Kolte-Patil Developers

Q4 FY15 Earnings Conference Call Transcript
May 26, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY15 Earnings Conference Call of Kolte-Patil Developers. As a reminder all participants' lines will be in the listen-only mode. 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 is being recorded. I would now like to hand the conference over to Mr. Varun Divadkar of CDR India. Thank you and over to you, sir.

Varun Divadkar: Good evening everyone and thank you for joining us on the Q4 FY15 Results Conference Call of Kolte-Patil Developers. At the onset we would like to apologize for the delay in starting this conference call. We have with us today Sujay Kalele – the CEO and Shraddha Jain the CFO. Before we begin I would like to state that some of the statements in today's discussion may be forward looking in nature and may involve certain risks and uncertainties.

Before I hand over to Sujay I would like to take you through some of the operational highlights for Q4 FY15. The company recorded new sales bookings of 1 million square feet in Q4 FY15 up 28% year-on-year against 0.79 million square feet in Q4 FY14.The value of area sold stood at Rs. 600 crore in Q4 FY15 up 42%year-on-year as compared to Rs. 423 crore in Q4 FY14. The average sales price realizations stood at Rs. 5,976 per square foot in Q4 FY15as compared to Rs. 5,374 per square foot in Q4 last year. Collections stood at Rs. 244 crore. In terms of the financial highlights for Q4 FY15, revenues were down 6% YoY to Rs. 161 crore. EBITDA was up 21% YoY to Rs. 48 crores with margins expanding 660 basis points to 29.8%.Profit after tax and post minority interest was up 5% YoY to Rs. 14 crore. EPS for Q4 FY15 stood at Rs. 1.80 as compared to Rs. 1.72 in Q4 FY14. I now hand over to Mr. Sujay Kalele to begin the proceedings of the call.

Sujay Kalele: Good evening everyone. A very warm welcome to everyone present and sincere apologies for the delay to start the conference call and thank you once again for joining us today to discuss the operating and financial performance of KPDL for the fourth quarter and year ended 31st March 2015.

The sales momentum continued to be strong in Q4 driven by the tremendous success of our home buying festival Net Fest where we showcased 13 under construction and yet to be launched projects spread across the length of breadth of Pune across the budget brackets of Rs. 30 lakh to Rs. 10 crore. In the quarter as a whole, we sold 909 apartments which translated in almost 10 apartments a day significantly higher than the sales generated by all Grade-A city developers put together, reinforcing the strength of KPDL's brand in Pune. The unique point of the sales was that for the first time almost 15-20% of the sales in a quarter happened through online which again highlights the dominance in the market.

We recorded 1.0 million square feet of pre-sales during the quarter higher by 28% YoY and 56% quarter-on-quarter in volume terms and 42% YoY and 54% quarter-on-quarter in value terms. This takes our total pre-sales for FY15 to 2.9 million square feet towards the upper end of the sales guidance that we had given at the start of this year. We are pleased that we have been able to achieve this strong performance despite a challenging on-ground scenario.

Coming to our financial performance for the full year '15 it has been subdued on account of delayed revenue recognition primarily because of delayed approvals which led to delayed launches. In terms of numbers this meant that revenues were down 9% at Rs. 697 crore. EBITDA margins were 40 basis points higher year-on-year at 29.3%, despite the significant investments we have made towards technology, manpower and sales and marketing. PAT for the entire year FY15 stood at Rs. 65 crore as against Rs. 92 crore for the entire year last year. We expect the revenue and project profit trajectory to improve as we go in to this financial year and the subsequent FY17 as a greater proportion of 100% owned projects and higher margin projects like Jazz, Rutu Bavdhan, Giga Residency, and others hit the revenue recognition threshold in Q1 andQ2 FY16.

We have streamlined the construction processes, taken measures to improve employee productivity and put early warning systems in place to ensure that our sales strategy can be evolved to achieve the desired project IRR. These measures will further help strengthen our performance going forward. The balance sheet position continues to be robust with a net debt-to-equity at a stable 0.17 times as on 31st March 2015.

We believe there has been a significant shift in the real estate landscape where stakeholder expectations have evolved and incremental market share has been garnered by branded players with good execution track records.Real estate is increasingly progressing towards the FMCG business with greater need for selling an experience to the customer and there is a larger role of service in the sales engagement process. With this in mind we have undertaken several initiatives to stay in the path of relevance for the customer. We have used technology as an enabler to drive a cultural transformation within the organization and make the company more systems dependent to achieve consistency across all functions and projects.In continuation to that last year we signed a 10 year contract with IBM to drive this change and build a more customer centric organization.

We have a strong pipeline of projects with all approvals now in place which along with all the initiatives we have undertaken during the year gives me the confidence of being able to execute our strategic vision of achieving our FY15-17 sales guidance of 12 million square feet. We are committed towards continuously reinventing ourselves and creating sustainable value at every stage of the customer lifecycle. In line with our commitment to shareholders the board has recommended a dividend of Rs. 2 a share amounting to 27% of FY15 profits towards the higher end of our stated dividend policy.

On that note I thank you for your continued interest and let me ask the moderator to open the line for questions.

Moderator: Thank you very much, sir. Ladies and gentleman, we will now begin the question and answer session. We have the first question from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.

Adhidev C: I have a few questions. Sir, I believe in the fourth quarter we had many projects lined up for revenue recognition so what is the reason for revenue to have been low?

Sujay Kalele: So four projects we had lined for revenue recognition were Giga, Three Jewels Kondhwa,Bavdhan and Jazz 24K.Out of those, we have recognized revenue for Giga Residency and Three Jewels. If you go to slide number 16,you can see this was the first time recognition of those projects. In Bavdhan, the project construction is on track but there were registration delays because of certain approvals that were pending which had gotten delayed. So those registrations have started happening only on 5th April. We are nearing the 25% mark but as a result of non-registration of 114 units that we have sold already we were not able to register the revenue. Same goes with Jazz where although we have sold and we are at plinth level for that project but because of non-registration of agreements that has gotten postponed to the currentquarter, we could not recognize revenue.

Adhidev C: Sir, the next question you have gross unrecognized revenue from around Rs. 1,762 crore? So of this unrecognized how much do you expecting minimum to come in FY16?

Sujay Kalele: We are expecting a minimum of about Rs. 1,000-1,100 crore at the gross level including partners share.

Adhidev C: Okay, out of these projects, out of what we have already sold, right?

Sujay Kalele: If you see slide number 18, we have given project-wise breakup and this does not include the new launches that we have done already like Corolla (Ivy Estate) Phase II so these projects are projects which are already at advanced stages of construction and agreements of those have started. So when we launchedWakad and other new projects that should be incremental depending upon when we hit the 25% threshold.

Adhidev C: And this is our share right which we have represented on slide 17 or is it including the share of partners?

Sujay Kalele: It is gross share.If you see thefootnote, these are gross numbers including partner share,around 75% of this will be recognized.

Adhidev C: So I think at least around Rs.850 crore should come in from what has already been sold?

Sujay Kalele: Whatever we have sold and incremental sales are additional.

Adhidev C: Next is on if you just update us what are the approvals we have for Wakad and when do you see the launch of Sanjivani happening?

Sujay Kalele: The good news was in the SEAC environment committee meeting that was held on 7th April is that they have cleared the Wakad project, so we have received the environmental clearance. It is withthe SEIAA now.For the last one-and-a-half months the authority has not assembled together but we have started work and we are hoping to launch the project by June end.

Adhidev C: And on Sanjivani what are the status of approvals now?

Sujay Kalele: For Sanjivani also we are waiting for the master plan approval to get passed. As of the last update the master plan because of the Pune Metropolitan Regional Development Authority (PMRDA), the Collector who earlier had the power to approve master plan has stopped approving any master plan from 31st March. So now the PMRDA has gotten formed from 5th May, so ours will be the first case to get approved from PMDRA master planning. So we are hoping for master plan approval in this quarter and then we will commence the work in next quarter.

Adhidev C: So this is like a parallel body like you have a MMRDA in Mumbai?

Sujay Kalele: That is right. So earlier there were too many bodies in the sense there was Town Planning Department and there was Collector there was no coordination amongst the policy makers or the authorities. So now PMRDA has been formed which is involvedwith sanctioning and regulating and overseeing the development of entire region of Pune till Lonavala, Khandala on one side and till Daund on the eastern side. So with this the offices and powers of Collectors and Town Planning Departments have been transferred to PMRDA.

Adhidev C: And lastly, what is the status of the redevelopment projects in Mumbai in light of this new DCR which is to come in?

Sujay Kalele: We are progressing actually.At Link Palace, we are in thefinal stages of receiving CC which we would have already gotten by April but because of the confusion around the DPs which now stands postponed or cancelled, we should now receive the commencement certificate around first week of June. As far as Jay Vijay Societygoes we have already received all the concessional approvals for that. The file is with the Municipal Commissioner who also got transferred in the last week of April. So we were waiting for environment committee for Mumbai. Jai Vijay was listed in the environment committee agenda for Mumbai which was to be held of 5th and 6th of May but unfortunately at the last moment it got cancelled. Now it is scheduled to be held on 29th and 30th May. So we are on track once we receive environmental clearance.Concessional approvals are already received so that is a big plus for us. So once we receive the environmental clearance then we are good to go as far as Jay Vijaygoes.

Adhidev C: And lastly, would you like to share any guidance for this year? I know we had given a three year guidance earlier with respective years, any change?

Sujay Kalele: We are targeting 3.5 to 4 million square feet of sales in this year.

Adhidev C: What is the risk to that in terms of approvals? Market risk I understand, butany risk on approvals?

Sujay Kalele: Nothing major now.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just wanted to understand do you think is it possible to repeat your quarterly run-rate of Rs. 600 crore ahead or would you attribute it to very largely to your Nest Fest?

Sujay Kalele: See there will be certain activations which we will take place, this was planned when we had given a target of 12 million square feet.We have planned for certain initiatives on the sales and marketing side. So I would not say that it will be million square feet every quarter for the next remaining 8 quarters or so but there are certain things which we have planned. So you will see ultimately us achieving that number.

Puneet Gulati: But given that the whole regulation front is changing, new PMRDA has come up do you foresee any risk of delays in approvals which may hinder launches?

Sujay Kalele: See that is why Punit, we have given a two to three year guidance and in last year when we had given the guidance we had said that it will be in the range of 2.5 to 3.0 million for this year; 3.5 to 4.0 million FY16 and 4.5 to 5.0 million FY17. So if I look at the next four months actually till September we have completely tracked out the entire launch pipeline and there isnot even one approval that ispending. So we have started we have launched Ivy EstatePhase IIon 24th April. We are launching Rutu Bavdhan (Stargaze) which is 1.2 million square feet on 19th June which will followed by Wakad which will be 1.4 million square feet. So till September everything is mapped out fully. We are expecting whatever small approvals are there for Sanjivani to receive them by September-October but definitely I would say that the availability of stock and the launch pipeline is far stronger and the visibility is far higher than what it was for the entire financial year last year where we did not have one large launch.

Puneet Gulati: But all these approvals you would have gotten pre-PMRDA, right? Would those approvals stand valid can PMRDA question?

Sujay Kalele: We have received commencement certificate and we have paid the premium, hence that is not a problem. Only when you have received commencement certificate those have been transferred to PMRDA.

Puneet Gulati: And how do you view your initiatives on the re-development projects in Mumbai in light of current confusion of the development plan?

Sujay Kalele: I would say they have come in at an opportune time and the choice of asset class could not have been better than what we have chosen especially in light of confusion. Because two years ago when we forayed in to Mumbai this was specifically one of the questions and this is specifically one of the reasons we had shared with all the investors and stakeholders is that re-development gives us an opportunity to share thepre-approval risks with the society members. So in this case all our cash outflow is actually linked to IOD and environmental clearance. So that is a natural hedge to us against any delays against any unseen and unfavorable regulatory changes. So I would say the choice of asset class, the way we decided to play the game and the timing would not have been more appropriate.

Puneet Gulati: But given that FSI changes may happen does not that make this asset class less attractive?

Sujay Kalele: Not at all because the locations and the road widths that we have chosen prevent any disruptions. In fact, of the projects announced,we have positive FSI benefits no matter which DP plans comes in place.

Puneet Gulati: And last two questions. You eluded to delay in revenue recognition on account of non-registration. Can you throw some more color on what really happened there?

Sujay Kalele: Yes, so for example in a project like Bavdhan we had paid the premiums in June 2014.There was a building collapse that had happened in Pune as a result of which the Collector had stopped issuing NA permissions for the next 6 to 7 months. So we received our permission revision plan only on 6th January 2015 after which typically it takes about 45 to 60 days for banks to process APF numbers, home loans registrations. So the first agreement actually took place only in March and as we speak the remaining 114 are getting registered. So stuff like this delayed revenue recognition.

Puneet Gulati: And lastly, your Q4 numbers seems to be dominated a lot by the affordable segment certainly 26% sales coming from that part. Is there any change in strategy or branding that you guys are trying to do now?

Sujay Kalele: There is no specific strategy shift actually. This might be attributed to product mix because the Kondhwa and Corolla projects that we had launched had some percentage of 1 BHK given the location but otherwise at the group level there is absolutely no shift in strategy.

Puneet Gulati: Okay, so you will continue to remain focused largely on the high income and upper mid-income group?

Sujay Kalele: It is location to location actually.Last year we did not have any project that we had launched which was sub Rs. 4,500 to Rs. 5,000 persquare foot.This year we have already launched Ivy Estates where the highest product is priced at Rs. 4,800 and the lowest is priced at Rs. 4,400. So it will depend actually location to location.

Punit Gulati: But it will still carry the same brand?

Sujay Kalele: Yes.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: For this quarter what was basically the short fall in revenues because of these two projects where there was a delay in registrations?

Sujay Kalele: We would have recognized to the tune of almost about Rs. 40-50 crore just from Kondhwa and Bavdhan both put together during the quarter had it not been for the delays.

Parikshit Kandpal: And secondly, any opportunistic land acquisition during this quarter or where you have taken up stake in some of your projects?

Sujay Kalele: Zero.

Parikshit Kandpal: Okay, earlier you were contemplating of increasing your stake in Corolla so has it materialized?

Sujay Kalele: Parikshit, we continue to evaluate all possibilities and as and when something materializes we will let the market know.

Parikshit Kandpal: So now you have guided for almost 3 to 4 million square feet of presales in FY16 so what kind of average realization you are looking at?

Sujay Kalele: Rs.6,000 per square foot is what you can take as theAPR expected.

Parikshit Kandpal: So roughly Rs. 2,400 crore presales you are looking at?

Sujay Kalele: BetweenRs. 1,800-2,400crore.

Parikshit Kandpal: But how is the supply coming in from the competition.We now have close to around 14 million square feet of fully approved area?

Sujay Kalele: If you calculate Sanjivani, yes. If you subtract Sanjivani and the master plan approval for Life Republic Phase IIthen we have about 8 million square feet.

Parikshit Kandpal: So 8 million square feet is ready to go basically you can launch it in the market?

Sujay Kalele: We have to launch till September.

Parikshit Kandpal: So you are planning to launch 8 million square feet over the next 3 to 4 months?

Sujay Kalele: 1.8 million square feet we have already launched whichis phase II of Corolla.We are also launching, as I mentioned earlier, Stargaze which is 1.2 million square feeton 19th June andWakad we are launching 1.4 million square feet.

Parikshit Kandpal: So around 8 million square feet will be launched for sales by September it will be in the market. So out of3.5 to 4.0 million square feet guidance, how much will be from this 8 million square feet and how much you are looking to do beyond that?

Sujay Kalele: Very difficult to say because it depends on how the launch will go at each project andwhat kind of response we will generate.

Parikshit Kandpal: Okay, let me put it like this. So how much of the 3.5-4.0 million square feet guidance is attributed to the Sanjivani launch?

Sujay Kalele: Zero.

Parikshit Kandpal: So you have not counted anything coming from Sanjivani?

Sujay Kalele: No we havenot accounted Sanjivani in our guidance for FY16. Of the total 12 million square feet that we have guided over FY15-17, only about 1 million square feet we have considered from Sanjivani.

Parikshit Kandpal: And how is the supply coming from the competition?Now you may be around 10% market share in Pune?

Sujay Kalele: More than that actually, about 13%.

Parikshit Kandpal: So how is the competition shaping, what kind of supply is going to come?

Sujay Kalele: Very interesting actually superb question I must say because after we did Nest Fest there have been 8 more Nest Fest like activities done by either individual developers or group of developers coming together and the response has not been as good.Obviously the offers and discounts have been way higher, we had not actually given any discounts as isvisible in the actual average realizations report project-by-project that we had released. But what we are clearly seeing in the market is that there is increased bit of polarization that is happening and the customer today is very, very reluctant to buy anything that is unapproved. That is why we are also going very slow on projects.Earlier for example, when we used to start the sales, in a month or two the construction used to commence.But as a policy we have also changed slightly and we are trying to time our project launches after we have received plinthchecking. If you see all the launches like Ivy Estatesphase II,we have started the entire 10 buildings at one go. About 60% of the buildings had already crossed plinth level. So that gives us higher control on our costs.

Same is the case with Bavdhan which we are launching on 19th June, more than 60% of the buildings that we are launching are at first slab,some are at second slab andsome at third slab. So the construction expenses have already happened. Now we are launching. So from a customer perspective it gives great amount of comfort to them that all the approvals are in place and plinth checking is the significant milestone for even them to get comfortable. So that is a distinct thing where customers are ready to pay a premium for approved projects with brands. And that I feel will continue to happen as we go in to the future.

Parikshit Kandpal: In terms of the balance sheet how do we see our debt going up over next 6 months leaving aside any new opportunistic land acquisitions?

Sujay Kalele: We have guided for a debt-to-equity in the range of0.2-0.5xover FY15-17. I do not see it going above 0.5 or below 0.1 for sure. So on a stable state basis without any acquisitions or stake purchases it should hover in the range of 0.2-0.25x.

Parikshit Kandpal: But do younot think that this Rs. 6,000 per square foot realization is a bit high since out of this 8 million square feet to be launched till September, a significant number will be in the mid income bracket, Rs. 4,500-5,000 per square foot kind of realizations?

Sujay Kalele: It is a very valid question that you have. So if you see, Ivy Estates and Kondhwa are the only projects which aresub Rs. 5,000 per square foot. Even if you take that we will sell both put together 1million square feet at an average of say Rs. 4,800-5,000 per square foot, the balance includes projects like Wakad which will be above Rs. 6,000 per square foot where we expect to sell 0.6-0.8 million square feet. If you take the average it will be Rs. 5,600-5700 per square foot. So if you look at project level mapping you will get comfort.

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

Anil Kini: During your Nest Fest press release, you had mentioned that you had booked nearly 1,150 homes totaling to1.25 million square feet.Can you just share some details on what has been the cancellations out there and are there any more cancellations that can come from there?

Sujay Kalele: Very valid question Anil.We have had 11% cancellations,about 100-115 units and we have budgeted for about 6-7% additional cancellations which have not yet happened but we have just been more conservative on accounting for those.

Anil Kini: So, if you are saying 11% cancellation havehappened within the Nest Fest which is of 1,150 homes and you ended the quarter with 900-odd homes, so what kind of a sales did you do outside the Nest Fest then?

Sujay Kalele: See 'Nest Fest' was timed in such a way that it was absolutely in the middle of the quarter, 6th, 7th, and 8th February. So, some of the cancellations that have happened, have been rebooked during the remaining 40 days that were there in February and March. Some are still in the process of getting converted, they have sent the own contributions, so some are still in the process of getting converted, so they will appear in this quarter or probably next quarter's numbers.

Anil Kini: No, I got that point, but when you are saying that 1,150 homes were booked within the Nest Fest and there were 11% cancellation, so in those 4 days you booked nearly say 900 homes, so in quarter 4 you are reporting 900 homes.

Sujay Kalele: No, if you see the online sales had started on 1st of February itself and there were lot of online sales, so almost before the 3 days, we had booked about 300 units, 200 were online and 100 were offline. On those particular 3 days specifically, we had booked about 700 units and then 100 units were people who had visited in those 3 days but had not brought the cheque books etc, So put together till 10th of February, we had done about 1,150 units, then there were certain cancellations which had happened between 10th of February to 29th February, those got rebooked during the March month and net-net the number post all cancellations for the quarter is about 909 units or so.

Moderator: Thank you. Next question is from the line of Aashiesh Agarwal from Edelweiss. Please go ahead.

Aashiesh Agarwal: One question on your cash collection, I was looking at Slide #7 of your presentation and I see the total collections for the quarter has come down despite higher sales by almost Rs. 200 crore.One would logically assume that given a particularpercentage of money that you would take upfront plus cumulative amount of total sales that you have done has increased and some amount of cash would collect out of the total stock of sold projects, so cash collections for the quarter should have been substantially higher than Rs. 260 crore. So, could you just throw some light on this aspect?

Sujay Kalele: Yes. So, if you seeSlide #16, the revenue recognition details are provided. So, for example projects like Life Republic and Margosa and some of the others,we have seen higher revenues but because they had already crossed the RCC stage by which we collect 70-75% as in actual terms, there was no higher cash flow collections, so that is why there was a drop.If you see Life Republic, till the last quarter we had recognized almost Rs. 26-30 crore every quarter but this quarter we have not recognized anything, which also basically means that there has been lesser cash flow collection to that extent from that particular project where we have started possessions.The first possession in Life Republic started around 21st March to be precise, so that is hardly any amount that is remaining, last 5% which is there.

Aashiesh Agarwal: So, that is say for example; that number would have been say around Rs. 20 crore.

Sujay Kalele: No, that is substantially higher than that. Similarly, if you take into consideration, some of the smaller projects which were there, where we had crossed the RCC stage, we could not collect cash flows from those that got compensated by higher sales and own contribution that we had to Nest Fest. You will see a significant bump up in collections in this quarter and in Q2 because the registrations and all of that has started and if you take a typical 60 day cycle from agreement to collections, some amount will come in Q1 and significant amount will come in Q2 for these projects.

Aashiesh Agarwal: The way I was thinking is, I understand that Life Republic, has kind of cropped off and the same time you had Giga Residency and Three Jewels that have picked up, so that should have compensated for the lower cash collection in Life Republic.

Sujay Kalele: Correct, but Life Republic, just in terms of the quantum was very high Ashish.We had almost 2.8 million that was under execution. If you add up both Three Jewels what we have sold, we have not yet launched the project, and we have sold about 0.45 million square feet till now, Giga Residency we have sold about 0.05 million square feet or so. So, no way in volume terms or in value terms also, these projects can replace Life on the collections part.

Aashiesh Agarwal: And I also see a footnote on Slide #16 which is revenue recognition of Rs. 36 crore is from the sale of Alyssa in Q3, do you think that would have had some impact on cash collection?

Sujay Kalele: It does, because that is a one-off.

Aashiesh Agarwal: So, basically what you are saying is, last quarter it was Rs. 224 crore extra value that is Rs. 243 crore now. Second question is, with respect to commercial, I missed on the Life Republic would have had some reservations for commercials as well and obviously in Bangalore we are hearing that commercial market is beginning to look a lot more attractive, so just wanted to check how you are seeing the commercial market shifting up in Pune and whether you have any thoughts or plans to explore that segment?

Sujay Kalele: We are very closely tracking the commercial market because no new investments have happened on the commercial side orIT side in Pune over the last 4-5 years, the rents have stabilized, we are seeing some kind of uptake on the rental part but it is still below Rs. 40 per square foot. We are tracking it very closely when we get the master plan for Phase-IIwhich will give a substantial stock of about 6-7 million square feet and hopefully certain FSI relaxations that we are hoping that the

Government will give, at that point of time we will evaluate of what needs to be done for commercial.

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

Anil Kini: Regarding Nest Fest; what was the amount that you spent for that event?

Sujay Kalele: It is about Rs. 8 crore or so.

Anil Kini: And had it been expensed out in this quarter or amortized?how are you dealing with that?

Sujay Kalele: Yes, we always expense out.

Anil Kini: So, under what head is it in this quarter?

Sujay Kalele: Sales and marketing expenses.

Anil Kini: Because if I am seeing your consolidated sales and marketing expenses have gone up by only Rs. 4 crore?

Sujay Kalele: So, if you see last quarter, you will see about Rs. 10 crore expense, so we had clubbed together what otherwise we would have spent in the quarter together with what additional spend we are doing. So, the entire marketing effort was channelized as what we will spend on all the projects put together if we do not do Nest Fest, additional what we want to do just to achieve that reach.

Moderator: Thank you. Next question is from the line ofAdhidev Chattopadhyay from Elara Capital. Please go ahead.

Adhidev C: The blended tax rate is pretty high, around Rs. 60 crores of tax on a PBT of Rs. 162 crore?

Sujay Kalele: 35-37%.

Adhidev C: Yes, so you expect to maintain that rate going forward or do we see it being lesser?

Sujay Kalele: No, for all practical purposes, you should underwrite it at that number.

Adhidev C: Just to understand atLife Republic, why was there no revenue recognition during the quarter?

Sujay Kalele: There is only one sector that is under construction which isR3 for which we will get revenuerecognized in Q2. We are starting additional one sector for which we have just received approvals last week, another 0.8 million square feet. So this is outside of themaster plan for Phase-II and will come on stream by Q3 or so. We have for example,R3 sector of about 0.6 million square feet, we have sold 70% of it already. First two towers are at 12th or 14thslab, next twotowers have received the sale permission on 31st March 2015.So we have started registrations and construction of the next twotowers.

Adhidev C: Okay, so this Life Republic Phase-II, are we expecting anything to hit revenue recognition this year?

Sujay Kalele: Yes, for R3 sector andthe twotowers that we have started, we will have revenue recognition in Q2 and for R1 sectorwhich is an altogether new sector that we are starting construction next month,we will hit the revenue recognition in Q3; that is 0.8 million square feet.

Moderator: Thank you. Next question is from the line ofAbhishek Lodhiya from Dolat Capital. Please go ahead.

Abhishek Lodhiya: Just want to check, the absorption level and the demand and supply which is prevailing in the market.In the Southern part and most of the market absorption is going down, so how you see for another sixmonths or a year?

Sujay Kalele: It is absolute correct reading Abhishek,the absorption has been slow even in Pune since October last year.That having said,we expected absorption to slow down much earlier than October. So our initial plan for Nest Fest was 9th and 10th October because till September we did not see any slowdown, we had postponed the plans. That is why, we are targeting not only expansion of market, we are basing our assumption not only on the basis ofour understanding that the market will expand but we are also trying to capture more market share from the same market and that is what is also visible in this year's numbers.2.9-3 million square feet is the highest ever single year sales that we have done as a company in a challenging macroeconomic environment. So there are ways that we are trying to deal with the slowdown, obviously it is not the case that customers have disappeared. So you know, I personally track the amount of walk-ins that all our sites generate every weekend. So, I have not seen any dip in the number of walk-ins definitely, but yes the customers are taking time to decide. That is okay, I think we have been in this situation before, this time this year it is good fortune and we have so many projects to launch and to look forward to. So let us see, how that pans out.

Abhishek Lodhiya: And what about the Nest Fest, I mean is it a one-time exercise you have done or it is going to happen on a yearly basis?

Sujay Kalele: Actually, I would not be able to comment today, whether it will be a regular practice or not but what I can definitely say is that there are many such sales initiatives which are planned, which might not be Nest Fest because as I mentioned in my opening remarks; customers have become very intelligent, we want customer to become even more intelligent so we cannot expect similar kind of response as has been seen and experienced by our competition where 7-8 Nest Fest type of events took placeafter not only in Pune, in Bangalore few players did, in Gurgaon someone did 'Spring Festival', so lot of developers did try but they did not receive that kind of response. So I do not know whether we will repeat Nest Fest.Obviously there is temptation but I think what we will do is, you will see a lot many sales activation initiatives from our side as we move in the second year.

Abhishek Lodhiya: And what sustainable number should we be looking for on aquarterly basis?

Sujay Kalele: Again, it is very difficult to say what the sustainable number is.There is obviously a 6-8 quarter kind of a track record which is there. Whenever, we have had launches, we have higher quarterly numbers, so that is a big comforting factor. We are working towards slightly mid-term guidance that we have given, so I would not be able to give a quarterly breakup of numbers.

Moderator: Thank you. We have a follow up question from the line ofParikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: In this pre-sales guidance, what will be the share of the minority?

Sujay Kalele: We had given about 70% is our share and 30% as partner share, assuming no consolidation of stakes in any SPVs.

Moderator: Thank you. Next question is from the line ofAbhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: Just wanted to understand your opinion on what were the key attributes of the Nest Fest success?Is it basically all the properties available at a particular location,online or offline or the discounts being given during that particular phase of time or any other reasons you see?The lump sum sales in 5-10 days you executed, so just wanted to understand your take-on on why did you achieve a huge success during Nest Fest?

Sujay Kalele: I think one thing that we cannot take away from the market is the fact that, it had inherent demand. No matter how much of money we spent, what we do, anything of that sort, unless there is demand, thesekinds of activations cannot ever become successful and we were feeling that. As I mentioned earlier, since October it is not that the customers have dried up or the site visits have dried up but customers are slightly taking longer. So we wanted for them to have a call for action actually. Having said that, the way I would attribute one critical thing is to the entire 360 degree marketing that we did, so starting 6th January we formed 21 teams of 5 members each, which were spread across 21 different cities, 11 in Maharashtra, 7 in India and 3 outside countries as well for NRI market. And we spent small amount of money on all the forms of medium which were available to us.This was the first time we advertised on TV,although regional andnot national because we felt we did not have the distribution network to take on the national. So I think that was one of the critical factors, so wherever customer went, we made sure that we were connecting with him. The second biggest thing, what I feel is that the positioning that we achieved was absolutely right. So nowhere, these customers came to us and say, is it an exhibition? I mean that was definitely not an exhibition kind of a thing and that was also the uniqueness of the concept which helped us achieve a distinct positioning in the customer's mindset.That this was the first time any developer was arranging a self-exhibition kind of a thing anywhere in the country, so that was something that pulled the customer to the event. Just to give you an example, just one month prior to our Nest Fest on 9th, 10th and 11th January, 225 members from CREDAI Pune had arranged their annual exhibition. All three days put together, they had about 10,000 walk-ins, that is about it and just a month later, all 3 days put together, we generated 30,000 walk-ins. So almost 3x the size for one developer, I think it also sort of speaks slightly about the kind of goodwill we have generated in the local market and what I was most happy with, other than theconversionsthat took place.The fact that 30,000 people were able to experience brand Kolte-Patil. Obviously, people took time, visited, spent 2, 3, 4 hours of their weekends coming to the place and talking to us, my team and all of them, so these are people who are in the buying cycle, they may not have bought instantly but they would definitely remember us whenever they want to buy. And this particular thing got reinstated where just last month I commissioned a market research agency to find out what people recollect of Nest Fest and when they were asked a very simple question; whom would you prefer when you decide to buy a property, you know 42% of the people said first option will be Kolte-Patil, 34% said yes, of the top 2 it will be Kolte-Patil. So this is a significant shift, if 3 out of 4 customers place you on the top 2, I think that was another intangible benefit that will help us as we move to launching one project after another in this particular year.

Abhishek Anand: So as I understand, although you might not be carrying out Nest Fest in next 6-7 months, the goodwill you built will be beneficial. So just to understand, out of the apartments which you have sold, how much will be online sales?

Sujay Kalele: About 250.

Abhishek Anand: And in terms of cancellation, from online?

Sujay Kalele: About 75.

Abhishek Anand: And just to understand, the payment structure between offline and online, is there a difference in payment structures?

Sujay Kalele: Yes, what we have done is, online sales were pretty focused on people who are not based in Pune.At the gross level, payment termswere very similar.So we had worked out a special scheme with ICICI Bank where the own contribution for the customer was deferred,there was no subvention or anything of that sort. So if you book online, because you are booking without, necessarily booking online means you have not seen the site, you have not seen the product yet and still you are booking before you actually do the site visit. So we wanted to incentivize the customer to actually take that decision and we were offering Rs. 30,000 cash back to book through online; that is about it. Otherwise, everything was very similar to offline or online, no difference.

Abhishek Anand: No difference in booking amounts?

Sujay Kalele: No, it was very similar.

Moderator: Thank you. That was the last question from the participants. I would now like to handover the floor back to the management for their closing comments, over to you, Sir.

Sujay Kalele: Thank you all for joining us and once again sincere apologies for delaying the start by 30 minutes. Hope to see you in the Q1 conference call. Thank you so much.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Kolte-PatilDevelopers that concludes this conference call. Thank you for joining us and you may now disconnect your lines.