



Oberoi Realty's Q3FY11 Earnings Conference Call

January 28, 2011

COMPANY REPRESENTATIVES:

MR. VIKAS OBEROI – CHAIRMAN & MANAGING DIRECTOR.

MR. SAUMIL DARU – CHIEF FINANCIAL OFFICER.



Moderator: Ladies and gentlemen good evening and welcome to Oberoi Realty's earnings conference call for the third quarter of fiscal year 2011 that ended on December 31, 2010. We have with us Mr. Vikas Oberoi, the Chairman & Managing Director of the company and Mr. Saumil Daru, the Chief Financial Officer of the company on the call with us today.

Please note that this call is for a duration of 60 minutes and for the remainder of this conference, all participant lines will be in the listen-only mode and this conference is being recorded and may be put on the company's website. After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance on this conference call, they may signal an operator by pressing * and then 0 on their touchtone telephone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward-looking statements, including those relating to general business statements, plans, and strategy of the company, its future financial condition, and growth prospects. These forward-looking statements are based on expectations and projections and may involve a number of risks, uncertainties, and other factors that could cause actual results. Opportunities and growth potentials differ materially from those suggested by such statements. I would now like to pass the conference over to Mr. Oberoi, the Chairman & Managing Director of the company, thank you and over to you sir.

Vikas Oberoi: Good evening, this is Vikas Oberoi. Thank you for taking time and making it to this conference call. I first want to wish you a very happy new year and before I go on to the main results, I want to take you to two key events. One is obviously you all know that we have done our IPO, we have raised 1028 crores. It has been very humbling. We have received a QIB subscription of over 23 times and overall subscription of about 12 times. We have also launched a project by the name of Splendor Grande where in the first week of our starting the sales, we sold about 30% of the stuff and overall it has been a great quarter. The Company is looking good. We are continuing to explore opportunities to look at new land acquisition. We are launching new projects going forward in this next quarter. We will launch Exquisite 2. We will also be launching Mulund which will be in the first quarter of the next financial year. I hereby hand over the command to my group CFO, Saumil Daru who will take you through the details of the numbers and I will come back to answer questions that you will have, if any. Thank you.

Saumil Daru: Thank you Mr. Oberoi and very good evening to all of you. It has been an exciting quarter for all of us in the company and as mentioned earlier by Mr. Oberoi, we were quite overwhelmed with the kind of response which we got to our maiden public offering.

And quickly jumping to the financials, I guess most of you must have seen the stuff on the BSE website or you would have got the mails. In terms of financials, we have achieved a consolidated revenue of 420.49 crores for the third quarter of FY11. This is as against 215.56 crores for the same quarter last year which reflects a growth of about 95% and as far as the 9-month figures are concerned, the 9 months for ending December 10, the top-line stands at 763.4 crores as against 631.78 crores for the 9-month FY10 which is a growth of 21%. The consolidated PBT also showed a healthy growth of about 91% on quarter-on-quarter and about 21% for year-on-year. The consolidated PAT for Q3FY11 was at about 205 crores as against 130.91 crores for Q3FY10 which is a growth of 57% and the same PAT figures for the 9 months was at 380.54 crores as against 353 crores for 9 months FY10 which is a growth of 8%.



Before I get into a little bit of a detail on the performance of the individual assets, I would just like to set out the flow of how we have organized it. Many of you might be familiar with the terminologies, but we have classified all our properties into investment properties and development properties. The investment properties comprise the assets which we hold on our balance sheet whereas the development properties are the assets which we sell and I would now like to give you a brief synopsis on each of these.

Our investment properties continue their steady and strong performance for this quarter as well. As far as Oberoi Mall is concerned which is our retail asset, this contributed 18.42 crores to the revenue for Q3FY11 as against 16.6 crores in Q3FY10 which is a growth of 11% and Rs. 48.78 crores for the 9 months FY11 as against 44.91 crores for 9 months FY10 which is a growth of 9%. The revenue per square feet per month for the lease space is up by about 11% from Rs. 109 per square feet per month in 9 months FY10 to about Rs. 121 per square feet per month in 9 months FY11. The EBITDA margins in this vertical continue to be around 95%. As of December 31, 2010, we have about 101 tenants operating in the mall and the mall continues to be a preferred destination for the new retail brands. Commerz 1 which is our office space assets contributed about 11.42 crores to the revenue for Q3FY11 as against 6.62 crores in Q3FY10 which is a growth of 73% and Rs. 34.06 crores for 9 months FY11 as against Rs. 19.86 crores for 9 months FY10 which is a growth of 72%. The revenue per square feet per month for the lease space is around 135 bucks for Q3FY11 and 9 months FY11. The EBITDA margins in this vertical continue to be in excess of 80%. As of December 31, 2010, we have about 8 tenants having their offices in this building and this building again continues to have generated a lot of interest amongst the large corporate looking for office space within the Western suburbs. The same building also houses the Westin Mumbai Garden City which has also done very well after its launch in May 2010. It has turned EBITDA positive in the current quarter. In terms of top-line, it contributed 21.98 crores to the revenue for Q3FY11 and about 43.07 crores for 9 months FY11. The EBITDA margins for Q3FY11 at 32% are reflective of the improved performance of the hotel considering that the EBITDA in the whole of the 9-month FY11 was at about 17%. The construction on our ongoing office space property Commerz 2 is currently in full swing.

We now move on to our development property. For Oberoi Exquisite 1, we crossed the 20% threshold level of project cost excluding land cost and hence we have commenced recognizing revenue in the current quarter. Of the total project of 1.44 million square feet, we have till 31st December sold about 0.75 million square feet which is well over 50% of the inventory in this project. During this quarter, we also launched Oberoi Splendor Grande having a total estimated saleable area of about 0.28 million square feet and out of this, we have sold approximately 85,540 square feet in this quarter which is again more than 30% of the inventory of the project. The building Oberoi Splendor is nearing possession and we have sold well over 90% of the project. The same will be handed over for possession in a few months. We handed over possession of Oberoi Springs in FY10 and had inventory of 22 flats at the beginning of FY11. During the 9 months FY11, we have sold 16 flats out of this for about 60 odd crores and we have an inventory of about 6 flats which is now left. As far as our other completed residential projects are concerned, we have about 3 units in Oberoi woods and 6 units in the townhouse project which is called Oberoi 7. In case of our office space property, Oberoi Splendor Prisma which is on the JVLR, the construction is in full swing. The work on our landmark project in Worli has also begun on the ground. Our discussions with the 5-star hotel operator and the international construction company for this project are also progressing satisfactorily. Though I would not be able to disclose any names at this point in time, we are confident of closing them in the near future and launching the project for sale.

Coming back to some key financial parameters; our EBITDA margins for 9 months FY11 were at about 61.14% and the PAT margins were at about 49.85%. The EBITDA margins for the Mall and Commerz are much higher than the average and



excluding them, the margins for our pure residential business is around 58.5% for 9 months FY11. With this, I will now conclude and we are open for any questions that any of you may have. Thanks for giving us a patient hearing.

Moderator: Thank you very much Mr. Oberoi and Mr. Daru. The first question is from the line of Mahesh Nandurkar of CLSA. Please go ahead.

Mahesh Nandurkar: Hi good evening everyone and special congratulations to the company on good set of numbers and also putting forward an excellent presentation with a lot of informative data which should probably hope and set benchmarks for the other companies as well, so good work. My question pertains to one thing which is can you give us some idea on what are you doing about future project acquisition or land acquisition if give us some update on that?

Vikas Oberoi: Hi Mahesh this is Vikas here. Good question really. Firstly I want you to look at the land bank that we have. We have about 20 million square feet which would last us for the next 5 to 6 years at least. Having said that, we continue to look for land very aggressively. The last one having acquired only in 2009. We also believe that with the way other real estate developers are positioned now and good chance with like over 1500 crores of cash in the bank and with no debt. We believe that we are in a position to acquire land that now which will be offered to us. So that really is our strategy and wait for the right opportunity when the prices come in a range where we believe that we can make money not the future speculative and then take a call on acquisition.

Mahesh Nandurkar: Just a follow-up on that. We have been hearing some media reports or news on the lack of funding available to the real estate sector in general. So are you seeing any possibilities in that context where you are probably getting to take a look at deals which are better priced and say it was 6 months or so ago?

Vikas Oberoi: Your assumption is correct or rather your information is correct that we do continue to get lands, but we believe that there is some more whether I can call it correction or some more price friendly, the property needs to be a little more price friendly for us to get in and we want to use the cyclicity of the market to get ourselves a good deal. So we are really waiting for that to happen.

Mahesh Nandurkar: But are you saying that we are beginning to see some movement toward that direction where the prices are becoming more **remunerative** for buyers such as yourself?

Vikas Oberoi: For one at least there is less competition because lot of these companies are busy repaying their debt or whatever. So this obviously leaves us with less competition and obviously gives us more opportunity and more bang for our buck.

Mahesh Nandurkar: And my last question pertains to your Commerz 1 property where we have seen brisk improvement in the revenues, but the EBITDA margins have corrected somewhat from 99% to about 80% plus. So is that the sustainable rate of EBITDA margins and what is the reason for this decline?

Saumil Daru: Hi Mahesh this is Saumil here. This had to do with certain aspects of property tax where we booked some expenses in this quarter instead of the first two quarters. So we see this coming back to the 90-92% odd numbers going forward.



Maresh Nandurkar: Okay alright, thanks a lot, and all the best.

Moderator: Thank you Mr. Nandurkar. Our next question is from the line of Avi Mehta of IIFL. Please go ahead.

Avi Mehta: Thanks for taking my question. I just wanted to understand what is the kind of collections that you have done in this quarter, is it about 184 crores or is there any other collections that is not mentioned in the presentation?

Saumil Daru: In terms of collection you are talking about, it is at about 184 odd crores. This is only the residential portion, right?

Avi Mehta: Correct. This is only the project portion, development and what is the kind of percentage completion if given for the projects which is Exquisite 1, Grande, and Splendor. What is the exact number for Splendor as I just wanted to get a hang on what is the area that was constructed in this quarter?

Saumil Daru: If you go to slide 27, you will see what we have completed till date. So in Splendor, we have completed about 86%. So we have recognized about 86% of revenues.

Avi Mehta: Sir could you give the corresponding number for second quarter?

Saumil Daru: For second quarter, we would have been at about 78% that is for half year rather and for Oberoi Exquisite, it is at about 24%.

Avi Mehta: And the corresponding number would be about?

Saumil Daru: We had not recognized at that time so I guess at that time we were at about 18% and Splendor Grande, we have not commenced any revenue recognition so far. We are at about the 16% level.

Avi Mehta: This construction started in this quarter only, so it would?

Saumil Daru: In Splendor Grande?

Avi Mehta: Yes sir.

Saumil Daru: No, in Splendor Grande we had commenced construction in the quarter before.

Avi Mehta: So how much was that number sir?

Saumil Daru: Can I come back to you on that one, but it would not be more than 10%.

Avi Mehta: So in addition to this in the development projects, there would not be any substantial area that would be constructed in other projects, right sir?

Saumil Daru: In the other projects, no.

Avi Mehta: What I was trying to get is in terms of the construction cost because in this quarter we have recognized, you said operating cash flow is actually being negative, so the collections per se have been about 184 crores, there has been about loans and advances about 55 odd crores and corresponding debts have been decreased in debtors. So would it be fair that remaining would be construction cost?

Saumil Daru: Yes between the revenue work in progress and the capital work in progress.

Avi Mehta: That is about 38 crores. So if I ignore that, so that number is coming out to be if I adjusted with what has been recognized in inventories, the increase in inventories plus what is the recognizing P&L, it is coming to about 150 crores, is that in the ballpark or?

Saumil Daru: We are more or less in the ballpark, but what we can do is we can even check the number subsequently and come back to you, but yes.

Avi Mehta: Sir but then 150 crores and correspondingly where the numbers that you gave it is about 0.2 million square feet. So when the construction cost is coming out to be about 7,000 per square feet.

Saumil Daru: No. What happens is the numbers which we are giving you are all project till date numbers. So they are not necessarily the ones which you picked up from the P&L numbers and all, these are all your projected debt numbers. So these are not necessarily your expenditure incurred during this period only and the other is I think you have excluded Commerz 2 also from it right?

Avi Mehta: Sir but that would be in the CWIP plus right, so...

Saumil Daru: That is what I am asking you. I just saw that you have kept that one out.

Avi Mehta: That is about 38 crores. So even if I remove that about 120-130 crores is what is the kind of revenue for which about 0.2 million square feet has been constructed. So I was just trying to understand whether the math is..

Saumil Daru: But why, how have you come to just the 0.2 million square feet because there is a fair amount of work going on in Splendor. Splendor is a 1.2 million square feet project.

Avi Mehta: But that was 78% complete and I think then I will just come back on the numbers may be.

Saumil Daru: Because Exquisite again is a 1.4 million square feet project. Once your denominator changes to reflect those, then you will see that the number comes down quite drastically, it is not Rs 7,000.

Avi Mehta: Actually sir I do not know, I am just doing, it is 8% that you have roughly constructed in Splendor of 1.3 million square about, that is about 0.1 million square feet. Then 0.1 million square feet is the one that you have constructed in Grande 1.45 is going to about, there also you have done roughly similar kind of 6% kind of done. So that is about 0.19 and 0.2 kind is the one that you have done in Grande so that is about 0.2 and the existing project is there anything else?



Saumil Daru: Why do not we do one thing, we can take this offline or something and for sure look at this number.

Avi Mehta: No problem Saumil. I will give you a call and just discuss this.

Vikas Oberoi: Just for everyone's knowledge and comfort, our construction cost predominantly is about Rs. 3,000 a square foot just to clarify for your information.

Avi Mehta: Exactly that is why I just wanted to check. So I will just check this up back offline that should be okay. The other thing just wanted to get one more update, the 359 million preference shares if I am correct still have they been repeating or they are still on the books or will be repeated in 4Q?

Saumil Daru: That adjustment will happen in the fourth quarter and there is no pay out. It will be redeemed at Rs. 1.

Avi Mehta: So that redemption is still happening in this next quarter?

Saumil Daru: Because the date for that technically as per the terms of redemption is 1st of January.

Avi Mehta: I think that is all from me. I will come back if I have any more questions. Thanks a lot sir.

Moderator: Thank you Mr. Mehta. The next question is from the line of Abhishek Bansal of Credit Suisse. Please go ahead.

Abhishek Bansal: My question was this Splendor Grande is about 16% complete. When can we expect it to come into revenue recognitions?

Vikas Oberoi: Hopefully the next quarter, we are pushing our construction team to get us through the 20-25% mark where we can start recognizing the revenue.

Abhishek Bansal: My second question was like going forward when you launch Mulund Worli project and if you see volumes slowing down. Would you be flexible on pricing or would you prefer to kind of wait and maintain your current prices?

Vikas Oberoi: We always have been very prudent about sales and prices are directly related to the demand. So if we feel that the demands are going down, we will obviously correct ourselves and sell that is not at all an issue with us and again our land acquisitions are being very low. We anyway end up making a lot of money. So it really does not bother us as such.

Abhishek Bansal: So you would kind of maintain to sell the targeted volumes?

Vikas Oberoi: Yes. We will continue to do that. We had done that. Even when we were not listed, we will take that in Splendor also. Everyone knows that we corrected our price and we got the momentum back into the market for us and for the rest of us and got going in terms of sales. So why not we do that again as well.

Abhishek Bansal: That is it from my side.

Moderator: Thank you Mr. Bansal. Our next question is from the line of Unmesh Sharma of Macquarie. Please go ahead.

Unmesh Sharma: I had just one question. Regarding your land purchases, is there any internal target that you have set regarding timelines and geographical areas which you were like to stick to and the counter being which areas you would definitely not go into?

Vikas Oberoi: What we really do is that we like Bombay, we are a Bombay centric player. So there has to be a pull and a push, a pull from any other state which is very attractive or a push out of Bombay that there is no land available. Now the latter does not seem to happen because Bombay continues to be very lucrative. Going forward, we are continuously looking at land elsewhere also our BD team continues to study Hyderabad, Bangalore, Delhi, and so on and so forth. So we have got these. Having said that, land obviously it has to make sense in terms of price and location for us to buy land and that is probably our only criteria as such. If the price is right, the location right, we will obviously go ahead and buy. We have not set ourselves any timeline. I already said earlier that we have got a very good land bank, 20 million we need to execute in the next, we will start work on this in the next 1-1.5 years and for it to complete it will take 4 and 5 years. So like we have enough time and like I said that we want to use the cyclicity of the market or when other developers are busy repaying their debt or they are cash trapped, that is the time we want to really get in and buy land. So we will use the money prudently.

Unmesh Sharma: The follow-up to that would be how would you define the Mumbai market, is this also include Thane and surrounding areas and the other wing. If you do go outside, the markets of Mumbai for example and Hyderabad, are you also looking at JDAs or local partnerships with any of the local developers there or will this be 100% owned?

Vikas Oberoi: We are happy doing JDAs where we can bring in our expertise. We cracked the most difficult market Bombay, being a difficult market from, the customer is very aware, he knows what he wants. His expectations are higher than any other customer in the country. So having cracked that market, we believe that we have this expertise and we would love to do JDAs with other people even it be with some landlords and so like going forward the model will be. We will explore all possibilities. We are not averse to any of these.

Unmesh Sharma: Thank you.

Moderator: Thank you Mr. Sharma. Our next question is from the line of Adhidev Chattopadhyay of Edelweiss. Please go ahead.

Adhidev Chattopadhyay: Sir just wanted to understand what is your sale strategy for the ongoing projects and specific to Exquisite I which I have seen in the current quarter you sold around 35 units and for the full 9 months, you have done around 160 and we still got around 7 lakh square feet of inventory in this project, so what would be the sales plan going forward?

Vikas Oberoi: Our reading as far as sales grow is that when you launch a project, you end up selling a lot of stuff in the beginning and then obviously it tapers because people who come in early end up getting an early bird discount or good price. After that, the project stabilizes and then we push the price up also. Nine months ago when we started, we started at about Rs. 9,000. Today we are at 11,500 so which is virtually 25 and 30% higher than what we launched that and like we said that we had 1.4 million square feet, out of which close to 0.75 million is already sold which is about 50%. So if you really see that there is this initial euphoria that the project gets when it gets launched and after that it does taper, then it again takes off when the possession time comes in. So we basically continue to do our sales in this fashion. Like this quarter when we launched Grande, we sold 30% of the stuff virtually in a week and obviously then once the best flats in the lower floors are



gone, then the sales get little slower and then again when the project is about to get complete, customers come back who want to shift in a ready product. If you see Splendor, we have got close to 1,300 apartments. We sold 1,200 of the 1300. We are left with 100 apartments and we are now ready to give possession around March. So this 100 flats will get sold which is less than 8% of the inventory. This will now get sold when the building is being handed over because there are a lot of people who want to buy a ready flat, they want to move in by selling their existing flat and moving in. So this is how like the sales normally takes place. We as a company do not encourage investors to buy our flat because they may end up competing with us. For that like we have a transfer fee, we have a ROFR and lock-in. So all these things come into play. So we have a pretty set pattern and fortunately for us, we do not see any surprises. We continue to monitor. We do not see any surprises here.

Adhidev Chattopadhyay: Thank you.

Moderator: Thank you. Our next question is from the line of Jonathan Prigoff of Equinox. Please go ahead.

Jonathan Prigoff: Two questions. The first is that your development agreements with construction companies, I understand that 13 of 25 projects were being done by L&T. Can you tell me about the nature of your agreements with them, are prices fixed initially and then they adjusted by command reprices or had you set the prices with L&T and are you exposed to kind of inflation?

Vikas Oberoi: Hi Jonathan, here again what we really do is we enter into a fixed price contract and so the entire volatility of the project really is on L&T, but it is prudent for me to tell you that there have been times when L&T come back to us telling us that they spent more than what they have got and we as a company believe in building relationships. We have kind of voluntarily agreed to increase price for an existing project where we were very well within our right to not do this. Now here we have done this because we do not want our contractors to pad our next project with so much of our rate increase that he will want to cover his risks for the next project. So just to give him comfort that we are human towards, he having gone wrong or the market is not being very this thing, we end up covering them on that account. Now here again what we really do is we take the key items such as cement and steel, we take the escalation of those, we take the market risks of a few key ingredients. So that way we play a fair game with these contractors because at the end of the day, we know that we will get into a litigation and they will stop work and so on and so forth. So we just take a middle path and make sure that things get done and done in time. It is a pretty much of a live and let live policy.

Jonathan Prigoff: That sounds very reasonable. Also wanted to ask how many employees do you have and maybe can you split out, may be the employees of the development company and what exactly your employees doing, how many people doing marketing, how many people doing kind of planning and budgeting may be can you can go through that quickly?

Vikas Oberoi: We have got totally about 400 people. Out of which, 220 are engineers who do some sort of project management. We have about 35 architects who do design management. We have a sales team of about 40 odd people who do sales on site. The rest of them, we have got finance and accounts, then HR, and basically others that get broken down into other numbers. Ours is a pretty much an outsourcing model. We outsource design, we outsource construction, and the only thing that we continue to do is we continue to do project management because we are very quality conscious and want to make sure that the product that we do is up to our standards and mark and this is why we do project management in-house.



Jonathan Prigoff: Thank you and just one quick one. I did not hear your response before, did you say that in other regions you planning to do joint models with other developers, you are going to do those all?

Vikas Oberoi: We are honestly very happy to do either or. So it is not really we prefer one over the other. It is basically driven by opportunity. If we like a project and we like the partner, we will go ahead and work with them because we believe we can add a lot of value and if there is a straight deal, we will do a straight deal again. So it is nothing like we prefer one over the other, it all depends on the deal and it will be done on the merits of the deal, nothing other than that.

Jonathan Prigoff: Thank you.

Moderator: Thank you. The next question is from the line of Ajay Mathrani of Kotak. Please go ahead.

Ajay Mathrani: Thanks. Good evening and congratulations on good quarter. One question that I have in the first round, now you mentioned Exquisite 2 and Mulund to be launched in first quarter FY12, any timeline for the Worli project or?

Vikas Oberoi: Worli also, our work has started. We are waiting to tie up with a hotel brand which will allow us to use that brand as a branded residency. So we will start Worli then and Mulund like I said that first quarter of next financial year is when we will start Mulund as well.

Ajay Mathrani: So Worli essentially this is the one thing that gets signed off and we start?

Vikas Oberoi: Correct. Worli work has started, the design is in place, KPF from New York have done the design. Work is like we are digging the ground, we are doing our basements, and two things have to happen. We are bringing in one of the top international construction companies for execution to do that project. This building will be a 375 m tall structure and so there is really no contractor in the country who has executed such a building. So we are bringing an international contractor to do that. We are also bringing a top brand who will run the hotel for us and brand the residencies and that is how it goes. So we have signed the letter of intent with everybody we have got, we are under nondisclosure. Once we do a definitive agreement with them, obviously it will be for everyone to know and then we will start sale because that way we will get the rub off of the brand. That is it.

Ajay Mathrani: Thank you. I will come back later if there will be any questions.

Moderator: Thank you Mr. Mathrani. Our next question is from the line of Gunjan Prithyani of JP Morgan. Please go ahead.

Gunjan Prithyani: I just have one question on your sales bookings this year YTD, how much would we have sold this year in terms of value and in terms of million square feet?

Saumil Daru: In terms of value if you will go through the presentation, then each of the projects for Exquisite 1, for Grande and Splendor you will get the numbers, but totally in terms of 9 months till date, we would have sold in excess of about 400,000 square feet across all these projects and in terms of total order value, this would be in excess of about 500 crores.



Gunjan Prithyani: Because I get to around 520 crores with these 3 projects and then you said you have sold something in Springs as well that is another 60 crores. So the total value booking would be closer to around 600 crores.

Saumil Daru: Yes.

Gunjan Prithyani: Any guidance on what you are looking as full year booking number for this year and for next year?

Vikas Oberoi: We are likely to start Exquisite 2 and like I said earlier that we see the spurts when we will start the project. We expect from this quarter at least Exquisite 2 to bring us the numbers so that is how it is. Going forward every quarter, there will be one launch. Mulund will be launched the quarter after that. We will have Worli being launched again. So we expect the spurt to continue.

Gunjan Prithyani: So Exquisite 2 gets launched in quarter 4 and then you have Mulund following in quarter 1 of next year

Vikas Oberoi: then Worli following the second quarter.

Gunjan Prithyani: And secondly on your launch plans which you have indicated in terms of timeline, I just wanted to check is there any likelihood of any approval delay coming in any of these projects?

Vikas Oberoi: Fortunately we make sure that we have approval for the project that we launch and like Exquisite 1, the one that we have launched we have got approval till the lift machine room that is the top floor. Similar is for any other project that we do. Worli, we have got most of the approvals in place. Mulund, again we are in the process and should get approved. So do not see any delay from approval point of view and most of our lands are brought from multinationals. They do not require any favours to be taken and stuff like that it is pretty much straight-jacketed clean project and that is what we like to do and known for as well.

Gunjan Prithyani: Alright thanks sir.

Moderator: Thank you. Our next question is from the line of Sameer Baisiwala of Morgan Stanley. Please go ahead.

Sameer Baisiwala: Just on the Garden City, our commercial project which is Commerz 2 Phase-1 which I guess would be getting over by the end of this calendar year. How do the leasing prospects look like?

Vikas Oberoi: Hi Sameer, Vikas. Sameer, we are getting great response for this project. Couple of reasons, Garden City as a destination has clicked, having built the mall, the 5-star hotel, an international school, so much of resi already in place. So it kind of attracting a lot of people. We are discussing with large multinationals wanting space between 300,000 and 500,000 square feet, but most of these leases do take place when the building is near complete and like historically, we have seen that even if we pre-lease, they do not end up giving you big money and the documents are so loosely worded that they are within their right to walk out whereas if the market go up, you do not have any opportunity to sweeten the deal for yourself. So while we continue to talk to everybody and obviously we are happy to do deals, we are not that excited because there is really no skin from their end into the game. So this is how we perceive it, but from demand point of view, we see excellent demand and so we do not really see a problem going forward.



Sameer Baisiwala: And the lease rental for this would be more or less similar to Commerz 1 or better or worse?

Vikas Oberoi: It all depends on how big the client is. We have averaged 135 in Commerz 1 and we hope to do something similar here as well, but if there is somebody like really large wanting a large area, then we are willing to consider a bit here and there that one makes up when you do smaller leases. So as an average, one will still be able to get the numbers that we are putting in Commerz 1.

Sameer Baisiwala: And just on your proposed launch of Exquisite 2 in the current quarter, you had 337 units of unsold inventory in Exquisite 1. So what is the rationale behind doing this and do you think that this would compete with the unsold inventory in Exquisite 1?

Vikas Oberoi: Sameer if you look at Exquisite 1, we are already on the 7th floor. People like to get easy term for payment. Here 50% of the payment is due as we speak on Exquisite 1. For Exquisite 2, they will get time to pay, one. Number two when Exquisite had started, it started at Rs. 9,000, today it is at 11,500. So when we start Exquisite 2, we will be able to start closer to 10,000 because if you really calculate the time value of money, Exquisite 1 is already way ahead in terms of the project number one. Number two, the inventory that we are left with are of the higher floors. So if you add floor rise and all that, the ticket price becomes bigger. There are people who want lower floors or they have particular demand for a particular view. So obviously these customers are virtually like low-hanging fruits which we want to take. So this is the rationale behind starting that project and we have like a list of almost 3,000 customers wanting or rather shown interest in our project. So that really is the reason. There is the data which supports our call for starting the new project.

Sameer Baisiwala: And just on a car park policy, where do you think the things stand and could it come to hurt your projects?

Vikas Oberoi: Not really. Car park policy which one are you talking about? Car park has been in like news for two reasons which one are you talking about? Are you talking about the additional FSI that one gets for car parking or are you talking about the Supreme Court order which does not allow developers to sell a car park or do you want answers for both?

Sameer Baisiwala: No, the first one. Where you get extra FSI?

Vikas Oberoi: Ok, two things on this. One is there is no policy that the government has come out with saying that they will not give this FSI. They put this in under study, number one. Number two, while there are rumors of them wanting to look at it again, they are also saying that they will not do this for suburbs because really between you and me, none of these car parkings have been approved in the suburbs because it is not that exciting. Suburbs, you only get 0.5 extra FSI so that is you have two FSI, it becomes 2.5 where in the city the FSI was 1.33 that goes to 4. So that is a big jump. Having said that, we do not have any exposure in the city. All our exposure is in the suburbs and from our information, they are saying that the suburbs policy will continue because it is only 0.5 FSI against the 2.67 FSI that we gave in the city. So they want to encourage car park in the suburbs and we really do not know how this will go. So right now there is no rule which says that they have taken it off the shelf.

Sameer Baisiwala: Excellent, thank you.

Moderator: Thank you Mr. Baisiwala. Our next question is from the line of Aditya Soman of Golman Sachs. Please go ahead.

Puneet Jain: This is Puneet Jain. Good evening everybody. My question is with respect to the Juhu Hotel which you had mentioned in terms of investment properties, what is the current status with respect to that?

Vikas Oberoi: Puneet, you are talking about the erstwhile Centaur then Tulip. We are in arbitration and legal procedure in our country takes for ever. We also continue to speak with the erstwhile owner who got into an arrangement to sell that to us to kind of do an out of court settlement, but these are talks, nothing really has come out of that. We continue to speak with him and we are just hoping that it can get resolved. We have 37.5 crores invested in that and that is where we are.

Puneet Jain: Will you have some estimate of the market value of this property at this point of time?

Vikas Oberoi: It would be really speculative because finally it all depends on how this gets resolved. Today obviously nobody will want to put any money with everyone in court. Once this gets resolved, obviously we will do price discovery and make sure that if we like the price, we will hold it. If we do not like the price, we will take our profit and move on and put it in the project where we feel and give us more returns.

Puneet Jain: Second question is, more broader question with respect to what do you think about the pricing right now in Mumbai and what do you think given the start that volumes have been low for some time. How do you think the pricing could play out in Mumbai market over the next 12 months?

Vikas Oberoi: If I want to say something for now, I would say that prices have stabilized and you obviously do not see prices going up for now and which is a good thing. There are many factors to this. I have been saying this and if you bet the economy, Indian economy growing at 8.5-8.7%, then obviously there is money coming into the country and this money obviously will get distributed among people and once you have money in your hand, obviously there are three things, " *Roti, Kapda, aur Makaan.*" So "*makaan*" is a priority and we do not see that buying a house is going to be out of fashion. So if one bets on the economy that the economy does well, then I do not see any reason why our sector will not do well. This is a macro thing, but if in the micro thing if you look at it, there are developers who have a strained balance sheet, they might be desperate in the near-term and so there might be some sort of stabilization that will take place or may be a 5-10% correction which is anyone's guess. One cannot really say for certain that this is what will happen. So we want to like I said that continue to look at the market at every quarter. We want to be prudent about what we buy and we want to be aggressive and we will sell and that is the policy we want to continue to follow.

Puneet Jain: But like as you mentioned that there could be some strain in other developers and there could be some fall, but could that affect even your sales going forward in that near term?

Vikas Oberoi: If what we believe is true or if whatever we are assuming will happen, then it is really music to my ears because we are one company who is sitting on cash. Having so much cash in hand, we will get the opportunity to buy more land which is also again great for our company. So it is a win-win for us really. You know even if in the short term let us say, sales get affected, it will have a direct impact on land prices. So that will be the time to ramp up our land bank. So we are very happily placed. So that is what we are looking at.



Puneet Jain: Okay and all the best.

Moderator: Thank you Mr. Soman. Our next question is from the line of Sachin Shah of JJB Portfolio Management. Please go ahead.

Sachin Shah: Just wanted to check, sometime back you have launched Oberoi Prisma at JVLR and you have done some reverse book building.

Vikas Oberoi: What is reverse book building?

Sachin Shah: I don't know you did some book building, sorry.

Vikas Oberoi: No we did not do any book building. What we really did was we started Prisma, we launched Prisma, but the minute we launched Prisma we started getting enquiry from very large multinational to buy the entire building. So we thought that if you sell individual units, then obviously we will defeat the purpose of these big companies who want to buy the entire building. So we are at a RFP stage as in we are exchanging details and continue to speak with them and so we are just pursuing that. Like you are right, we have had 200 people who wanted were interested in and some of them wanting to buy, but we just held that because we thought that if you are getting one customer, then it will be great to sell one building at one go. That is how it was.

Sachin Shah: So you think you will be able to close that by end of this financial year?

Vikas Oberoi: Like I said that we continue to speak with them, we have no pressure and the minute we have a customer and commercial buildings normally end up selling when it is near completion. So like I said we are open to it. We continue to build it, the work is in progress. Either like an individual company buys it or we will start retailing it. So we have not taken a call on what we really want to do. Our focus is right now to build it and build it fast and sale can happen anytime.

Sachin Shah: Then if you are not in a hurry to do sales, then why did you open sale just two months back?

Vikas Oberoi: We never said that we are not in a hurry. We said that we are more than happy to sell. Today we are speaking with somebody who wants to buy the entire building. If that happens, we would prefer that over individual sales, but if that does not happen, then we will go back to individual sales.

Sachin Shah: In case that large deal does not happen, then what is your feel that in how much time, how much percentage can you fill it up?

Vikas Oberoi: There is a great demand. Like I told you that on our first advertisement we had 200 calls. So we need to ascertain how many of them are like serious buyers, but they are more than happy to come in and close deals. So there is demand for commercial as well and it is a great location, it is on the JVLR Road which is next to SEEPZ. It is the only connectivity between East and West. You are not restricted to somebody only on the Western suburbs. Somebody having this office here can approach the Eastern suburbs and the Western suburbs equally efficiently.



Sachin Shah: But so you think in the next couple of months, you will have some more idea on this?

Vikas Oberoi: Yes, sure.

Sachin Shah: Thank you.

Moderator: Thank you Mr. Shah. Our next question is from the line of Dhaval Dama of Anand Rathi. Please go ahead.

Samar: Hi good evening this is Samar at this side. Just a couple of questions from my end. One was with regards to this 30 crores deposit for some land bid, if you could have that details?

Saumil Daru: That was for that PAL-Peugeot bid for that plot of land in Dombivli Samar. That was the deposit in the High Court so that will come back now, that the property has been bought over by the other bidders.

Samar: And the other two questions are one of course with regards to approvals, now currently of course you are doing cleaner projects with more or less virgin land buy from multinationals. Going ahead depending upon the availability of land, I am sure you will be also looking at redevelopment properties or the other verticals and as the current environment is not that great. So as a developer how do you look at it because approvals might take a lot of time now?

Vikas Oberoi: Samar the current environment is not great if you want to really convert black into white, but if you are doing straight-jacketed clean projects even if it is redevelopment, the title of the properties clear, you don't want any unfair advantage then there is really no problem. We want to do clean work and we genuinely feel that there is no problem in approvals as such. Obviously they do take time and everywhere in the world it takes time, its not just India. But like I said that if you want to go reasonably by the book, then there is really no problem.

Samar: And just with respect to the pricing, now you have a couple of projects on the Western suburbs and one of course coming up in Mulund. What according to you would be the average selling price over the next 4-5 years for these projects?

Vikas Oberoi: It is very speculative. How can I predict what will happen in 4 and 5 years. I can only tell you what I have done and as we speak like I told you, Exquisite is averaging anywhere around 12,500 including floor rise. So that is where we are.

Samar: Or if I could put it in a different way because from 2004 to 2007 or 2004 to 2008, prices spiked up obnoxiously. Of course I think you would also agree that it would not happen in the future. So from now if you are thinking about 12,500 in Western suburbs in the next two years at least do you think price is actually going up by 20-25%?

Vikas Oberoi: Again I can't predict. At best I can only tell you that yes, I agree with you that, that is what happened in the last 4-5 years. But going forward, like I said that we see great demand at 11,500 for Exquisite 1. We see very good demand for Exquisite 2 and so on and so forth and prices are very subjective. They are subjective to how the economy is, they are also subjective to where your location is? What you have done with your previous property? We are having added so much value on to Goregaon. We don't see any reason why people won't continue to come. So we made a location, we made a destination and that is what we are really reaping the benefits for and also like you know having build quality, having build a brand for ourselves.



Samar: Sure. Thanks a lot.

Moderator: Thank you Mr. Dama. Our next question is from the line of Sameer Baisiwala of Morgan Stanley. Please go ahead.

Sameer Baisiwala: Vikas any thoughts on the Glaxo land that is the Worli project?

Vikas Oberoi: Sameer you are aware that it is not a part of the Realty company. This was done when Morgan Stanley invested with us and this was a non-FDI compliant project. So we couldn't bring it into the companies. This really is not the subject matter of this company itself.

Sameer Baisiwala: Yes, but what we do hear is that the private equity partner is looking to exit and therefore there maybe an interest from our company and that is the reason why I asked this question.

Vikas Oberoi: Well I haven't heard it from them directly that they want to exit. I have also been reading in the papers and I have tried to reconfirm, they continue to say no, but should the value be right and if we feel that it makes business sense for the company to buy, then obviously we will look at buying the guy. We have a ROFR. I personally have a ROFR which I will allow my company to exercise and if it makes business sense, then why not and as of now I hold 50% which obviously I am very clear, I will not sell it to the company and drain the company out of the cash and stuff like that. So that is how it has been.

Sameer Baisiwala: And just question on the Mulund land parcel Exotica, is there any procedural or otherwise court action that is pending over there?

Vikas Oberoi: There is only one thing. We got permissions from the Supreme Court to build. We have got permissions from the Supreme Court to also create third party interest. Now the Supreme Court said that like any other permission, you need permission from BMC, you need permission from X, you need permission from Y, they have told us you need from permission from MoEF also. Now all the projects in the city require MoEF permission. We already have an MoEF permission even prior to all this having started. We are in the court saying that we already have permission, why should we go back to MoEF and we continue to say that this land is not forest. So we should not be subjected to going back to that. The hearing for that is on the 8th of February and there is only one point that needs to be cleared whether one needs to go to MoEF or whether one need not go to MoEF. Irrespective of that like I said that Supreme Court has allowed us to create third party interest, allowed us to start work as well. So this is what it left for us to clarify.

Sameer Baisiwala: Even if you do have to go to MoEF, would you launch in a project in first quarter?

Vikas Oberoi: We are told that it takes anywhere between 3 and 4 months. So if one has to, then our quarter will give us 3 months and we will still be left with two months of this quarter that is 5 months. We will really get aggressive and get the MoEF clears and get cracking with it.

Sameer Baisiwala: Okay great thanks.



Moderator: Thank you Mr. Baisiwala. Ladies and gentlemen as there are no further questions, I would now like to hand the conference over to the Chairman and Managing Director, Mr. Vikas Oberoi for closing comments. Please go ahead Sir.

Vikas Oberoi: We would like to thank you all for taking time out and joining on in this conference. I really appreciate your effort. You have come up with some great questions. There are few that we need to put our heads together and work towards. There are some we have been able to answer, but going forward we want to tell you that we do our best to be as open and transparent. Continue to feed us with what you feel about our company. You need not wait for a conference call like that. Chirag from my office is our Investor Relation guy. Saamil Daru is available and so am I. We are more than happy to answer any and all your questions that come to us by a phone call or an e-mail. Please feel free to do that and help us build a company that you all like. Thank you so much.

Moderator: Ladies and gentlemen with this we conclude the conference call. Thank you for joining us and you may now disconnect your lines.