Kolte Patil Developers Limited

Q4 FY16 Earnings Conference Call Transcript
May 31, 2016

Moderator Ladies and gentlemen, Good day and Welcome to the Q4 FY16 Earning Conference Call of Kolte Patil Developers. 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 telephone. Please note that this conference has been recorded. I would now like to hand the conference over to Mr. Shiv Muttoo of CDR India. Thank you and over to you sir.

Shiv Muttoo Thank you Karuna. Good afternoon everyone and thank you for joining us on the Q4 FY16 results conference call of Kolte Patil Developers Limited. We have with us today Gopal Sarda and Atul Bohra representing the management team on the call. Before we begin I would like to state that some statements in today's discussion may be forward looking in nature and may involve certain risks and uncertainties. A detailed statement in this regards is available on the Q4 results presentation that I sent out to you earlier. I would now invite Mr. Gopal Sarda to begin the proceedings on this call.

Gopal Sarda Good afternoon everyone. A very warm welcome to everyone present and thank you for joining us today to discuss the operating and financial performance of our company for the Q4 ended 31st March 2016.

During FY16 we offered over 1,500 units to customers for possession and have been seeing improved growth momentum in terms of sales value realization and collections in existing projects. While on the ground situation is still slow moving with deferred demand cycle, strong execution capability becomes the biggest differentiator for any developer. Execution is our first priority as we focus on delivering a good quality product made to promise specification and in the promised timeline. With this objective in mind, we are targeting to offer 2,500 units for possession in the current financial year based on the 4.5 million square feet that are currently under execution. We see this capability as providing the momentum to demand in the next phase of growth. Q4 financial performance saw higher revenue recognition and margin expansion, compared to recent trends and a 33% year-on-year growth in net profit.

Q4 revenues stood at Rs. 190 crore, up 18% year-on-year. EBITDA expanded from Rs. 48 crore to Rs. 52 crore. PAT post minority interest stood at Rs. 18 crore in Q4 FY16, up 33% year-on-year. EPS increased to Rs. 2.38 from Rs. 1.80. In Pune, there was growth in both volume and realization in new sales bookings and we recorded sales of 0.52 million square feet at an APR of Rs. 5,986 per square feet. Q4 collection for the company was the highest in the last four quarters. Wakad was launched successfully and we sold 129,000 square feet with strong realization in this project during Q4, constituting 25% of Pune sales by volume. Recently, we have launched R1 sector at our Life Republic Township. Mumbai is starting to deliver a more sizeable contribution to the business by contributing Rs. 50 crore in pre-sales during Q4. The Jay Vijay project saw sales acceleration with consistent improvement in realization. Our co-development agreement in Jay Vijay has given stronger visibility from a cash flow perspective and we expect this to help us generate better realizations from sales in the current year. Link Palace, our first project in Mumbai has sold 90% of inventory and possessions are planned by Q1 FY18. This is a key milestone for our successful expansion into the city. We have now signed 2 DA/PA for our Mumbai projects, the first one being Hari Ratan CHSL near Inorbit mall in Goregaon West and the second one being Sagar Vaibhav CHSL in Dahisar West.

Going forward we see Mumbai delivering added sales momentum across multiple projects, all of which are well located in high demand locality. Revenue contribution from Mumbai is also expected to start in the current financial year. In Bangalore, our pipeline is expected to expand with some launches slated for Q2 FY17, effectively improving project diversification.

We have used the cash generated during the quarter to bring down our debt level elevated following Corolla buyout in Q3 FY16. Debt reduced by Rs. 32 crore in Q4 FY16 versus Q3 FY16. Debt-Equity Ratio has reduced from 0.49 in December to 0.46 in March, in line with management's prudent stance on leverage.

Going forward, we will consolidate our leadership position in Pune which has seen strong employment and economic drivers and is largely an end-user demand market. We can see increased sales momentum in existing projects with higher profitability as we launch subsequent phases for established projects. Revenue trajectory could improve in FY17 as greater proportion of 100% owned project come up for revenue recognition. Our focus will remain on execution.

Higher realizations are expected and we will maintain tight operational cost control. Debt level will remain within the guided range as focus on collections will be maintained. Increased contribution is expected from our asset-light Mumbai projects. With these factors we expect some ROCE expansion. Our focus will also be on strengthening corporate governance practices and increasing organizational competencies.

With that I come to an end of my opening comments and would now like ask the moderator to open the line for questions for further discussions.

Moderator Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Gopal, we have seen in this year the volume come off sharply versus last year. Obviously large part of it is also attributable to the slowdown in the market. Going forward as the real estate market picks up, what would be our strategy in our home market which is Pune? What kind of launches have we planned in Life Republic? I mean the new volumes will be coming largely from which of the projects? Second question, what kind of sustainable volume can we do over the next say couple of years? 2 million square feet could be kind of a base, so what kind of a growth can we expect in pre-sales momentum in the Pune market going forward?

Gopal Sarda So Parikshit, as far as last year is concerned, we were expecting two launches which did not happen because of approval delays. Approvals for the R1 sector in Life

Republic came in March quarter and we have launched it in May'16 and the important one is the Western Avenue: Wakad project which we have launched in the mid of March. So had it been the case that these two projects would have been launched in the last quarter, progressively we would have increased the sales volume. Now particular to this FY17 since these 2 projects are now launched, we are expecting 20-25% growth in pre-sales numbers from the Pune region. As far as Mumbai goes we have already launched Jay Vijay and there are two new projects which has been signed in this quarter. Those projects are in approval stage. So probably Q3-Q4 we can expect either one or both project launches from Mumbai also. Going forward we can see overall 20-25% growth in pre-sales number and around 15-20% growth as far as revenue recognition is concerned.

Parikshit Kandpal: 2 million square feet could reach probably 2.4 million square feet is basically what we are targeting?

Gopal Sarda 2.4-2.5 million square feet, yes.

Parikshit Kandpal: And average price realizations will largely remain in the current levels?

Gopal Sarda Yes, sales price will, probably average price realizations will go up since Mumbai has started contributing. So you can see further increase in average price realizations also.

Parikshit Kandpal: In Mumbai, but in Pune largely the pricing will be stable the current level?

Gopal Sarda Yes.

Parikshit Kandpal: Okay second question is this Sanjivani project, it has been reconfigured and when do we expect to launch this project now?

Gopal Sarda See as far as Sanjivani project goes we have got the UD level approval which is basically the Environmental Clearance, Locational Clearance approvals etc**.** We are doing a bit of due diligence at our level, wherein there are two models, first wherein we are expecting 15 million square feet of saleable area with majority as apartment and the second model we are exploring wherein we will be focusing on a product mix comprising predominantly of bungalows. So in terms of revenue, cost and free cash flows, we are not seeing much of the hit and we can drastically curtail down that 15 million square feet into 6.5-7 million square feet of saleable area. What we are doing internally is evaluating the two options in which instead of 15 million square feet of apartment sales, where the APR would be Rs. 4,500 per square foot and Rs. 3,000 per square foot cost and Rs. 1,500 per square foot as a free cash flow, we can plan to make 6.5-7 million square feet of saleable area wherein APR of bungalows will be Rs. 7,500 per square foot and cost would be in the range of Rs. 2,300-3,000 per square foot giving you more or less the same cash flows. This exercise is currently going on and the moment we freeze this we would be looking at launching the project in Q3 of this particular financial year.

Parikshit Kandpal And sir last question, has the GR come for increase in townships on Agri land from 0.5 to 1, has it come officially or are you still are awaiting that?

Gopal Sarda GR copy is not in our hand but from the sources we have got that from 0.5 to 1 has been done.

Parikshit Kandpal It will be applicable to both our Life Republic and Sanjivini both or Sanjivini is already I think industrial land, so will it be applicable to Life Republic only, right?

Gopal Sarda Yes, you are right.

Moderator Thank you. The next question is from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.

Adhidev C. Just to ask on Mumbai projects, what is the total amount we have invested till date across all the projects and what is the likely cash flow also for next year or next couple of years if you could share that?

Gopal Sarda So as far as our first two projects go, Link Palace and Jay Vijay we have invested Rs. 32 crore and we are expecting around Rs. 95-100 crore as a free cash flow from these two projects in the next 30 months' time.

Adhidev C. And the other new projects how much will you be putting in there?

Gopal Sarda Total we have around 11 projects in Mumbai, we have announced 6 of these and the rest of the projects are in the legal finalization mode. Total our economic share is 1.1 million square feet out of the Mumbai portfolio which gives you a topline of Rs. 2,500-2,600 crore over a period of let us say 4-5 years' time and then we can expect an EBITDA of 27-30% on this topline. But since we do not have any clarity in terms of approval and there is a change in DCR & DP**,** we do not want to comment. Based on the clarity in terms of DCR & DP we will be able to give you the exact numbers in the next coming quarters.

Adhidev C. From the Pune market, which are the projects that you are seeing much better traction? What are the reasons, you think it is attributable to?

Gopal Sarda So as far as Pune market goes, Corolla - Ivy Estate, is contributing substantially. The project comes under MIG portfolio wherein your 2 BHK is in the range of sub Rs. 50 lakh and 3 BHK is in the range of sub Rs. 70 lakh. We are seeing major traction in these kinds of products. Similarly, we are getting good traction in Three Jewels and Wakad also.

Moderator Thank you. The next question is from the line of Anil Kini from Envision Capital. Please go ahead.

Anil Kini In Wakad, your revenue recognition has been Rs. 6,300 per square foot the realization which was last quarter was Rs. 6,100 per square foot, have you seen any price hikes over there in Wakad?

Gopal Sarda Yes. There were two reasons, one is that we have sold some commercial spaces over there and as far as overall APR goes whatever we have sold in this particular quarter has been around Rs. 6,150-6,200 per square foot.

Anil Kini Okay, so you have taken a price hike in Wakad?

Gopal Sarda Yes.

Anil Kini And the momentum that we have seen is 43,000 square feet per month in Wakad. So do you think that kind of a momentum can be carried out for next one year or so?

Gopal Sarda I think we will be able to maintain 2.5 lakhs for the entire year over there.

Anil Kini From Wakad alone?

Gopal Sarda Yes.

Anil Kini In Pune, are you seeing any problems in terms of water availability because of the drought in the region and what is the cost impact for us because of this?

Gopal Sarda See in all our projects, there is no problem as far as water goes. You must be knowing in our Corolla and Life Republic projects we have to have a water supply from the respective dams, hence here we are not seeing any problems and as far as other projects goes we have bore-wells and whenever we see any kind of water concerns then the tanker facility is also available. So none of the projects are facing any water problem as such.

Anil Kini Are you seeing any cost escalation because of this?

Gopal Sarda No, low value in lakhs. Nothing substantial.

Anil Kini You also talked of Bangalore launches. So can you just share a little bit more details? What kind of a land bank would you be having in Bangalore? What kind of launches are you looking at right now?

Gopal Sarda So as far as Bangalore goes, we are planning 2 launches, one is at Hosur road near Electronic City opposite Infosys Campus which is a 4 acre land parcel wherein our total saleable potential is 6 lakh square feet. We have planned the product mix from 1 BHK to 5 BHK. The second project is at Koramangala, it is a high end project with a 3 and 4 BHK product mix and total saleable area of around 2 lakh square feet. These are the two projects which we are planning to launch in H1 FY17.

Anil Kini And the land is available with us only?

Gopal Sarda Yes. This is 100% owned by KPDL.

Anil Kini On the debt side for this year how much debt will you be reducing for the whole year?

Gopal Sarda See for this particular year the debt number will come down by minimum Rs. 100 crore.

Moderator Thank you. The next question is from the line of Himanshu Upadhayay from DHFL Pramerica. Please go ahead.

Himanshu U. How much have we spent on construction in last 12 months and also in this quarter?

Atul Bohra In a year, we typically spend around Rs. 350 crore on construction. The land cost is separate and nothing included from that. So as far as last year goes we have spent approximately Rs. 400 crore and for FY17 we will be spending around Rs. 550-600 crore.

Himanshu Upadhayay In the ongoing projects which we have launched how much would be the capex requirement to complete this 20 million square feet of projects which are ongoing just a lumpsum if you can give some idea on total capex?

Gopal Sarda See all our lands are 100% paid, fully paid land bank. So as far as the construction commitment goes we do not require any capex commitment. Our internal accruals are strong which in itself takes care for the overall construction spend. If need be, construction finance loan can be bridged from the nationalized bank on one or two projects if there is a shortfall of around Rs. 10-12 crore. But since our internal accruals are strong, as you can see in this particular quarter we have collected Rs. 260 crore, I do not see any kind of capex commitment for the next financial year.

Himanshu Upadhayay So the current projects which are ongoing, residential projects, how much would be the total construction spend we have to do to complete these projects. A lumpsum figure I wanted to have?

Gopal Sarda It all depend on project-to-project basis because in a couple of projects we have completed 80% work, and couple of projects where in we have completed 50% of the work. Maybe after the call you can get in touch with Mayank and he can provide you with the details for project-wise cost that needs to be spent. But if you ask me a ballpark number, I see somewhere around Rs. 900-1,000 crore is what we need to spend.

Himanshu Upadhayay Ok, so this is including the Mumbai projects and Goa also what you have?

Gopal Sarda No, this I am talking only for Pune.

Himanshu Upadhayay Okay, Rs. 900-1000 crore only for Pune projects which are launched projects, which are ongoing?

Gopal Sarda Yes.

Himanshu Upadhayay Okay, there are 2 projects 24k Sereno and KP Towers which show area sold but collection data is not provided. Why do you provide sales value but collections data is not there?

Gopal Sarda So as far as the Sereno and KP City Tower project goes, for this particular quarter we have collected around Rs. 11-12 crore and we can start adding this from the next quarterly presentation wherein you can see the collection for this project as well.

Himanshu Upadhayay But in the presentation Slide #12, in Q4 we have not received any money, means the collections have not been there. So you are saying in Q1 FY17, that RS. 11-12 crore is what you have received, you are saying?

Gopal Sarda No, Q4 we have collected Rs. 11-12 crore. We have not mentioned over there because we have also given a note that the collections do not include contribution from DMA projects. So actual collection for Q4 FY16 is Rs. 272 crore. We have this excluded Rs. 11-12 crore which we have collected for Sereno and KP Tower.

Himanshu Upadhayay But from next quarter will this start showing numbers?

Gopal Sarda We will start incorporating these details in the next presentation.

Himanshu Upadhayay And can you give some update on this Raaga, Alyssa and Mirabilis and Bangalore project where the momentum seems to be slow only. What is the view on these projects?

Gopal Sarda So as far as these project go, in Raaga we have sold 50% of the inventory and in Mirabilis, which is a JV project we can see traction from next quarter onwards.

Himanshu Upadhayay And Exente?

Gopal Sarda Exente and the Koramangala project are the two projects that we are planning to launch in Q2 FY17.

Himanshu Upadhayay And do you expect the sales momentum of 0.5 million square feet to continue or you are expecting some improvements and again in the existing projects what is the status because if I see, the details of ongoing project, the gross saleable area is 20 million square feet overall and the area sold is around 13.5 million square feet. So how, is it that 13.5, which means that will take a lot of time to get these products sold or what is your sense?

Gopal Sarda The best part about this particular year and for coming 2 years is that we have all our projects approvals in place and since we have launched R1 sector out of Life Republic and Wakad, we can see contribution coming from these two projects as well, which are in the best part of Pune wherein you can see a good demand. So we can maintain a run-rate of around 2.4-2.5 million square feet. Over a period of next 2-3 years I think the entire inventory will get offloaded.

Moderator Thank you. The next question is from the line of Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani I just wanted the movement of cash flow for the year and how the debt has increased? So If I understand correctly beginning of the year the debt was, net debt I am saying, gross debt less cash equivalents and investments were about 260 crore which is now to about 510 odd crore, so is that correct and first if it is then where is the money spent and how the debt is increased.

Gopal Sarda So your analysis is correct. The debt has gone up by around Rs. 280 crore, the reasons were as follows. Firstly, there is a Corolla buyout wherein we have taken Rs. 120 crore from IDFC, second is that we have invested Rs. 30 crore in Mumbai expansion for the redevelopment portfolio, third is that we have utilized Rs. 30 crore for the Bangalore project towards the construction and balance Rs. 20-25 crore towards premium and TDR charges which we have incurred for the rest of the Pune projects. This is how the Rs. 200 crore debt has gone up. Rs. 32 crore debt has curtailed down for this Q4 from the internal accruals.

Hiren Dasani So you are saying between December and March the debt has come down by Rs. 32 crore?

Gopal Sarda Yes. And going forward, FY17 also we are planning to reduce debt by another Rs. 100 crore for sure.

Hiren Dasani Just to get the understanding from the management perspective, when you put Rs. 30 crore in the Mumbai redevelopment projects, what kind of IRRs or financial metrics we would expect from them?

Gopal Sarda See as far as Mumbai projects goes we don't look at IRR, IRR can go to three digit number also. Mumbai we are majorly focusing on ROCE because in all the redevelopment project typically we have to enter into a DA/PA wherein we are just paying the Stamp Duty and once all the approvals are in place then we give the society a notice to vacate. Post this our first amount spend starts. So here we deploy money at the time of vacation and one can launch the project and get back the money. So here we will be focusing on ROCE and net working capital rather than IRR.

Hiren Dasani So what kind of ROCE we would expect from this project?

Gopal Sarda We can expect ROCE of somewhere around 20-25%.

Hiren Dasani On a pretax basis?

Gopal Sarda Post tax basis.

Hiren Dasani And lastly, a generic question what would be the average construction cost for you now for Pune?

Gopal Sarda Pune or Mumbai?

Hiren Dasani For Pune let us say.

Gopal Sarda For Pune, the overall construction cost should be in the range of Rs. 2,750 per square foot because of couple of MIG projects wherein the construction would be in the range of Rs. 2,500 per square foot and for 24K and others the construction range would be in the range of Rs. 3,000-3,250 per square foot. We can consider an average of Rs. 2,700-2,800 per square foot.

Hiren Dasani Okay and for Mumbai?

Gopal Sarda Mumbai construction cost should be on higher side, somewhere between Rs. 3,000-3,500 per square foot.

Hiren Dasani And is the difference largely because of the labor?

Gopal Sarda Yes because of the labor and also the material rates are different for Mumbai and here we are going 'with material strategy'. So we have to consider that extra margin from the contractors also.

Hiren Dasani Sorry when you say with material means?

Gopal Sarda So typically in Mumbai we are awarding contract in three parts, Shell and Core, MEP and Finishes & giving on with material basis wherein the contractor is going to add his profit margin as far as the labor portion goes. Material control is in our hand wherein we are entering into rate analysis sort of arrangement wherein we will go by either his rate or our rate whichever is less.

Hiren Dasani But you do not follow the same in Pune?

Gopal Sarda No, Pune we are doing in-house.

Hiren Dasani Even the construction everything is in-house?

Gopal Sarda Yes.

Moderator Thank you. The next question is from the line of De Graaf, Individual Investor. Please go ahead.

De Graaf Got a technical question on your definition of your sales number. What I would like to know is at what stage of the sales process you regard the sales as a sale and added to your numbers. So my question is so what proportion of your sales number you report on Page #12 ultimately will end into occupation? So is there a huge difference between the two, between what you report and ultimately will be occupied by their buyers. So is there a big difference and is there a difference between residential and commercial, do you understand the question?

Gopal Sarda Yes. So there are two things one is pre-sales and second is revenue recognition in the P&L. As far as presales goes wherever we have received more than 10% collections we are considering this as a sale.

De Graaf It is about the sales numbers so the volume of the sales. So if a buyer comes to you and as I saw on your website you can spend Rs. 4,000 and then you have made a sale by the internet. But do you count that as a sale done already, so what is the definition you report something in your sales number as a real sale and does that convert to occupation ultimately. Is that a 100% conversion or do buyers drop out during the process? So you see the mismatch between the two, are these final sales numbers you report? You are 100% certain these people will occupy these apartments and commercial real estates. You see what I am asking?

Gopal Sarda Yes, so there are two concepts – one is your pre-sales which we are mentioning on slide #12. We consider sale only once we have received 10% of the amount. Typically what happen is if a customer comes and he gives you a Rs. 5-7 lakh cheque as a down payment and the further payments he would pay over a period of time. But we consider that as part of sales and we consider that for the revenue recognition also, once we have received 10% of the total transaction value. As far as revenue recognition is considered in the P&L you have to go by the guidelines of the ICAI wherein 25% construction spend has to be completed and only then can you start with the Revenue Recognition. This is how we are managing pre-sales and main sales into P&L.

De Graaf That is good and then typically of these numbers you report them the buyers basically 100% will stay with you or do you have certain drop out number proportion typically you know will drop out on average or 100% converted into occupation?

Gopal Sarda So whatever we are reporting, that is the sure numbers wherein we have collected more than 10%. Wherever we feel the 2-3% cancellation can happen, we are considering that sales as part of pre-sales or for revenue recognition.

De Graaf Okay, so basically you are saying that these are 100% going to convert into occupation?

Gopal Sarda Absolutely.

De Graaf Another question on the progress of the Downtown project, how is the progress going and the second question when do you expect to launch the Phase-II of this project?

Gopal Sarda As far as Phase-I goes we are at 80% completion stage. Probably in next 10-11 months we will be giving the entire possession of Phase-I, 0.9 million square feet which we have launched & as far as Phase-II goes we are planning to launch one sector which is Senona based out of Downtown, where we are awaiting basic level of approvals. Could be that can come to us in next 60 days and then thereafter another 30-60 days for internal preparation. So Q2 FY17 you can see the launch.

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

Ritwik Sheth I have a couple of questions. Firstly, related to the launches, sir what is the area that we have launched in FY16 and what is the plan for FY17 and if possible FY18?

Gopal Sarda For FY17, R1 we have launched out of Life Republic as far as FY16 goes in the last month which is March '16, we have launched Wakad, as I have said Senona based out of Downtown which we are planning to launch in Q2 FY17 and then there is a possibility at Ivy Estate Phase-III which we will be launching in the month of October 2016.

Ritwik Sheth In Q3, okay, so can you quantify the volume for FY17?

Gopal Sarda For FY17 you can see around a ballpark number of 1.5-1.7 million square feet which will come.

Ritwik Sheth And if I can get the figure of the percentage of sale in FY16 from new launches?

Gopal Sarda In FY16 there was only one launch, Wakad and Wakad has contributed approximately 6% of the overall presale numbers.

Ritwik Sheth Yes 130,000 approx.

Gopal Sarda Yes.

Ritwik Sheth And sir what is the total inventory launched for R1 and Wakad projects in the last 3-4 months?

Gopal Sarda As far as R1 goes the total inventory is 1.45 million square feet out of which we have launched 2 towers amounting to 0.476 million square feet and as far as Wakad goes we have launched 9 towers which is 0.7 million square feet.

Ritwik Sheth And how is the response been on R1?

Gopal Sarda So as far as R1 goes we have just launched it 20 days back and the initial response was good. We will be able to tell about the overall response in Q1 FY17. As far as Wakad goes we have sold decent volume over there, around 2 lakhs square feet which we have sold at the time of the launch itself.

Ritwik Sheth It is almost like 25-30% we have sold.

Gopal Sarda Yes.

Ritwik Sheth And sir just taking a step back, like two years back we had a plan of till FY17 we had a sales guidance of around 11-12 million square feet over 3 years FY15-17, so right now we have attained 6-7 million square feet. So I know the market is a bit slower but my question regarding that has Pune market like stabilized? Has it developed and from now on we will be able to see only what we see in a developed market? so what is your take on that? Do we see a structural shift. Previously we have done 3 million square feet. So do we see a structural shift that we will plateauing and when we have good launches we will be sorting in that particular quarter. What is your take?

Gopal Sarda So as far as Pune market goes, in fact last year was quite stable and from last couple of month's sales have again started picking up. Pune is a stable market and completely end-user based. 90%-95% of our inventory is getting sold for the customers who are going to be the actual users and going forward we can see good numbers. As you have rightly pointed out since last year was not great for us taking into consideration the overall market scenario, but from last couple of months we are seeing a good traction in terms of presales number and since there were new launches so probably we can maintain a run-rate of 2.4-2.5 million square feet comfortably. The moment you see a better response from the market and the overall scenario improves, we can take further jump as well.

Ritwik Sheth And one final question in one of the previous question you mentioned that you will be reducing your debt by Rs. 100 crore. So giving all the launches and all the possession that we plan to do in FY17, like 2,500 units so how is that thinking like it will be from internal accrual, I could not understand that?

Gopal Sarda If you see, the overall collection for FY16 was Rs. 963 crore and for this particular year FY17 we are expecting the collection will improve by around 18-20% of which around Rs. 600-650 crore we will be considered towards the construction cost. We will be at a descent position and we can manage the possessions well, wherein we will be deploying whatever cash and surplus required here. I do not see any kind of debt requirement for particular year.

Ritwik Sheth And one final question on Mumbai, we have 11 projects and 3-4 will be coming up in the next 3-6 months you mentioned. So what is the bandwidth in Mumbai, how many projects are we comfortable like taking on in this JV-JDA structure?

Gopal Sarda So I think we can manage a run rate of 2.5-3 million square feet of construction. As far as the entire portfolio goes we have to construct 3 million square feet and our economic share is around a million square feet. We have a team on board and since we are going with material contract, I think we can easily manage 2.5-3 million square feet construction which will happen over a period of time.

Ritwik Sheth And in this we are a pure redevelopment like we just have an agreement with the previous land owners and we outsource everything else and we just do the marketing and sales sometimes?

Gopal Sarda No, see there is a clear cut guideline from the government. As per section 79A every society has to appoint a PMC who is a technical qualified person, The PMC has to prepare a tender; they have to float the tender in 2 or 3 newspapers. We purchase that tender, bid for it, there is a process wherein there will be a technical round of discussion with the Society, there is a planning presentation, and a commercial offers, site visits are conducted, multiple rounds of discussion in terms of commercial offer and then from shortlisting 10 developers to 5 developers, 5 developers to 3 developers and then from 3 developers they select one developer. Then you have to comply with the Registrar process which is that you have to bring the Registrar to the society, the society has to vote and 75% of the vote have to be in favor of the developer and then the society issues an LOI. Then there is a DA/PA and you have to finalize the plan and post all of this the actual construction starts. So here we are a developer manager for the society wherein we are giving them corpus up front and extra area and against that we are getting some pre-sale area. From that we have to manage the overall cost of the project and arrive at decent profitability for ourselves.

Moderator Thank you. As there are no further questions from the participants I would now like to handover the floor to the management for the closing comments. Over to you sir.

Gopal Sarda Thank you once again for your interest and support. We will continue to stay engaged. Please be in touch with our investor relations team for any further details or discussions. Look forward to interacting with you next quarter. Thank you.

Moderator Thank you very much. Ladies and gentlemen, on behalf of Kolte Patil Developers that concludes this conference call. Thank you for joining us and you may now disconnect your lines.