Nitesh Estates Limited

Third Quarter FY2014
Earnings Conference Call

February 13, 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

Moderator Ladies and gentlemen, good day and welcome to the Nitesh Estates Q3 FY2014 Conference Call, hosted by Axis Capital. As a reminder, all participants' 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 call, please signal an operator by pressing "*" then "0" on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Lakhan. Thank you and over to you, sir.

Kunal Lakhan Good morning everyone. Thanks for taking time out to attend this concall. From Nitesh Estates management, we have today 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. I would like to hand over the call to the management for their opening comments.

Ashwini Kumar Good morning ladies and gentlemen. Welcome to call today, the way we would go about this call is that I would give the brief highlights of the quarter results and would also take you through our project portfolio very briefly. Then, I will hand over to my colleague Mr. M. A. Venkateshan, the CFO of Nitesh Estates. He will take you through the numbers and then after that we will be open to your questions.

To tell you the highlights of the quarter, we had a Sales Value of Rs. 73 crores, which represents a growth of 16% year-on-year. The cumulative Sales Value of our projects now stands at Rs. 1,038 crores, which has been achieved through the sales of 2.4 million square feet of area. The particularly heartening thing about our quarter results is the increase in the Average Price Realization, which has now moved to Rs. 6,280, an increase of about 4% sequentially. The Area Sold in the quarter was 0.12 million square feet, which represents a 56% growth on a year-on-year basis. The number of units that were sold was 73 and the total Collection during the last quarter was Rs. 80 crores.

We now have 14 projects under execution, which, in terms of area of land, cover 137 acres, whereas in terms of Developable Area, represent 10.77 million square feet. This excludes the hotel which became operational in the last quarter. In addition to this, we have another 90 acres which will soon come under development and this means another 9.12 million square feet.

The total Sales Potential of the ongoing projects right now is Rs. 3,300 crores. Two other projects, one of which is named Nitesh Melbourne Park and another in Hosur area, will shortly get added to this and will take it to Rs. 4,100 crores. Now if I concentrate on the residential projects only, the total Developable Area of the 13 residential projects is 9.66 million square feet, which represents a total Saleable Area of 7.77 million square feet. The Area Sold till date has been to the tune of 2.27 million square feet and this is out of the Company's interest of the Saleable Area, which is 6.21 million square feet. The total Sales Value potential, as I had said, is Rs. 3,300 crores and the sales booked till date out of this is Rs. 987 crores. The Collections till date cumulatively are Rs. 672 crores and we have recognized income of only Rs.370 crores. So there is significant amount of income which is yet to be recognized and this is an amount of Rs. 492 crores i.e. the bookings have happened but we have not recognized income. We are looking forward to the coming quarters with a great deal of positivism. With this, I will hand it over to my colleague, Mr. Venkateshan.

M. A. Venkateshan Thank you Ashwini. Good morning to you all and once again welcome to the earnings call. Thank you for the interest shown and the time taken by you. I will present the brief overview of the consolidated results for the quarter. The Company achieved a Total Income of Rs. 66.4 crores, up 319% from the corresponding quarter last year. The Gross Profit for the quarter is Rs. 25.3 crores with a margin of 38%. EBITDA for the quarter is Rs. 11.8 crores, at 18% of

Total Income. Profit before Tax in the quarter is Rs. 3.8 crores; PAT i.e. Profit after Tax is Rs. 2.7 crores, at 4% of the Total Income. Net Loss, after adjustment of our share in AOP is Rs. 4.7 crores.

For the nine-month period in FY2014, the Total Income is Rs. 250.8 crores, up 319% year-on-year; Gross Profit is Rs. 91.3 crores with a margin of 36%. EBITDA for the quarter is Rs. 52.3 crores at 21% of the Total Income and Profit before Tax is Rs. 29.2 crores. PAT i.e. Profit after Tax is Rs. 23.5 crores at 9% of the Total Income. Net Profit for the nine-month period in FY2014 is Rs. 12.9 crores. EPS for the nine-month period is Rs. 0.89 per share.

The Standalone results for the quarter and 9 months are as follows: Total Income is Rs. 16.5 crores for the quarter and Rs. 85.9 crores for the nine-month period. EBITDA is negative Rs. 1.5 crores for the quarter and positive Rs. 13.6 crores for the nine-month period. PAT is negative Rs. 3.3 crores for the quarter and Rs. 6.0 crores for the nine-month period.

Net Debt position, as on 31st December 2013, is Rs. 277.1 crores vis-à-vis Rs. 245.7 crores as of September-end. The Net Debt-Equity ratio is 0.83 as of December-end, almost at the same level as September-end. With this, we will open ourselves for questions.

Moderator Thank you very much sir. We will now begin the question and answer session. The first question is from Niraj Somaiya from Span Capital. Please go ahead.

Niraj Somaiya Hi all of you. My first question would be on the Area Sold – you have sold 0.12 million square feet, which is lowest, at least in the last four quarters and your Net Debt has gone up by almost Rs. 30 crores i.e. from Rs. 246 crores to about Rs. 277 crores – could you throw some light that is it because of the Bangalore business slowing down or is it just an aberration? Could you just throw some light on that because this is the lowest area you have sold?

Ashwini Kumar Hi, good morning Niraj. I think one reason is that in the last quarter we did not have any launches. If you compare to the previous quarters, we have had launches which added to the Area Sold, so whatever sales have happened this quarter have happened from the steady ongoing projects – that is why you see a dip.

Niraj Somaiya I think you added one project, your 13 projects has become 14, so you have added one project?

Ashwini Kumar No, there was no launch in the quarter actually. We have added one project in terms of revenue recognition in the quarter but there is no fresh launch of sales which happened in Q3.

Niraj Somaiya My next question would be that what would be the reason attributable to no launch? Is it because you want to complete your projects or is the Bangalore market slowing?

Ashwini Kumar We would certainly like to launch projects. There have been some delays related with the approvals coming in from the government – it was related to the government action, for example, BWSSB had not been issuing any approvals. As a result, we were delayed but now the government has decided to start giving the approvals and therefore now we would be able to take the projects through the approval process. So in the coming quarters we will be able to launch.

Niraj Somaiya So it is not industry slowdown, it is more a technical reason, that is why you have not launched?

Ashwini Kumar Yes, it is a technical reason why we have not launched in the quarter.

Niraj Somaiya And once the approvals come, how many launches could you have in the next 6 to 12 months?

Ashwini Kumar We have 2 projects which are fairly immediate in terms of launching.

Niraj Somaiya In terms of your Net Debt, it has gone up by Rs. 30 odd crores in this quarter, what would be the reason attributable to that? The development work that you progressed further? Could you just throw some light on it?

M. A. Venkateshan This Rs. 31 crores increase is partly due to the Working Capital requirement and partly to accelerate the projects i.e. mainly some of the new projects which required some initial push.

Niraj Somaiya My next question would be on the Ritz Carlton hotel. So is it operational now? How many rooms of the 275 odd are operational and have you invested your full money i.e. the last Rs. 10 crores? Could you just throw some light on the Ritz Carlton hotel and what has been your experience once it is operational?

Ashwini Kumar The hotel has become fully operational now. These are the initial months, as you can understand – we opened the hotel on 1st of November and of course, we saw two complete months of operations in the quarter. The occupancy is in the region of 22%, which is fairly healthy considering the fact that it is in the initial stages. And the most important, of course, is the F&B part. The F&B part has been doing exceptionally well, so that is another area that we are happy about. I expect that it will start raising the level of occupancy in the next 6 to 9 months and get to a point where it is much healthier.

Niraj Somaiya And your entire Rs. 130 crores investment has been done? How much stake would you hold in the hotel now?

M. A. Venkateshan Overall, we have 26% control.

Niraj Somaiya Have you invested the entire Rs. 130 crores i.e. have you done the last Rs. 10 crores which was supposed to be done?

M. A. Venkateshan Yes, it is fully done for the project.

Niraj Somaiya Now one general strategic question – over time from a 2 million per year execution, you are aiming for a 10 million per year, as we had discussed last time. Do you still hold that true? Over time will you aspire to do that? And in terms of your projects, you will always have cash flow driven from your clients itself? So there would not be much shortfall and generally your Receivables will be close to your new bookings, would those statements still hold true which we had discussed in the last quarter?

Ashwini Kumar Absolutely, in fact, if I look at the quarter, the Collection was to the extent of Rs. 80 crores which is actually more than the value of the bookings. If I look at the entire nine-month period, from the projects only, the cash flow that was generated was a surplus of Rs. 100 crores. So there is surplus which is coming in from the projects and we should be able to fund our projects from the customer collections largely.

Niraj Somaiya And is your mall operational? You were expecting Rs. 50 crores to Rs. 60 crores as your share i.e. Rs. 100 crores overall. What is your view and is the mall operational? Have you found tenants or what is the situation – if you could just throw some light on the mall and how much of your Rs. 350 crores has been invested till date?

Ashwini Kumar We had indicated earlier that the loans have been approved. A significant event which has happened, and it is fairly recent, is that we now have the ability to start drawing down from the bank and therefore we'll be able to start the construction. The Supplementary Agreement of the joint development has been already signed and is an important event which happened yesterday. So it now enables us to actually start the construction – we have kept everything absolutely at the point where we could start the construction, so we will be able to start the construction this quarter itself.

Niraj Somaiya So when would the mall be ready? And your investment is Rs. 350 crores?

Ashwini Kumar Yes, we have already invested Rs. 170 crores in it and it will take 30 months to get the mall operational.

Niraj Somaiya Thank you.

Ashwini Kumar Thank you.

Moderator The next question is from the line of Adhidev Chattopadhyay from HDFC Securities. Please go ahead.

Adhidev Chattopadhyay I have a couple of questions. Firstly, in relation to the Ritz Carlton hotel, could you give us guidance that when do you expect an EBITDA breakeven? And by what time do you see the EBITDA being able to service the interest cost for that project? If you could give us some perspective on that?

Ashwini Kumar I think we should be cash positive in another couple of quarters. But it may take a couple of years by the time we are able to see profit after interest and amortization. Hotel, as we know, is a long-term game and we are prepared to be patient with this till the money starts coming in. But yes, it will become cash positive in one or two quarters.

Adhidev Chattopadhyay Secondly, just wanted to get your view on the Bangalore market. So across your projects, are you seeing any slowdown in any specific segment as such or do you see the sales momentum continuing pretty well across the sphere? That is even in the premium projects and the affordable projects you have in your portfolio?

Ashwini Kumar While one hears lots of comments, in general, about Bangalore but speaking very specifically about projects, I would not say that there is any downturn in traction. Initially, you see euphoria in any project when it is launched. Our projects have come to a fairly steady state and we're not seeing any decline in the uptake. From our perspective, we do want to get the right kind of Realization, so we keep raising the prices and not necessarily look at velocity. As I was explaining earlier on one other question, there is cash surplus which is being generated by the Company and therefore there is no real urgency.

Adhidev Chattopadhyay Lastly, one house-keeping questions, the Debt for the hotel is a part of the consolidated Balance Sheet and the consolidated results or is it totally off the Balance Sheet?

Ashwini Kumar The hotel is managed by an associate company and the Debt of the hotel is not consolidated with Nitesh Estates.

Adhidev Chattopadhyay So what would be the approximate Debt right now on the books of the hotel?

Ashwini Kumar The Debt would be around Rs. 312 crores on the books of the hotel.

Moderator Thank you sir. The next question is from the line of Mr. Saurabh Jain from HSBC Bank. Please go ahead.

Saurabh Jain Hi sir, thanks for taking my question. Just looking from a cash flow perspective, how much of cost have you already incurred in these projects?

Ashwini Kumar If I look at the total expenditure on the projects, out of the total budgeted cost of Rs. 1,995 crores, we have incurred Rs. 429 crores so far.

Saurabh Jain So that means about Rs. 1,500 crores is still remaining?

Ashwini Kumar Correct, that is including all the 13 projects.

Saurabh Jain So ideally, if I try just to figure out, we have some Rs. 1,000 crores of net cash flow expected per year over the next 4 to 5 years. Factoring that Rs. 3,300 crores is the total Sale Potential, out of which about Rs. 1,000 crores you have already booked, out of which Rs. 300 crores is yet to be collected. So around Rs. 2,300 crores is the total Sales Potential?

Ashwini Kumar Rs. 3,305 crores is the Sales Potential and cumulatively we have collected Rs. 672 crores out of that, so we have over Rs. 2,600 crores of pending Collections.

Saurabh Jain Thank you.

Moderator The next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.

Ritwik Sheth Hi good morning everyone. I had a couple of questions. First is on the Ritz Carlton hotel - what was the revenue which you generated for the two months?

Ashwini Kumar It is something which does not get consolidated with NEL. The revenue for the first two months was Rs. 12 crores.

Ritwik Sheth Further on the Ritz Carlton, the hotel loss is of Rs. 7 crores in Nitesh Estates share, so what is the total loss?

Ashwini Kumar The total loss would be to the extent of Rs.32 crores.

Ritwik Sheth And going forward, do you expect this run rate to continue or this was a one-off because it was the launch of the hotel and there might be one-time exceptional expenses that you incurred?

M. A. Venkateshan The loss is mainly on account of the capitalization. Depreciation is one major factor and interest is another major factor.

Ritwik Sheth Then going forward what would be the annual operating expenses which you expect?

M. A. Venkateshan It is an asset close to Rs. 2,000 crores. In the initial period, the absorption of interest and depreciation will be very small.

Ritwik Sheth What is your exit strategy over 3 to 5 years on the hotel business? Is there any view to exit it in the next one or two years?

Nitesh Shetty It is a little premature for us right now but we have options between us and the partners as REITs open in India or there are large foreign funds who are looking at stable assets. At the appropriate time, we will take the decision. Our immediate term objective is to stabilize the hotel over the next year. As Ashwini has mentioned, in the next 2 to 3 months, it will be operationally profitable that is we would not have anything on the operational side to be taken care of. But once the hotel stabilizes and then we will look at valuations etc and we will look at various options.

Ritwik Sheth For the next two years, there is no plan as such with the minority stake?

Nitesh Shetty For the one year, we would want to ensure the stability and understand the Balance Sheet and after one-two years, it will be a fair assessment from our end.

Ritwik Sheth One book-keeping question, the advertisement expenses have increased 50% and it has not translated into the sales. So is it a lagging effect or there is no demand now or the demand is very soft – what do you interpret from this?

Ashwini Kumar I think it is a lagging effect, the intent is also that we will build the brand equity of the Company. It is not necessary that there is an impact on the sales.

Ritwik Sheth So for the next two quarters, can we see advertisement expenses going back to normal and the effect coming on the topline?

Ashwini Kumar Yes, absolutely we do expect that on an ongoing basis. However, when we launch the two projects I mentioned about, one project called Nitesh Melbourne Park in Hennur and another in Hosur Road – both of them have roughly a revenue potential of Rs. 1,000 crores, then of course there would be an expense in advertising which should be a bit higher. But the normal sustained advertisement for the ongoing projects should not be significant.

Ritwik Sheth One more question – on revenue recognition, you currently have 8 projects which are due for completion in 2014, so how confident are you of completing all of them and delivering them?

Ashwini Kumar There are five projects which are at very advanced stages –Nitesh Flushing Meadows, Nitesh Hyde Park, Nitesh Columbus Square, Nitesh Caesar's Palace and Nitesh Logos. So these are going in for completion in another couple of quarters. Within the next fiscal year, you will see that the entire revenue would have got recognized out of these projects.

Ritwik Sheth So by FY2015, you expect all these to be completely sold and the revenue to be recognized on the books, is that right?

Ashwini Kumar Absolutely.

Ritwik Sheth So would that be around Rs. 600 crores in all because Unrecognized Income is Rs. 350 crores and the inventory value would be approximately Rs. 200 crores, is my calculation right? I'm talking about all the eight projects which are due in 2014.

Ashwini Kumar I would say that we will get back to you specifically on that number but directionally that is absolutely correct.

Ritwik Sheth One final question – do you think that the Bangalore market has plateaued after so many quarters relative to the other metros?

Ashwini Kumar As far as the Bangalore market is concerned, while it has not been growing for the last several quarters but the absorption is holding. So in a fragmented market, when I look at a specific Company like ours, the idea is to go and grab higher market share. It is a highly fragmented market, even the leader would also have really about 4% to 5% market share. So our objective is not to get bogged down by what is happening in the larger markets. We want to get our market from out of the existing projects – that is the way we look at it.

Ritwik Sheth One follow-up question on the upcoming projects – you are saying that the 8 projects will be over by FY2015, so what kind of projects do you plan to launch by FY2015? Because if you remove the eight projects, then you are left only with 5 to 6 projects and one mall which is coming after three years. So there is not much on the horizon, so what kind of projects we plan to launch in FY2015 in terms of million square feet and in terms of number as well?

L. S. Vaidyanathan We will be adding 2 projects in this quarter, which is close to around 1.5 million square feet and going forward, we are working on about 6 deals. Hopefully all these things will get into a launch by December 2014. So we will be adding another about 6 projects effectively to the existing 8 within 6 to 9 months, depending upon the approvals which we will be able to get. The approval process is also getting speeded up from our end. So 6 more projects will be added which will be close to 3 million square feet.

Ritwik Sheth What is Average Room Rate for the Ritz Carlton hotel?

Nitesh Shetty If you go on the Internet, you will probably get a price of Rs. 16,500. The corporate rates are being negotiated anywhere between Rs. 5,000 room night to Rs.10,000 room night.

Ritwik Sheth Do you expect the Bangalore property prices to plateau because there is too much of supply?

L. S. Vaidyanathan No, we don't see that. Over the last 2 to 3 quarters, the prices have gradually increased. About 20% is the price at which is getting stabilized in the last two quarters. We don't see the prices getting dropped. Average price in Bangalore has crossed Rs. 4,000 per sq. ft. in any category, even from a small builder, so we think our average price of Rs. 5,000 plus will hold and we see some leaders' prices are little higher. As of now, the prices may go up but definitely are not likely to come down.

Ritwik Sheth That's it from my side. All the best.

Moderator Next question is from the line of Mr. Arijit Malakar from Ashika Stock Broking. Please go ahead.

Arijit Malakar Thanks for the opportunity. During the quarter, how many projects came into your revenue recognition across all asset classes?

Ashwini Kumar There was 1 project which we added to revenue recognition in Q3.

Arijit Malakar Your EBITDA margin has declined significantly sequentially due to higher advertising and sales promotion expenses, so my question is will it persist in coming quarters?

Ashwini Kumar The EBITDA margin decline, if you compare with Q2, was mainly because of one-off income which happened in Q2. Also from the Gross Profit point of view, excluding the one-off income, we are seeing that it is increasing. And as we go forward, every rupee of value that we add and every rupee of expenditure that we incur – more of it will be flowing through the P&L and the margin will also increase. As I was telling you, the Average Price Realization has gone up by 4% over the Q2 itself and now it is Rs. 6,200 plus, so that immediately starts impacting the margins.

Arijit Malakar What was your inventory position at the quarter-end in terms of value?

Ashwini Kumar Well, I would really take you to the revenue potential in that case. As I said, our revenue potential is Rs. 3,300 crores and out of that, we have sold roughly Rs. 1,000 crores, so about Rs. 2,300 crores is the value that we have to sell more.

Arijit Malakar What is your Average Realization per square feet during this quarter?

M. A. Venkateshan It was Rs. 6,280 during the quarter.

Arijit Malakar Rs. 6,280?

Ashwini Kumar Yes

Arijit Malakar What is the sequential growth actually?

Ashwini Kumar It was Rs. 6,018 in the previous quarter, that has gone up to Rs. 6,280, which is about 4% increase.

Arijit Malakar Thank you.

Moderator The next question is from the line of Mr. Deep Master from Enam Holdings. Please go ahead.

Deep Master Good Morning. You said that the total value of your unsold inventory is about Rs. 2,000 crores. Could you break this down into finished inventory and say, inventory that is about to be completed in the next 12 months?

Ashwini Kumar If I look at the projects which are in advanced stages of construction, the sales have happened to the extent of about 71% or higher. So whatever is in advanced stage, of course the sales have happened to a fairly large extent. But the projects which are in the pre-construction stage or the soft stage of sales, of course we have inventory which is still there. We have totally about nine projects which are under revenue recognition. Out of these nine projects, there are seven projects where the sales have exceeded 50% of the stock and six projects where it has exceeded 70%, two where it has exceeded 90%, so that will give you an idea that the sales have happened to a fairly good extent in the projects which are under construction.

Deep Master Could you just give me the value of finished stocks i.e. for projects which are say, 90% and above completed?

Ashwini Kumar If I look project-wise, in Nitesh Flushing Meadows, we have sold everything; in Nitesh Caesar's Palace, we have a stock of 75 units; in Nitesh Hyde Park, we have a stock of 51 units; in Nitesh Columbus Square, we have a stock of 72 units left, so these are all projects where the sales have happened to an extent of 70% or more.

Deep Master I am guessing – these are all about to be completed in FY2015?

Ashwini Kumar Yes, we will close these out in FY2015 itself, so all the sales and the cost recognition will happen.

Deep Master And just on the sales that are done already, what is the amount to be collected?

Ashwini Kumar The amount which we have collected cumulatively is about Rs. 672 crores. If you look at it from the point of view of Receivables, if that is what the real intent is, there are certain things which become sticky but within 30 days typically, we collect all the money that is raised.

Deep Master Our cumulative Sales Value is Rs. 987 crores, what is the amount of cash to be collected as the projects phase out? Or if you could tell me how much amount you have already collected?

Ashwini Kumar Just to complete the picture, Rs. 987 crores is the booking which has already happened. Out of that, we have collected Rs. 672 crores and therefore the amount which remains pending is Rs. 315 crores.

Moderator Next question is from the line of Mr. Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan Hi, I just have one question. Our unsold inventory stands at about 4 million square feet, whereas if we look at our quarterly run rate, barring the quarter in which we launched a project, our quarterly run rate is the range of 1.5 to 2 lakh square feet. Now at this run rate, we would take about 20 to 25 quarters to exhaust or rather sell our current inventory. I'm sure the Area Sold number needs to go up, so what is the strategy on selling ongoing projects? Because we have generally seen that when a project is launched, we generally sell about 30% of the project in that particular quarter, but it takes a bit of time to sell the remaining 70%, so what is our strategy to sell area in on ongoing projects?

Ashwini Kumar If you look at the material that we have sent out for the investors, you will see that this Rs. 3,300 crores also includes some of the projects where pre-construction activity has begun but we have not yet started selling those projects. That is how the amount which is left to be sold looks to be high, say for example, Nitesh Hunter Valley, Nitesh Palo Alto and Nitesh British Columbia are still in the pre-sales stage. But the point is that we will see that rate at which the sales will happen will keep on increasing.

Kunal Lakhan So what kind of sales run rate you would be happy with? For example 0.3 or 0.4 million square feet per quarter?

Ashwini Kumar Yes, we want to get to 0.3 to 0.4 million square feet per quarter.

Kunal Lakhan When you say 0.3 to 0.4 million square feet, are you excluding the new launches? I mean are you talking about sales in ongoing projects?

Ashwini Kumar Including everything.

Kunal Lakhan That's it from my side, thanks.

Moderator Next question is from the line of Mr. Saurabh Jain from HSBC Bank. Please go ahead.

Saurabh Jain You have some Land Bank mentioned on Slide #13, so do you hold this Land Bank or your method is only JD or JV based?

Ashwini Kumar As you are aware, we typically do projects only on a joint development basis. These lands are actually cases where we have Memorandum of Understanding or JDA with the land owners.

Nitesh Shetty Having said that, we do own a land of 4 acres in Cochin, which is valued at Rs.70 to Rs. 80 crores. We are trying to use that as collateral for some of our construction projects so on and so forth.

Saurabh Jain So excluding the land parcel, rest of the land is not sitting in your books?

L. S. Vaidyanathan As land, no.

Saurabh Jain The JD based agreements are generally on revenue shares basis or area share basis?

Ashwini Kumar It does vary from project to project. There are some projects which are on revenue shares, say Nitesh Hyde Park. But generally the projects right now are in area shares. The tendency to move to the revenue shares now is actually becoming the trend from the land owners' side.

Saurabh Jain Is there some kind of an agreement, like you will be selling the apartments for the land owner or do they have freedom to sell at their own prices?

L. S. Vaidyanathan We have clear arrangements in our JDA where we don't allow the land owners to sell their own portions. In case they have a revenue share, we collect some marketing fee i.e. about Rs. 150 or Rs. 200 and we have the escrow arrangement from which we distribute the collection. So there is no conflict of interest between us and land owners, there is no question of them selling and cutting our price. We definitely fully cover the control on the marketing in our MoUs.

Saurabh Jain And this total Sales Potential includes the land owners' share?

Ashwini Kumar The total potential, that we spoke of, is essentially our share.

Moderator Next question from the line of Mr. Kaushik Gopinath from Tata AIG. Please go ahead.

Kaushik Gopinath Hi, thanks for taking this question. One question that I had was regarding the new launches. What is the target segment you will be focusing i.e. the luxury or the mid-income? And also wanted to know regarding the Bangalore real estate market. Is the focus more towards mid-income, even by the competitors or the focus is more towards the ultra-premium and luxury segments?

L. S. Vaidyanathan What we are seeing in the last two quarters is that the real momentum is happening in the Rs.50 lakhs to about Rs.80 lakhs segment and things are still moving if we go up to Rs. 1.2 crores. In the luxury segment, things are little slow. If you go by the square feet pricing, the real market is about Rs. 4,500 plus per sq. ft. where the momentum is happening. 70-80% of the products in the Bangalore market are sold on an average price of Rs. 4,500 to Rs. 5,000 per sq. ft. If you get into the luxury segment, the momentum is very slow.

Kaushik Gopinath Regarding your presence, your focus would be primarily in the Bangalore market? There are a few launches, which I think were in

Goa and other places but is there any other new segment which, in your opinion, has more potential?

Nitesh Shetty We think Bangalore market is quite solid and robust and 90-95% of our portfolio is here. We intend to continue in that way and not lose our focus in going in and infiltrating the other markets. But having said that, as per our income-producing assets strategy, if we do come across a couple of opportunities which will take us to the other markets, we will take them. And we are working on the couple of private deals on that front. But yes, on the residential side, I think Bangalore is the best market right now and we understand that market as well.

Kaushik Gopinath Thanks a lot.

Moderator There are no further questions. I now would like to hand the floor to the management for the closing comments, thank you.

Ashwini Kumar Thank you very much, ladies and gentlemen for taking the time off and taking interest in our Company. In case you have more detailed questions to ask, we will be very happy to answer to you. Please contact Mr. M. A. Venkateshan – our CFO and we will be happy to connect to provide more information to you. Thank you very much and have a good day.

Moderator On behalf of Axis Capital, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

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Note: This document has been edited to improve readability.

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