



“Prozone Intu Properties Limited Q1 FY19 Results &
Business Outlook Conference Call”

August 16, 2018



MANAGEMENT: **MR. NIKHIL CHATURVEDI – MANAGING DIRECTOR (PIPL)**
MR. BIPIN GURNANI – PRESIDENT (PIPL)
MR. ANURAG GARG – CFO (PIPL)
MR. RAVINDRA BHANDARI – DICKENSON SEAGULL

MODERATOR: **MR. PRANAV JOSHI – DOLAT CAPITAL**

Moderator: Good day ladies and gentlemen and a very warm welcome to the Prozone Intu Properties Limited Q1 FY19 Results and Business Outlook Conference Call hosted by Dolat Capital. As a reminder all participant 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pranav Joshi from Dolat Capital. Thank you and over to you sir.

Pranav Joshi: Good afternoon all. On behalf of Dolat Capital, I welcome you all for Q1 FY19 conference call of Prozone Intu Properties Limited. The company represented by senior management. Over to you sir.

Ravindra Bhandari: Thanks Pranav. This is Ravindra here from Dickenson Seagull IR. We are investor relation advisory to Prozone Intu Properties Limited. First of all I would like to welcome everyone on the conference call of Prozone Intu for Q1 FY19 results. It is a great pleasure to greet you all on behalf of our Board of Directors and senior management. We begin by thanking you all for joining here for the call today.

For any new participants, I would like to start with a short brief on our company. Prozone Intu Properties Ltd., as the name suggests it is developed by the Promoters and participated by Intu Properties Plc. Intu Properties is a FTSE 100 company and they manage over £10 billion of assets and 10 of their shopping centers are among the top 25 centers in UK representing 38% of retail market share. Intu Properties Plc has more than 22 million square feet of retail space and over 400 million customers visit every year.

Our business strategy is to create, develop, and manage world class mixed use development and served by dominant shopping centers. The business strategy is to use 25% of the land parcel to develop and lease whereas 75% is for build and sell, so that the cash flow from the build and sell model can be used to have a debt free long-term annuity income.

Coimbatore Mall stabilization is progressing well. We are witnessing strong growth in the footfalls and trading activities in the current quarter of operations. This year is an inflection point for our company as the number of operational malls are doubled, thus leading to a strong annuity income going forward.

Commenting on quarterly Results – Q1FY18, please note that as we have moved to IND AS, there has been no revenue recognition from sale of premises. Our CFO, Mr. Anurag Garg will present detail implication of IND AS later on this call. Despite zero revenue from sale of premises, we have recorded 16% YoY increase in income from operation. Rental revenues were higher sequentially due to stronger contribution from Coimbatore mall. Revenue from Coimbatore mall will improve further as we open new stores at the mall. Revenue from Aurangabad mall remains strong with over 40 brands crossed threshold limits. At Aurangabad

mall, we are undergoing churn to create space for strong brands, H&M, Marks and Spencer and Home Town became operational recently. Regarding Aurangabad PTC and Nagpur residential, construction is in full swing, we have applied for OC at Aurangabad PTC and Nagpur residential phase wise delivery will begin from Q3 onwards.

Quarterly financial number update

We have initiated our asset monetization phase. Our Nagpur project has a healthy profitability, 336 units will be delivered under the project. Revenue recognition will happen on completion of project and we receive OC. Coimbatore Mall has received a phenomenal response with more than 89% of area already leased and our focus remain on making the brands become operational soon. About thirteen anchor brands occupying significant mall space ensure significant footfall to the mall.

Our Coimbatore residential project has been launched. We have booked 73 units till date. Construction is expected to start from Q3 FY19 onwards. Our focus is also on asset monetization of other SPVs over the coming few quarters.

We have entered new phase of consistent long-term growth and value creation. With the large land bank and project pipeline our strategic focus is on timely execution of our project that will generate strong positive free cash flows. With this I would like to hand over to Mr. Anurag Garg to share his thoughts on transition to new accounting method, post which Mr. Gurnani will share his thoughts on operations. Over to you sir.

Anurag Garg:

Good afternoon everyone. On 20th March, 2018 the Ministry of Corporate Affairs notified the new accounting standards, the revenue from contracts with the customer, this new accounting standard is applicable to all companies from 1st April, 2018. Earlier the real estate developers were doing the revenue recognition based on the percentage completion method as per the guidance note on accounting of real estate transaction issued by the Institute of Chartered Accountants of India. With the introduction of Ind-AS 115 this accounting guidance note stands withdrawn and the companies has to follow the Ind-AS 115. This has impacted all the company including the real estate sector. As per the Ind-AS 115 the completed contract method is more appropriate for accounting of revenue from the real is state contract so accordingly in line with the accounting standard so from 1st April, 2018 we have moved to completed contract method where the revenue, cost and margin will be recognized on completion of project. Completion of project means either receipt of the OC or giving a notice to the customer for the possession. On the transition date , as per modified retrospective approach of the accounting standard require that whatever the margin which you have booked till 31st March on the contract which was not completed on 1st April is debited to retained earnings. Accordingly aprox Rs 40 crores has been debited to retained earnings now going forward when the projects get completed entire revenue, cost and margin will get recognized in the financial statement. I'm handing over the call to Mr. Bipin Gurnani to give the business updates.

Bipin Gurnani:

Thanks Anurag. Thank you everybody and thank you for joining the call. What Anurag mentioned was one of the significant happenings for us in the quarter. We have followed the accounting standard as also advised by our auditors BSR & Co LLP. More so I think one of the advantages for us would be that both PTC and Nagpur hopefully we will have the occupation certificate and handing over happening in this FY19 itself. So we will see the revenue back in the P&L in this financial year itself. So your company will obviously show significant revenue in this financial year itself because we believe that from a perspective of completion we will achieve that within this year itself.

Moving to operations; I think what Ravindra said we have had a very good run at Aurangabad and we recently launched H&M, Marks & Spencer's and Home Town within 2-3 days of each other. That has tremendously created a lot of buzz in the city and the mall itself is now from a consumer perspective become more attractive reason being that we are getting a lot of new and international brands to that region. Following the openings of these 3 anchors we also have a lot of vanilla, In-Line stores which are now signed up with us. We will also open Barbeque Nation as a restaurant which is their first restaurant in the whole region. We expect that all this new churn and new entries to new brand will create a fairly significant traction to the center and will help us not only increase our footfall but also trading densities further. Our efforts will continue at Aurangabad to ensure that we continuously bring brands which the region will aspire to have in their own city and I think that's the main objective.

On the PTC side if you have seen our presentation you would have seen some photos really looking good. The buyers are now very excited to take possession. Fortunately, now there is lot of positivity with the buyers and they have now come forward to finalize their process in terms of possession and hand over and that would also mean substantial cash flows for the company coming in which were basically for the longish period in a way stuck because the buyers were not coming forward to meet their obligations of payment. We have now reached completion and have also applied for OC which we expect if everything goes well we should have it before Diwali.

Coimbatore has also shown a lot of improvement both in terms of trading densities and footfalls. Brands have seen substantial, more than double digit growths in some cases and some cases high double-digit growth. One of the key thing which was may be required for the mall to take off to its full potential was opening of the multiplex. We have some very pleasing news that yesterday the multiplex operator got its license and we expect them to start their operations after a week or so of mock up and dry run so maybe for the next Friday show the theater will also be open which we believe will have a major impact in terms of footfalls and pulling people from tertiary catchment as well. On Coimbatore residential, we've had internal discussions and we understand that going forward the format of residential also one will have to have financial closure before you start construction because with the implementation of RERA and GST lot of buyers are more comfortable coming in later in the stage when the construction is at certain level so we understand that nature of change in the business and we are looking at raising a small debt to make sure that we have financial closure and at any given

time the project is not stuck due to limitation of availability of capital for construction. So we expect that we will still be on time. We had projected that we will start the construction Q3 FY19, we expect that we should be able to achieve that and subsequently of course we will construct as per the timelines and what we have shared in our earlier presentation.

Also I would like to add Indore, Indore we have launched the project. We received all our approvals so we will start seeing the impact of Indore also from the coming quarter. And we have thus done a launch last month and we have taken down people who are interested in buying those plots and we expect to start closing them in this quarter. So Indore also as expected has now been launched.

On the Nagpur front with regards retail we have had to make some changes to the design because of some new civil aviation guidelines where based on what happened in Bombay even other cities in India the civil aviation has done some changes to the height requirement for the landings of plane and in terms of security and safety they have made it slightly more tighter so because of that we have had to make some changes to our drawing which is going for the amendment. As soon as we receive the amendment we are geared up to start construction of our retail center in Nagpur as well. We expect that we will still hit the FY2021 opening which we have projected. Residential front all the four towers are almost complete wherein the process of final stages of being able to finish certain works for possibility of applying for OC by September end, mid October and based on that we will also start giving possession tower by tower and hopefully Q4 FY19 we would have done the handover of the Phase I. We have also applied for Phase II of the residential there and as soon as we get the approvals we will plan the sales and the construction timelines for the same for which we will keep you informed.

Alongside that we have shared earlier that the company is also seeking new opportunities, we continue to do that. We have had some advanced discussions and we hope that will at some stage result in finalization and we will keep you updated on those as and when they happen. We are very keen to look at expanding our retail portfolio and we are focused on making sure that we can maybe look at some new joint development so acquisitions in the coming quarters.

I think overall for others this year seems to be turning out well with both the centers being operational we are seeing the income levels are rising and we have seen good traction to the centers. We hope that this sentiment will continue and we will be able to deliver as we have committed in our projections. So looking forward to your support and looking forward to a great year ahead. Thank you very much.

Moderator:

Thank you. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak:

In terms of the 40 brands reaching threshold so what is the contribution from that in your revenues for the Aurangabad mall?

- Bipin Gurnani:** I will tell you how it works, the understanding with the brands is either on quarterly reconciliation, half yearly reconciliation and annual reconciliation. It says the 40 brands are hitting revenue share basically we are tracking their revenue and extrapolating it to say that this is what they would end up in a quarter or a half year or yearly that's factor you will see the contribution of revenue share largely in the month of October coming in because that's when we will raise the invoice on them on the revenue share kicker. But what we do projections of month on month we have budgets and we have forecasted incomes that we discussed with the brands so as of today what appears to be is that 40 brands are expected to hit revenue share income.
- Dimple Kotak:** Currently how many brands have already reached the threshold limit?
- Bipin Gurnani:** 40 brands.
- Dimple Kotak:** And of the 9 crores from the Aurangabad mall the total income if you can just help me with the ballpark figure, was it 2 crores, was it 1 crore?
- Bipin Gurnani:** In this quarter you would not have seen any revenue share income kicker being reflected because most of the brands the revenue share reconciliation is half yearly or yearly. But I think we meant by saying that these are the number of brands that are now moving towards revenue share or will hit revenue share is based on projected extrapolated income and revenues....
- Dimple Kotak:** If you can share any ballpark number for the year.
- Bipin Gurnani:** Last year I can tell you 12% of our income had come from revenue share and we hope that number will go up to maybe 20% of our income now coming in from revenue share, additional...
- Dimple Kotak:** 12% as a percentage of the total income from the Aurangabad mall?
- Bipin Gurnani:** That's the total income means total rent income. The other income include like parking, kiosk etc. so 12% of the MG rental income additional 12% was last year's revenue share income. This year we expect that percentage to go up to 20%.
- Dimple Kotak:** As per Ind-AS with respect to that what would be the impact of sales and profitability for the full-year?
- Anurag Garg:** Due to Ind-AS, Approx Rs 40 Cr was debited to retail earning, this is the amount of the margin which was recognized earlier on PTC and Nagpur project. This year we expect both the projects to complete and we expect the revenue of already sold units to the extent of around Rs 200 crores and profit of about Rs 70 crores coming in the P&L in this financial year.
- Dimple Kotak:** Additional from the real estate segment?

Bipin Gurnani: Yeah. Just to explain it what's the impact of Ind-AS 115 when we have move from percentage completion POCM to a completed contract method is that whatever we had recognized as top line, margin, cost, all had to be reversed and top-line and margin have come out from the reserve of the company. So if you see the reserves in the balance sheet we don't show in the first quarter and next quarter you will see that the amount of margin has been removed what will happen is that as soon as we get OC for either of these projects they will be restated as income and therefore in the restated P&L you will see the impact of what Anurag just told. So it is not additional but it is the fact that earlier since we have taken it up from reserves this will now come in the P&L as fully income back at the entire sold unit plus what we will sell.

Dimple Kotak: So the 100 crores which we were earlier expecting in last year from Nagpur to come in so will that kick-in this year FY19?

Bipin Gurnani: Yes.

Dimple Kotak: From PTC 32 crores are showing last year, this quarter it is showing 30 crores so does that mean that 2 crores we have received?

Bipin Gurnani: So there will be some received and yes that's what I mentioned in my earlier message that there is a lot of positive momentum with now the office space where we have applied for OC and we are expecting it. Lot of buyers have come for completing their contract, sign-off and take loans against those units and we expect that a large portion of the outstanding will get cleared in this year.

Dimple Kotak: Finally on LRD last quarter you were speaking that we have applied for LRD and interest cost will go down so what is the status over there?

Bipin Gurnani: We have got the sanctioned letter from one of the bank however we have not been able to convert the LRD from one bank to the other because we are in discussion with the current bank over some prepayment penalties. If we applied those prepayment penalties the principle advantage of what we should get with respect lowering of our interest rate is not accruing to us. So we have written to the bank requesting that either they reduce the rate of interest In-Line with the new sanctions or then they waive off the prepayment penalties. So we are still to confirm that because from another bank we have received the sanctions at a lower interest rate but because of this prepayment penalty charge the entire advantage of what we are getting is getting marginalized. So we have written to the existing bankers with the fact that we now have a new sanction for a lower interest rate and we have recourse to it and we are hoping to get the response from them in this month. We have written them to about two weeks back if they don't then we will have to take a decision as to switch to the new loan or is it worthwhile switching to the new loan or we will see what the current banker come back with.

Dimple Kotak: This is the annuity income almost 88% of your Coimbatore mall has the occupancy 80% for Aurangabad so taking this as a replica for the coming quarters since it's an annuity income

would that be reasonable and maybe additional 100 crores odd for your Nagpur at the end of this year so would that be a reasonable modeling?

Bipin Gurnani: Yes I would say that combined PTC and Nagpur you could take that number on the top line and it should be annuity income because half yearly is our reconciliation for revenue share it will be better than this quarter.

Dimple Kotak: Yes on a ballpark.

Bipin Gurnani: Definitely you could look at that way.

Dimple Kotak: And we would be keeping 60% EBITDA margin for the full-year?

Bipin Gurnani: No that percentage margin would be lower because if the contribution of the sale portion is higher because of the booking of the complete revenue the EBITDA margin at the company level may drop.

Dimple Kotak: On ballparks what are we expecting?

Ravindra Bhandari: How it should be viewed that the mall business would be 65%-70% or even more than that EBITDA margin and sale of premises would be in the range of 20%-25% EBITDA margin so mix of that will decide the final overall EBITDA margin for the company.

Moderator: The next question is from the line of Akshay Jain, individual investor. Please go ahead.

Akshay Jain: On the Aurangabad mall what led to increase in mall size, should we see this as improvement in demand and at current size we have 40,000 square feet of empty space. Do we have any visibility of that space leasing out?

Bipin Gurnani: To answer your first question I have not understood are you referring to increase in occupancy or are you referring to the size of the center?

Akshay Jain: I'm referring to the size of the center.

Bipin Gurnani: The increase in size of the center is because there were some areas which were earlier back areas which we were not utilizing for retail when we finalized with H&M and Marks & Spencer's we had an opportunity to include those back areas as part of retail spaces therefore you see the increase in overall GLA and these are additional spaces that we have been able to create because of the redesigning of the center with a new format coming in and that's the impact what you see. With regards to the unoccupied areas we have visibility. There are almost 15 odd brands, 9 stores which are vanilla stores we are in discussion with and 2 anchor tenants we are in discussions with. We are hoping and expecting that even if we were able to close the 60% of what we are discussing we will add another almost 50,000-60,000 square feet of

leasing area. But that may not necessarily open in this financial year itself, some of it will open and some of it will spillover to Q1 FY20.

Akshay Jain: The Aurangabad we see that occupancy is also improving with the opening of Hometown. So is per square feet rate changing, are the new lease substantially higher than the old lease agreement?

Bipin Gurnani: Yes in case of line stores that's true where we are now able to improve and we are able to almost get mark to market rent. But in case of anchor it's still in largely because anchors always expect to get benefit of by virtue of the fact they have the ability to pull more footfalls. So for that I think we are still at I would say slightly lower than what we would have ideally liked to get but in case of line stores and vanilla stores we are at mark to market rate.

Moderator: The next question is from the line of Mehul Kadam, individual investor. Please go ahead.

Mehul Kadam: Actually I'm not sure if I've got the mall performance details properly so it looks good on surface that we are constantly opening new stores. But we have some divergence in performance in the build and sell business so I would like to get any update on the PTC or Nagpur residential projects as to how much is still in the pipeline and how much is constructed and any delivery timelines.

Bipin Gurnani: I think we mention that already, we have said that in case of the office space in Aurangabad our PTC one, we have already applied for OCs, so we are at stage of completion. Final handover we will start once the OC comes. In fact, if you see the presentation which has been uploaded you will get a fair view of status of where we stand with PTC. Similarly for Nagpur we have already mentioned that we have completed the civil work, interiors or two of the buildings is almost 95% complete, two other buildings are at 60-65% and by December we would be in a position to apply for OC but in fact we will start applying for OC tower-wise so from October-November onwards we will start applying for OC and we expect that handing over will happen in the Q4 FY19 and Q1 FY20 depending on how people will come forward and take possession. We are already at completion stages for these two components.

Mehul Kadam: Continuing on the strong mall business what is the status on the Nagpur mall? Have we scheduled the mall completion?

Bipin Gurnani: I think you might have missed the earlier....

Mehul Kadam: Yeah, I joined a bit late.

Bipin Gurnani: We have already stated that we had to make some changes in the design due to some new requirements from civil aviation, we are close to the airport and we are awaiting the amended drawing post which we will start construction. We were to hit ground by this quarter. We might lag behind by one quarter but we expect that we will still target to finish as planned and we had suggested that we will look at Nagpur mall opening FY21.

- Mehul Kadam:** So once the mall is in place can you just give a ballpark figure around what is the cash inflow which will accrue to Prozone once both Nagpur and PTC projects are completed?
- Anurag Garg:** We expect free cash flows of about 80 crores from the Nagpur residential and PTC.
- Bipin Gurnani:** Basically based on the units sold the total recovery expected is almost 80 crores but some part of it will obviously accrue in this year and some might spill over to the next year depending on how people end up taking their possession. PTC, large part of it will come in this year itself. In case of Nagpur there could be a spillover of the collections moving to the first two quarters of FY20.
- Moderator:** The next question is from the line of Devang Toshniwal, Individual Investor. Please go ahead.
- Devang Toshinwal:** I have four questions. What do you feel will be the steady state occupancy rate for all of your malls, Aurangabad, Nagpur?
- Bipin Gurnani:** You want to know what is our stable rent per square foot or stable occupancy?
- Devang Toshinwal:** Stable occupancy.
- Bipin Gurnani:** In Coimbatore we have already leased out 89%, we expect that by closure of this year we should be above 90% occupied and operational and maybe another 2-3% further lease so maybe we will reach a 93%-94% lease status and 90% operational status. In Aurangabad, we expect that we will add operational status of another 2%-3% because large part of what is balance in Aurangabad is In-Line stores. There are a number of In-Line stores that have to get leased out and I think overall in terms of lease status we could be 85%-87%. So by end of FY19 Aurangabad could be 87% lease 82%-83% operational. Coimbatore will be 93%-94% lease and about 91%-92% operational. Nagpur is still under construction, we are not starting to lease we have done some leasing with anchor. Our leasing normally starts once we have finished the civil building, that's when we start opening the plans to In-Line stores, by then we would have done all our leasing for our anchors.
- Devang Toshinwal:** In the long run, let's say 3-4 years from now do you believe you would lease all the malls, Nagpur, Aurangabad, Coimbatore, 5 years from now will they have 90% occupancy rate?
- Bipin Gurnani:** 100%, I don't have any doubt on that. We would be anything between 90%-95% as a stable occupancy. You always have vacancy in any mall because of the churn you do and something closes, something new comes, so on a rolling basis if I see no mall would be 100% occupied, most of them would be in the range of 95%-96%, even some of the best centers. We will 100% be in the range of 90%-95% rolling occupancy.
- Devang Toshinwal:** My second question was relating to the rent-free period. Are we offering any rent-free period to our tenants right now?

- Bipin Gurnani:** Yes, we are and specially to attract tenants like H&M and Marks & Spencer's, we have offered certain benefits. However, the way we apply those benefits is that we do not give 100% rent-free, we put it over a period of time where we still keep getting some rental and cash flows are met but yes, some benefits are definitely given to some of the larger anchors specially international anchors. We do not do any rent-free vanilla store and mostly it is only given for attracting some international brands. Overall otherwise we do not give any rent-free. What we offer is that if we have to do certain CAPEX on their behalf we tell them that they should make the CAPEX and we will reimburse it over a next period of 2-3 years they can on a pro rata basis recover it from rental payout.
- Devang Toshinwal:** So there is no formalized rent-free period sort of structure?
- Bipin Gurnani:** It's based on negotiation to negotiation. We have no formula. The only formula we apply is we never want to be out of cash. So we don't offer any cash incentives, upfront incentive, when I say cash incentive means upfront incentive, we do not offer any upfront CAPEX. We want the brands to make the investment and they can recover it from us over the period of 2-3 years from the rental payout.
- Devang Toshinwal:** My third question was relating to the area. I believe you mentioned that we increased our gross leasable area in one of the malls, right?
- Bipin Gurnani:** Yes.
- Devang Toshinwal:** So my question was what is the usual for an entire mall, what is the usual loss in terms of while moving to carpet area from FSI, what is the percentage loss that a mall usually faces while moving from FSI to carpet area for our malls?
- Bipin Gurnani:** Carpet area is 85% of FSI and then you do your GLA which is your efficiency loading.
- Devang Toshinwal:** How much would be the loading percentage after arriving at carpet area?
- Bipin Gurnani:** Depends on size of store. If it is a large anchor, loading could be anything between 25%-35%. If it's a small anchor it could be 35-50%. Normally line stores the loading is 65%.
- Devang Toshinwal:** And for an average entire mall, considering the mix that we have what would be the average loading percentage for the entire mall?
- Bipin Gurnani:** Since we are an anchor heavy center, the overall loading could be in the range of 40%. Average loading.
- Devang Toshinwal:** The last question that I had was our Nagpur mall is a 0.5 million square feet mall.
- Bipin Gurnani:** 5,20,000 will be the GLA, yes.

- Devang Toshinwal:** And we have 14 buildings of 12 floors each.
- Bipin Gurnani:** We have 12 buildings with 14 floors each.
- Devang Toshinwal:** So that's more like 1000 apartments.
- Bipin Gurnani:** That's right.
- Devang Toshinwal:** Do we inherently believe that such a community or such catchment is okay and 5 lakh square foot would actually be able to absorb such a catchment or 5 lakh is too high. Other catchments are also attracted to the mall?
- Bipin Gurnani:** 5 lakhs is a sweet spot. We believe that it creates enough dominance for us to ensure that we have the right mix of anchor and vanilla stores, enough formats to be able to attract people from a larger catchment.
- Devang Toshinwal:** What is the user time period that you believe would your company pay to lease out the entire 5 lakh square feet after the completion of the mall. How many months would you keep in mind to lease out 90% of 5 lakh square feet of the mall?
- Bipin Gurnani:** Let me put it this way, our intention and objective and focus will be to lease 90% of the mall even before it starts operating. So we might open with a lower occupancy because people keep coming in over a period of time to their fitting out but if you ask me as a company what would we put as a target to our people, we would want the mall to be 90% leased out prior to it becoming operational. And we have largely achieved that in Coimbatore.
- Moderator:** The next question is from the line of Pranav Joshi from Dolat Capital. Please go ahead.
- Pranav Joshi:** Because of this Ind-AS 115 so the revenue recognition happen after the OC is received or the possession is given?
- Bipin Gurnani:** Basically, what it says is completed contract which means wherever you feel that the risk of now your buyers cancelling or not coming or not paying up is the trigger. So internally as a policy we have said that the biggest point of where we know that buyers will not sort of cancel or wiggle out is once the buildings have got their OC. So internally we have said either at the time of offering possession to the buyer or OC whichever is possibly earlier is when we will recognize the revenue and the margin.
- Pranav Joshi:** So the entire will be recognized once the OC is received, whatever you have transferred to reserves.
- Bipin Gurnani:** Correct, for the revenue that can be booked and the margin that can be booked and the cost that can be booked.

Pranav Joshi: A general question, how do you see this rental market generally in the areas in which your mall operates?

Bipin Gurnani: In terms of mark-to-market rentals there has not been very significant increase, what is helping us is the increase in consumption. Our business is linked to the success of the retailer as well. So while we cover our basic returns with respect to our investments by virtue of charging a minimum guaranteed rent it is the revenue share that kicks in which is actually, as you call it, the green profit. So with the consumption patterns now, the consumers becoming more discerning, they are consuming more, I think I remember at one time when I was young, we used to have two pairs of shoes, today I am sure if you open your shoe drawer you will have some 8-10 pairs of shoes. What has happened is that the consumption has gone up and our business is driven by consumption. If any mall can make wealth by pure rent, I don't think so. I think it's because we are locked into the growth of the economy, the growth of the consumers having more money, the consumers spending more I think we are locked into that. And that is where we are seeing a large benefit especially in Tier-2.

Pranav Joshi: One last question, how do you see the real estate market going forward, post RERA?

Bipin Gurnani: I think it's improving. I think confidence of buyers is coming back. The only thing is that the whole business model what we use to follow earlier has changed on its head. Earlier we would build residential on sales advances from buyers. One has to be clear that you cannot 100% depend on buyers money to build your asset. You have to have some amount of financial closure by way of a debt line available to make sure that your construction speed is not slowed down by virtue of the fact in case buyers don't pay on time or some of them don't pay on time. So I think the whole model of what we use to follow has changed but RERA and all has definitely helped in terms of regaining the confidence with the buyers.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to the management for your closing comments.

Ravindra Bhandari: Thanks Pranav for organizing this thing and in case anyone has any further questions please reach out to us. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Dolat Capital, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.