



“Prestige Estates Projects Limited Q1 FY2024 Earnings Conference Call”

August 09, 2023



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Moderator: Ladies and gentlemen, good day and welcome to the Prestige Estates Q1 FY2024 Investors 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. Samar Sarda from Axis Capital Limited. Thank you and over to you Sir!

Samar Sarda: Thanks Yusuf. Good evening everybody. As always we have the senior management of Prestige Estates for the post results conference call, Mr. Irfan Razack, Chairman, Managing Director, Mr. Venkat Narayana, CEO, and Amit Mor, the CFO. We will now hand over the call to the management for their initial comments.

Irfan Razack: Hi everybody this is Irfan here. Hello Samar I think I will hand it over to Venkat to just summarize what has happened during the quarter and then I am available for any questions.

Venkat Narayana: Thank you Sir. Thanks Samar and good afternoon to all of you. We have had exceptional quarter. We had a great beginning for the fiscal FY2024. The total sales for the quarter stood at 3915 Crores up 30% year-on-year. Collections were at 2741 Crores up 28%. There is significant growth in average realization per square foot up by 20% there at 10,244 when it comes to apartments and over 5000 when it comes to plots. We have sold 2276 units this quarter at around run rate of 760 homes per month being sold aggregating to 3.8 million square feet area. Q1 this fiscal we had one launch, the launch plan for the fiscal is huge. We had one launch in the form of the Prestige Lavender Fields, which was instant sellout and there was a great response and significant amount of contributions for this quarter sales have come from that project. Mumbai continues to contribute at a good run rate. We had 600 Crores of sales from Mumbai coming in, 450 Crores of sales have come from Prestige city at Mulund and balance come between Prestige Jasdan Classic at Mahalaxmi and Prestige Daffodils at Pali Hill.

In terms of completion and launches, we had overall 3.11 million square feet of launches that is one launch Prestige Lavender Fields and we have a completion of 5.9 million square foot spread across four projects Prestige Great Acres at The Prestige City, Prestige Marigold plotted development project, Prestige Elysian Bengaluru at Bannerghatta Road and Prestige Mulberry Shades a hospitality project and the launch pipeline for the rest of the year very robust. We have large projects coming up for launch in the form of Prestige

Park Grove in Bengaluru, The Prestige city at Hyderabad, Prestige Pallava Gardens at Chennai, Prestige Bougainvillea Gardens at Noida which is going to be our maiden launch, first project launch at the NCR region. We are exciting. We are looking forward for the rest of the year in these launches and with this I think we will continue with the same momentum maybe better than what we have done in this quarter.

Moving on to financial highlights, this quarter had a little dip in overall revenue recognition. This is linked as all you know to the completion of the project. We do not have much of a complete inventory so the instant recognition of revenue by way of selling of a complete inventory is not there any longer so whenever we sell the inventory which is just launched or ongoing so they come for recognition only when the project gets completed so therefore we had only 1966 Crores of revenue coming as a financial turnover. Total EBITDA stood at 812, PAT at 317, the percentages that you see are driven by exceptional items which is with respect to REIT units that we hold on a retail portfolio when we sold our malls to Blackstone we continue to hold 15% of those malls and we converted that into units and we also invested a little extra money and hold around 4.5% of the overall REIT because we did mark-to-market of those units from original costs to where they are currently getting traded there is exceptional item that got recognized which contributed to the extent of 240 Crores to EBITDA and 210 Crores to PAT, so therefore you see EBITDA number at 41% compared to 16%. Leaving aside in general because the fixed expenditure is almost same quarter-on-quarter irrespective of 3000 Crores or 4000 Crores of topline or 1966 Crores the way we have done this quarter that continues to be same therefore you will see a slight dip in the profit margin even after removing exceptional items because there are some queries that has come in this regard, therefore I am making use of this opportunity at the opening remarks itself to clarify to all of you.

Now moving on to the construction spend in cash flows, the overall construction spend for this quarter has been at 1790 Crores split between various segments of our business, residential and commercial which are development business, residential primarily we have spent around 1200 Crores, commercial office space projects we spent 350 Crores, retail we have spent 75 Crores and hospitality around 165 Crores. This has been overall spend and there is a lot of money that we have invested towards the new land acquisitions and stake wise that is almost 1300 Crores during the quarter, but if you look at operationally we had 2716 Crores of collection from the development business and we spent 1182 Crores on construction of developmental business and after subtracting the landowner payment, sales and marketing expenses, employee, administration and



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everything we had operationally very positive net cash flows at 1000 Crores and the remaining money what we invested towards acquisition.

The point that I would like to highlight is we have been seeing significant amount of growth in our presales number most of you have tracked year-after-year from pre-COVID year of 2800 we moved to 5000 plus Crores of sales and then to 10000 plus Crores of sales and last year close to 13000 Crores of sales and this year we get it for more. Substantial amount of money that we have invested in acquisitions for the new launches between 5-6 projects at Bengaluru which is getting launched as we mentioned Prestige Park Grove, Prestige city Hyderabad, Ocean Towers Marine Line, Prestige Nautilus at Worli and one more project that we took over from the funds belonged to other developers. These 5-6 projects we have invested around 3000 Crores towards business development and all of these projects will be launched from now to maximum period of 15 months or so, so lot of unlocking will happen from these investments as and when these projects get launched. The reason for slight increase in the debt also is driven by this kind of acquisition that we have done which according to us will set up a good base for us to clock good numbers in terms of presales and also help us grow if the demand and the momentum continues in the same fashion and the macroeconomics support grow on that number next year because as you know in the real estate we cannot buy land today and launch tomorrow there is always a lead time so these investments will result in great presales numbers this year and as well as next year. With this brief I would like to open the forum for questions and answers.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth:

Hi thanks for taking my question. First question is on 1300 Crores land investment this quarter if you can provide some breakup of on which all lands what we have spent for because in the pipeline obviously I do not see any new projects getting added, but definitely it would be for some older projects so if you can just help me with the breakup or some key investments that includes that 1300 Crores?

Venkat Narayana:

Sure definitely, yes you are right. It is somewhat the balance payment that we have to make for the projects which are already in pipeline those include Prestige Nautilus at Worli, Prestige Ocean Towers at Marine Lines, Prestige Park Grove that we are going to launch and two projects at Electronics City as well as Bannerghatta Road and 175 Crores of additional investment that we have made into REIT consolidate our holding with retail



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REIT so this has been the broad breakup of where investments happen during this quarter.

Pritesh Sheth: Sure, what was the idea behind investing some more in this, was it part of the agreement that we have already signed up?

Venkat Narayana: We had some convertible instruments, the option is either to get them redeemed or get them converted into the units for the REIT and those were part paid, so we made the balance payment and took small amount compared to the percentage that we hold.

Pritesh Sheth: Got it and in terms of our cumulative capex outlay there has been some increase this quarter so obviously since we added Mumbai commercial projects high capex is there some bit of that increase would have come from there, so all of the additional spending required for Mumbai commercial projects is now part of that 16000 Crores of total outlay?

Venkat Narayana: If you are specifically asking after we bought out the partner's last quarter there is increase to capex the things we will have to incur the construction cost and that portion also whether it has been captured in answer is yes it is the number that you are referring to.

Pritesh Sheth: I mean, is the estimates now pretty much there in terms of total spending or there might be some divisions based on eventual designing that we achieved for total portfolio I am asking?

Venkat Narayana: Unless there is a significant cost increase with respect to raw materials like steel, cement during the construction, these numbers hold good and some contingencies also have been provided.

Pritesh Sheth: Sure got it and one last on launches so we know Ocean Towers and Nautilus both should be launched this year are we on track for that?

Venkat Narayana: That is the plan.

Pritesh Sheth: That would be full launch at one go or how are you planning to do it?

Venkat Narayana: It will be full launch at one go.



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Pritesh Sheth: And any idea on total GDV that we are trying to launch this year with projects that you highlighted earlier in the call?

Venkat Narayana: Specifically to Mumbai in the last two slides other projects if you see the...

Pritesh Sheth: I am asking in total not specific to Mumbai but in total.

Venkat Narayana: Okay so that two big projects i.e. Prestige Park Grove the overall topline is around 7000 Crores, Prestige City at Hyderabad will be again equivalent to 7000 Crores, Prestige Pallava Gardens at Chennai and Prestige Bougainvillea Gardens in Noida both would be equivalent to around 4500 Crores and these two major projects Ocean Towers and Nautilus put together will be around 9000 Crores.

Pritesh Sheth: Got it and we have now a good clarity on Bougainvillea Gardens launch in Noida, right?

Venkat Narayana: Last three weeks a significant development with authorities at Noida and they have formed a committee and the committee has found some solutions to address whatever the issues that have been pointed out with respect to those cities and putting up resolution plan in the next meeting with that we are hoping the sanctions will come.

Pritesh Sheth: Great. That answers my questions. Thank you for answering and all the best.

Moderator: Thank you. Next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Good evening everyone. Thanks for the opportunity. Sir my first question is from the Delhi Aero City Hotel could you just tell us what is the status of this project and by when do we see the hotel becoming operational?

Irfan Razack: 2025 is the scheduled date.

Adhidev Chattopadhyay: Which is like FY2025 or FY2026?

Irfan Razack: FY2025 will be office, FY2026 will be hotel.

Adhidev Chattopadhyay: Just two followups since you have done stake buyouts for partner in the Mumbai projects, we also have 50% stake in this project as well so in this project and other projects where



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we still have the partners share can we expect some more stake buyouts in the next 12-18 months over here in that portfolio?

Irfan Razack: That is left with case-to-case basis on a need there. In case the partner cannot fund obviously he will start diluting his share. As of now there is no such discussions but obviously when we are funding more and the partner is unable to fund then obviously we will have to dilute him but as of today if a partner has committed that he will bring his contribution wherever required and when it does not come obviously it needs to be done.

Adhidev Chattopadhyay: This final question is on our debt levels in our analyst meet we had given roadmap on how the debt would pan out over the next four to five years now that we have done the stake acquisition, so considering all of this would you like to revise like in terms of where our debt numbers would be possible in the next 12 to 18 months in absolute terms?

Irfan Razack: As of now we have robust cash flows coming in from residential business and also the debt on our hotel portfolio is compared to the investment that has been made and the value of the hotels is very minimal, in all of this we will definitely have some positive cash flows and this will help us to go through this and any debt is required to complete the capex project we are on yes the debt will come in but the balance sheet is strong enough to take that debt and as and when the project gets completed it will start fructify so I do not see any stress in that mode.

Venkat Narayana: Just to add to what MD is mentioning in this quarter we have guided in terms of debt equity ratio so what happens this quarter as I mentioned is our turnover number is low, but as you know what we have sold during the earlier year will start coming.

Irfan Razack: We had some 40 to 50000 Crores worth of unrecognized revenue.

Venkat Narayana: Revenue recognition will start coming in once the topline increases automatically net worth will go up and debt equity will be back so this is only transition but by the time we reach FY2024 debt level will be where we have guided.

Adhidev Chattopadhyay: Ex any stake acquisitions our debt should be around 7 to 7500 Crores in absolute net debt towards the end of March 2024 is that a reasonable assumption to work with?

Venkat Narayana: Yes but having said that that may still continue to be at whatever we have guided at around 0.5.



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Adhidev Chattopadhyay: That is it from my side. Thank you and all the best.

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

Parikshit Kandpal: Congratulations on a decent quarter. I just wanted update on the Mumbai BKC project so has the project achieved the financial closure after the partner stake buyout?

Venkat Narayana: Yes both the projects BKC as well as Liberty Towers we have done the financial closure we are in the process of documentation now. We have not yet drawn the money I think we will complete the documentation and start drawing the money by the end of this month.

Parikshit Kandpal: Has the work started because the BKC projects are still showing in the upcoming so it has not moved to the ongoing project I think last time you said that you are already appointed a contractor what is this contract so if you can update us on the status of the project?

Irfan Razack: Work has started, excavation is going on, L&T is the contractor so whatever work is happening is money from our contribution as equity and moment the financial closure gets done that much more gunpowder will be available for this.

Venkat Narayana: Liberty Towers is already in the ongoing project, BKC is moved but then in this quarter you will see that from upcoming to ongoing by the end of this quarter which is as of June 30, 2023 what you are seeing.

Parikshit Kandpal: Second question is on the Ocean Towers so we have bought out the partner stake, but the area share has gone down quarter-on-quarter I think in the last presentation we had about 1 million square feet of area and now it is 0.81 so why is that?

Venkat Narayana: There was a partner in Ocean Towers this is a bought out client we took it over Edelweiss, that land is 100% bought in Ocean Towers.

Parikshit Kandpal: Quarter-on-quarter why the area share has gone down, 60% is our economic interest?

Venkat Narayana: Economic interest has also been the same, from the beginning it has been the same, it is just that in the final whatever the sanction part that we have submitted for the approval there could be a small difference about 1.35 total developable area and 0.81 is our share



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of the area, it has been the same. Little change in the final drawing could have taken place.

Parikshit Kandpal: Our economic interest is 60% so who has the balance 40% in this?

Venkat Narayana: This is done in entity called Prestige Projects Private Limited where earlier HDFC was holding the stake and that was bought out by the family office so this project is happening in the Prestige.

Irfan Razack: 60% will be the main entity and I think 40% is the family office.

Parikshit Kandpal: Family office whose family office, is there some other investor, third party investor?

Venkat Narayana: Just to tell you Prestige Projects Private Limited PPPL is the SPV that had 60% from the listed company, 40% was held by HK. HK stake when they were exiting at that point in time was bought from HK directly by the family office this was three years ago. Project is executed in that SPV because we had cash flows in that SPV.

Parikshit Kandpal: Okay sure and Sir our debt has now already gone up, early debt is at 4400 Crores our debt is now I think 6400 Crores and we have about 17000 Crores of capex to be incurred including all hospitality, retail and office so even if we assume that 30:70 mix or even if I take 50:50 mix so the capex that will go up is almost 8 to 9000 Crores so we may end up somewhere in the debt number of 15 to 16000 Crores by that time all these assets gets completed so is it the right assumption that we may touch close to about 15 to 16000 Crores of debt?

Venkat Narayana: Three things that we need to look at because of the growth that is happening in development especially residential which is unprecedented. We have grown from 5000 to 10000, 10000 to 13000 and this year looking at 16 to 18000 Crores and we need to have that much of inventory to sell and also the projects and the planning for the next year because there is always a lead time, so our investment to business development have significantly gone up that is why across five projects that I mentioned outflow has been 3000 Crores. All of these five projects will get launched from quarter-on-quarter in the next 12 to 15 months that money will get unlocked. I want you to see our slide 15 where the free cash flows that we can generate from residential business as I mentioned essential developmental business even this quarter we had 1000 plus Crores of operating positive cash flow. The ongoing project have got a surplus of 8500 Crores, upcoming projects have got a surplus of around 21,000 Crores both put together close to 29000 to



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30000 Crores of free cash flows that we can generate from residential, so this is the potential. Even if we have to fund one third from residential to capex project and borrow the remaining from the bank by the time the commercial projects gets completed we will have enough cash flows to pay back those money and retire the debt. Our goal is lease rental discounting. We should look at why is the debt number high and what is that we are doing with that money and how are we meeting the growth.

Parikshit Kandpal: Your ready debt is 4000 will it be the pick because I understand you will have LRDs on commercial and you are going almost to 4000 Crores on rental so which itself is huge and can support the debt number on the capex especially on the LRD side it can support it but primarily on the residential debt which is at 4400 so how do you see that behaving over the next few quarters?

Venkat Narayana: What you said is correct. Whatever we have to spend we have to spend but what you need to look at also is if we have to spend that much of money on capex portfolio we will have a overall rental income of 3500 Crores, if you apply 8% cap on that roughly the value of that will be around 45000 Crores by itself that is the value portfolio that we have and the debt whatever you are mentioning we may have to incur to build process, absolutely yes but with that debt outflow our construction cost spend will look at the value that we are creating.

Parikshit Kandpal: The only question is whether you will monetize the part of that rental portfolio of 45000 Crores even at 10% can give you a large 5 to 6000 Crores worth of roll down in terms of capital and reduce the debt significantly?

Venkat Narayana: The thing is these options of monetizing always exist, which we did one-and-a-half years ago with Blackstone yielding portfolio some of them are under construction. We can do one more. The key investors need to strengthen the relationship further and invest in some more of our assets. There are other key investors who want to evaluate our ongoing office and the retail portfolio but by then that is a difficult choice as to make when is the ideal time, is it now when the assets are under construction or is it when the assets are ready or should we at all do this kind of divestment or should we go and list in a public platform so these option exits, one thing I want to reiterate and assure all the analyst and investor community is that the quality of asset that we are building are world class and they will be the sought after asset with the value creation that is happening. How to unlock there is always an option that is available. We can do it now if we choose to make it lesser value or do it once they are ready when they get better value, go to public market once and for all we may get even better value.



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Parikshit Kandpal: Total maybe \$5 billion of value of the asset value are 40000 Crores which you said so potentially you are open up to like a billion dollar kind of unlocking maybe 7 to 8000 Crores if there is an option and the only timing has to be decided based on how you feel would be the right time, right so is it the right assessment?

Venkat Narayana: Absolutely yes.

Parikshit Kandpal: Thank you Venkat and thank you IrfanJi for answering my questions.

Moderator: Thank you. Next question is from the line of Runit Kapoor from Systematix Group. Please go ahead.

Runit Kapoor: Hi thanks for the opportunity so this is regarding your Mumbai projects in Worli, so the Worli micro market has a lot of supply coming up almost 10 to 12 million square feet coming up like we did all redevelopment projects so lot of mid income housing is coming so you have two projects in Worli one is Nautilus and Jijamata Nagar so what configuration are you looking at in these projects and like do you feel a lot of sales will be affected given the large amount of supply coming up?

Irfan Razack: See Nautilus will be purely residential but Jijamata yes there will be a mix of residential, large retail bit as well as hospitality asset in that because it is all of 17 acres. Of course there is a lot more time and lot more work needs to be done on Jijamata Nagar and we are not going to see the light of day in the next one or two quarters. There is at least a good six quarters away. In the meanwhile Nautilus is almost ready and the type of location we have I think is second to none with great spectacular views and the design itself we have done it in such a way that it is neither too large or too luxurious or not too small so I believe that there will be a good appetite for it and it is going to find a good response from the market.

Runit Kapoor: So in Jijamata Nagar I would say like you are looking a mix of commercial as well as residential but I am saying are you looking at mid income housing?

Irfan Razack: A complete mix that Jijamata Nagar there will be a mix, it is a different type of product that will be done, we still honestly have not put pen to pencil, of course there will be a large component of redevelopment also there because we have to rehabilitate the slums also, so yes it is a very different type of project. It will be mixed use completely mixed use. Even by that time when we reach at that end we will also give a small component of some service offices or something may also come.



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- Runit Kapoor:** All luxury housing only?
- Irfan Razack:** Right now we are concentrating on seeing how we can get the land cleaned up, but Nautilus is ready. Nautilus can come in the next couple of quarters and Ocean Towers of course will get done this quarter.
- Runit Kapoor:** In terms of the stake that you plan to ramp up the stake like 26% in Jijamata and I think in Nautilus also you are holding around 40% right?
- Irfan Razack:** Nautilus it is there, the listed company is entirely with the group it is not with any outsider.
- Runit Kapoor:** One more question on the Mumbai plant are you planning any retail projects like are they any retail malls in pipeline?
- Irfan Razack:** No that is the one. When Jijamata happens there is a good sort of potential for that, but then it all remains to be seen how finally our planning happens.
- Runit Kapoor:** JW Marriott Golfshire Hotel was dragging down your occupancy for the entire hotel segment so have the occupancy improved for the hotel segment this quarter in hospitality segment?
- Irfan Razack:** Drag down the occupancy in the sense?
- Runit Kapoor:** Hotel occupancy.
- Irfan Razack:** JW is not slow at all it is a different product altogether and the pricing itself is resort pricing, so it is a different positioning.
- Runit Kapoor:** Fine. Thank you. That is it from my side.
- Moderator:** Thank you. Next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Thank you so much and congratulations on good performance. My first question is while enter into an agreement where there is family ownership in one project and company ownership at the other given that the entire business will be done within the listed entity?
- Venkat Narayana:** When we are doing the Prestige city which was in the SPV called Prestige Projects Private Limited, List Co had 60% stake and HKL had 40% stake. The overall holding



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cost of 60% for List Co was little under 100 Crores. When HKL wanted to exit their ask was around 440 Crores or 40% and at that point in time when you had 60% holding coming to you at less than 100 Crores so by 40% at 440 Crores did not make meaningful sense and at the same time we did not want them to go and sell it off to an outsider and bring one outside equity partner. We had those cash flows. We said okay at that number instead of going for an outsider why cannot we look at it we took clearances, what are the compliances and that money got invested rightly so because instead of List Co investing 440 Crores to get extra stake that money got invested in various other projects and the business development happened. Once the project got launched there was a surplus cash flow in that SPV itself so that SPV invested in couple of projects that is how some projects have come into the SPV. When we did financial transaction in that SPV there was on up streaming of cash flows in the project gets completed so therefore that SPV with additional cash flow that was there after the project got launched invested those money and acquired to other projects.

Puneet Gulati: So which are those, one is Ocean Towers, is Nautilus also a part of similar structure?

Venkat Narayana: Nautilus also has been a part of similar structure yes. List Co owns 60% when it comes to Ocean Towers, 51% in Nautilus.

Puneet Gulati: In presentation you said it is 40%. Secondly what are your thoughts on future business development, what kind of capital are you likely to allocate over next two years for business development and what is the balance to spend for any business development activities that you have already done?

Venkat Narayana: We have enough in pipeline for fiscal FY2024 and FY2025 to launch, now if any business development activity to do this year that is going to be for FY2026 and to clock numbers of 18,000 to 20,000 Crores of sales and on average I think investment into business development should be in the range of 4 to 5000 Crores a year. This consists of mix of JV and outright buy and all of that.

Puneet Gulati: Understood and in terms of cash flow for Jijamata Nagar are these already a part of your upcoming cash flow projection?

Venkat Narayana: It is.

Puneet Gulati: So this amount of roughly 5000 Crores is that all or there could be more potential in terms of area to be sold?



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- Venkat Narayana:** No, as of now we get there when we are actually planning. Right now we are looking at a master planning and also cleaning up and acquiring the entire land. We have not gone to the details of exactly what should be the composition, what should be the mix and all of that, now if we choose to exploit more and do only for sales these numbers can go up.
- Puneet Gulati:** So 5,000 Crores is your share of cash flow from sales and what will be the construction cost that you will have to spend on the 3 million square feet?
- Venkat Narayana:** We are at around Rs.5000 a square foot, 1500 Crores.
- Puneet Gulati:** But your attributable cash flow is only 5000 Crores and you will have to spend 1500 Crores in this?
- Venkat Narayana:** Mumbai overall 3 million square foot the total number is 65000 if you take the total cash flow has been shown.
- Puneet Gulati:** Roughly 20000 Crores, on 20000 Crores you have 26% stake which is 5000 Crores.
- Venkat Narayana:** Our spend is also proportionate, so 3.05 multiplied by 5000 into 26%, so we spend around 400 Crores our share of spend.
- Puneet Gulati:** So on 400 Crores of investment you get basically 5000 Crores is that how one should read it?
- Venkat Narayana:** Proportionate yes. Some amount of land cost have been incurred and the balance whatever need to be incurred will be incurred that will also be proportionate again.
- Puneet Gulati:** How much is that likely to be just to understand the potential of the project profitability?
- Irfan Razack:** We need to spend another 150 to 200 Crores.
- Puneet Gulati:** How much have you already paid for it?
- Irfan Razack:** Little over 150 Crores.
- Puneet Gulati:** Seems to be a super deal. Great. Thank you so much. All the best.
- Moderator:** Thank you. Next question is from the line of Kunal Lakhan from CLSA. Please go ahead.



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Kunal Lakhan:

Good evening. Venkat you said earlier that our spend on JDS would be about 4000 to 5000 Crores annually and if you look at our cash flows or other like operating cash flow run rate which is again in the 4000 to 5000 Crores run rate annually and then we have capex of 15000 Crores which we will spend over the next five years realistically where do you think the debt will peak out here at what levels in absolute terms because again like these cash flow numbers look quite, quite aggressive?

Venkat Narayana:

Kunal right now 1000 Crores of free cash flow that you see is at a current run rate that we are operating. The business development outlay that we indicated is for the presales of around 20000 Crores run rate. It is much, much more than the current operating levels that also are a mix of some JDS and also outright buy all put together the outlay that we need to have. Now that be the number there is enough amount of residential cash flow that we can generate to reinvest. This quarter we have got 1000 Crores of positive cash flows, but the quarter in which we have completions a lot of money comes at the time of handing over. That quarter positive cash flows will be a lot higher so it also depends upon what is getting launched and majority of the cash flows in this quarter are from the sale of Lavender Fields where booking amount only has come after that installment money will keep coming so we are confident that we will be able to generate around 2000 to 2500 Crores of positive cash flow from developmental business per quarter.

Kunal Lakhan:

Going by the number that you are putting out right say 30-35% operating cash flow margin on the collections and even if you assume say 20000 Crores of presales and assuming that collections also like reach 20000 Crores which generally is about 80% odd we would still be in that 5000, 6000 Crores of operating cash flow range and then again the 5000 Crores spend on land and then 5000 Crores on capex maybe it just still looks a little bit of stretch, does this factor your residential cash flow right?

Venkat Narayana:

Still we stabilize with those numbers. See if you look at some of these projects I am looking at the current market value. Projects where we have deferred outflow last year we were selling at 20% less than what we have sold this year. Do not look only at cash flow look at the margins that we generate also. That is why I said the cash flows could be lumpy we hold 15-20% of the project in the completion and when we sell that in that quarter with no additional outflow because construction must have been over projects must have been completed. If you look at our completed inventory from last quarter to this quarter it is down by a million. Like that because we did not have much of completion this quarter if you see and the quarter that we have high completion and where complete inventory gets sold there is no construction obligation, in the completed



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inventory so all of it will be free cash flows so you look at overall do not look at a particular quarter.

Kunal Lakhan: My second question is on when we highlighted this whole growth plan on the annuity business and the kind of capex that we were planning we did put it out as a strategy that we will do part strata to manage the debt levels, has anything changed over there because now actually we are doing reverse of that like we are buying out stake instead of doing strata so just any change in the strategy or we are still considering doing strata in future in these assets?

Venkat Narayana: Definitely do not want to do strata if it all we do something we may end up as an equity partner at some point of time or the other.

Venkat Narayana: Kunal just to answer your earlier question little in more detail you can see residential ongoing and upcoming we have given you free cash flows that we can generate okay so 29900 Crores across ongoing and upcoming which is huge in number so that will be over a period of next four years that means around 7500 Crores of free cash flows a year. Even if you were to deploy around 4500 to 5000 we still are left with 2500 Crores of positive cash flows.

Kunal Lakhan: These are still pre tax and pre overheads right, these cash flows?

Venkat Narayana: If you see slide #29 it will include all the payment, sales, marketing, overhead, taxes. This is after a free cash flow of 1000 Crores.

Kunal Lakhan: No I am talking about free cash flow.

Venkat Narayana: Even those also. Unless the rates change current numbers have been factored in.

Kunal Lakhan: Fair enough and my last question was you said earlier about bringing in equity partners just on that front when we divested our stake to Blackstone we were nearing debt levels of about 9500 Crores, we are currently at about 7500 Crores right at what stage would you look at doing that at the asset level or even say doing equity dilution at the entity level if at all?

Venkat Narayana: Kunal one thing when you are comparing you should also compare the current scale of operations and the current market growth. When we had 8500 Crores of debt from Blackstone our presales numbers, the peak that we have reached was 5000 Crores or



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business was operating at 5000 Crores. Now we are operating our business at 13000 Crores and maybe hopefully if all go well as planned this year it would be around 16000 to 18000 Crores. In that like you should see these numbers, accounting numbers are completely different because they come for revenue recognition as and when the projects gets completed but the scale of operations right now is different.

Kunal Lakhan: Sure thanks so much and all the best.

Moderator: Thank you. Next question is from the line of Saurabh from JP Morgan. Please go ahead.

Saurabh: So just two questions, so one is Venkat around this commercial project in Worli so what gives you confidence that takes off because that area has a lot of oversupply and your ex-JV partner is actually struggling there so when you did your market research around this Liberty Towers what gave you this confidence that this can be done because this is a first large one which should come up in Mumbai so if you can just talk about that and any risk guardrails you have put in there, the second is on the cash flow slide what is this 109 Crores in the finance cost, is this the other income or this is something else?

Irfan Razack: With the type of product that we are doing I thought Venkat will answer that and he is looking at me to answer it. We are completely confident that it will meet a huge response, not a small response so nothing to worry on that.

Venkat Narayana: The kind of development that we are doing given the specifications and the futuristic building we are confident that this will be much sought after building and we do not have any second thoughts on that. We have done our own analysis before embarking on this. In fact there is lot of contemplation that happened; there was lot of suggestion that came saying that we should make it as a residential project.

Irfan Razack: In fact there is a lot more residential so I do not want to go through that route at all.

Saurabh: So that is what I want to get through as to what kind of research did you do to kind of come up with this conclusion that there is demand for 4 million square foot office space?

Irfan Razack: It is not 4 million it is 2 million in Mahalaxmi and for a brand new building with a brand new infrastructure and the type of products that we are making there will be quite a lot of demand for it because not only the existing new demand but there will be a lot of relocations that will happen because everybody would like to have new office for



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themselves and it will definitely do well. We have done our work and do not think we have any doubts on it.

Venkat Narayana: Saurabh to answer the other question that 109 Crores that is partners' investment, minority interest partners investment.

Saurabh: The cash take out from the partner?

Venkat Narayana: Yes.

Saurabh: On the Aero City what is the debt in that?

Venkat Narayana: Aero City debt is 1250 currently.

Saurabh: Total debt?

Venkat Narayana: Total.

Saurabh: Thanks.

Moderator: Thank you. Next question is from the line of Atul Tiwari from Citi Group. Please go ahead.

Atul Tiwari: Thanks a lot for the opportunity. Sir just one question. Obviously Prestige has been launching and selling and delivering a lot of projects over the past 10 years we have always seen it has been the best in the sector, but obviously in the last cycle even though we were selling a lot, the debt built-up and we had to sell our rental projects, so what we are doing differently in this cycle because very frankly one recipe for disaster in the sector has been ramping up the residential business with the help of the debt that we have seen across the companies over past 15 years and if you could share your thoughts on that point and what we are doing differently this time to make sure that the debt is sustainable and no cash flow issues later?

Venkat Narayana: There are two things; one of the reasons why debt has gone up compared to last year is also the pace of growth, the way of adding additional capital by way of any dilutions, etc. We are meeting this growth either through internal accruals or debt. You would not have seen in the past here if you look at three years ago from 5000 Crores to now around 16000 Crores is three times the growth 300% growth and we need to gear up for it first one and second is there were concerns earlier also we are looking at creating these assets



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which are much more valuable and can give much more returns than our borrowing costs and what the amount of money that we are borrowing, so at any given point while answering to earlier question I said the options exist for us to bring in a partner and reduce the debt or complete this asset or sell it to somebody at a higher value or create this and go to the public market and unlock your capital so these options exist, see we are not taking this money and investing in some lands which are futuristic which can be monetized 10 years, 20 years, 30 years or so no that is not what we are doing. The proof of pudding is every year, every quarter we have been showing the growth in terms of operations and every bit of this money is going to take the organization to the next level of growth. So the asset that we are creating, the free cash flows that we are going to generate out of residential will definitely take care and they are 3-4 times more worth than the debt that we carry in the books.

Atul Tiwari: Okay Thanks.

Venkat Narayana: The overall debt that is there in the balance sheet right now is equivalent to our free cash flows from the ongoing projects, all of it if you were to use to repay the debt it will be zero but we also need to look at the growth.

Moderator: Thank you. Ladies and gentlemen we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Irfan Razack: Thanks everybody. It has been quite an insightful interaction. We definitely have heard you and we have also understood the concerns, but nevertheless we are quite confident in what we are doing and we are sure we are going to bring more and more value as we go on to the company and believe me residential is doing well. It will continue to do well there is no question of any doubts in our minds on that. There is enough demand in the market and there is a lot of consolidation also which is helping our calls and by sheer delivery there is a confidence and that is why customers are coming to us as compared to any other developers, so that helps our plans.

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