditure or deposit expenditure in the coming nine months, which you think you could do on land?

**L. S. Vaidyanathan:** Yes. For the new parcels, which we are talking about, we may have to spend another about Rs. 12 Crores in the next two quarters.

**Samar Sarda**: So all in all, the new land expenditure or new land tie-ups expenses would not be more than Rs. 20 Crores for the year?

**L. S. Vaidyanathan:** Yes, that is all not yet planned. Already one project which we are talking about is fully paid, two more are getting added and one more we are looking at. If you put together, it will be in the region of Rs. 15 to 20 Crores in the balance three quarters.

**Samar Sarda**: I might have missed this earlier, what will be the Nitesh's share of the Saleable Area. 10.41 million square feet is Developable Area and 8.6 million square feet is the Saleable Area, so is that Nitesh's share?

**Ashwini Kumar:** In the 6.75 million square feet, I would take about one million, so roughly about 5.75 million square feet.

**Samar Sarda**: So 5.75 million square feet is strictly Nitesh Estates' share?

**Ashwini Kumar:** Yes.

**Samar Sarda**: Out of the total Revenue Potential of 36 billion rupees, Rs. 31.5 billion is Nitesh's share for the 5.75 million square feet?

**Ashwini Kumar:** Yes.

**Samar Sarda**: Thanks a lot.

**Moderator**: The next question is a follow-up from the line of Mr. Shashank Vaidya from S. V. Associates. Please go ahead.

**Shashank Vaidya**: Just a suggestion, not many analysts are following your Company. So I request you to consider conducting analyst meet and may be, you can show some of your projects. This is because, I find it is one of the most transparent companies in real estate, which gives all the details including all the rates and cost of construction. So that way, may be more analysts start following the Company and that will help in spreading the good word about the Company.

**Ashwini Kumar:** Thank you very much for the suggestion and we would certainly invite you to any meetings that we hold next time. We would look forward to seeing you there.

**Shashank Vaidya**: Thank you. Good luck.

**Moderator**: Thank you. The next question is from the line of Mr. Prem Khurana from B&K Securities. Please go ahead.

**Prem Khurana**: Good afternoon everyone. Sir my question was with respect to your launches. Basically if I was to look at your presentation, it seems over the next 12 months, you would be able to deliver 7 odd projects with around 3.9 million square feet of area. If I am not mistaken, you talked about launching of 5 million square feet of area in the short to medium term. So basically what I wanted to understand was, given the fact that we still have some 4 million square feet of unsold inventory available with us and you are looking to have around 5 million square feet of new launches, so around 9 odd million square feet of area under construction or inventory would be available with us. So it is 9 million square feet of area vis-à-vis 1 odd million square feet, which is our yearly run-rate. So I mean, to exhaust this inventory, we would take 9 odd years. So could there be a situation wherein your cash flows turn negative? This is because you would have sales somewhat lower and your construction outflows would be somewhat higher. Therefore you would get to have negative cash flows or would you want to plan your launches in a manner that you do not get to have that kind of situation?

**Ashwini Kumar:** What I would say is that if you look at the individual projects, that is the ones which are in advanced stage of construction, there are at least four to five projects which will get completed in this fiscal year itself. If you look at the sales percentage, that has gone up to the extent of 75% to 95%, so all of them are in healthy stage. It is only some of the new projects, and one particular project in fact, where there is a lot of work which has happened and that is called Nitesh Hunter Valley. But that is something which we have not launched as yet. So we are showing it in inventory since we are saying that is an ongoing project. So there will be lot of activity, in terms of design and preparation, so if you exclude that, then you will find that the level of activity is fine and you will see that the costs for the cash is corresponding to the level of activity. We have made our business plan and we have planned our cash flows so that we are in a position to construct all the projects.

**Prem Khurana**: So when you say 5 million square feet of new launches, does it include Nitesh Hunter Valley or exclude Nitesh Hunter Valley?

**Ashwini Kumar:** No, in terms of the sales area which will be launched, that gets included in that 5.83 million.

**Prem Khurana**: What kind of improvement do you foresee in your sales velocity on a yearly basis? It is at around 0.8 or 0.9 million square feet area as of now.

**Ashwini Kumar:** With these new launches, I am expecting that this year we should conclude anywhere between 1.5 and 2 million square feet of sales.

**Prem Khurana**: Does it mean the second half of this year would be very, very extraordinary because this quarter we have done around 0.2 million square feet of area sales. So to sell 1.5, we would be required to do 1.3 million square feet of sales over the next three quarters. And given the fact that we have not seen any significant launch, apart from Nitesh Melbourne Park, most of your launches would take place in second half, so most of these numbers would come through only in second half, right sir?

**Ashwini Kumar:** Right, so as far as the sales is concerned, that would come out indeed from new projects. As far as the revenue recognition is concerned, that will come through projects, which are in the advanced stage of construction.

**Prem Khurana**: Just on these cash flows, your total sales potential is around Rs.31,600 million or Rs.3,160 odd Crores and your sold inventory was around Rs. 1,000 Crores. How much would we have collected out of this Rs. 1,000 odd Crores?

**Ashwini Kumar:** We have collected Rs. 808 Crores.

**Prem Khurana**: Rs. 808 Crores is our share or total?

**Ashwini Kumar:** Within that, around Rs. 100 Crores belongs to the landowners, so ours is around Rs. 710 Crores.

**Prem Khurana**: Total cost that you talked about, that is around Rs. 2,200 Crores, what would be our share of this?

**Ashwini Kumar:** It is entirely ours.

**Prem Khurana**: Entirely yours. So it becomes all the more critical for us to sell units because if we are not to sell then cash flows would become negative. This is because, you have already collected around Rs. 700 Crores out of Rs. 1,000 odd Crores. So pending is only around Rs. 300 Crores and you need to spend Rs. 1,700 Crores. So it becomes all the more critical to have significant ramp up in your sales velocity.

**Ashwini Kumar:** Absolutely, no denying.

**Prem Khurana**: Thanks a lot sir.

**Moderator**: Thank you. The next question is from the line of Mr. Harshit Gujarati from Athena Investment. Please go ahead.

**Harshit Gujarati**: Good afternoon sir. I have a couple of questions on financials, especially what is the Debt outstanding, as on date in the Company's accounts?

**Ashwini Kumar:** Net debt is Rs. 329 Crores.

**Harshit Gujarati**: Rs. 329 Crores and how you see the Debt shaping up for the period of next one or two years in terms of actual amount?

**Ashwini Kumar:** As Mr. Vaidyanathan was explaining, if you look in terms of the Net Debt/Equity ratio, right now we are at 1.0 and the idea is to reduce that to 0.7 by the end of the fiscal year.

**Harshit Gujarati**: As far as the Ritz Carlton is concerned, what is the occupancy rate as on date and how do you see it going forward? Especially because when the occupancy will increase, it will percolate the earnings to our consolidated level.

**Ashwini Kumar:** This is the project wherein the results are not getting consolidated. The impact comes to the P&L only through the minority interest, which is about 23%. So right now, it is still in the 30% range. As far as the occupancy is concerned, I do see that it will start moving and we are expecting it will start breaking even by end of the year, as far as cash flows are concerned.

**Harshit Gujarati**: One more question, can you provide me the land and development cost breakup? I mean how much is the land cost and how much is the approximate development cost of all the projects? Is it possible to get that?

**L. S. Vaidyanathan:** We are following the joint development model mostly. Whatever cost is incurred includes the landowner component. So while we are entitled to get 65% to 70% of the revenue, but the whole cost is booked in our books of accounts. So about the ratio of our projects, the percentage of that relates to the land that is put in there. Unless you go project by project, it cannot be divided.

**Harshit Gujarati**: As on date, we are selling approximately 200,000 square feet per quarter basis. As on date, we have 9 million square feet of inventory, how this inventory will get lined up for the next two, three or five years down the line?

**Ashwini Kumar:** If I am to talk about this very year, as I was saying, we should end up selling 1.5 to 2 million square feet and then we take it from there. So first we want to reach a level of 2 million square feet from the current level and then we will scale it further.

**Harshit Gujarati**: Thank you very much.

**Moderator**: The next question is from the line of Mr. Shanmuganathan Sundaram. He is an individual investor. Please go ahead.

**Shanmuganathan S**: I just had a question on the EPS front?

**L. S. Vaidyanathan:** We expect it to be Rs. 2 to 3 for FY2015.

**Shanmuganathan S**: Is it for the consolidated entity or without including any losses from the Ritz-Carlton venture?

**Ashwini Kumar:** Yes, we did factor in our certain amount of losses that would come from Ritz-Carlton.

**Shanmuganathan S**: So going forward, from next year would we be having these losses on our books on an annualized basis?

**Ashwini Kumar:** We do not expect this to happen in the next year.

**Shanmuganathan S**: That is all I have.

**Moderator**: Thank you. The next question is a follow-up from the line of Mr. Prem Khurana from B&K Securities. Please go ahead.

**Prem Khurana**: Sir just one question, how much Debt is there in Ritz Carlton's books?

**L. S. Vaidyanathan:** For Ritz Carlton, it is Rs. 325 Crores.

**Prem Khurana**: Our Net Debt of Rs. 329 would include how much on account of Ritz Carlton?

**L. S. Vaidyanathan:** It is an associate entity.

**Prem Khurana**: Not on consolidation basis. What I want to understand is that you would have put in some money in Ritz-Carlton, right? So how much was funded through Debt?

**L. S. Vaidyanathan:** Our equity was very much without Debt.

**Prem Khurana**: It was all funded through internal accruals only. You were not required to take any Debt for funding?

**L. S. Vaidyanathan:** No.

**Prem Khurana**: Thank you sir.

**Moderator**: Thank you. The next question is a follow-up from the line of Mr. Harshit Gujarati from Athena Investment. Please go ahead.

**Harshit Gujarati**: Just wanted to get an idea about the status of our Nitesh Park Avenue, Sankey Road project and how is the realization going over there especially for this project?

**L. S. Vaidyanathan:** We have already awarded the contract to Simplex. The work is going on but the total Revenue Potential for Nitesh Estates is in the region of Rs. 195 Crores. We have just been waiting for the right kind of pricing. It will be priced around Rs. 30,000 a square feet. So we are waiting for the basement work to get completed and then we will go into the market. It is in a very early stage of marketing and if you look at the overall project, it’s total Revenue Potential for Nitesh is around Rs. 195 Crores.

**Harshit Gujarati**: And as on date, we have sold 21% of the total?

**L. S. Vaidyanathan:** Yes.

**Harshit Gujarati**: Is the realization of that somewhere from Rs. 19,000 to Rs. 20,000 per square feet?

**L. S. Vaidyanathan:** No, it is going to be in the region of Rs. 30,000 per square feet. So this will be the potential and it will come only in the later part of this year.

**Harshit Gujarati**: But sir, if I look on a consolidated basis, what is our average development cost per square feet for all the projects?

**L. S. Vaidyanathan:** In the mid segment, our average cost is in the region of Rs. 2,200 per square feet. Higher-end products like villa projects will be in the region of Rs. 3,500 to 4,000 per square feet. Very high-end projects are in the region of 6,000 to 7,000 rupees a square feet.

**Harshit Gujarati**: If I consider especially Nitesh Park Avenue, what would be the development cost?

**Ashwini Kumar:** It will be close to Rs. 7,000 to 8,000 per square feet because it is a very tall building with a lot of features and imported components. It is likely to be around Rs. 8,000 a square feet.

**Harshit Gujarati**: Do we have a 50% stake in that?

**Ashwini Kumar:** Yes, we have an almost 50% share in the project.

**Harshit Gujarati**: Thank you very much.

**Moderator**: Thank you. The next question is a follow-up from the line of Mr. Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati**: Thanks for the opportunity again. Just tallying up the amount collected, your share was Rs. 78 Crores, right?

**Ashwini Kumar:** For the quarter?

**Puneet Gulati**: For the quarter. And how much was the amount spent on construction and how much was for any land or any other charges?

**M. A. Venkateshan:** Rs. 56 Crores is for the project construction and land related advances are about Rs. 4 Crores.

**Puneet Gulati**: Rs. 4 Crores. Thank you so much.

**Moderator**: Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

**Ashwini Kumar:** Ladies and gentlemen, thank you very much for joining us today. If you have any further questions, please do connect with Mr. Venkateshan, who will be happy to provide you the answers. Thank you very much once again and have a great day.

**Moderator:** Thank you, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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*Note: This document has been edited to improve readability.*