



“Oberoi Realty Earnings Conference Call”

August 03, 2011



Moderator: Ladies and gentlemen good evening and welcome to the Oberoi Realty's earnings conference call for the 1st Quarter of the fiscal year 2012. We have with us Mr. Oberoi, the Chairman and Managing Director of the company and Mr. Daru, the Group Chief Financial Officer of the company with us on the conference call. Please note that this conference call will be for 60 minutes and for the duration of this conference call all participant lines will be in the listen-only mode. This conference call is being recorded and may be put on the website of the company. After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during 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 maybe forward looking statements, including those relating to general business statements, plans and strategy of the company, its future financial condition and growth prospectus. 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 result opportunities and growth potential to defer materially from those suggested by such statements.

I would now like to hand the conference over to Mr. Oberoi, the Chairman and Managing Director of the company, thank you and over to you sir.

Vikas Oberoi: Hi good morning, good afternoon and good evening. Thank you for joining us in this conference call and I have some good news as well as some not so very good news for you all. Nevertheless in the course of our conversation for the whole one hour including our question and answers, we will discuss all this in detail. Let me begin with some good news. Oberoi Splendor, the project that we started a few of years ago is now complete. It is complete only post June, we got the occupation certificate in July. Nevertheless, we have booked revenues for 96% of the project, that's one. Oberoi Esquire, which was launched in February of 2011 continues to do very well. We are almost doing an apartment a day as far as the entire run rate or the sales go for the company, which in current scenario is reasonably good. Westin, our hotel project is now stable; it's now in the profit mode. Saumil will speak to you in detail about that. We have also been awarded among the best new hotels; our Spa got the best New Spa award.

So all in all, things are looking good here. You know, we held a 50% stake in the Siddhivinayak Realty, which in turn had bought rights to develop the Centaur Hotel. The arbitration has gone against us and we have appealed. We have in fact preferred in appeal against that order and so its round one of the 'boxing' as they call it and it will continue for whatever time until the litigation gets resolved. So again here, Exquisite, our project has crossed over 900 crores of sales even that is great news. Worli, we have appointed Samsung as our contractor. This is the first project that Samsung is doing. They are one of the leading contractors in the world having done Burj Khalifa, having done Petronas Tower in Kuala Lumpur, this is their first project and we are happy to have them as our contractor. It is a challenging project, it's a mixed used development.

So all in all this is from me. I am again going to join you after Saumil completes his bit of information that he will give you in the question-and-answer. Over to you Saumil.



Saumil Daru: Thank you Mr. Oberoi. Without taking too much of your time, I will just directly jump into the financials so that we have got enough time for the Q&A. I guess most of you must have received the presentation by e-mail from our IR Team. Any which way the presentation is also available on the website along with the results, which we have filed with the stock exchanges.

In terms of financials, we achieved consolidated revenue this quarter of 215.07 crores, this is as against 165.79 crores for Q1 FY11, which shows a growth of about 30%. The consolidated PBT was 137.36 crores for this quarter. This is as against 85.82 crores for Q1 FY11, which is a growth of 60%. The consolidated PAT was at about 105.77 crores for Q1 FY12, this is as against 79.7 crores for Q1 FY11, which is again a growth of about 33%.

I would like to now move on to the asset level performance and begin with the investment properties. Our investment properties have continued their steady and strong performance.

Oberoi Mall, which is the retail asset, contributed about 19.12 crores this quarter to the operating revenues, this is as against 15.05 crores in Q1 FY11, which is a growth of 27%. This growth comes from two factors, one is on account of increasing the occupancy which has gone up from about 90% in the same period last year to about 95% this time and the second is in the increase in the rentals from our existing clients, which is by way of escalations which kick-in every three years or just simply where the tenants have done better business particularly in those cases where we have some revenue share component. The EBITDA margins for us in this vertical continues to be in excess of about 95%.

Commerz, which is our office space asset, contributed about 10.91 crores to the operating revenues of this quarter. This is as against 11.32 crores in Q1 FY11, which is a contraction of 4%. This contraction is primarily due to a slight reduction in occupancy as one of our tenants has moved out and part of the space was replaced by an existing tenant; this was discussed by us in our last quarter conference call as well. We have already signed a new tenant who should start paying rents from Q2 FY12 and the occupancy would improve thereafter. The EBITDA margins in this vertical also continue to be in excess of 95%.

The third one of our investment properties is the Western Mumbai Garden City which contributed about 20.83 crores in the operating revenue for this quarter, this is as against about 6.92 crores in Q1 FY11. The two quarters, however, are not strictly comparable as we just started the operations of the hotel in May 2010. So in the last particular quarter there were only two months, plus it was a start up at that point of time. This particular quarter the hotel has been ramped up and it is operating at full capacity. The EBITDA margins for Q1 FY12 were at 22%. If you really look at it, the hotel part is a seasonal business and Q1 and Q2 have traditionally been the low seasons as far as the Bombay market is concerned. The construction on our ongoing office space property Commerz-2 Phase-1 continues on schedule and we have spent about 9.23 crores during this particular quarter and 143 crores approximately till date for the same.

I would now like to move on to the development properties. As Mr. Oberoi mentioned, we have crossed Rs. 500 crores of sales in Oberoi Esquire. We launched Oberoi Esquire, which was earlier known as Exquisite-2 in February 2011 and sold about 1,66,000 sq ft in Q1 FY12 after selling about 2,75,000 sq ft in the last quarter. Thus, combined for the two quarters we have sold about 4,40,000 sq ft equivalent to about 179 units, with a total sales value of about 516 crores. The project



currently does not form a part of the profit and loss account as it is yet to reach the threshold construction completion. But we can look at revenue recognition from this project coming in either Q4 FY12 or Q1 FY13.

For Oberoi Exquisite, out of the total project of about 1.5 million sq ft, we have sold about 7,72,000 sq ft till date which is about 51.27% of the inventory in this project. The total sales value for Q1 FY12 is about Rs 21.08 crores and the cumulative sales value till date is about 925 crores. The total revenue recognized for this project in Q1 FY12 is 45.63 crores and the cumulative revenue recognition till date is about 305.17 crores. The project has achieved approximately 33% project completion.

For Oberoi Splendor Grande, again out of the total project size of 2,83,000 sq ft, we have sold about 1,09,000 sq ft which is in excess of 38.46% of the total inventory in this project. The total sales value for Q1 FY12 is about 36.78 crores and the cumulative sales value till date in this project is about 141.09 crores. The total revenues recognized for this project in Q1 FY12 is 21.49 crores and the cumulative revenue recognition till date is about 50.73 crores. This project has achieved a completion of about 36%.

Moving onto Oberoi Splendor, as Mr. Oberoi explained, we have got the occupation certificate for this project in the month of July. Out of the total project of about 1.3 million sq ft, we have sold about 1.2 million sq ft which is about 93% of the inventory. The total sales value for Q1 FY12 is 6.67 crores and the cumulative sales value till date in this project is 1371.6 crores. The total revenue recognized for this project in this quarter is 34.21 crores and the cumulative revenue recognition till date is 1319 crores. The project has reached about 96% project completion. As I mentioned earlier, we have received the OC and the activity of handing over the possession has begun.

Coming to the overall sales velocity, our sales velocity of residential apartments of about one flat per day continues and this has been maintained in July as well. In case of our office space property, there is Oberoi Splendor Prisma, the construction continues. We have incurred a further cost of a little over 6 crores during the quarter and a total of Rs 41.5 crores cumulatively till date which is a part of our inventory. The work on our landmark project in Worli continues. The LOI has been issued to an international contractor which is Samsung as mentioned and we are in the process of even closing off the final contract documents, more than likely that a formal announcement will also follow pretty soon. The discussions with the hotel operator for that project are also progressing satisfactory.

Coming back lastly to some key financial parameters, our EBITDA margins for Q1 FY12 were at 56.14% and the PAT margins were about 49.18%. The EBITDA margins for Mall and Commerz are much higher than average as mentioned before. Excluding them, the margins for our pure residential business is around 53.9% for Q1 FY12.

With this we would like to open the floor for any questions or any clarifications that you all may have. Thank you so much for giving us a patient hearing.

Moderator: Thank you. We will now begin the question and answer session. The first question is from Unmesh Sharma from Macquarie Capital. Please go ahead.



Unmesh Sharma: I will ask you the same question I asked you for the last couple of quarters, which is regarding the purchase of land. Recently there was an interview, where Mr. Oberoi was talking about expectations of fall in land prices. Have you seen any of that come through? The other is just wanted to understand what are your targeted projects for the year both in terms of buying out land or JDAs. In what form can we see an addition to your land bank through the year? That is my first question. The second is, we continue to hear news flow from the other developers in Mumbai that there has been a slowdown in the sales volumes in Mumbai. In your result that does not seem to be coming through. So what do you think is the reason for this and will this velocity actually continue through the year? What target do you have for sales in million sq ft or Rupees crores as you may wish to give for FY12? These are my two questions.

Vikas Oberoi: Hi Unmesh, this is Vikas here. You heard me say that I am expecting the prices to soften a bit. This is no rocket science as such. It is solely on the basis of the information that I am getting from the market and what really the government is doing. If you note that money is not available to most of the developers, most of them are already leveraged and stressed. So what I feel is the natural thing for a developer who is in that situation would be, that he would not look at new acquisition. He has got to put his house in order. This obviously will take away pressure on new acquisitions and that in turn will reduce prices. So this is really our thought process. I feel that we are sitting with cash, as we speak close to 1,600 crores of our cash without any leverage. This obviously will be utilized in acquiring land. Now here again we want to buy land wherein we feel that we can make money. I do not want to buy land assuming that the prices will go up or we will manage a process and increase the FSI and all that. That is not our style. We clearly want to make sure that it makes sense in buying property and only then we will acquire land. Having said that, we are open to joint ventures, we are looking at new lands, but I again said that the stress is building up but it's not cracked anywhere as yet. So once we see that opening, only then we will venture.

On the sales volume your information is correct that, yes, one does see a drop in sales and we continue to have that momentum. I would really put this to two things, one, we are really fortunate that we have got projects in good locations and Goregaon per se is a 80 acre development, it has hit a tipping point, our mall continues to do well, we will see close to 10 million people having visited our mall this year. We have a hotel in place; we got our school doing well. So all this put together has created a destination development in Goregaon for us, which in turn is giving us the volume. So we become virtually the first choice. Second, again God has been kind, things have happened for our company, we have been able to deliver. I am not saying that we have been upon on deliveries but with tolerable limits of delays, we have been able to deliver our projects. That also in turn has given a lot of credibility to the company which continues to bring in people who want to book. If you really see the numbers, Exquisite has crossed 900 crores of sales, where we are probably at 20th or the 25th floor, another 25 floors to go 2 years plus for it to get ready. Esquire, where we have crossed 500, we are at ground level, if you see the presentation which shows pictures of the project. So this clearly indicates that this company has caught the fancy of people and people want to deal with us, they like the way we do things. This is one reason probably I would say that sales continue to be buoyant and I do not see these facts changing. So going forward I would say that if not very bullish, I am pretty conservative in thinking that the run rate at which we are selling, we will continue the sell.

Unmesh Sharma: Thank you very much, it is very clear.

Moderator: Thank you. The next question is from Puneet Jain from Goldman Sachs. Please go ahead.

Puneet Jain: My question is respect to the Prisma property, what is your strategy about the same?

Vikas Oberoi: Puneet, you know that, that is one project we are reasonably open to selling. We are happy if we get somebody who wants to lease it out as a whole or as a part, or if somebody wants to buy we are even happy to sell like per floor, one unit, two units. Right now, the construction is in progress and our experience says that commercial buildings normally sell only when they are about to get completed because floor is not really a choice as such, unlike a residential and views are not all that important, I would say. So people prefer buying commercial buildings when they are about to be delivered or almost ready. So we are waiting for that to happen, construction is in full swing and that is our strategy.

Puneet Jain: For the Worli property, what is the cost of construction?

Vikas Oberoi: Like I said that we have appointed Samsung as our general contractor, only one piece of that contract is finalized which is the superstructure, the rest of the contract needs to be given and it will be on a merit base because they will be outsourcing the rest of the substructure, we have got estimates which are in-line with what we have discussed earlier, any change we will obviously report.

Puneet Jain: Thanks a lot.

Moderator: Thank you. The next question is from Ashish Agarwal from Edelweiss. Please go ahead.

Ashish Agarwal: I had a couple of questions, if you could you just throw some light on those. The first is on the status on the Mulund launch and something if you could guide us on the newer FSI regulations and how the sector gets impacted and how our projects get impacted for us?

Vikas Oberoi: Your question on Mulund, the entire Mulund property was originally declared as Forest, then we all went to High Court, the order in High Court was against us, we appealed against that High Court order in Supreme Court and got relief from the Supreme Court allowing us to construct and a create third-party interest. They also gave us a qualification saying that we have to take MOEF approval. Now the MOEF approval basically is an approval that the State government has to take, we in turn cannot take MOEF approval. We went back to the court asking the court that this should be either done post our development or ask the State government to hurry up. Now we are like really pushing the State government to go ahead and get the MOEF approval, so that we can start construction. As far as we are concerned, we are ready with the entire design of the project. As soon as we get that, which we are hopeful to get in the next three months, we will be launching that project.

On your question of FSI regulations, this is slightly a grey area. As we speak, the old rules continue. The new rules that are being proposed by the commissioner are actually good in nature and I will tell you why, at least good for a company like us because all that the commissioner wants, is to create a level playing field and we have never been the favorites to tweak or twist the rules. So for us this is great news. We are very happy that this is happening and they have invited suggestions and objections from people. We from our end are giving our suggestions. The other part of this is also obviously to create revenue for the State which again is not a bad call because this will be used in infrastructure. So it is a grey area, I cannot

clearly say that. We at our end are preparing suggestions and objections. Once the rule is in play only will I be able to tell you because right now it is in a draft mode and the old rules continue as such.

Ashish Agarwal: Basically if I look at it, what are the FSIs, if any of your projects get impacted based on your initial assessment and whether there would be any increase in cost for our existing projects or any newer projects?

Vikas Oberoi: See two things, yes, if the rule is applied the way it is being drafted without having taken any suggestion and objections then, yes, both questions could be correct. But as I said that the old rules as we speak continue, and the new rules have been formed with suggestions and objections being invited, I think the commissioner is very open to hearing from people what the effect of this would-be and he clearly does not want to add to the cost. Like I said that his entire endeavor from what I gathered on a meeting that we all had with him, is that he wants to create a level playing field which is great for us. So keeping that in mind is what this rule is all about and we are waiting for crystallization of the rule as such.

Ashish Agarwal: One small housekeeping question, the Goa property that you sold, could you guide us what value you sold that at?

Vikas Oberoi: I will let Saumil take you through the numbers because I do not want to go even wrong on a decimal.

Saumil Daru: Hi Ashish, Saumil here. For the Goa property, we acquired it at about a little over 61 crores and we have sold it for a little over 82 crores. So there is a gain of about nearly 21 crores on that particular transaction.

Ashish Agarwal: Was there a thought that, we would continue to own and run the property or we chose to exit this, if you could throw some light on that thought over there?

Vikas Oberoi: This was bought in an auction and our initial assessment said that we could acquire property around it and create a larger development. But after we acquired, we realized that this is only going to be a standalone hotel. The minute we acquired the property around it, either landlords were not willing to sell or they were wanting a higher price, which did not make sense. We also got an offer simultaneously which gave us a 20 crores profit on actually in investment of even less than 30 crores and out of which only 7.5 crores was for around a year, the rest of it was just for three months. So if you really look at it, it is a great offer. We thought we will sell this, make some money and look for property elsewhere.

Ashish Agarwal: Thank you so much sir. I will come back if more questions if I have.

Moderator: Thank you. The next question is from Vikas Rungta from Reliance Mutual Fund. Please go ahead

Vikas Rungta: We have already seen two recent changes by BMC, one was in terms of parking FSI and one was overall FSI. What further is expected in the future for regulation changes we can see in future from BMC as of now?

Vikas Oberoi: I feel one needs to understand what is the entire endeavor of the present government or the present commissioner? All he is trying to do is create a level playing field and which is great news for a company like ours. Having

said that, I do not see any further change which will take away what I said initially. So I do not see a major change as far as the entire policy goes, unless it is focused towards creating a level playing field as such.

Vikas Rungta: There is a lot of delay in high-rises buildings by the high-rise committee, so what is a traction you are seeing there?

Vikas Oberoi: Again, all that you see is being looked at and the commissioner is very clear that he wants to set up rules which would take away discretionary powers from individuals and make a level playing field for people. Like we have suggested that instead of having a high-rise committee or just to increase or speed up the process of high-rise committee's approval, one should have a peer review of the structure that is being proposed by another consultant of equal repute or the government could shortlist people who would just simply do a peer review at a fee, which is being done internationally. So the present regime is pretty open to these suggestions and much that, it may sound contrarian, I want to say that things are only going to ease up for people and companies like ours. So all in all, I would say that we are happier than being sorry about what is happening.

Vikas Rungta: What kind of impact you assess, apart from your company on an overall real estate industry because of the new changes which have been brought in, in terms of future approval and future supplying?

Vikas Oberoi: 80%-90% of developers actually do not even have the reach to use the government to their advantage. So by and large the real estate industry will only prosper. Few people who are always taking advantage of the law will or may not end up having that upper edge over people like us, so we are very happy all in all.

Vikas Rungta: My last question, in terms of your Worli project, what is the status of the approval?

Vikas Oberoi: We have already got approval. I hope you are talking about the Worli project that we have given to Samsung.

Vikas Rungta: Right.

Vikas Oberoi: The approvals are in place. We have dug the ground and as we speak working on the site, we have given a contract to Samsung, now we are waiting for the hotel contract to be signed, so that branded residency comes into play and if not the next quarter, the quarter after that you will see sales happening there as well. You might even see in the next quarter, which we will launch and start selling then.

Vikas Rungta: So IOD, CC and High rise committee?

Vikas Oberoi: Everything is done including your environment clearance.

Vikas Rungta: Thank you sir, wish you all the best.

Moderator: Thank you. The next question is from Ashish Jagnani from UBS, please go ahead.



Ashish Jagnani: Just a follow up thing on this FSI policy. I just wanted to check this new policy that they have been talking about, is there any clarity on how it will be implemented? Will it be for current projects or retrospective effect or for following new projects, any clarity on that if you can share?

Vikas Oberoi: Firstly it will not be retrospective; this is only for current projects. Second, just to clarify what the commissioner really wants is to take away the discretionary power whereby trying to eliminate corruption, which is a great cause. What he is really trying to do is, he wants to increase the FSI and count everything in FSI. Bangalore follows this model, Hyderabad has unlimited FSIs and that's different thing all together. All he is trying to say that if you are using two FSI, and you are constructing three, you take three FSIs and count it from out-to-out. So this is a great thing. Gone are the days when developers were able to get decks and flower beds of 2 meters, 3 meters and 5 meters approved, whereas other developers who followed the DC Regulation could not. So it great news for people like us and we really welcome this change. Like I said, it is in a suggestion objection stage and we will obviously put our case forward and try and convince the Commissioner who is a very prudent guy.

Ashish Jagnani: My point was basically that when you say its for current or new products, what would be the date decided for filtering these current projects and forthcoming projects for this being effective, any clarity on that?

Vikas Oberoi: Ashish, there is no clarity, but what I gathered, I did ask him this specific question and he said it will not be retrospective. So if I try and decode what he is trying to say, only after the new policy comes into play will he make it effective, so that's about it. But I would say, that even if I am in a older project, I would rather get my project certified in the new regime, where I get a global FSI and if that is going to benefit me then I would rather get my entire project reapproved as per the new plans.

Ashish Jagnani: Would you also see that with this policy or on the back of this policy would they look at revising the ready reckoner rates because at the end it's to maximize revenue at their end as well and there is still a gap between ready reckoner rates and current rates. So would that also be a follow through, post the new policy?

Vikas Oberoi: Well, government as such is a very sensitive to any price increase. They do this indirectly, but they on their own do not want to increase the ready reckoner price, because then government is inviting inflation also. So I really do not know how much of this would they want to really do because at one end they want to show to the world that the prices are coming down. So they would not take that away I guess. But again the government can do anything if they really want to and they like. But if you put logic to what you are saying and with the current scenario that we are in, the inflation now really worrying them, they would not want to give one more barometer to the world to judge that, yes, inflation really kicked in. So I do not think they will do this to the ready reckoner.

Ashish Jagnani: Lastly on the cash, your cash has increased from the last quarter which was about 1464 crores by close to 100 crores here. So is that from the sale of Goa property?

Vikas Oberoi: The sale of Goa property will give us 20 crores which is extra, but you know that we have launched Esquire. We have sold stuff worth 500 crores. You know we collect 40% advance, so that itself gives us 200 crores extra cash. We are continuing to spend. You also know that we are building three commercial buildings. The Commerz-II building is in



progress, Commerz-III has also started, our Prisma is under construction. These projects do not generate any cash. We are deploying our own cash. So all in all, what you can see is that even despite we running three projects which are not generating cash or other capital intensive, we continue to be cash positive because our residential projects are really helping us do that. We get a rental yield of over maybe 110-120 crores a year, which also adds to our cash and we are waiting for land, again please continue to pray with me that they drop, as I predict.

Ashish Jagnani: Lastly, if you can share any visibility on the Glaxo piece of land, I mean what is the status there if you can?

Vikas Oberoi: Glaxo is really not a part of Oberoi Realty, so I do not know whether you still be interested in knowing.

Ashish Jagnani: Well, it would always help because that is something which a lot of people have asked about with relevance to how would Oberoi tends to leverage that at any point in time, if it happens to come through.

Vikas Oberoi: No strategies as such, we are on a think mode right now. There needs to be some clarity on that account also coming from the government. The first piece of clarity is that the government has lost the case to charge any transfer premium and they on their own have now reduced, they were charging 7%. They increased it to 50. They lost the case in High Court. They have gone and appealed but even before the appeal got decided they have come back, the suggestion objection invited over taking it to 10%. So they are feeling that if we bring it down to 10%, it will look reasonable and people will opt for it. So lets see, I cannot say anything at this point in time, what Oberoi Realty strategy would be? We have a third party as a partner in it. I per se am not selling my share to Oberoi Realty and creating any personal cash, be rest assured for that. So right now Oberoi Realty continues to not be interested and we will take a call and a prudent one.

Ashish Jagnani: Thanks a lot.

Moderator: Thank you. The next question is from Saurabh Kumar from JP Morgan, please go ahead.

Saurabh Kumar: I actually have two questions. One is basically you have essentially a large office block now coming up in terms of Commerz-II and your existing office block is operating only at about 75% odd occupancy. So any thought processes on how the leasing would be going? And do you expect any delay in filling up these new office spaces? Second is basically just a book-keeping question, what was your booking level in Q1 and what was it in Q4 and in value terms actually?

Saumil Daru: Of which project, Saurabh?

Saurabh Kumar: Overall company level.

Vikas Oberoi: Let me answer the office bit of it. We continue to believe that a lot of developers because of their cash crunch have either changed their office design into residential or completely scraped it off or slowed down. We feel that going forward, there will be a shortage of office space and that is our strategy to continue and build. About the existing one, let me tell you that, we have signed LOI for one transaction which completely takes away all the office space that we have in the present Commerz-I, so that will really take it to 95%. So we are not unduly worried as such. And again the way I see this going forward, there is a huge demand for large office space. I do not have anything to give to somebody who

wants 200,000 sq. ft or 400,000 sq. ft. and so on and so forth. What I have is like 15,000 or 20,000. For that, there is a lot of competition. If the area is smaller there are many people willing to give that, but like a larger area of 300,000 or 600,000 sq. ft., is not that easy to find because anybody who wants to offer that needs to invest that kind of money to bring that into the market. So I feel that once those projects come to a stage where visibility of occupation is in the near 3 to 6 months, you will clearly see and to be honest we are actually talking to some people who want 300,000 sq. ft. or who want 400,000 sq. ft. of area.

Saurabh Kumar: Can I put it more directly, do you foresee any competition from the oversupply, which we keep hearing in lower Parel and other areas?

Vikas Oberoi: Lower Parel is majorly either financial services or IT enabled. They have gone in for this double FSI and those people, in fact, even if they have to give similar pricing, prefer offices in the suburbs for a simple reason that majority of the staff stays here from a residential point of view. Now because they are IT / IT enabled, they also can target only a particular segment, whereas we are in the general category. We can service anybody. Our existing building has O&M, Group M, who have taken as large as like 250,000 sq. ft. So again going back, there is a big demand for a larger area. I again said that smaller areas compete with smaller areas around, which are easy to get, but large areas are not. So I do not see any competition and really there is not much supply in the suburbs of the general office area development. Now coming back to numbers, I will let Saumil take over.

Saumil Daru: Saurabh, Saumil here. You want to know the booking values, you want to know the booking amount, or you want to know the booking areas?

Saurabh Kumar: Booking value.

Saumil Daru: In terms of value we have booked about 210,000 sq. ft., which is worth about 260 crores in this quarter. In Q4 of FY11, we did about 3 lakh sq. ft. with about 350 crores of sale value.

Saurabh Kumar: This 21 crores profit you booked in this quarter, right on that land sale?

Saumil Daru: Yes, and Q1 of last year, which is Q1 of FY11 was about 160,000 sq. ft. with about 190 crores of sales. So Q1 to Q1, if you will see that is the comparable.

Saurabh Kumar: Thanks.

Moderator: Thank you. The next question is from Ishpreet Batra from Sushil Finance, please go ahead.

Ishpreet Batra: I just wanted to know that 21 crores of profit that we have got from the Goa property is accounted in the other income?

Saumil Daru: Yeah.



Ishpreet Batra: Also wanted to know about the Mulund property. How long is it that we can see for the project to start, may be FY13?

Vikas Oberoi: No, this should be FY12. Like I said that, the state government is now going to apply two MOEF for its clearance and normally it takes about 60 days for such a clearance to come. They have to consolidate and send it and stuff like that. CEC has given them a process which they need to follow. So they are creating that first bunch, which will be 60 days from now. And we are ready as far as our designs and approvals go. We have already taken approvals from the local level. So they are subject to MOEF once that comes into play we will be ready for action.

Ishpreet Batra: Earlier the hearing was supposed to be somewhere in August I believe, which I guess is delayed for next 60 days?

Vikas Oberoi: Correct. Now the hearing that you are talking about, see there are two scenarios, one is what if there is a forest and what if there is not a forest? So we are going under the assumption that even if there is a forest, we were to pay a net present value to the forest department, which was some 21 crores, which we have already paid and they are supposed to allow us to build and if it is declared as not forest, then even the 21 crores come back to us. So you are talking about the hearing, where this might get declared as not forest and the money comes back to us. We are not waiting for that to happen. We are saying that in the interim allow us to build, allow us to sell, which the Supreme Court has anyway allowed and we will go ahead with the development.

Ishpreet Batra: What would be the likely price that we could probably come up within that area?

Vikas Oberoi: I really do not want to guess or pre-empt anything. Let us see how the market goes and then we will take a call. But it is certainly looking better than what it would if we would have started a year ago or something like that.

Ishpreet Batra: Thank you.

Moderator: Thank you. The next question is from Vineet Chandak from IDFC Securities, please go ahead.

Vineet Chandak: I just want to check Vikas, taking the FSI issue forward, in the near term, although eventually it is all going to play out for the benefit of the market in general. Do we see a pressure on the new launches in the near term? Because I guess once the new norms are in place, do we see people going back to the drawing board and given so many applications, which take its own time in the process?

Vikas Oberoi: Yes, it could be true, but one has just wait and watch, what will it finally be. If it's going to be the same wine in a new bottle, then it's really not that different. I believe that that's going to be the case. If he is going to measure out to out, it does not really matter and all that we were trying to do, or some of the developers were trying to misuse, is now going to be legitimate and legalized, how does it really change your plan? All you do is, this is what you were building. So there is going to be very little change for people like us. It might affect people who are thinking that they will get the freebies and now that is not going to be the case. So, that's about it.

Vineet Chandak: Since it does not really impact us in any negative manner but there is bunch of people out there, who probably you said benefit on these sort of practices. So in terms of this clearly a cost pressure on people who resort to these things. So do we see that cost pressure getting passed on in general as a trend?

Vikas Oberoi: I do not think the customer is going to take this, I guess. So I would rather say that the market will play on it's own. If there is demand, then obviously the customer will cope up. If those guys are desperate to sell, then the customer might hold on and say that you absorb the cost. So it might become a double whammy for people like that. So one has to wait and watch. I cannot simply say that all the cost that is going to come on to my head, I will pass it on to the customer. So he might not take that cost and in the event it will have to be borne by those developers.

Vineet Chandak: Lastly, you mentioned something about the global FSI bid, are there some norms that are changing on the global FSI be implemented now, or probably I got it wrong when you were discussing about that?

Vikas Oberoi: No, I never said anything about global FSI. All I said was that he is going to take the gross FSI. Whatever you build is going to be the FSI. Like Bangalore says, that they will measure out to out and Hyderabad has no FSI limit, they go by height restriction in open spaces. Bombay follows a fixed FSI norm and they give you freebees in the form of lift and staircases, passages, and so called flower beds. Now developers started making more of lifts, staircase and passages than the actual apartments and then misusing those voids and pockets by doing all sorts of things. We know this trick but we never ventured into doing that. Having said that, the Commissioner now wants to restrict this and he said that I will only give you Ex-FSI for all this. So really if you understand, it is not that bad. Today we were finding it difficult to buy land because most of the developers thought that 'Oh! I will buy this land and I will do this and I will do that' and instead of people like us calculating that I will sell 'x', they would assume that they will sell 'x+'. Now that plus is gone, so there will be some rationale between what they are paying for the land and what we are willing to pay because the output of that land will become similar. So this is also one reason why I feel that we will be able to buy more land.

Vineet Chandak: If I can squeeze in one last bit, typically across your project what proportion of your purchases are really funded by bank loans and if the rate increases which have happened, have really had any impact at all?

Vikas Oberoi: You know close to 60% of our sales are through what you call self-finance, 40% of them are bank loans and I have seen that these are people who borrow money. India largely, I would say that people who are even on the conference call can just look at their own house purchase, that we as Indians do not like to carry debt and we will beg, borrow, steal whatever one will do and pay an upfront out of their own cash, because we hate to pay interest. Going forward, if let us say one has borrowed for 15 years, you want to repay that debt in the next five years. You will not take a foreign holiday, postpone buying a brand new car, and use that cash to repay the debt. So we are risk averse, debt averse, as far as house goes. And again, when we consider buying a house not as an expense, we consider it as an investment. So if you read all this put together, I do not think that the interest rate of 1% is going to really affect the sale. What I see is that the result of this increase when read in paper, coupled with what the news reports say that the prices will come down, affect the price more than the rate increase. So, the press is actually more responsible either to stagnate or slow down the sale or reduce the price than the government per se. So this is it.

Vineet Chandak: Thanks very much.



Moderator: Thank you. The next question is from Aatash Shah from Nomura, please go ahead.

Aatash Shah: I just wanted to understand, if you guys expect any notification to come through anytime soon regarding the FSI increase now 1 to 1.33?

Vikas Oberoi: Actually from what I gather, it is any time soon, probably as soon as I think after this session gets over they will bring it up because it is in the interest of the customer. At the end of the day if anything that helps reduce the TDR price, helps reduce input cost, will help the industry and help the customer and I think they pretty much understood that.

Aatash Shah: Also a question on the sundry debtors which is at about 123 crores end of this quarter, which projects are contributing to this?

Saumil Daru: Primarily due to Esquire because there was a billing which went out about 28th odd of June, which is why it is just making that figure a little wonky. But there have been collections since then. So, that is not really a worry.

Aatash Shah: Because Esquire we have not recognized any revenue, so why should there be any sundry debtors on that account?

Saumil Daru: Because based on approvals which we obtained, there was a further billing which went out. So it was on that count because our revenue recognition does not necessarily follow what is contractually the payment schedule. Our revenue recognition is based on the progress of construction, whereas our agreements with our customers have a slightly different payment schedule, which is roughly about 40% upfront and stuff like that.

Vikas Oberoi: So even though this amount does not go into the P&L account, we feel it is prudent for us to tell the investor that this amount is due and receivable and because this amount was due and receivable as late as 28th of June, one has to give at least a week or 10 days in fact even for that we are reprimanded by the customer that we are really in a hurry to collect the money, nevertheless we continue to do that. Now most of the moneys have also come in .

Aatash Shah: Thanks a lot.

Moderator: Thank you. The next question is from Sumedh Choudhary from Jefferies India, please go ahead.

Anand: Hi, this is Anand here. It is just a follow-up on that debtors question. You raise the debtor, so does that mean on the corresponding side you also increase the customer advances?

Saumil Daru: The corresponding entry is right, the advances from customers.

Anand: Second, do you expect Esquire revenue recognition to start this year? Will it hit the 20% threshold this year?

Saumil Daru: In all probability yes, so what we are seeing is either be Q4 this year or Q1 next year.

Anand: If you can just update me on the Pune land acquisition and the project status?



Vikas Oberoi: Pune, basically that's a joint venture with most of the farmers, so we continue to acquire land as we speak, we are at 65 acres in total and the land acquisition, today it is a Green Zone. Pune DP is getting finalized. So in that Pune DP, it's shown I guess as 'proposed residential', once that get done, we will have an opportunity to go about developing it.

Anand: A last question, there is about a 100 crores receivable from management related entities, which is I think due by 30th July, so what is the status on that?

Saumil Daru: It's not from any management related entity but that money is also coming through. So that's not a problem.

Anand: So that should come this quarter.

Saumil Daru: Yeah.

Anand: Thank you.

Moderator: Thank you. The next question is from Anand Raghavendran from Allegro Capital Advisors, please go ahead.

Anand Raghavendran: I have one question with regards to construction. Has there been any change with regards to cost of construction and also is there any delay in the construction process with Esquire or Exquisite or anything like that?

Vikas Oberoi: There is not any delay per se and if there would be a cost increase, we will continue to update. Right now, we are going as per our estimates. If you want me to look in to the future and tell you, yes, we are trying to upgrade a few things from our learnings that we had in our previous projects, so we want to improve the quality of some of the stuff, which might end up costing a little more, but then again the revenue sides also increase because people are paying us a lot more as well, so to continue the brand name, we will upgrade qualities. The effect of that in terms of cost is not yet known to us, rather we are negotiating. Once that comes in, we will obviously report it as well.

Anand Raghavendran: So as of now it stands?

Vikas Oberoi: As of now it stands but plans are to improve the quality, whereby cost will go up but revenues are also going up. So we will take a prudent call on that and do it.

Anand Raghavendran: Thanks Vikas.

Moderator: Thank you. Ladies and gentleman due to time constraints, we will take one last question from Manish Balwani from Centrum Wealth Management, please go ahead.

Manish Balwani: I joined in late. So, I might have missed this one. I just wanted to know the reason for real estate revenues going down on a consolidated basis?

Saumil Daru: What has happened is as far as one of our key projects where there is good amount of sales which is Esquire, where there is about 500 crores of sales, we have not yet hit a revenue recognition over there. And some of the earlier



projects, which were there last year have moved out. So for example, in Oberoi Splendor we are now at a 96% revenue recognition stage. So basically that combined impact might make it look like the real estate revenues are going out. But if you look at the order book position, then it's pretty much better than what it was when we compare it to the same quarter last year.

Manish Balwani: The other income part it has increased tenfold, if you could give the break up and what's the reason for it?

Saumil Daru: 20 crores out of that is coming out of the profit from the sale of the Goa property and the balance is pure treasury income. So that would be interest on bank FDs and dividends from mutual funds. This is because of the cash balances that we have.

Manish Balwani: Thank you very much.

Moderator: Thank you. Ladies and gentleman that was a last question, I would now like to hand over the floor to the Chairman and Managing Director, Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you once again for joining us in the conference call. We continue to receive great amount of inputs from you people. I will encourage you to do that. Chirag, who looks after our IR is always available for you. If there are any further follow-on question, please feel free to do that. We will be more than happy to answer them. Thank you once again. Good night and good day as well.

Saumil Daru: Thank you so much guys.

Moderator: Thank you very much Mr. Oberoi and Mr. Daru. Ladies and gentleman that concludes this conference call. Thank you for joining us and you may now disconnect your lines.