

R.K Dange (Encl. cheque) B/12
21/11

PURAVANKARA

19.11.2013

The Deputy General Manager,
Collective Investment Schemes Division,
Investment Management Department,
Securities and Exchange Board of India (SEBI),
SEBI Bhavan, Plot No. C4-A, "G" Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400051.

भा. प्र. वि. बो. SEBI	
सं/No 121673	
दिनांक Date	21 NO. 2013

Dear Sir,

Sub. : Request for Informal Guidance by way of interpretive letter under SEBI (Informal Guidance Scheme), 2003, in connection with the Clarification under the SEBI – (Collective Investment Scheme) Regulations, 1999.

We introduce ourselves as a company listed on BSE and NSE, undertaking the business of real estate development and marketing thereof. We develop residential and commercial buildings and sell to prospective customers.

The context to this letter is with respect to certain clarifications and confirmation that we seek on our commercial office space project that we intend to sell by way of specific share of the super built up area in a floor to multiple customers. In other words, one floor would be offered to multiple purchasers by giving them a right on smaller portion of the floor, though, it is our intention to finally give the entire floor as one unit to the prospective tenant/s. For brevity, such units are referred to as "Saleable Units" in this letter. Thereafter, we intend to identify a tenant for the whole floor and upon getting a confirmed tenant, we intend to take these units on lease from all the individual owners with the right to sub-lease and then, execute a sub-lease in the name of the tenant who would be taking either the full or half of a floor basis. Proposed transaction inter alia would involve the following:

1. Our offer is to sell "Saleable units" to the prospective multiple purchasers in a given floor of the building;
2. Agreement to sell and thereafter sale deed in favour of buyers of such Saleable Units;
3. Offer to identify prospective tenants for the floor so sold, as a whole or a substantive part of the whole floor;
4. On finding a prospective tenant/s, We would be taking these Saleable Units on lease basis with power to sub-lease from the owners, if the ownership is already transferred or through appropriate document and thereafter enter into a sub-lease agreement with the prospective tenant/s;
5. As the lessor of the property so sub-leased, collection of rent in our name for the entire floor or part thereof from the tenant/s;
6. As a lessee to property originally taken on lease from the Saleable Unit owners, payment of lease rent to all the Saleable Unit owners will be as per our sub-lease deeds commercial terms & conditions of which would be based on the terms of the lease which we would take from the Saleable Block owners;

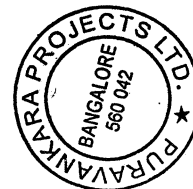
It is our intention that the total floor area so sold as multiple Saleable units in a given floor of the building be used as part of one larger floor area and then given to a single tenant. Typically one or two large tenants would occupy the whole floor area. For this purpose all Saleable Block owners would lease their respective block to us after identifying the tenant on a lease, terms and conditions of which would be linked to commercial terms of the lease agreement that we propose to enter into with the prospective tenant. The intention of such "Lease & Sub-lease" arrangement is to give comfort to the large corporate tenants as under:

- a. That they need to deal with only a single Lessor and not multiple owners;
- b. That their income tax withholding compliance is eased as they can deduct the tax in one single name;
- c. That they need not draw multiple cheques on a monthly basis;



SEBI/IW/P/20131122/0000121673

Handwritten signature



Puravankara Projects Limited

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- d. That their exit is much easier as their rental deposit is given only to a single entity (which is us) and such single lessor is obligated to perform the terms and conditions of the lease agreement.

As a part of our marketing and promotion of the sale of these Saleable units, we intend to circulate an Information Brochure to the prospective customers which is attached herewith. We write to submit that though some of the sub-clauses of Section 11AA (2) of the SEBI Act, 1992 appears to be covering an arrangement of this nature, we are of the view that this arrangement is not covered by this section for the following reasons:

- a. That we would be selling identified space in the building to these purchasers and thus, the purchasers would be the actual owners of immovable properties which will be done by registering absolute sale deed in the name of the purchasers;
- b. That we would be taking these units under a lease arrangement at a lease rent payable under such lease deed, upon we finding tenant/s for the entire floor basis;
- c. That based on such lease arrangement with the unit owners, which will also permit us to sub lease, we will be sub-leasing to the tenant/s and thus, on an overall basis, it is a simple transaction of sale of immovable property, taking the same on lease basis and then sub leasing to the tenant/s on the entire floor basis. Under the sub lease with the tenant/s we would receive rents. Under the lease arrangement we would be required to pay the rents to owners of such unit the receipt of rent by us and payment of rent to the Saleable Block owners would be the same.
- d. The condition attached regarding the usage of these Saleable units into consolidated larger floor areas for the purpose of leasing is to enable efficient usage of these areas. It is in the interest of the purchasers/ owners that the Saleable units in a given floor are consolidated into larger areas with other owners for the purpose of leasing, so as when an entire floor or a larger part of a floor is rented out even common passages and utility areas would fetch rent, thereby benefiting the owners of saleable units.
- e. The rent payable to these owners would be the same rent as the tenants would pay to us and thus, there is full transparency in terms of the whole transactions.
- f. The owners would continue to hold certain rights on the renting of the property as the leasing right given to us is subject to certain terms and conditions being imposed by the owners which include restrictions on the commercial terms of the lease, usage of property, type of tenant to whom the property is sub-leased etc. Thus the owners of saleable Units will continue to have operational control on how their property is sub-leased. *
- g. The company also intends to own some part of the saleable block units on each floor which would also be leased along with the other saleable block owners.
- h. As we have the expertise to manage the tenant/s occupying the premises we would be separately charging a lease management fee from saleable block owners.
- i. The purchaser of saleable unit would be required to pay the sale consideration under the agreement for sale / sale deed and the property would be registered in their name as the absolute owner/s. Those saleable block owners desirous of taking mortgage financing to purchase such blocks can also do so from banks that have already come forward to finance such a purchase. Thus, it is not a case where the funds are pooled and then, held in the name of the fund, but a case where a prospective saleable Block owner pays the monetary consideration fully to acquire immovable property. The availing of leasing services from us, is only to gainfully put the property so bought into commercial use. The owner/s of such blocks would also have the right to create security by way of mortgage their block to any financial institutions / banks also. * VI mention

j. Since the only activity post sale of the Units is renting of the immovable property, this is not a scheme as contemplated under the Collective Investment Scheme.

In view of the foregoing, we are of the view that this proposal and as per the attached Information Brochure is not a scheme as contemplated under Section 11AA of the SEBI Act, 1992 and therefore, there is no need for us to get this scheme approved under the relevant regulations.



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However, as an abundant caution, we shall be much obliged, if you could review our Information Brochure (attached herewith) and confirm to us that this offer does not fall within the purview of Section 11AA of the SEBI Act, 1992, relating to the Collective Investment Scheme and hence consequently it would not require any registration under the SEBI regulations.

As per guidelines, a Cheque bearing No. 484094 dt. 18.11.2013 drawn on HDFC Bank Ltd., Bengaluru for Rs. 25,000 (payable at par all over India), towards fees payable for seeking interpretative letter under SEBI (Informal Guidance) Scheme, 2003.

We shall be obliged for a favourable response at the earliest. In case you want us to give any additional clarifications, we shall be happy to personally appear and explain.

Thanking you,

Yours sincerely,

FOR PURAVANKARA PROJECTS LTD.



NANI R CHOKSEY

DEPUTY MANAGING DIRECTOR

Encl.:

1. Information Brochure
2. Cheque for Rs. 25,000

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