



“Peninsula Land Q2 FY-17 Earnings Conference Call”

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MODERATOR: **MR. KUNAL LAKHAN – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Peninsula Land Q2 FY17 Earnings Conference Call hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kunal Lakhan from Axis Capital Limited. Thank you and over to you sir.

Kunal Lakhan: Good morning everyone. Thanks for taking time out this morning to attend this con-call. From the management, we have today Mr. Dinesh Jain-Group CFO, Mr. Bharat Sanghavi – CFO and Mr. Shardul Doshi – Head of Group Treasury and Investor Relations. Without any further delay I would like to now invite the management for their opening comments. Over to you gentlemen.

Dinesh Jain: Very good morning friends. Thank you very much for taking out time for the conference call. My apologies on behalf of Rajeev, Rajeev is not well and that's why he will not be able to participate during the call. I will try to do a justice in his absence.

So let me begin. During the quarter I would say, we have done quite well in terms of the sales. The new sales of Rs. 235 crores were recorded as against Rs. 165 crores during Q2; collections were Rs. 85 crores as against Rs. 122 crores. But we have had other collections, some of this small land monetization which took place.

In terms of financial performance the revenue recorded Rs.64 crores of revenues against Rs.62 crores and EBITDA of Rs.37 crores against Rs.30 crores. The PAT is Rs. (-9.5) crores. I must say that the numbers have been prepared as per the revised the IndAS accounting standards which is applicable for the Peninsula Land Limited with effect from 1st April 2016.

Let me now straightaway move to the total debt, the net debt on the balance sheet is Rs.1822 crores resulting in a net debt to equity ratio of 1.09. The rating of the company is at A and the weighted average cost of the borrowing is 12.9% which has actually come down. So the financial highlights in terms of whatever has happened as you would have read in the newspapers, we concluded the transaction with Brookfield Investment Group raising Rs.450 crores of equity type money with tenure of 6 years. This will help to an extent refinance some of the debt and elongate the maturity profile of the company.

One more important development is one of our properties which was stuck in the sort of litigation of heritage issues in South Mumbai, I'm happy to say that same is now out of Heritage and MHADA has also given its permission. So we are actually looking at moving forward on the development of this project. During the quarter, we also handed over possession of Phase-I of Pune Project, Hinjewadi and that's been received very well. So I now leave the conference open for any Q&A session in case you have. I think I'm expecting lot of question on the demonetization, so I will be giving my sort of response I thought let there will be questions and I will respond on that.

- Moderator:** Thank you very much. We will now begin with the question and answer session. We will take our first question from the line of Ritwik Sheth from Span Capital. Please go ahead.
- Ritwik Sheth:** You mentioned in your opening remarks that some small land monetization, so can you throw some light on it what land and what amount?
- Dinesh Jain:** We had one development land as such in Hyderabad during the quarter we have been sort of able to get out that project and received Rs.25 crores was the amount which was invested in that project that money has come back.
- Ritwik Sheth:** Secondly about this Brookfield, so they are 43% partner in the NGE project.
- Dinesh Jain:** Sorry Ritwik, we had one small defunct non-operational office in Pune which we sold during the quarter and we realized Rs.12 crores from that.
- Ritwik Sheth:** Okay so 25 plus 12 was the land monetization in the quarter, right?
- Dinesh Jain:** Yes.
- Ritwik Sheth:** And that is reflecting in the other income?
- Bharat Sanghavi:** Not really because this is investments which have been realized so only the profit element if any will come in...
- Ritwik Sheth:** So only the profit element recognized in the other income?
- Dinesh Jain:** It should be more seen Ritwik as actually the cash inflow than into the P&L.
- Ritwik Sheth:** Coming back to the Brookfield as I understand they are 43% partners in the NGE Project.
- Dinesh Jain:** It's not correct.
- Ritwik Sheth:** So you mentioned that 460 crores they are investing, so can you throw some light on the structure. Have we reduced our stake or if you can throw some light on the deal that you have done?
- Dinesh Jain:** Let me first correct Ritwik, Brookfield is not the 43% stake owner in the Byculla project. It is a fund call Primary which is funded by Fairfax group of Canada, they own 43% stake. So there is no dilution anything in the equity stake, the Peninsula held 57% and continues to own 57% equity and economic interest in Byculla project.
- Ritwik Sheth:** So what is this 460 crores group has invested are not getting it?

- Dinesh Jain:** Rs. 450 crores has been invested in Peninsula Land Limited by Brookfield Group and that has essentially gone towards refinancing of some of the debt and elongating the maturity profile of the debt.
- Ritwik Sheth:** So basically we are just refinanced the debt?
- Dinesh Jain:** And that actually happened during the present quarter, not during the September quarter.
- Ritwik Sheth:** So in the balance sheet it will get reflected in the March 2017?
- Dinesh Jain:** That's correct.
- Ritwik Sheth:** So can you throw some light on Celestia Spaces, last time we spoke there was some price cut by our partners like the Bhattad. So has that corrected and how is the momentum you are seeing pre-demonetization like in the last six months before that?
- Dinesh Jain:** So coming back on to the partnership issues I think those have been resolved as Rajeev had mentioned earlier. There is only one sales office so both of us are actually selling through the same sales office which is managed by us. With that the partners are offering the different price and Peninsula is offering a different price.
- Ritwik Sheth:** So that is corrected?
- Dinesh Jain:** That has been corrected. Celestia sales have been muted I would say. If you see the Q1 we did the sales would Rs.35 crores but the Q2, it has got moved. That is about 9 units have been sold.
- Ritwik Sheth:** So right now it's muted and further so because of this demonetization. If you can throw light we are hearing a lot of things that prices will correct, so what is your sense and how do you think like some people are saying that it will correct by 20%-30%. What is your sense and what is Peninsula Land as a company seeing a structural impact by this move? Or is this a short-term move?
- Dinesh Jain:** The way I see it I think the impact of demonetization definitely would be felt across industry players.
- Ritwik Sheth:** Yes overall real estate.
- Dinesh Jain:** Overall but having said that the impact on the micro markets and the players within that would be different from place to place. For example NCR the market may be different, the impact on the Bombay market and particularly place like Peninsula Land Limited where the impact may be temporary short-term that's what we see. Just to share with you Salsette our Byculla project, it was named as Salsette 27 and post demonetization initially there was an impact but the sales did take place, deals were closed and after subsequent to that weekend we have seen again increase in the footfalls.

Ritwik Sheth: So have we seen any bookings in the last the 2 weeks?

Dinesh Jain: Yes we have seen that.

Ritwik Sheth: And it's like close to normal in the last one week?

Dinesh Jain: We will have to wait and assess the footfalls. I think that's the first sign that the customers are looking at and the micro-market if you see for Byculla project.

Ritwik Sheth: No I'm saying overall like Pune, Bangalore, Bombay all other projects.

Dinesh Jain: It will take some time.

Ritwik Sheth: What is your view on the price like across the industry not just for our project?

Dinesh Jain: I think where there was B-element in the sales that certainly will be affected. But players like us who accepts only cheque do not see really how the market reacts because I'm selling in the same market where there are other projects as well in the market. So we will have to see how the sales go. But definitely there is no such cut etc. as far as our offerings are concerned. We continue to maintain the price at which we were selling.

Ritwik Sheth: Now coming back to the only project, Ashok Meadows, Phase-I we have completed.

Dinesh Jain: Yes we completed.

Ritwik Sheth: And what is the update on Phase-II and Phase-III.

Dinesh Jain: As far as Phase-II and III concerned we have some alternative plans and the work in progress at this point in time and once some update is there we will let you know.

Ritwik Sheth: So we have not launched Phase-II and do we have any inventory left in Phase-I?

Dinesh Jain: We do have some inventory left in Phase-I. I can give you the numbers. It should be there in the presentation, about maybe 60,000 sq ft or 70,000.

Ritwik Sheth: The Mamurdi, Gahunje and the Pune land parcel like we are looking to selling, so any update what is happening?

Dinesh Jain: We are still away but there is the progress. There is definitely a progress as compared to our last talk on this but refraining from sort of giving any further details on that at this point in time. There is definite progress.

Ritwik Sheth: Should we expect some kind of deal to happen in this financial year?

Dinesh Jain: Yes we can expect.

- Ritwik Sheth:** And the Carmichael seems to be going at a very good pace, the construction at least.
- Dinesh Jain:** Sales as well.
- Ritwik Sheth:** So when should we hit the revenue recognition sales like 25% of sales?
- Dinesh Jain:** We have already hit that.
- Ritwik Sheth:** So have we recognized in the revenue because last couple of quarters we haven't seen any...
- Dinesh Jain:** In fact revenue recognition has already happened but what we are publishing is the standalone accounts. It is part of the consol accounts, annual accounts.
- Ritwik Sheth:** So what kind of revenue if you can share that information, what revenue have recognized till date?
- Dinesh Jain:** In the Carmichael, if you look at the top line we have a 50% of the sale and 75% of the work completion in the year 2016.
- Ritwik Sheth:** So we might have recognize around 45% to 50% of the...
- Dinesh Jain:** 300 crores revenue is being recognized at a project level.
- Ritwik Sheth:** What constitutes the other income details? If I see other income has been consisting around 40 to 50 crores in the last few quarters, so if you can throw some light what constitutes the other income?
- Dinesh Jain:** The other income, one is the interest on the advances given to these various project companies that is one. Secondly as you know that there is as per the IndAS, new accounting standard the valuation of the various investments in **Inaudible** (15.46) so a valuation gain from there I think these are the main two components.
- Ritwik Sheth:** On your finance cost it's roughly around 200 crores, so how are we funding this finance cost? Currently from the Carmichael residences and we have some cash flows. But prior to this the cash flow was very muted so are we sufficiently poised to fund the finance cost?
- Dinesh Jain:** Yes absolutely. I think we have been doing that.
- Ritwik Sheth:** So there is no issue on the finance cost payment, right?
- Dinesh Jain:** No, certainly no.
- Ritwik Sheth:** And the debt you mentioned 1850 crores is the consolidated net debt, right?
- Dinesh Jain:** I think you need to add to Rs.1944 another Rs.88-89 crores so that is the consolidated.

- Ritwik Sheth:** So roughly around somewhere around 2000 crores.
- Dinesh Jain:** That's the gross debt.
- Bharat Sanghavi:** From that you need to knock-off the cash which is available, net debt would be lower than that number.
- Moderator:** We take the next question from the line of Kunal Lakhan from Axis Capital Limited. Please go ahead.
- Kunal Lakhan:** Sorry to stress again on the demonetization part. If you look at our portfolio, we have projects across the spectrum, so we have like super luxury projects in South Mumbai, luxury projects in Central Mumbai and then mid-income projects on Hinjewadi and other. So just wanted to understand the impact of demonetization on the specific categories, which categories you have seen like slowdown in enquiries, footfalls or even sales for that matter?
- Dinesh Jain:** As far as our South Bombay projects are concerned as you can see Bishop is pretty much we have sold, Carmichael Residences we have seen the numbers have been very good. As I told you we see this move as a temporary impact as far as Peninsula Land is concerned and we expect things to come back to normal. Salsette we have already done fairly decent amount of presales. There is some short-term impact but we expect that to come back to normal. As far as Hinjewadi is concerned in fact we have seen the post move there was a significant increase in the sales and anyway we have pretty much sold out, Heights again I think numbers have been good if you see, so the impact was, actually there is no impact I would say. And we will have to see how the JP Nagar project is impacted. As far as Ashok Astoria, Nirvaan, Beleza is concerned, whatever was to be build, we have already build and that stage is completed in terms of the construction. We are not going to develop any further till we see the improved signs of the off-take in these markets.
- Kunal Lakhan:** Can we expect your launch pipeline or early launches to stay on course or can we expect them to be stretched a little further, specifically your Nepean Sea Road or Celestia Spaces or even the Bangalore launch.
- Dinesh Jain:** Which project in Bangalore?
- Kunal Lakhan:** Mahadevpura.
- Dinesh Jain:** Mahadevpura is something is basically got deferred, as last time we said that we are looking at actually options where in terms of exiting from the deal itself.
- Kunal Lakhan:** But what about the launch timeline for Nepean Sea Road and Sewri Phase-II.
- Dinesh Jain:** Nepean Sea Road is we are in the process of submitting plans for IOD and maybe in the next quarter we will have some update on that further. As I told you there is some movement on that. It is out of heritage precinct, MHADA approvals have come. We already have the consent

of more than 70%. So there is actually good progress on Nepean Sea Road project in terms of the development. But I think I will be able to sort of confirm by end of the quarter or towards the end.

Kunal Lakhan: But we have to assume that we will not be monetizing this project, will be like developing it now.

Dinesh Jain: We will see maybe I mean what makes sense for us. At this point in time we are going ahead with the submission of plans for IOD.

Kunal Lakhan: Coming to this quarter like we saw a spurt in sales at your Hinjewadi project. What happened there besides a project being completed, is there some changes you have seen in the demand pattern over there what is happening there?

Dinesh Jain: Nothing. This project has been received very well. We must say that the product that we have offered is much better superior in the overall spread look-feel of the project compared to what is available in there from the competition. And once the OC is received obviously gives a lot of confidence. I think these are the some of the reasons I would say.

Moderator: As there are no further questions from the participants I now hand the conference over to the management for closing comments.

Dinesh Jain: Thank you very much for taking out time to participate in the conference call. We expect that next time when we meet the impact of demonetization will be well digested. Thank you very much.

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