



## “Oberoi Realty Q3 FY12 Earnings Conference Call”

**January 23, 2012**



**MODERATORS:      MR. VIKAS OBEROI – CHAIRMAN AND MANAGING DIRECTOR  
                         MR. SAUMIL DARU – CHIEF FINANCIAL OFFICER**

**Moderator:** Ladies and gentlemen good evening and welcome to the Oberoi Realty Earnings for the third quarter and the nine months of fiscal year 2012 that ended on December 31<sup>st</sup>, 2011. We have Mr. Oberoi – the Chairman and Managing Director of the company and Mr. Daru – the Chief Financial Officer of the company with us for the call. Please note that this 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 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 question. Should anyone need assistance during this conference call they may signal an operator by pressing \* and then 0 on their touch tone telephone.

Before I hand the conference over to the management, I would like to remind you that certain statement made during the course of this call may not be based on historical information or fact 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 perspective. These forward looking statements are based on expectation and projections and may involve a number of risks, uncertainties, and other factors that could cause the actual results, opportunities and growth potentials to differ 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:** Hello good morning, good afternoon and good evening, depending on the location you guys are in. Thank you for joining us for this conference call which is for the third quarter 2012. Welcome everybody. These nine months have been pretty exciting for the company. We have handed over one of our largest projects which is Oberoi Splendor. The total project is just a shade under 1300 apartments. We have handed over 1000 apartments plus and continue to do the rest of them as well. Sales continue to do well, as against 4.1 lakhs square feet in the corresponding period last year we have done 5.3 lakhs square feet for the 9 months ended this year. Esquire, our project in Goregaon has crossed 750 crores of sales which continues to show that even in a downturn we do well. Of course all of you know that we have not recognized any revenue out of this because the project has not hit that stage. Our experience with Samsung for our Worli project continues to be good, so that bit is doing well. We are in discussions with various hotel operators for the branding of the hotel as well as the apartment, which should be done in the next quarter hopefully. You remember that we bought 50% of I-Ven Realty. We continue to be in court with the government for getting clarity and we should hopefully get it in the next may be six months or so. We were also awarded the best accounting and financial reporting in the emerging market categories by none other than APREA and this happens to be the first Indian company to get that so thank you to all for making sure that our reporting is to a particular standard. I want to now hand over the phone to our CFO, who will take you through the numbers in detail and after that I am available for any question that you have. Thank you.

**Saumil Daru:** Well good afternoon everybody. Thank you Mr. Oberoi. As majority of the people on the call have been associated with us for long and you all know the company well I will jump directly into the financials. Just to remind all of you that the presentation has already been emailed to all people who are there on our IR database and if any of you have not got it then the presentation is also available on our website.

To keep things short, I would just restrict myself to the quarterly numbers for FY12, the nine months numbers are available as a part of our IR presentation. In terms of financials, we achieved a consolidated revenue of Rs. 187.31 crores for Q3FY12, this is as against Rs. 222.6 crores for Q2FY12 and Rs. 398.61 crores for Q3FY11. The consolidated PBT was Rs. 137.49 crores for Q3FY12 against Rs. 143.17 crores for Q2FY12 and the number for Q3FY11 which was Rs. 262.27 crores. The consolidated PAT was at Rs. 102.07 crores. This is against Rs. 111.44 crores for Q2FY12 and Rs. 205.23 crores for Q3FY11.

In terms of volumes we have now achieved sales of about 5.3 lakh square feet for 9 months FY12. This is against the 4.1 lakh square feet which was clocked in 9 months FY11.

Moving to the asset level performance and looking at the investment properties, there are three of them.

First Oberoi Mall – the retail asset contributed about Rs. 19.7 crores to the top-line. This is against Rs. 18.23 crores in Q3FY11, which is a growth of about 8%. The growth is primarily on account of increase in rentals from existing clients either by way of escalations or because of better business performance by the retailer where we have revenue shares. The EBITDA margin in this vertical continue to be around 95%.

Commerz, which is our office space asset contributed Rs. 10.73 crores to the operating revenue for the quarter. This is against Rs. 11.4 crores in Q3FY11 which is a contraction of about 6%. The contraction is primarily due to an existing tenant, renewing its term at a lower rate. We have also signed up with another tenant for half a floor and that has started giving rent from January 15<sup>th</sup>, 2012, as we speak. The EBITDA margin in this vertical also continues to be in excess of 95%.

The Westin Mumbai Garden City had one of the better quarters in the whole year. It contributed Rs. 25 crores to the operating revenue for Q3FY12. This was against Rs. 21.98 crore in Q3FY11 which is a growth of 14%. The EBITDA margins in this quarter were at about 24%.

Quickly moving to development properties – Oberoi Esquire we have sold about 32% of the project out of about 19.7 lakh square feet we have sold about 6.4 lakh square feet. The total sales value in this quarter was Rs. 85.2 crores and the cumulative sales value till date is Rs. 750 crores. There has been no revenue recognition whatsoever in this project till date as it is yet to reach the threshold level of construction completion.

For Exquisite – we have sold about 54% of the inventory in the project. Out of the total 15 lakhs square feet we have sold 8.1 lakh square feet till date. The total sales value in this quarter was Rs. 22.88 crores and the cumulative sales value till date is Rs. 976 crores. The total revenue recognized for this project in this quarter was about Rs. 50.54 crores and the cumulative revenue recognition till date is Rs. 422.14 crores. The project as per books has achieved a completion percentage of about 43%.

For Oberoi Splendor Grande – we have sold about 59% of the inventory in the project. Out of the total 2.8 lakh square feet, we have sold 1.7 lakh square feet. The total sales value for Q3FY12 was Rs. 40.25 crores and the cumulative sales value till date in this project is Rs. 222 crores. The total revenue recognized for this project in Q3FY12 is Rs. 32.39 crores and the cumulative revenue recognition till date is about Rs. 114 crores. This is based on about 51% project completion.

For Oberoi Splendor which is a finished project now, out of the total project of about 12.8 lakh square feet, we have sold 12.1 lakh square feet which is about 95% of the inventory in this project. Total sales value for Q3FY12 was again close to Rs. 30 crores and cumulative sales value till date in this project is about Rs. 1407 crores. The total revenue recognized in this project is 29.7 crore which is the entire sale which was done in this quarter and since we have already completed 100%, the entire Rs. 1407 crores of order book has also been recognized over the last few years.

Moving on to the Worli project as Mr. Oberoi said that the work on that continues at a hectic pace. The agreement with Samsung has been done and they are completely on the ground. The discussions with the hotel operator are also progressing satisfactorily.

Some key financial parameters before I close – the EBITDA margins for Q3FY12 were 60.5% and the PAT margins were 46%. The EBITDA margin for the Mall and Commerz are much higher than average as mentioned before and excluding them the margins for our pure residential business is around 62% for Q3FY12.

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

**Moderator:** Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session.. The first question is from Unmesh Sharma from Macquarie, please go ahead.

**Unmesh Sharma:** Thank you very much for taking my question. I had couple of questions, firstly on the commercial property, can you please throw some light on the scenario in the market and you also mentioned by that I mean both retail and office space from your presentation, I picked up something about slightly lower rent and now why would that be? Second, on the residential property given now the new regulations, what is your view on that and does that imply that we will see further launches in calendar 2012? Thank you.

**Vikas Oberoi:** Hi Unmesh, Vikas here, firstly on the commercial front as a market I would say that it has softened a bit. Obviously, the economy of the country was projected to be into an inflationary economy position, the government is trying to slow things down and that's obviously effected growth. So this in turn affects the commercial market. Having said that I also would say that a lot of developers due to their financial position have aborted plans to do commercial buildings. These buildings take time to build. Having said that we continue to build them and we believe in the markets bounce back, we will have buildings that are ready for lease and we will able to recover that. On our own project, if you recollect Commerz is one building where there had been rentals as high as Rs. 220 square feet. Such tenants are obviously like you know very few in number, may be two or three of them. So our average rent as you know is about 130 or so. So these guys were at 220 or 180 bucks. These are people who want to continue to be with us, but want to be in the building with a revised rent. So we have consented to that and we want to retain our customer that's why you see a small drop in rentals. On the residential front, we really welcome the way the government has tweaked the rule and they have really leveled the playing field and we as a company have been advocating this for a very long time and really appreciate the effort that the government has brought in. It will bring in transparency. You are correct, lots many more launches will happen, hopefully they will because a lot of developers have worked their math on two FSI and three FSI whereas it will now get level to only an addition of 0.35

available. So I feel this is a very good thing for the industry for sure and now everyone is at par and it will be the brand or the value add that you bring which will probably result into making money.

**Unmesh Sharma:** Okay thank you very much sir.

**Vikas Oberoi:** Thanks Unmesh.

**Moderator:** Thank you. The next question is from the Puneet Jain from Goldman Sachs, please go ahead.

**Puneet Jain:** Sir good evening.

**Vikas Oberoi:** Hi Puneet good evening.

**Puneet Jain:** Hi, my question is with respect to pricing strategy and what is the sort of pricing strategy you intend to follow in the coming quarters, and while determining the pricing strategy, do you also keep certain amount of value you want to sell and if that is a case, do you have any number in mind for say this year.

**Vikas Oberoi:** Okay Puneet we follow a very simple model. We clearly continue to look at input cost and simultaneously also look at how the demands are. So you are absolutely correct when you say that where everyone in this world wants a price increase, but they also want to see how the market responds. In our case, if you see that we have increased our price this quarter and 70% of the sales in this quarter are at a higher number though the drop in sales is only from 150,000 square feet to 140,000 square feet. So about 10,000 or 15,000 square feet, which works out about 10% but we have been able to increase price. So 70% of the sales in this quarter have been at a higher price. So we continue to test the market on its absorption and we are very prudent about the fact that if the market don't absorb, if they don't see value on what we are giving then obviously one cannot continue to increase price. We do want numbers. So we continue to play that. I mean we don't want to set ourselves with a fixed number in mind. We are here for the long term. We have to continue to maintain the brand name, maintain the quality. So price increase is an input of lot of things and this time the price increase is more to do with the input cost and in an inflationary economy where the market understands that everything is costing a little more than what it did, we obviously don't increase prices to people who we have already sold flat, but at least for the new purchasers we can and that is exactly what we have done and the response has been great actually. The results don't show that because we are not able to recognize revenue of Esquire, had we done that then it would have been completely different.

**Puneet Jain:** But Vikas, the drop is actually must larger on a Q-on-Q basis, because if you look at in the previous quarter you sold around 85 unit and the volume was larger at around say 1.86 lakhs which in this quarter, it has dropped by third, so are you happy with this numbers?

**Vikas Oberoi:** Again I said there are couple of things. If you see that before the last quarter there where a few launches also, so a lot of that gets reflected in a quarter, so all I want to say is that we cannot look at our business as a quarter-on-quarter because the sales are directly related to the launch that you do and we don't time the launch to simply show a

quarter-on-quarter result. It's more to do with what we have existing, how our team is positioned in terms of taking new work and so on and so forth, approvals stages. If you see that entire last quarter, we were all in a very confused or a fluxed state with the new rules coming up and all that so it was not really possible for us to launch. Had I started Exquisite Phase-3, we would have seen 200 people wanting to buy and suddenly we would have said that so many more flats are sold. So the real strategy is to look at the company on a holistic basis and not get bogged down to simply show a quarter-on-quarter result.

**Puneet Jain:** And to this extent like you said that last quarter was in a flux, have you seen any change in demand pattern this year in the last three to four weeks?

**Vikas Oberoi:** Okay, we have not really launched anything so we can't see a spike in sales, but having said that the only positive side is that 70% to 80% of the material that we sold in the last quarter has gone at a higher price. So there is clearly absorption. If there is new launch that happens in that phase than that also will fetch a higher price is what our simple assumption and it won't be wrong if we assume this way. So that's how it is.

**Puneet Jain:** Thanks a lot.

**Vikas Oberoi:** Thanks.

**Moderator:** Thank you. The next question is from Anand Agarwal from Jefferies, please go ahead.

**Anand Agarwal:** Yeah good evening, my first question can you give an update on the Mulund project and when do we expect that to launch and what's our status on that?

**Vikas Oberoi:** Okay Mulund project in our earlier quarter results also we had said that we will probably look at first quarter of FY13. We all know that we have received an order from the Supreme Court where they should allow us to build and sell and create third party interest. So as we speak, the government is supposed to apply and we have initiated that and hope that within the next three months, we will get the MoEF clearance for us to start work there also and that's a good chunk which will really set the ball rolling for us in the FY13.

**Anand Agarwal:** Okay and second I mean just a follow up to the question on the discussion that you had on the commercial leasing and I appreciate that the commercial demand has softened, but if you look at it for the last seven quarters, your occupancy at Commerz-I has remained between 75% to 77% so not really much has moved. So when would you have a rethink on the construction of both the Commerz-II and the Prisma project, I mean would you have relook at that at some point in time if commercial leasing doesn't pick at all?

**Vikas Oberoi:** You know we have a very simple strategy, one is that we continue to be cash rich. Construction cost is not coming down so we feel that it's prudent to continue to invest in you building your own asset. At the same time we have enough cash even to look at the land outside. So for the present we continue to believe that a lot of other developers who are having issues with their balance sheet and they have actually aborted plans of doing commercial. So we continue to bet

on our strategy, not blindly but prudently that as and when this comes up we will take a call and so no immediate knee-jerk reaction. We will continue to study the market and take a call.

**Anand Agarwal:** Okay, thank you

**Vikas Oberoi:** Thanks.

**Moderator:** Thank you. Ladies and gentlemen. The next question is from Sameer Baisiwala from Morgan Stanley, please go ahead.

**Sameer Baisiwala:** Hi good evening.

**Vikas Oberoi:** Hi Sameer, good evening.

**Sameer Baisiwala:** A quick question on Esquire, when does it hit the revenue recognition?

**Saumil Daru:** Sameer as per the present schedule, for sure in the first half of FY13. Now whether it will Q1 of FY13 or Q2FY13 that's the thing but for sure first half of FY13.

**Sameer Baisiwala:** Okay and if you can just update us on the possible launches in calendar 2012?

**Vikas Oberoi:** We will launch Worli next quarter hopefully and we will launch Mulund, we will launch Phase-III of Exquisite and we have a small project in Khar, we will launch that and that's it.

**Sameer Baisiwala:** And just in terms of the outlook for the Phase-I Commerz-II, I guess it's pretty much nearing completion. So if you can update us when exactly do we expect this to be fully completed and what's our leasing status on this?

**Vikas Oberoi:** So the completion date was supposed to be March and June. It continues to be the same more like June than March, but that's where we are. We continue to attract attention, but not enough for us to close the transaction and commercials normally start getting through once they are ready. So from the marketing point of view, I guess we should look at our tenant like within may be June of 2012 and completion also at around that time.

**Sameer Baisiwala:** Are you in advanced talk with any large customer for that project?

**Vikas Oberoi:** Well we are but again as I said that everyone is fishing everywhere so one can't really bet on people. So, one will have to simply speak when you really conclude. I wouldn't want to give any signal as such that somebody is like really hot in taking it.

**Sameer Baisiwala:** And just one final question, on the sale velocity, should we take the December quarter as a new run rate for project such as Esquire and Exquisite-I which had 30 units and 8 units respectively?

**Vikas Oberoi:** Not really, I would say that see we have no new launch. We had no new launch even in the last quarter. We didn't have even one even before that. So, this quarter really is a quarter where like really the bottom of the barrel we are scraping virtually if it comes to sales. So unless there is a new launch one can't look at velocity in sales and so I wouldn't say one needs to read into this. Plus again people do take time to absorb when you increase the price. Even within this quarter, whatever has been sold, has been sold at a higher price. So there is absorption. People obviously are skeptical because around you no one is increasing price, why are you increasing the price. I mean our rationale to this is that input costs have gone up. Our location has hit a tipping point. It is a location sought after and it's showing that people are buying, so I don't see that should be the reason or rather that should be even new benchmark or the new run rate. I feel you know we have a lot of steam and it really doesn't matter once Mulund takes off that will be a huge chunk. We are looking at 3 million square feet in Mulund, Phase-III of Oberoi Garden City is there and so on and so forth. There is a plenty that we need not worry.

**Sameer Baisiwala:** Sir fair enough, Vikas but this question was not on the entity level. It was on the project level, so for Esquire and Exquisite where we think about these two projects should this be the base of sale that we should expect for 2012?

**Vikas Oberoi:** Not really because again you know by 2012, you will have seen a lot of Exquisite finished, so there is a huge number of people who want to only move in a ready product, so there will be sales happening around that time may be. I can't predict really, but I feel that this is something that we can be reasonably hopeful about and not cut a sorry figure by expecting something like this. I feel once the project is near completion, you have another batch of people who are very keen to buy, so that bit will go and so on and so forth.

**Sameer Baisiwala:** Okay thank you very much.

**Vikas Oberoi:** Thanks

**Moderator:** Thank you, the next question is from Sanjay Parikh from ICICI prudential Mutual Fund, please go ahead.

**Sanjay Parikh:** Yeah, just wanted to congratulate you all for the transparency that you got in. The question that I have is on capital allocation where you all have been again very good all throughout in the last two years. So in the cycle from here on where do you think that it would be a good time to buy land at the returns that you all need either new land purchases or existing consolidation may be someone reselling out in panic if you can guide us that would be helpful.

**Vikas Oberoi:** Sanjay thanks for the compliment. Really motivated to hear this and will continue to live up to your expectations. Having said that we are and always have been ready to deploy cash. In fact some of the press has almost sold many projects to us without we having bought, but the other bit of this is that we continue to evaluate land. There is a gap between our expected purchase price and their expected sale price and this is got little with the market but a lot to do with how their financial situation is. So that's where we are, hoping that prudence prevails on them and they understand that there is only as much and we are being fair in what we are offering. I do a very open book math with all my land owners and I tell them that this is how I am looking at, obviously the major flip comes in when you know people start liking what we build and they appreciate a product and give us the premium over and above that, but other than that our entire math is

very transparent with our landlord and so if they see sense in what we see then there is a deal in the making. So as of yesterday we evaluated land transactions, but I cannot say when will they go through because like I said, that it's all dependent on how they perceive markets to be and so on and so forth.

**Sanjay Parikh:** And just on the same thing, do you read a situation where on that where your new land acquisition cost comes to you because of the overall situation deteriorating at the returns you seek over the next 12 months or 18 months, what would be your reading based on the environment side?

**Vikas Oberoi:** See I feel that real estate is not getting out of fashion. People need homes. The more people get affluent or in fact, forget even we get exposed to what is happening. Look at the customer, he is very lowly leveraged. If you look at the real estate industry, developers are very highly leveraged but the customer has got virtually no leverage. Everyone on this phone-call would either have house of their own or would be paying EMIs for the next 2 or 3 years to make sure that the house is completely debt-free. And this is an experience I get when I talk to every buyer. So I am per se not worried about the future. If we all play well, I mean if the real estate industry does well, we are bound to succeed. The mismatch has been more to do with we having bet wrongly on regulation, I mean a lot of people were surprised and unhappy about getting a new commissioner who is being strict. We welcome him because we like the way the field has been leveled for us to play and so on and so forth. So the future in fact looks much brighter than what it is. None of them will get extra FSIs and you know freebies like they were getting earlier. We never got any unfortunately or fortunately, so for us it's a great call and once all this dust settles you are only looking at the upside. So there are clearly two things – environment and your own capacity and your own situation I would say.

**Sanjay Parikh:** Thank you very much and best of luck.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from Abhay Shanbhag from Deutsche Equities, please go ahead.

**Abhay Shanbhag:** Just following up on those land acquisition strategies, the FSIs rules have just been changed. So what does it exactly mean for the developers? So if a project is completed, or has CC to the seventh or the eighth floor, does it mean that when it goes to the next approval, to the tenth or twelfth floor, will it come out of the new DCR or what does it mean for a developer?

**Vikas Oberoi:** There are two things here. Commencement certificate is always given in stages. It has got nothing to do with the approval of plans. The plan gets approved at one-shot. From what my reading is if your plans are approved, that means if you have IOD for the entire building then if you have CC for part, then you do not have to go into the new regime. But if your approval, if your IOD is only up to, let us say, seventh floor and you are expected to get further IOD up to twentieth floor then the commissioner will tell you to get into the new regime. And he will say that you come in or only do a seven-storey building and go away. The rest of your FSI you do with next to that building in a fresh development. So that is how it is.

**Abhay Shanbhag:** Okay. So if you have an IOD or a IOA for the entire building

**Vikas Oberoi:** Then you do not have to worry but you also have to have CC. If you have an IOA and you do not have CC at all and you go to the commissioner and tell him I want CC for the plans approved, he will say since you have not started work, you are requested to amend your plan. But if you have started work then he does not expect you to amend plans.

**Abhay Shanbhag:** But can you start work before CC?

**Vikas Oberoi:** You cannot start. So that is why CC is very important.

**Abhay Shanbhag:** Okay fine. So for people who have a CC even if it is to the plinth level, followed by IOD or IOA, that means they can go ahead with the existing plans for the project.

**Vikas Oberoi:** Correct. The condition here is that IOA should be for the whole plan, it should not be for part.

**Abhay Shanbhag:** Okay. And secondly sir, are these rules now fully much in place or do you think there could be litigations or there could be any delays?

**Vikas Oberoi:** They are fully in place, all done and implemented. We have applied for approvals under the new regime and are really happy about it.

**Abhay Shanbhag:** Okay. So when you go for land negotiations there is not too much of a scope for

**Vikas Oberoi:** Nothing, not too much, zero. Everyone gets the same dough, everyone has to make everything out of the same dough.

**Abhay Shanbhag:** Okay. When you load The TDR say from suburbs one to two, so that 35% is on one or is it 35% on two, which is for the balcony and flower area?

**Vikas Oberoi:** Every square-foot gets 0.35 extra, so when it is 2 square feet you get 0.7 extra.

**Abhay Shanbhag:** Okay. So if you are loading TDR it becomes 2.7, so it can go up to 2.7.

**Vikas Oberoi:** Correct.

**Abhay Shanbhag:** Okay. And one last question sir, when you have been looking at land deals, would you be looking at single large ticket sort of an item or would you look at smaller ones?

**Vikas Oberoi:** Abhay we are open to either or and we are happy to do like smaller projects, we are happy to do large projects. There is absolutely no issue. In fact, we are doing a project in Khar, which I told you is a small project. So it is not like we are only looking at very large, we are looking at values where I can make money, it makes prudence then we buy it.

Of course, return on time invested is important but we are looking at all sorts of projects. As a company our managerial skills have grown. We can do multiple projects. We have no issue on that.

**Abhay Shanbhag:** Okay fine. Thank you sir. Thanks a lot.

**Vikas Oberoi:** Thanks Abhay.

**Moderator:** Thank you. The next question is from Abhinav Sinha from CLSA, please go ahead.

**Abhinav Sinha:** Hi good evening.

**Vikas Oberoi:** Good evening Abhinav.

**Abhinav Sinha:** My question is on, you know there is an increase of around 135 crores quarter on quarter on other assets. So does it relate to the new Khar project?

**Saumil Daru:** No, it does not relate to the new Khar project. This is primarily coming from our Worli project where contractors come on board, there are vendor payments and things like that.

**Abhinav Sinha:** Can you describe the Khar project slightly for us? The area and the amount spent till date.

**Vikas Oberoi:** It is a very small project. It is just 12 apartments, a joint venture with the landlord and this deal was done some four-five years ago, so it is more like an old commitment we are fulfilling and it is hardly may be 48,000square feet sort of a project and there is no payment. We have got this project for free, there is just development to be done and they are family friends who insisted that we build it and as my commitment to the company I do not want to do anything outside, this has been put in the company for us to build it. And I would do 20 such projects, it is very nice because there is no down-payment and that is how it is.

**Abhinav Sinha:** So little like a JDA basically?

**Vikas Oberoi:** It is a total JDA. This guy owns land in Khar and knows us for a while, and he is just insisting that we build it for him and we are doing that and we take 50 percent of the area constructed just for constructing it. So it is a fantastic deal but too small to even really tom-tom about.

**Abhinav Sinha:** Okay. And so what is the investment now in Worli that we have made?

**Saumil Daru:** In Worli so far purely in expenses till date is it about 140 crores in terms of expenses.

**Abhinav Sinha:** And this includes the slum rehab part?

**Vikas Oberoi:** Slum rehab is not our obligation. It is the obligation of the JV partner.

**Abhinav Sinha:** This is only saleable part?

**Vikas Oberoi:** Yeah, yeah, we do not spend any money in slum rehab.

**Abhinav Sinha:** Okay. Sir any FY13 CapEx guidance that we have apparently, given that on commercial there might be a bit of a slow movement on the projects.

**Vikas Oberoi:** Not really, we are continuing to build so I would not say that, and again, like I said, the best use of cash is to build something and real estate construction is not getting cheaper. So we continue to put in our money where our mouth is.

**Abhinav Sinha:** Okay. Thank you.

**Vikas Oberoi:** Thanks.

**Moderator:** Thank you. The next question is from Nitin Idnani from Enam, please go ahead.

**Nitin Idnani:** Hi, good evening.

**Vikas Oberoi:** Hi Nitin.

**Nitin Idnani:** Most of my questions have been answered. I just wanted one clarification on these new DCR norms – if we can take an example of let say anyone, let us say a Mulund project. Working from I believe what is 18.8 acres to 3 million square feet, how would we redo the math now based on these new norms?

**Vikas Oberoi:** Okay. We have done our math and I feel that if prudently applied we end up getting about 15% additional area to sell approximately.

**Nitin Idnani:** Okay. And could we walk through the math a bit?

**Vikas Oberoi:** I will just give you a math of 100 square foot earlier is now 135. In the 135 you take away 10% which is your balcony, it brings you back to the old of 110 versus 135. Now, 110 vs. 135 is about 20% increase. Some of the area goes back into building your common area and stuff like that, so the rest of it is your free floor which is about 15%. So you will end up getting about 15% extra. Now there is a cost to bring this 35%. Everything is not free. It is at 60% or ready reckoner rate or stuff like that. So that cost is there. So all and all we did a math, like in three of our buildings you make like a 100 crore additional profit or something like that, which is what it is. We are still fine tuning and polishing it but the ballpark looks like this.

**Nitin Idnani:** I understood. And Saumil just one housekeeping question. The loans and advances this quarter have gone up by about 137 crores. Is this all relating to Worli?

**Saumil Daru:** Yeah, majority of it is.

**Nitin Idnani:** Okay. And would their balance be towards any other funding of any other project per se?

**Saumil Daru:** Yeah, I mean there are some small fundings which go into our subsidiaries or other joint ventures, so for example we may have put in a crore or something in Pune or something like that. So that is about it, but majority of it will clearly go into Worli. So there are lots of advances being given out right now, so they do not count as expenses. But it still needs to be funded.

**Nitin Idnani:** I understood. Thanks so much.

**Saumil Daru:** Thanks.

**Moderator:** Thank you. The next question is from Shashikiran Rao from Standard Chartered Securities, please go ahead.

**Shashikiran Rao:** Thanks for taking my question sir.

**Vikas Oberoi:** Hi Shashi.

**Shashikiran Rao:** Yeah. My question is regarding new project launches. You have mentioned that you are launching these three projects in 2012. If I am not wrong one is Worli and Mulund and then Khar.

**Vikas Oberoi:** Worli, Mulund, Khar, then you know we may launch the third phase of Esquire.

**Shashikiran Rao:** Are all approvals in place for these three projects?

**Vikas Oberoi:** Worli – work is in progress. Mulund – we have applied for NOC from MOEF. For Goregaon Third Phase – basic approvals are in place. There are some amendments to be done on the plan which we will do as per the new rule and then start.

**Shashikiran Rao:** Okay. In relation to Worli project, I think the bottleneck had been the branding agreement that has been pending for quite some time. How closer are you compared to that in the past to doing the tie-up?

**Vikas Oberoi:** Really that has not been a bottleneck for us to sell. We wanted the buzz to get created and so on and so forth, which is done. We are close to closing it but these documents take a lot of time. Both parties, both lawyers, both solicitors really have to go through it.

**Saumil Daru:** And these are international transactions, so taxation issues come into play, international law come into play. So it takes its fair bit of time before everybody takes calls on some of the positions they want to take.

**Shashikiran Rao:** Sir, you just mentioned that you will be starting off with your own brand and then moving onto other international brand. Is that just because you have in there could be, scope of negotiations and stage and all that stuff or is it -

**Vikas Oberoi:** No, nothing like that. Our numbers are frozen is just about getting comfort on the agreement and stuff like that. Our numbers of the hotel get frozen very quickly but the kind of charge these guys want on the real estate project is something that we end up negotiating a lot. But nevertheless I mean that is business for both of us and we will do it. It is not at all a concern for us and it would not really come in our way of selling anything.

**Shashikiran Rao:** And because the timing of this project, for what sense world class appetite are you feeling for this kind of a project in this environment?

**Vikas Oberoi:** Well you know, in fact luxury is just not affected I must say, that people with money do not seem to dilute their lifestyle. So this is one area which just does not getting affected at all and it is a well known fact that luxury goods continue to do well irrespective of whether there is a downturn or not. Of course like in 2008, everyone gets nervous but other than that if businesses are slow or anything like that, that does not really stop people to buy. So we do not see that as an issue at all.

**Shashikiran Rao:** Okay sir. Best of luck.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from Abhishek Gupta from Merrill Lynch, please go ahead.

**Abhishek Gupta:** Good evening Vikas, how are you?

**Vikas Oberoi:** Hi good evening Abhishek.

**Abhishek Gupta:** Most of my questions have been answered but any changes on your cost, construction cost assumptions?

**Vikas Oberoi:** Not really, we are so transparent like the last time there were change in construction we slashed profit margins down. So nothing really as such, no surprises. We hate to give one and when now our sales have gone up, sales prices have gone up the margins are back. So no surprise as such. If there is any, we will be proactively making sure that all of you know it because we want you to ride along-with us .

**Saumil Daru:** And if you will see Abhishek, even on the last call we had said that some of those margins were only likely to have an impact in that quarter because it was a one-time hit coming in and if you will see the margins this time they have all bounced back.

**Abhishek Gupta:** Sure. Just one simple question. The half of floor that you spoke about at Commerz one, any light on that?

**Saumil Daru:** It is a small deal and in the end it cranks up the occupancy but also gets our total revenues from Commerz back to where it was. So again, in the kind of market which we have seen over the last couple of quarters, at least it shows that there is some activity which is going on.

**Abhishek Gupta:** Are you in a position to say details now or not?

**Saumil Daru:** We will share some of the details when it comes to the numbers next quarter.

**Abhishek Gupta:** Okay, no problem. Wonderful, thank you so much.

**Saumil Daru:** Thanks.

**Moderator:** Thank you. The next question is from Vineet Verma from Nomura, please go ahead.

**Vineet Verma:** Good evening and thanks for taking my question sir. My first question is related to land acquisition. If you can share the current status of the bid for HUL plot in Worli, plus if you can share more details around Bandra reclamation and land deal with Om Metals and lastly on the land in Goregaon West, which media reported you have picked up in your personal capacity. And my second question is related to your sales strategy going forward. In a hypothetical situation if the prices in Mumbai start to fall from hereon, will you pushback your Worli and Mulund project launches or you will go into the market and launch your project?

**Vikas Oberoi:** Let me answer your question which is shocking me the most first. There is nothing that I have bought in my personal capacity. I have time and again said that all real estate we do, we will do only in the name of the company. Even a small project like Khar, which is hardly 12 apartments and 40,000-50,000 square feet that comes in the company. So that is absolutely not true. On Gulita, we continue to be short-listed but we have a price threshold. We bought GSK at 150 crores per acre. So if Gulita goes at a crazy price we are happy to be out. Other deals that you referred to such as Om Metals and Goregaon West happens to be like any other deal which is being reported by the media. We continue to evaluate a lot. If that happens it will have to happen very prudently and I do not need to say this again because I guess by now we have enough credibility in the market that we would not do a transaction which does not make sense. So we continue to evaluate a lot of projects but unless they make financial sense we will not jump in whether it is a Gulita or Om Metals or any other deal. On the sales side, strategy going forward is continue to have your feet on ground or rather your ears on ground and keep smelling your cheese and see what the markets are ready to absorb and then give them back. At the same time also keep cost in mind. If something is going to cost me more, I need to get that much more from my buyer because I prudently want to give them the quality that I intend to. So we do not want to cut corners anywhere and at the same time we take money and give them value for the product. That has been our motto.

**Vineet Verma:** Alright. Thanks sir.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from Sachin Shah from Emkay Investment Managers, please go ahead.

**Sachin Shah:** Hello good evening.

**Vikas Oberoi:** Hi, good evening.

**Sachin Shah:** Yeah hi. Just wanted to understand that because of the new FSI policy, how much is the construction gone up per square feet ballpark number?

**Vikas Oberoi:** Like I told you, about 15% additional area one will get to sell.

**Sachin Shah:** No, that is the area that you will get to sell but the construction cost because you will

**Vikas Oberoi:** Construction cost does not go up.

**Sachin Shah:** No construction and I think the overall, the payout for the construction plus the FSI that you have to pay as the land reckoner so 60% of that, right?

**Vikas Oberoi:** Yeah, but this is like area for free virtually at 60% or ready reckoner I am ready to buy 2 FSI, why only 0.35? So it is a great deal.

**Sachin Shah:** Okay.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from Sandeep Mathew from Credit Suisse, please go ahead.

**Vikas Oberoi:** Hi Sandeep.

**Sandeep Mathew:** Can you give us a sense of how much of your or what proportion of your rents currently are above the average rent of 130 per square foot?

**Vikas Oberoi:** Our average rent is only 130.

**Sandeep Mathew:** Exactly. So that is your average. What proportion would be significantly above or what proportion would be significantly below?

**Vikas Oberoi:** All the deals are 5% plus/minus. None of my rentals are out of the whack.

**Sandeep Mathew:** Okay. The other question was what exactly is your plan for Splendor Prisma? Would you be looking at a lease model or strata sale model there?

**Vikas Oberoi:** We are happy to do a strata sale also but not so strongly thought through. So we are happy to actually look at strata sale. But once we do strata sale then it becomes difficult to lease. So that is one call we need to take before we really shoot.

**Sandeep Mathew:** Okay, thank you.

**Vikas Oberoi:** Thank you.

**Moderator:** Thank you. The next question is from Prakash Agarwal from RBS, please go ahead.

**Prakash Agarwal:** Yeah good evening sir.

**Vikas Oberoi:** Hi Prakash.

**Prakash Agarwal:** Hi. On this presentation, slide #19 basically there we have given this time average price for 3Q. Just wanted to know what is the kind of price hike across projects because last time -

**Vikas Oberoi:** Prakash this is between Rs. 1000 and Rs. 1500 a square foot, nothing significant but not bad just to test the market that is there, a buyer at 10-15% higher. This also helps fence sitters to come and quickly close the deal also. So it's about anywhere between 1000 and 1500 bucks.

**Prakash Agarwal:** So you see around 10% plus/minus?

**Vikas Oberoi:** 10-15%, that is it.

**Prakash Agarwal:** Okay, but obviously you were testing the markets and unfortunately not gone well, I mean if you see the run rate that has slipped a little bit.

**Vikas Oberoi:** Yeah, but if you see 70% of my stock that is sold in this quarter is at a higher price without any new launch. Why would I say that it has not gone well? It has gone very well according to me.

**Prakash Agarwal:** No but in terms of see run rate we have significant land parcel there. So in terms of run rate -

**Vikas Oberoi:** But no new launch as well. So if I have a new launch and then I have a price increase and no response then one can think like that.

**Prakash Agarwal:** No, but I was referring to the sales volume run-rate. So from a 80-plus now we are around 57.

**Vikas Oberoi:** These numbers do not reflect exact this thing because 57 are larger apartments compared to – sorry they are 67 and not 57. 67 are larger apartments compared to a smaller apartment. So if you really look at area to area, there is only a 20% drop or even less.

**Vikas Oberoi:** My colleague corrects me it is 10%.

**Prakash Agarwal:** Okay. So let us assume this 10% drop continues for another one or two quarters, so would we relook at the strategy because I always believe you have been prudent enough during 2008

**Vikas Oberoi:** I know we were but 10% does not really indicate. 2008 was like a 30% correction, so 10% should not bother us.

**Prakash Agarwal:** As you said you will not make price hikes if the current scenario continues. But would you also consider price cuts which I think whole of the Mumbai homebuyers are awaiting for?

**Vikas Oberoi:** Not really, it is too early to say that. Markets do not give us any indication of that sort. In fact the worst for us is over I would say. From here on if the monetary policy eases out then you are clearly looking at a rate increase again. There will be a rush for buying an apartment if there is liquidity in the market. So it has had the worst sentiment that there is only a 10% drop in sales. So imagine if there is a slip on that, how well that can go.

**Prakash Agarwal:** Okay. And these Exquisite III that you talked about which is one of your launch plans in 2012, would it be similar nature project or you would think of changing the specs?

**Vikas Oberoi:** No, they will be similar nature projects, I mean you know all our prospects are very good and high spec projects. So I do not see we have an issue with that.

**Prakash Agarwal:** Okay. So it would be into that luxury class.

**Vikas Oberoi:** Yeah, yeah, luxury class.

**Prakash Agarwal:** Okay, perfect. Thanks and all the best.

**Vikas Oberoi:** Thank you, bye-bye.

**Moderator:** Ladies and gentlemen that was the last question. I would like to hand the floor back to the Chairman and Managing Director, Mr. Oberoi for closing comments.

**Vikas Oberoi:** Just want to thank everyone for taking time out to attend our conference call. We continue to work transparently. Thankful for all the support we get from all our investors, all our analysts, everyone who is connected with. Thank you once again.

**Moderator:** Thank you very much. On behalf of Oberoi Realty, that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.