



# “Peninsula Land Q4 FY2017 Results Conference Call”

May 11, 2017



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**Moderator:** Good morning ladies and gentlemen, welcome to the Peninsula Land Q4 FY2017 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 for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Jehan Karanjia from Axis Capital. Thank you and over to you Sir!

**Jehan Karanjia:** Thank you. Good morning everyone and thanks for taking the time out this morning to attend this concall. From the management we have Mr. Rajeev Piramal, Vice Chairman and Managing Director, Mr. Mahesh Gupta, Group Managing Director, Mr. Dinesh Jain, Group CFO, Mr. Bharat Sanghvi, CFO and Mr. Shardul Doshi, Head of Group Treasury and Investor Relations. Without any delay I would like to now invite the management for their opening comments. Over to you gentlemen.

**Rajeev Piramal:** Thank you very much. Good morning everyone. First of all let me thank you everyone for taking the time out to be part of this call. What we will do on this call you can go through what is the standard format. I will just talk a little bit, give an overview in terms of the operation of the company, focusing also on the last quarter, but also give an overview of the year, a little bit about some of the issues that we faced may be in the last year and then also a little bit about looking forward into the coming year what challenges we expect to face particularly in light of some of the regulatory changes that we all know that have come into effect as far as the sector is concerned. After that I will hand over to Dinesh Jain to talk you through the financial and then we will open it up for questions and then we can address whatever questions you may have.

Firstly I think let me talk a little bit about the operation of Peninsula Land over the last year we had. On the operations I would say that we have kind of seen a upturn and we are moving as far as sales is concerned in the right direction, so I will break operations into two broad buckets that we have been talking for sometime. One is actually the existing and ongoing project, which is the sale, construction and delivery of existing project. The second piece that we have been talking about has been the monetisation of the land assets. So I talk about the operations as far as the sale and actual progress on all our projects first and then we can talk a little bit about the land monetisation as well.

As far as the sales is concerned, there has been a pretty strong year for us. We had actually pretty strong first two or three quarters of the year, we were on track, we had one big launch in the last year, which was Salsette 27 project in central Mumbai in Byculla and that project was initially affected very badly by the demonetisation that has happened. The launch of the project was on November 10, 2016 demonetisation of course November 8, 2016, but thankfully we saw the last quarter recovery in terms of sales, so I think on overall basis. As far as projects are concerned, across all our projects in the last year we sold around 573,000 square feet of area against 266,000 square feet. In the previous

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year our sales across all these projects was Rs.904 Crores vis-à-vis Rs.714 Crores in the previous year when collection also was at Rs.557 Crores against Rs.475 Crores in the previous year. So as far as if you look at the last quarter how this broke down I think the last quarter is very interesting and strong quarter Q4 for us say in the post demonetisation era we had to take a couple of decisions with regard to our two large products, which were Salsette 27, which is the project in Byculla and Celestia Spaces, which is the project in Sewri, so the last quarter we took kind of very different strategies in terms of how we dealt with each of the projects. In Salsette given the strong demand that we have established in that location and the high demand for a project, we are able to really capture the interest that we had in a launch that we did in November while in the initial months we did not have too much sales in November and in December. The interest that was there that the launch created we were able to kind of mine that same database and same existing customers who have very successful kind of march so we did in the last quarter, while not having to reduce our prices at all. So in Salsette we have been able to maintain a price, we have seen price increases and we have been able to do a reasonable Bollywood sales despite that.

As far as Celestia Spaces is concerned, we took a little bit of a different track, sales have been slow in that project for sometime due to various reasons. We then decided to be modest let us say in terms of offering various schemes to buyers and the response is very, very strong for that, so we took kind of different approaches to both of our projects and that resulted in 300,000 square feet of sales in Q4 post demonetisation, which is a very encouraging performance for us and we did sales of about Rs.490 odd Crores in that quarter. So I think that for us going forward the way I see it, we are on track on the sales front. I think as far as execution is concerned we have in the last two to three years a lot of work in terms of improving our ability to execute and deliver a project. At this point of time right now we have construction ongoing in six of our projects. We completed Ashok Meadows in the last year, which was a project in Pune, the first phase in construction is completed, the handover phase is going on over there. Currently we have four live projects in Mumbai, Bishops Gate, Carmichael Residences, Salsette 27, we have one live project in Bengaluru, which is Peninsula Heights and then we have construction ongoing in Ashok Nirvaan in Khandala as well. As far as Ashok Meadows in Pune, Ashok Astoria in Nashik and Ashok Beleza in Goa are concerned, whatever construction is going on this project has been completed, in fact for Ashok Meadows and for Ashok Astoria and Beleza for that matter we have received OCs and handover and things like that are going on. We do have some unsold inventory in all these projects, but we are in the process of selling a balance inventory over there. So I think as far as construction is concerned, we are beginning to see now us completing and handing over projects, so this year was Meadows, Astoria and Beleza, we will see that continuing to happen in the next three to four years and we continue to deliver and execute a project. So on the execution front, most of our projects we are pleased with the way they are progressing. I would say that at this point of time, if you were to ask in terms of concerns, Peninsula Heights, which is a JP Nagar Bengaluru project we are slightly running behind schedule over there, but I think we should be able to recover the time and we should be able to hand over the project in a

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timely manner. So I think as far as operations are concerned, there has been a positive year for us, good year for us as far as sales and actual progress on projects have been. In the coming year now, we will face the challenge in terms of adapting to a post RERA world. We are internally pretty ready in terms of registering our projects and going to registration process; however, there are still a few details that need to be ironed out, so we are erring on the side of caution and we will of course register within the stipulated time, but we wanted to be sure that we are able to address any grey area that may exist and we can discuss that a little more as the call goes on and before we register our projects going forward. I would say that in the operations front.

I would say that in the land monetisation front it has been a little bit more challenging. We had been of course working on number of transactions and we have been doing this for the past may be 24 or 30 months right now and the last year really we had two transactions that kind of came through for us. We completed the sale of Ashok Meadows property, the Hinjewadi property, the phase 2 of that we completed the sale of that to Godrej properties for Rs.201 Crores and also in addition to that we got refund from one of other smaller properties and we have made investment in Hyderabad, there is a property, which we have put in 25 Crores investment, which will be able to get our money out and get our money back. So I would say that on the land monetisation part we have been working pretty hard and try to get some transactions to happen, but given the overall market it has not progressed at a speed you would like to, but nonetheless we are pretty confident that we should be able to do in the next few quarters conclude some transactions in regard to our other partners of land, so that just gives you a little bit of an overview on the operations. I am sure there will be more questions, which we can address in the question and answer session. I will hand over now to Dinesh Jain to talk us through the financial for the quarter and then for the year as well.

**Dinesh Jain:**

Very good morning. For the year ended March 31, 2017, income from operation stands at 264 Crores and as you know that this is the first full year of Ind-AS accounting for Peninsula Land Limited and because of the adoption of Ind-AS accounting there has been a lot of valuation, which has undergone, the required valuation of investments, some of the current assets, items and because of that for the year there is a loss of Rs.143 Crores as we progress we will explain the what all it comprises of. About the year-end the debt has gone up from 1714 net debt to 1980, debt equity has gone up slightly from 0.95 to 1.23. Rajeev was mentioning about the demonetisation of the land parcel, which is taking longer time, so we are working towards that and the target is to reduce the debt at the company level. So just to give a little bit more on the composition of Rs.142 Crores. So during the year one of the deferred tax asset, which is required under the Ind-AS which cannot be carried forward. Its more of a accounting adjustment so that is one item which has come. Another adjustment is Rs.63 Crores of impairment in investment made in the subsidiaries and it is more of an accounting adjustment, which is sort of, based on certain valuation parameters used, so larger part of the impact has come of these two which has resulted in the loss of Rs.143 Crores.

- Rajeev Piramal:** So with that, I will open it up for question, which we can be happy to address.
- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good morning Sir! Thanks for taking my question. Actually I had questions on operations I mean this quarter appears to be pretty good in terms of your bookings as well as in terms of collections, but basically I wanted to understand the kind of jump there was seen in our bookings in this quarter Rs.488 odd Crores, which appears to be the highest that we have be done in any single quarter, so what would have led this number essentially if I were to look on a sequential basis the only thing that was seen changing in last quarter you had this demonetisation because of which we could not see any significant transactions, so what did we do differently in this quarter so as to be able to achieve this kind of number and is this the pent-up demand was there in the last quarter, but these transactions could not be consumed because of demonetisation for any other reason and do you see these numbers to continue I mean this kind of performance to continue going forward?
- Rajeev Piramal:** As I mentioned earlier we had significant launch event that was planned for the third quarter of last year, which was a launch of Salsette 27. Just to give you some more details of the project that it is on the New Great Eastern Mills. It is about 9 lakhs square feet saleable area roughly and we have done some presales of course prior to that, but main launch was going to happen in November. Essentially what happens with demonetisation, the launch that was supposed to be scheduled for November got really pushed to the last quarter, but nonetheless because of that we have seen that kind of jump, so we did I think 60 units in the month, I will just reconfirm the number. So basically the launch of one of our largest projects got push back and we saw that, sorry we did 40 units in the last quarter due to the launch, so in that way we have seen a jump as far as Salsette is concerned. As far as Celestia is concerned as I mentioned earlier we took a different strategy, we went aggressive in the pricing, we offered a lot of schemes, like subvention to the buyers and there was a huge interest and huge demand has been generated as a result of that. Now I think as far as the plan for us is concerned, going forward the plan in this year is to continue to see consistent and sustainable sales on a quarter-to-quarter basis. I think that so over the year, over the four quarters overall we obviously think that we expect an overall increase in our sales from last year, but obviously this quarter is a spike yet and it is because of basically new project launch that was a main contribution I think to the sales of the last quarter.
- Prem Khurana:** How is the run rate being in the month of April I understand the 4Q was good because you could do launches and then therefore you could do see significant jump in your numbers, how is the run rate being in April and first 2 weeks of May?

**Rajeev Piramal:** The run rate has been reasonable I think that Salsette continues to sell very well, Celestia we are doing okay we can do a little better, but I think that overall at this stage we are still on track to meet our internal target that we have for the first quarter at this point of time.

**Prem Khurana:** How do you see RERA will impact not exactly as I mean entire industry as such?

**Rajeev Piramal:** It will be a significant impact in many different fronts. I think that one in terms of for a lot of companies just going through the process of registration, the sharing of information, the transparency, and also the quarterly reporting that is required it is going to take a lot of resources, time, and a lot of companies may not be geared up to deal with the kind of volume of work that is required particularly to register the projects. I think that in addition to that from a liquidity point of view of course the regulation does make it a little harder on overall basis, so I think that for developers who are able to generate sales and liquidity, in that way we will find a little difficult, but from our perspective I think that while there are challenges in the regulation because this regulation is really an opportunity. I think that for developers such as ourselves who are obviously one publically listed, who are second very used to reporting and transparency and sharing of information I think we have a slight adjustment required of course because there is a lot of information on the project level is required and you need to be very cautious in terms of what you what you commit to when you register because once maintained it is very difficult, so we all understand that in this business things sometimes can be a little flexible, things can change because your regulations change, situations change, you are so dependent on approval from government bodies and things like that, so I think that from an overall point of view there are certain challenges, but I look this is an opportunity for us and Mr. Gupta may be would like to add something.

**Mahesh Gupta:** Incidentally since we developed quite a few textile mill land where the escrow requirement was anywhere there. We put the money in escrow whereby every time we withdrew the money require a regulator's approval, so we are used to that type of mechanism also, so as Rajeev mentioned I think it is an opportunity for us developers like us and we see it as an opportunity.

**Prem Khurana:** Just on cash flow situation, so we have done good in terms of collection this year, I mean, seen better than last year, but despite that there has been increase in our debt numbers it has gone up by some Rs.370 odd Crores on net basis, so given the fact that we still have Rs.2000 odd Crores of debt and wherein we would be required to pay interest @ 12% around odd nos , I mean, the cash flow bleed would continue for some more time till the time we would have reached some stage wherein we start doing significant amount of cash flows from the new launches, so when do you see this time the cash flow burn to kind of come down substantially because that has been going by up despite our efforts it has been going up?

- Maresh Gupta:** As you rightly mentioned and as Rajeev mentioned in his opening remarks, we have been trying to monetise some of the land we are holding, which is taking longer than we anticipated. Cash flow position will significantly change, only once we are able to sale some of the lands we are holding. At this time I agree it is a bit of a stretch on the cash flow and that is why the borrowing has also gone up.
- Prem Khurana:** So when do we see this money to come to us, asset monetisation that we have done during the quarter?
- Maresh Gupta:** We are putting all the effort we should, we wish it sooner or later, but these are not entirely in our control.
- Prem Khurana:** No, I was talking about the transactions, they have already consumers one with Godrej properties wherein we suppose to receive around Rs.200 odd Crores, so 55% is our share, when do we expect this money to come at least, the transactions, which have gone through?
- Maresh Gupta:** As far as that is concerned one trans has already received, Rs.112 Crores received by Q4, the balance is expected in September as we have to get some approvals and then there is a percentage that we will get as a revenue, so then on an ongoing basis we get 4% of revenue.
- Prem Khurana:** Sir on P&L even if I were to adjust for that Rs.52 odd Crores of provisions that you have made in your other operating expense and despite other things we have done EBITDA loss and if I have to look at our project portfolio it is a large part of a number, in terms of revenue seems to have come from our Celestia wherein we booked almost Rs.176 odd Crores out of Rs.200 odd Crores what we have reported in our P&L should does it mean, in Celestia we have been doing losses or is it because initial sales have been made at a discount and apparently which is why we are seeing these kind of losses?
- Maresh Gupta:** I think Celestia the initial sales was done at a certain price, which you are seeing that, but I think as the project progresses we will see the uptake in that continue to happen and the progress would happen.
- Prem Khurana:** Sure and one last question, if I have to look at net worth we have restated our net worth, so this entry wherein we have done fair valuation of some of our fixed asset wherein we booked almost Rs.399 odd Crores of I mean taken our assets higher by some Rs399 odd Crores, which assets were these be?
- Maresh Gupta:** Mainly two assets, one is the Peninsula Spenta Building, which is our office building, another is a Piramal Chamber, which is a property, which is on the lease to the Government of India, the Income Tax and Excise Department.

- Piramal Chamber:** Sure. Thank you.
- Moderator:** Thank you. The next question is from the line of Ritwik Seth from Span Capital. Please go ahead.
- Ritwik Seth:** Good morning Sir! Sir just a few questions, firstly this 200 Crores Ashok Meadows phase II that is not on the list right, which we are going to monetise or we are looking to develop it, anyway if you can throw some light on that?
- Rajeev Piramal:** Basically this was the Hinjewadi Phase II, at one point we were looking to develop, but I think that the right opportunity came along and we moved from that.
- Dinesh Jain:** I think the idea was we have another large land for sale in Pune, so as a strategy and that caters to a different price point, this parcel we have some plans on that, you could hear from us on that.
- Ritwik Seth:** Right so that is the Mamurdi Gahunje or the Tathavade?
- Dinesh Jain:** Mamurdi Gahunje.
- Ritwik Seth:** So now we are looking to develop Mamurdi Gahunje obviously in phases?
- Rajeev Piramal:** No, I think as far as Mamurdi Gahunje is concerned, I think it will take a couple of quarters, we would be able to share some more information in regard to what exactly our plans are over there. As the land monetisation is concerned yes we have been working on number of transactions, we were actually pretty ready in terms of Hinjewadi and Ashok Meadows to develop the second phase. We have to look at our overall land portfolio, we look our land portfolio totality and we look at what opportunity comes to us in a context as a result of that. This transaction came up and made sense for us to do it and we exited this property, so while we had overall list so to speak in terms of which properties we are looking to monetise, the appropriate value very flexible in terms of our approach, always look at options that may not be an option at one point of time depending on circumstance.
- Ritwik Seth:** This Rs.200 Crores and the Rs.43 Crores on the other non-core, they have already - the cash flow has come in or that is consummated after 31 March, 2017?
- Rajeev Piramal:** As we just mentioned to the previous caller, as far as the Rs.201 Crores of Godrej is concerned, Rs.112 Crores has come in at the moment, the balance will come in the month of September by the second half of this year when we get some approvals in place, 4% of revenue from the project we will get.
- Ritwik Seth:** This Mamurdi Gahunje is little like far from the main city like two or three kilometers away from the main city, is that understanding right?



- Rajeev Piramal:** Yes that is actually near the cricket stadium.
- Ritwik Seth:** So around the cricket stadium it will be around Rs.4000 per square feet?
- Rajeev Piramal:** Yes in that range.
- Ritwik Seth:** My next question on debt, what is the construction cost for the coming year, for the current year FY2018?
- Mahesh Gupta:** Get in touch with Shardul and he will provide that information.
- Ritwik Seth:** Okay sure. Sir coming to the debt part, so like it looks like that even if you monetise couple of Rs.100 Crores, another Rs.300, Rs.400 Crores, so that we will be using it to fund our like construction cost because of this RERA or how will it because it seems that the cash will be utilized for the working capital and the capex, so if you can throw some light and the debt would not go down significantly at least for the coming four to six quarters provided for the sales as well, so if you can – what is your opinion on it and if you can throw some light on this please?
- Mahesh Gupta:** Land monetisation will be mainly the money used to retire the debt. For construction finance is concerned we have facilities tied up plus our cash flow from the sale, which already done will be more than adequate to meet our construction finance requirement.
- Ritwik Seth:** So the construction cost would not be an issue in the coming four to eight quarters right?
- Rajeev Piramal:** No, I think really if you look at the volume of sales we have done, receivables from it and construction finance, operating the project level, reasonably we are quite secured at this stage. Of course, we will continue to do more sales also this year, but nonetheless we are in – at the project level we do not see any issues.
- Ritwik Seth:** That is it from my side. All the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Singh from Ampersand Capital. Please go ahead.
- Rahul Singh:** I had two, three questions, first is on the debt assuming that the land sale does not happen Mamurdi Gahunje from the receivables, from the existing sales, which we have done, is there any scope for reduction of debt from an organic basis and a related question is that why there was an enabling resolution to increase the limit of borrowings or NCDs to 2,500 Crores, which does not seem to be required from the way you are mentioning that the receivables are going to be enough, so if you can just answer these two questions in conjunction then I have another followup?

- Maresh Gupta :** Without the sale of the land there may not be significant reduction of debt, the operation cash flow may meet part of the requirement of debt repayment, so whatever debt is there on those specific projects the cash flow from those projects will be more than adequate to retire those debts, but general other debt, which is there – for that we have to achieve the land sales to make a significant reduction in those debt. As far as resolution is concerned, it is under the new Companies Act, earlier under the old Companies Act once you taken a borrowing resolution it was perpetual, but where under new Companies Act you require the borrowing resolution every year, so while taking the enabling resolution they increase the limits likely marginally from the last resolution, it is more of a routine requirement than an intention to raise significant debt.
- Rahul Singh:** Just to get it right there is no possibility of debt reduction from?
- Maresh Gupta :** I will say not zero, but not significant reduction without land sale.
- Rahul Singh:** For example without land sale can Rs.1900 go to Rs.1980 Crores? Can Rs.1980 Crores debt go to Rs.1700, Rs.1800 or even not that much?
- Maresh Gupta:** No. That much should be possible depending on project completion. Significant surplus cash flow in both Carmichael and Bishops Gate for example, so that should meet the cash flow, they should help in reduction of the debt to some extent. I was talking larger reduction, for example if you want to go to say Rs.1000, Rs1200 Crores level from Rs.2000 level almost then we require them to achieve the land sales.
- Rahul Singh:** The land sale in Mamurdi Gahunje obviously the location probably makes it suitable for some affordable housing kind of project, but what is the real status because last call also there was a possibility that it could close by end of March, but obviously it has taken longer time, what exactly is the issue, is it the lack of demand or is it just the location or just wanted to understand?
- Rajeev Piramal:** I just think that the size of transaction in this market has its own challenges, so I think that there has been demand; however, also we have to find a credible buyer who we feel can conclude and consummate transaction, so in the past actually we have proceeded on the certain grounds, a couple of buyers and I think that things can happen as a result of that, in fact last year as far as Mamurdi was concerned we had a transaction in place, but then demonetisation affected the closure of that transaction to some extent, so I would say right now we are I would say in discussion with a very, very credible entity on the other end and I hope in the next quarter or two we have something like concrete to say as far as both Mamurdi and Gahunje are concerned, I know that we have been in this position before, but I think that at this time in this particular circumstances, we are very, very confident that we would have some news in the next quarter or two with regard to these properties and I think that it all linked to what we will also intend to do on these properties, whether we are

developing, exiting, partly developing, partly exiting, there are lots of options that we are discussing, also in terms of asset class, in terms of affordable, etc., as you mentioned yourself, so there are a lot of things that are happening right now and I think things will become much clearer like I said in the next maybe quarter or two.

**Rahul Singh:** Last question from my side on the accounting, can you just elaborate a little bit on what was the impact because of IndAS?

**Mahesh Gupta:** On the P&L account, there are two significant impacts during the year, one is Dinesh has mentioned in his opening remarks, there is impairment and fair valuation adjustment, which is a part of other expenses to the tune of Rs.52 Crores. If you see a public result there is a note number 5 and 6 to the debtors and another Rs.60 odd Crores is the write off of the deferred tax assets, put together about Rs.111, Rs.112 Crores is the adjustment on account of these two items?

**Rahul Singh:** At the operational level, there is no impact of IndAS the cost of construction and?

**Mahesh Gupta:** No, IndAS mainly restating the assets and liabilities and fair value and taking the fair value adjustment for the various inventories and investments, etc., but not operational level. On the P&L account two major impacts are there and on the balance sheet certain assets are reclassified under different heads and plus there is a fair valuation of some of the assets, which somebody earlier question asked of the two of our major asset, one is the Piramal Chamber Building, another is our office building Peninsula Spenta.

**Rahul Singh:** The reason I am asking is why there should be a loss if you are selling, if you had such good sales in the quarter, I know accounting loss could be there in real estate kind of accounts, but still it seems a little odd that there will be a loss at the operating level?

**Mahesh Gupta:** I think Rajeev mentioned that in answer to earlier question i.e. Celestia Spaces where we did a large sale in the last quarter and this first quarter where we crossed threshold of the 25% to recognize the revenue, the first quarter where we recognized revenue basis. Under percentage of completion method when we account for the revenue and the cost, there is a cost estimate for the entire project including whatever escalations and the contingencies we envisage whereas the revenue is based on the whatever revenue you have done in the last quarter or till now and as Rajeev mentioned initially some sales for project are relatively lower price, so long and short it does not take into account, the higher price will realized going forward, so in this quarter there was almost Rs.14 Crores, Rs.15 Crores loss on account of the Celestia spaces.

**Rahul Singh:** Thank you very much.

- Moderator:** Thank you. We will take the next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.
- Samar Sarda:** Good morning. Thank you. One of my followup questions was on the budget plans for FY2018 like what is the target sales you wish to assume from your existing projects, just wanted to understand like what have you budgeted, the construction numbers we can take from Shardul and are there any new launches I understand like Ram Mansion is getting cleared things like that for FY2018?
- Mahesh Gupta:** We would like to rather avoid forward looking statement, but in the opening remark Rajeev mentioned the old projects are progressing pretty well and our sales are on track whatever target we have.
- Rajeev Piramal:** As far as new launches are concerned yes there will be, I think we can look forward to something in the second half of the year, but like I said this is all some extent also like Mamurdi and Gahunje and we will do more about that, we would be able to share more about that I think in the next quarter or so.
- Samar Sarda:** Few book keeping questions if I may like, for example, Hyderabad you mentioned like you recovered some Rs.23, Rs.24 odd Crores, if I am correct the land portion was around about Rs.68 Crores and our share was 55% or so, so have we like return of some amount there?
- Rajeev Piramal:** Not at all, we recovered exactly what we invest.
- Samar Sarda:** There are some changes with respect to the Bishops Gate construction area and sales area on a percentage basis, so has the budget gone up or like the area gone up?
- Rajeev Piramal:** We are expecting due to some rule changes to get a little bit of additional area that has been reflected in the area say the Bishops Gate.
- Samar Sarda:** Next question is again on IndAS like Celestia Spaces is a joint development property, which is the first sales, so have you also moved to gross basis of accounting for this or like we are continuing to do net basis of a profit?
- Mahesh Gupta:** No, there is no joint development of Celestia Spaces, under the joint development agreement we are required to give certain area share to the land owner, so there is no change in accounting as far as based projects are concerned, so our share of revenue comes in our books and entire cost of project comes in our books.
- Samar Sarda:** Yes it is a JDA right?

- Dinesh Jain:** That is right.
- Samar Sarda:** Because most of the other developers have shifted to like gross accounting under IndAS including like one listed player, so which is where like the margins could come down and that was one of the reasons?
- Maresh Gupta :** We have been advised by the auditors and the opinions we have taken, what accounting they are following in the current accounting and as you know the company going forward this was a last year we may need to require to change the auditor, so we appointed the Ernst & Young going forward, though they were not formerly appointed we have even involving them their opinion, etc., and whatever IndAS adjustment we have done going forward, we do not want any ambiguity on that, They confirmed with you.
- Samar Sarda:** Just wanted to check whether you recognized the Pune land sale yet or that will happen in the first quarter of this fiscal?
- Maresh Gupta:** Except the 4%, which is linked to the future revenue, which you cannot quantify exactly, the balance has been recognized.
- Samar Sarda:** So this was a joint venture, so this would be a below PAT?
- Bharat Sanghvi:** Being a joint venture in the console account it has been taken below PAT share of profit from the associates.
- Samar Sarda:** Fair enough and my last question was like again some of your land assets like especially Goa and this Ram Mansion I mentioned earlier so if you could just throw some clarity on those two land parcels?
- Rajeev Piramal:** The SEZ land as of now remains in a status quo, there is nothing new to report unfortunately, with the new government Mr Parrikar is back as chief minister of the state we are making representation to him to try to find some solution, but at the moment there is nothing new to report. As far as Ram Mansion is concerned we have got certain approvals now in place, we are at a planning stage and required to see what best we can do as far as developing of the project is concerned, so I think Ram Mansion second half this year we may have some more information to share as far as exactly what we are trying to do on the property, but yes we have got approvals in place and now in the planning stage for that project.
- Samar Sarda:** Just from a strategy perspective like we have two big projects in Mumbai, which are now steady and trending like, so they will have their own ups and downs with regards to the constructions and sales cycle and the other two projects Bishops Gate and Carmichael Roads more or less sold out and will be completed over the next 12 to 18 months, so how do we look at like potential growth plans for the

next two years because Mumbai is really high value and you need to reduce that plus you need to also add projects?

**Rajeev Piramal:**

I think that is why I would, actually when we talk about the opportunity I think, even in the new regulatory environment RERA, I think that what we are saying is increasingly and in the time of opportunity that are coming to us increasingly with RERA and the requirements in terms of keeping money, the restriction of how much you can receive on sales before doing any transactions, we need all approvals in place before you register a project, you need all approvals in place to register your project, when to start sales, etc., means that the upfront loading on project is going to increase significantly. Because of that what I feel you will see as far as on the land front is concerned, outright land acquisition is going to become harder and more unlikely to do because for developers to pay big capital upfront and then also spends more money on approval and all the rest of it is going to be hard. So I think that what we are seeing is this is a preferred option in any case and the opportunity that we are coming on a direction, also right now a lot of JDA, JV, those kind of transaction. We do not necessarily require a significant upfront capital investment, but have lot of potential in project, so I think our objective would be over the next couple of years would be to look at these kind of projects, we already have reasonable transactions pipeline, which we are examining at this point of time. I also think that redevelopment would be another option that we have not really done too much before, we will be exploring that as well. So I think that as far as opportunity is concerned a very kind of aware of the fact that we need to start looking at next cycle of projects. We have already initiated that process and I think that given the capital constraints at the moment we have still given the overall regularly environment and the environment in the market also where on one side is RERA, yes we did had a good quarter and certain projects have done well in the city in the last year or so, the overall environment still remains reasonably challenging, so I think that lot of smaller and mid size developers as well as landowners are looking for the strong brand to come in and with that has attracted a lot for him, for large volumes for best price as possible and we fit the bill over there as well. So I think that we are looking for another opportunity and we are very kind of aware that we need to start trying to close it only as we go forward and working in that direction as of now.

**Samar Sarda:**

Great, just last two questions if I may. One is like on your gross debt of like Rs.2150 odd Crores, what is the absolute interest payment for the year?

**Mahesh Gupta:**

Weighted average cost is around 12%.

**Samar Sarda:**

Mr. Piramal what would be the fair value of the Mamurdi Gahunje land as per your market price for you?

**Rajeev Piramal:**

It is difficult to say at this point of time. I mean given that we are in some discussions going on at this point of time. I would say that it is difficult for me to say at this point.

- Samar Sarda:** No issue. The book value has gone about 3.5 billion right?
- Mahesh Gupta:** The book value of Mamurdi Gahunje?
- Samar Sarda:** Yes.
- Mahesh Gupta:** Let me come back to you on that.
- Samar Sarda:** Thanks a lot and all the best for FY2018.
- Moderator:** Thank you. The next question is from the line of Ami Parikh from Fiduciary Euromax Capital. Please go ahead.
- Ami Parikh:** I had few questions. First is what is the impact of Ind-AS on revenue side?
- Mahesh Gupta:** No impact on the revenue.
- Ami Parikh:** Because if I am reading it right, in the last year, which was not Ind-AS year FY2016 revenue stood at around Rs.300 Crores right?
- Mahesh Gupta:** If you are referring to the corresponding figures of the previous year given in the public results, they are referring Ind-AS though it is the first year of the incorporation they are with effective from April 1, 2015, the last year figure has been regrouped and recasted from Ind-AS and if you see the public results these are reconciliation between the Indian gap results and the Ind-AS gap results, but the difference is in your account of the certain fair value adjustments and the interest adjustment on certain assets on the revenue recognition.
- Ami Parikh:** On the revenue recognition side right?
- Mahesh Gupta:** There is no difference in the revenue recognition as far as the Peninsula is concerned; there is no difference between the revenue recognized under the India from the old Indian gap.
- Ami Parikh:** I had a doubt like last year we had recognized revenue of Rs.300 Crores and this time if we compare FY2016 revenue is close to Rs.113 Crores, so I am not getting on this part.
- Mahesh Gupta:** Come again please.
- Ami Parikh:** Last year FY2016 revenue stood at around Rs.300 Crores, which was reported in last year. Now this year when we compare FY2017 revenue with FY2016 revenue, then FY2016 revenue is Rs.113 Crores, so this is something I am not getting.

- Maresh Gupta:** That is console number.
- Ami Parikh:** I am talking about consolidated numbers.
- Maresh Gupta :** What is your question, I am not getting your question?
- Ami Parikh:** Last year when we had reported final numbers FY2016 numbers, the revenue was Rs.300 Crores right?
- Maresh Gupta :** I think you are mixing up between the standalone and the consolidated.
- Ami Parikh:** In the presentation and in the annual report also it is given 300 crores
- Maresh Gupta:** Separately we will explain you.
- Ami Parikh:** I will take it off line. Another question I had is on the Hyderabad side like the land sale like how many square feet it was spread across?
- Rajeev Piramal:** I do not have the information on hand. The thing is that actually we made an investment with the landowner, there a lot of other issues on the land plus the landowner or the partner itself had lot of other financial problems that he got into separate independent of this property, so really the call we made the negotiation was more like a recovery almost of a consideration, so it was really for us what we put in that we negotiate and got the money out and that was really the challenge for us, so development potential of the land was kind of irrelevant in this case simply because of certain regulatory issues that came up, which put a question mark on the whole development of the land investor.
- Ami Parikh:** So whatever land we had on in Mehdipatnam entire land been sold right?
- Rajeev Piramal:** This was a joint development. In order for the joint development we had made this deposit and we exited the transaction we receive a deposit bank.
- Ami Parikh:** Do we have any other land in Hyderabad like I think we had some in Patancheru was like 4 million square feet.
- Rajeev Piramal:** We do.
- Ami Parikh:** What was its value if you can give some colour?
- Maresh Gupta:** Book value?



- Ami Parikh:** Yes.
- Mahesh Gupta:** I do not know exact number, it will be close to Rs.100 Crores.
- Ami Parikh:** One last question like we are seeing growth on the topline side that is actually good enough, but then on the EBITDA side we are still negative like when are we expecting the turnaround to come?
- Rajeev Piramal:** I think that is obviously linked like I said operations are strong and what we hope is that once we have land monetisation occurs we should be able to see a turnaround of that. So I think that is very linked to largely for us linked to the...EBITDA is still positive.
- Mahesh Gupta:** EBITDA is still positive this year Rs.68 Crores before interest, after depreciation and before interest is Rs.68 Crores, also after as I explained earlier Rs.52 odd Crores adjustment on account of the - which is a book entry on account of Ind-AS accounting Rs.38 Crores on account of impairment of an asset and Rs.14 Crores of fair value adjustment, note number five of the published results.
- Rajeev Piramal:** I think that for us what I would say is that as far as operations are concerned, as far as the projects that we have that are operations like construction is going on, when sales are happening etc., etc., with between our receivables and the construction funds that we have, and whatever debt we have in those properties that is not a concern for us. We will through sales and execution in projects, address those issues. The challenge for us really is on the debt that we have on our so-called nonperforming assets or on the land bank. Yes actually all these properties at some of time when we acquired we have not acquired with the objective of land banking possibly, we acquired with the objective of developing these properties. Now from various reasons market and otherwise regulatory, etc., etc., we have not been able to develop those properties, so really for us that debt that is really linked to nonperforming assets is what the concern and the pain point is for the organization. So for us either we develop those properties or we monetise those properties, so working parallelly on both fronts for all of these properties, for Mamurdi Gahunje for instance as an example we are working on an option where we will exit, we are also working on option where we develop, so as we see it become clearer we will of course share this information with you, but that is really where if you see today that is why the EBITDA level although we have positive it is this debt, which is not where we do not have the projects going, which is really pulling the company's earnings down at this point of time. So that is our challenge, we are fully aware of that also and we are working towards meeting the challenge as we go forward. So I think that once the process has started the Hinjewadi project was one small thing, even smaller investments like Mehdipatnam, which was Rs.25 Crores investment, nonetheless it was a debt investments, so getting that money back that is another small thing, so you know some smaller things are tried to happen of course Mamurdi Gahunje is the big one and we hope we like to have something more concrete in the next couple of quarter as far as this is concerned. Once that happens then we start moving in a different kind of direction as well.

- Ami Parikh:** One last question like the land, which we sold for Hinjewadi that was only for phase 2 right or versus phase 3 land also?
- Rajeev Piramal:** We are exiting the project completely, phase 2, phase 3 we can call it, you can combine that, so we have exited the land completely now.
- Ami Parikh:** Thank you so much Sir! That was helpful.
- Moderator:** Thank you. The next question is from the line of Ajit Sanghvi from MS Securities. Please go ahead.
- Ajit Sanghvi:** Good morning. First just basic question. In assets and liabilities, the investment and properties has gone up from Rs.1 Crore to Rs.291 Crores, the loans have gone up from Rs.51 Crores to Rs.729 Crores and other financial liabilities Rs.238 Crores to Rs.613 Crores. Can you just explain this if you can please?
- Mahesh Gupta:** As I mentioned there is a reclassification. For example if you see the investment property, which has gone up from Rs.2 Crores to Rs.292 Crores as against that property, plant and equipment have gone down from Rs.450 Crores to Rs.150 Crores. The reason is one of the property the Piramal Chambers, which is on the long-term lease to the Government of India under Ind-AS has been classified as the property held in investment rather than fixed assets under the old terminology. Similarly some loan figure you mentioned gone up...
- Ajit Sanghvi:** Rs.61 Crores to Rs.729 Crores.
- Mahesh Gupta:** If you see the loan figure on the financial asset loan figure has gone down from Rs.816 Crores to Rs.253 Crores, so whatever loan is falling due for the payment of 12 months has been classified from long-term loan to the loans under 729. So mainly all these are reclassification of the assets, but in substance as we have discussed loan has gone up by around Rs.240 odd Crores other than if there is no change.
- Ajit Sanghvi:** In current assets, financial assets, the loan is Rs.729 Crores this year against Rs.51 Crores last year?
- Mahesh Gupta:** For example if you see in the other page, financial asset, the loan was Rs.816 Crores last year, which has gone down to Rs.250 Crores, so difference has been classified in the other financial assets, the loans....
- Ajit Sanghvi:** This further financial liabilities Rs.238 Crores to Rs.600 Crores? Other financial liabilities.
- Bharat Sanghvi:** You mean under current liabilities which is...

- Ajit Sanghvi:** Under current liabilities from Rs.238 Crores to Rs.613 Crores?
- Bharat Sanghvi:** Under the Ind-AS now the short-term borrowing is maturing within one year that is Rs.490 Crores has been classified over a year is against the borrowing, which was being classified earlier.
- Maresh Gupta:** Most of the number change is the reclassification from the Ind AS perspective there is no significant change in this number?
- Ajit Sanghvi:** Thank you. Sir basically I see that is three times the market gap, we have a very low interest coverage ratio and I think obviously you are trying to monetise the land and sell them. So I think in future any increment that will be really very – it will be harmful so one is to think other alternatives you know?
- Maresh Gupta:** We do appreciate your point and we are aware of these in fact in the last four, five quarters our effort has been to monetise the land and in this quarter we met with some small purchase in monetizing the Hinjewadi land mainly and recovering and getting out of one transaction from Hyderabad where we recovered Rs.25 Crores. We are aware of that, we are conscious of it and we are making all the efforts to not to increase the debt further and try to reduce the debt, but we have to meet meanwhile our cash flow requirements are there, whatever retail increase is required for that we have to do that.
- Ajit Sanghvi:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for their closing comments.
- Rajeev Piramal:** First of all I would like to just thank everybody who participated and also especially the people who asked questions we were happy to answer any question. If any question have been remained unanswered, please do get in touch with us Mr. Shardul Doshi, Mr Bharat Sanghvi and we can address any of those questions if any more details are required. Like I said in conclusion what I would like to say is that as I said earlier we are focusing on two areas, one is on operation, which is construction and sale of our ongoing projects and second is on land monetisation. As far as operations are concerned, I think that a lot of work that we have been doing in the last over two or three years and beginning to see that come into provision, sales have been reasonably stronger in the last quarter and overall in the year while we can expect to maintain the same kind of run rates in this first quarter, but over the year we will still see increase in sales, we are confident to achieve a better performance over the year in sales than we have over the last year and overall basis on a consistent quarter-on-quarter basis. As far as execution is concerned, I think that we are largely on track for that. Projects are running largely on schedule and that is very encouraging for us from our perspective. As far as land monetisation is concerned, while yes small steps have been taken, there are still certain areas that we are working on and as I mentioned on the call I hope in the next quarter or two we have some

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concrete news to share with all of you with regards to our land monetisation and I think that will be in a positive step for the organization as we go forward. So with that I would like to conclude this call and thank you once again for your time and participation. We will speak again soon. Thank you so much.

**Moderator:**

Thank you. Ladies and gentlemen, with that we conclude this conference. Thank you for joining us. You may now disconnect your lines.