



“Oberoi Realty Q2 FY13 Earnings Conference Call”

October 22, 2012



MANAGEMENT: **MR. VIKAS OBEROI – CHAIRMAN & MANAGING DIRECTOR**
 MR. SAUMIL DARU – GROUP CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty Earnings Conference Call for the Second Quarter of Fiscal Year, 2013 that ended on 30th September 2012. We have Mr. Oberoi - the Chairman and Managing Director; and Mr. Daru -- the Chief Financial Officer of the company with us for the call. For the duration of this conference call all participants' lines will be in the listen-only mode, and this conference is being recorded and may be put on the website of the company. After the management's 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 '*' followed by '0' on your touchtone telephone. Before I hand the conference over to the management I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and may be forward-looking statements, including those relating to general business statements, plans and strategy of the company, its future financial condition and growth prospects. These forward-looking statements are based on expectations and projections and may involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements. I would now pass the conference over to Mr. Oberoi - the Chairman and Managing Director of the company. Thank you and over to you, sir.

Vikas Oberoi: I would like to thank you first and then take you into details of the results. After that I will hand over to Saumil who will probably take you through the results in detail. It was reasonably an 'okay' quarter, I would say. We sold about 130,000 odd sq.ft. worth about Rs.222 crores. Order book continues to swell; it is close to Rs.1,600 crores now. Mulund continues to be in the work-in progress mode. We yet await MOEF clearance. There has been considerable progress. The Government of Maharashtra has in fact recommended the proposal to Delhi for it to get cleared and it has been frustrating for us that every time we feel that it is just a quarter away; but that's how it is. Our other project that ORL acquired from ICICI, the Glaxo site, there we have already got a positive court order. The matter is now being looked at afresh by the Municipal Commissioner. We had two rounds with him. Things look positive on that account as well. Like I said, the downside has been our Mulund project which we really hope that we would be able to start soon, considering the residential market being very good. Our Commerz II also has, kind of, slipped by three months in terms of delivery. We continue to get good enquiry, good traction but not great numbers per se. So from commercial point, volume doesn't look that bad but in terms of the rentals that we were expecting, our expectation doesn't seem to be coming through. So there is probably a 5% - 10% gap there. In Retail: Oberoi Mall continues to do very well. In fact, we are among the first to open Starbucks. We attract some of the best international brands and continue to do so. FDI in Retail will also help us kind of strengthen our position into retail. Residential segment, like I said, is looking very good and we continue to do well there. Hotel has done well. We have seen an increase in occupancy. We have seen an increase in RevPAR, so all those numbers Saumil will take you through. Again, we all know that we have had a few changes in the FSI norm. The new regime or rather the new way of calculating is beneficial to developers like us who believed in a level playing field and did not know how to do any better, in any other way. So we think this is great for our business. I will now hand over the conference call to Saumil who will take you through numbers in detail but I shall be more than happy to answer any and all your questions. Thank you for being patient and listening to me.

Saumil Daru: Thank you Mr. Oberoi. I hope most of you would have received the 'Analyst Presentation' which we make by email from the IR Team. If not, the same has already been loaded on our website since Saturday evening and you all will be able to access it even online as we speak.

We will keep things short and sweet as usual so that we get some more time for Q&A. In terms of financials, our consolidated revenue for Q2 FY13 was Rs.282.7 crores. This is as against Rs. 256.87 crores for the same quarter last year, which is a growth of over 10%, which is also a similar growth as far as the H1 FY13 is concerned where this year's consolidated revenue for H1 FY13 was Rs.513 crores as against Rs.472 crores of H1 FY12. The consolidated PBT was Rs.167.34 crores for this quarter against Rs.143.13 crores for the same quarter last year which is again a growth of about 17% and the same numbers for H1 FY13 vis-à-vis the same quarter last year is Rs.304.97 crores versus Rs.280.49 crores. This reflects a growth of about 9%. The consolidated PAT was Rs.124.36 crores for this quarter against Rs.111.44 crores for same quarter last year, which is a growth of about 11.6% and the same numbers for H1 FY13 are Rs.225.16 crores vis-à-vis Rs.217.21 crores for H1 FY12, which is a growth of nearly 4%. Very quickly to the investment properties, Oberoi Mall as Mr. Oberoi said continues to attract the right brands. This asset contributed about Rs.19.44 crores to the top-line for Q2 FY13 as against Rs.19.77 crores in the same quarter last year which is a very marginal decline of a little over a percent and Rs.39.29 crores for H1 FY13 against Rs.38.89 crores for H1 FY12 which is a growth of 1%. The EBITDA margins in this vertical continue to be around the 95% mark as in the earlier quarters. For Commerz which is our office space asset, this contributed Rs.11.43 crores in this quarter as against Rs.10.9 crores in the same quarter last year, which is a growth of nearly 5% and for the half year it contributed about Rs.22.69 crores against Rs.21.79 crores which is also a growth of nearly 5%. The EBITDA margins in this vertical also continue to be in the range of 95% as was the case in the earlier quarters. The Westin Mumbai Garden City has contributed Rs.20.95 crores to the top-line in this quarter as against nearly Rs.19 crores in the same quarter last year which is again a growth of about 10%. For H1 FY13 these numbers are Rs.42.94 crores as against Rs.39.88 crores which is a growth of nearly 8%. The EBITDA margins for this quarter were at around 22% vis-à-vis the EBITDA margins of about 14.65% for the same quarter last year which was a huge improvement and for H1 FY13 it was 23.46% as against 18.59% for H1 FY12. Quickly to the development properties. In Oberoi Esquire we have sold about 8.38 lakh sq.ft. till date. Total sales value for this quarter is about Rs.109.95 crores and for the first half of this year has been Rs.202 crores. Cumulative sales value till date is marginally over or rather about Rs.1,050 crores. There has been no revenue recognition in this project till date as it has yet to reach the threshold level of completions. For Exquisite, we have sold about 8.9 lakh sq.ft. till date. Which is about 58% of the inventory in this project. Total sales value for Q2 FY13 was Rs.48.83 crores and for H1 FY13 has been Rs.98.35 crores. Cumulative sales value till date is Rs.1,119 crores roughly. Out of which, we have till date cumulatively recognized about Rs.640 crores. For this particular quarter we had recognized about Rs.97 crores from Oberoi Exquisite, and in the first half of the year we have recognized nearly about Rs.160 crores. For Splendor Grande we have sold about 2.53 lakh sq.ft. which is nearly 89% of the inventory. Total sales value for Q2 FY13 is Rs.34.5 crores, and for the first half of the year is about Rs.71.95 crores. The cumulative sales value till date is nearly Rs.360 crores. Out of which revenue recognition has been at about Rs.295 crores. For this quarter we have recognized about Rs.69.54 crores and for the half year that number stands at Rs.115 crores. In Oberoi Splendor during this quarter we sold about 12 units and totally about 20 units for the first half. This leaves just about 30 units in the inventory as you all will recollect it was a large project with about 1,296-odd apartments totally. The total sales value in this quarter was about Rs.28.7 crores and Rs.47.73 crores in the first half and as you all will know this is a finished project so whatever gets sold gets recognized immediately. The work on the project in Worli continues at a good pace. We should also commence sales in that project soon. Coming back to some key financial parameters, our EBITDA margins for Q2 FY13 were 58.05% and PAT margins were nearly 44%. The EBITDA margins for Mall and Commerz as I mentioned earlier are much higher than average.

They range in the region of about 95%. For our pure residential business these margins are at about 56%. With this we can open the conference to any questions which any of you may have. Thank you so much.

Moderator: Thank you very much. Participants, we will now begin with the question-and-answer session. We have the first question from the line of Punit Jain from Goldman Sachs. Please go ahead.

Punit Jain: My first question is with respect to how is the macro situation looking in Mumbai real estate? And do you think that there has been some improvement, and if that is the case will that make land acquisition slightly more difficult, given the fact that the macro situation in India seems to have slightly improved as well as in Mumbai? My second question will be with respect to, how do you see pricing of your ongoing projects move forward in the near-term?

Vikas Oberoi: Punit, the macro position in Mumbai is I think almost the same. The markets are more driven by either brands or they are more driven by deliveries and unless and until any company which has a great franchise is not going to be able to convert that into sales. Whatever is ready has always been easily saleable irrespective of what the markets are. It is at what price points, because that's what is going to decide what you can pay for land as such. So I don't think the present situation is any different as far as the macro market goes.

Punit Jain: How do you see the pricing behavior for your properties in Goregaon east and Splendor? Do you intend to take any price increase or what are the various trigger points you are looking as many changes in pricing?

Vikas Oberoi: We are really not looking at pushing the prices up or at least not significantly. We just want to continue to watch what our costs are and whatever is our input cost, if there is any increase in input cost we would be happy to let it reflect in the prices, but we don't want to increase. We built a decent momentum in the last three months and we would want to see it continue because it could just become very short sighted given the fact that we have so much to sell in Goregaon, Mulund going forward. We would be conscious of the fact that we just don't want to take the market for granted and then probably regret because it's easier putting the price up and it's more difficult for any developer to bring it down because that clearly shows a slide then.

Punit Jain: You think that the land acquisition will not become more difficult right now and three months back, so in a similar situation?

Vikas Oberoi: Punit, you know the balance sheets of most of the people better than I do; because you study multiple developers, and most of them are currently repairing their balance sheet. So given the fact that even if let's say, what you are saying is right, and if people are able to sell and accumulate some amount of cash, a lot of it will go in repaying their debt and stuff like that, so on and so forth. So I don't think there is any fresh money available for someone to buy land. There are very few in the market who either are in a position to raise finance or probably have their own cash to buy land. So I don't think that these dynamics are likely to change. Moreover, I also see with the way the government is planning in terms of increasing their land suppliers, PSUs have been told to line up all the lands that are not useful to them. So these

properties are going to come into the market. I guess they can't be expecting to sell it expensive. So I don't see that as an issue.

Punit Jain: Do you have any cash requirement target like the cash balances have been there for a couple of years? Do you work with that, you want to deploy certain amount of money into land?

Vikas Oberoi: It is very easy for me to have a target and kill it, but that certainly won't give me the best deal that I am looking for. So we have the money, we will only fire when we see that, yes, this is what we really want, otherwise it is just a waste. So we may not absolutely be perturbed by many questions that come our way. When will you deploy it? I think the idea is when we deploy we should deploy at the right project and we will wait for it.

Moderator: Thank you. We have the next question from the line of Anand Agarwal from Jefferies. Please go ahead.

Anand Agarwal: Firstly on Esquire, could you tell me what is the amount you spent on construction in the quarter? And do you still expect it to hit the recognition threshold by the Q4 of this fiscal year?

Vikas Oberoi: Esquire, we are yet awaiting the approvals as per new guidelines. In fact, our concessions are approved. We are waiting for the plans to get approved. So we have hold the construction of Esquire for the last 2 – 3 months. We haven't really done anything significant barring very small site work.

Anand Agarwal: Do you expect the recognition to hit in the fourth quarter or will it now spill over to FY14?

Saumil Daru: In all probabilities it will spill over into the first quarter of FY14. It will all depend on how fast the approvals come through. So once they come through and when we commence work then we will have to see how much we are able to execute by end of March. In case the execution proceeds at the speed at which we expect to but ultimately everything is dependent on when we get the approvals.

Anand Agarwal: Second, on the Commerz II, I mean the Phase I, have we entered into any LOIs at the moment or this is all discussions at the discussion stage. Second, once this is complete in another three months time would we then go ahead and start the Phase II construction also or would you wait for some time before we take up the Phase II construction?

Vikas Oberoi: Anand, firstly, yes, it is in a discussion mode. As I began my talk telling you all that commercial seems to be slightly depressed. We continue to speak to a lot of people but all the companies are on a go slow mode and they are waiting for approvals to come from either their US counterpart or European counterpart so that bit is a bit slow and your second question is, whether we will start Commerz, the second phase we will not, we will wait for this to get absorbed and then probably take a call, we have done the foundation but we continue to wait. But as a follow on to what you are asking me, let me tell you what we have done in some other commercial areas in Splendor. The commercial area in Splendor now will be a residential building. We have already planned and put plans for our approvals to change the user from office to resi. So there will be two other buildings that will come up there which will now be ready. Earlier we had proposed as commercial but like I told you that resis are doing far better and are in huge demand. We want to be in the current state of where the market is, and yes, we are obviously way too committed in Commerz II to change its user, the building is up and

it should be ready for delivery in three months. So we will continue to play that because there is no reversal, but on the other two buildings where we had Prisma, we are now converting Prisma into resi. We are also converting another project, Maxima, which was commercial also into resi. You can clearly see that our reading is that commercial is going slow and this is obviously on the back of one building that we have yet to lease which is almost ready. So we do see traction but I mean even if I get a rental of Rs.100 psf or Rs.120 psf, at a capitalized value it comes on to about Rs.12,000 psf. And against that a ready product in Woods is selling at Rs.22,000 psf. Exquisite is selling at over Rs.15,000 psf. plus floor rise, so average of about Rs.18,000 psf. So it just doesn't make sense at this point in time to focus on commercial. We will divert all our energies to do resi and that's something we feel as a company that we have done well in keeping our fingers into all pies so we can easily shift into anything that the market really wants or demands.

Anand Agarwal: Will you need to buy any additional TDR for these conversions or do you already have that?

Vikas Oberoi: We obviously do have to buy some bit of TDR and some areas are coming out of car parking FSI. In fact, on the Splendor project the entire area is coming out of car parking FSI which was to be used in commercial, now we are using it as resi. The upside is that resi gets 35% of that fungible area and commercial only gets 20%. It is like: (if) I develop commercial, I get only 20% additional area and I get a lesser price, whereas if I do a resi I get to build more and I get to sell it at a higher price, so it's just made more sense. On the Goregaon front we have already bought a large chunk of TDR. We bought almost 1 million sq.ft. of TDR, and this has been bought at about Rs.2,000 a sq.ft.

Anand Agarwal: And just lastly on the Oasis Worli project. You spent about Rs.315 crores as of date. What is the total spend that you anticipate on the project?

Saumil Daru: We will have to work that out because it depends on what is the final FSI which becomes available based on that.

Vikas Oberoi: We expect the construction cost to be in the region of Rs.6,000 psf, the good part is that we are seeing an increase in FSI there, but again like I said we don't want to project too much. Let us get approvals in hand and then we will be able to tell the market that the project has kind of increased in terms of size. So everything, like revenues, profit, all that can go up. But like I said unless we have the approvals we don't want to commit.

Anand Agarwal: I understand the launch is contingent on getting hospitality part but are we anticipating it to be launched in this quarter?

Vikas Oberoi: Let me tell you that we have already launched amongst friends and family and some of them have given us advances. Obviously the allotment letters of those are not issued so we can't show them as sale done in this quarter. To answer your question sales have already started. We are already on a definitive agreement with the operator, and I believe Saumil will be able to crack it before December, and officially we will announce the operator and the sale, but like I said that the sales are not contingent to the brand anymore, we will continue to sell it whatever we can and we will without the brand, because on a one-on-one we can easily tell people that this is the most likely brand that it will be and all that. This is what we are asking for and so on and so forth. So that's how it is.

Moderator: Thank you. We have the next question from the line of Abhishek Bhandari from Macquarie Securities. Please go ahead.

Abhishek Bhandari: Vikas I just wanted to know, are you open to also the idea of having some joint venture or joint development kind of agreements for residential projects because we have been hunting for land for sometime but not been able to find at the price at which we want?

Vikas Oberoi: I must tell you that my hunt is continuing to be a joint venture partner also with some of the developers but the kind of deal that people come up on table is really shocking and there is a developer who comes and tells me that he has got 10 lakhs sq.ft. of FSI and when you start calculating and all that it comes down to 4 lakh sq.ft. and then when you try to do a math on which he says that he has already borrowed money against this to a value which probably erodes the entire viability of the project. Then he has also sold some 200,000 sq.ft. to some private investors. So I must tell you that I am so dissuaded with the so-called joint venture because there is really nothing in the deal. Like these developers have made castles in the air and when you look through it there is really no substance. So obviously we are very happy, very open and then you know that the last deal that we did was a 2009 deal which was a joint venture. So we are also for joint ventures. We are absolutely happy almost to bail people out. Forget buying of assets for our own good but even if it helps another developer, we bailing him out and we making money we are more than happy. But the proposals that I have got I am not in a position to take names but some of these very good names, developers who we have spoken to are just not able to make sense of how they have gone about doing that.

Abhishek Bhandari: Also in case you are not able to find any meaningful land purchase, let's say next 12 to 18 months, would you be exploring newer geographies, let's say Delhi or Bengaluru market?

Vikas Oberoi: To answer your question, we are already looking at newer markets not because we are not getting land here. As a company we feel we are matured. We now know how to execute projects. We know what we are good at. We know what we are bad at. We are very happy to look at different geographies and just to probably extend that: we are happy to look at Noida; we are happy to look at Gurgaon. We have not done much work in terms of research in Bengaluru but happy to look at Bengaluru. So probably Delhi would be our first option if we get one and when I say Delhi it is NCR: Noida and Gurgaon area. And then it would be Bengaluru or Hyderabad. Pune we already have land. I don't consider Pune to be really outside Mumbai as such.

Moderator: Thank you. We will take the next question from the line of Atul Tiwari from Citi Group. Please go ahead.

Atul Tiwari: Sir, just wanted to get your thoughts on what is the kind of time horizon you are looking at to sell a substantial part of the Worli project at that kind of ticket size and those many units that you are planning to sell? I mean do you expect that the entire thing can be sold in next 2 to 3 years or should it take longer than that say 5 – 6 years.

Vikas Oberoi: The way we normally approach our project is that our first target is to make the project cash flow positive. And you will be happy to know that the number of sales including the ones that we are shifting from our existing project would be as we speak about 18 or 20, so this is almost 2 lakh sq.ft. and even if you like at an average price of 30,000, this is

sales worth 600 crores. So it is not bad by any standard. Like I said that our entire endeavor is firstly to make sure that the project is cash flow positive and if you see that the projects have its own set of speed like in terms of when it gets sold, so they either sell at an initial booking or they sell when the super structure is ready, because at that time you feel that now it is going to be complete soon, and then when it gets finished and then when you have the who's who of the world living in that building. So to answer your question straight we expect to sell this in the next four years. And that is the kind of time we will take to even build that. We will be happy with that.

Moderator: Thank you. We have the next question from the line of Prakash Agarwal from CIMB. Please go ahead.

Prakash Agarwal: First question is on Exquisite. What I understand is you have more than one-third of the total units and given the prices you said 15,000 plus floor rise understanding is 30 floors and above your average selling price would be around 19,000+ in Goregaon?

Vikas Oberoi: Correct.

Prakash Agarwal: What kind of time do we see in exhausting this kind of inventory?

Vikas Oberoi: Like how I told you earlier that most of these projects have a window in which they sell. Now a project like this when the super structure is ready these people will almost wait for it to get ready and then sell. But to our surprise we continue to sell a couple of flats every week which is again not bad, considering the size of the project and considering the ticket size. So to answer your question straight by the time we finish our project we will be done with all the sales.

Prakash Agarwal: And when do you expect the completion?

Vikas Oberoi: December '13 – early '14.

Prakash Agarwal: Second question is on Esquire. I was just seeing the presentation, the pricing average realization has actually come down for this quarter and what I understand people generally go tend on the higher floors in the next quarter, that's what your inventory talks about, right, can you explain that?

Vikas Oberoi: There is no decrease in price, let me just clarify. It is only probably at some month lower floor apartment gets sold, lower floor rise and that's it, nothing. We haven't reduced any price or anything like that. The average has reduced because let's say lower floor apartments are being sold more than the upper floors.

Prakash Agarwal : And you are happy with the run rate both for Exquisite and Esquire at the moment?

Vikas Oberoi: Happy is a static state of mind. Really. One cannot be happy even let's say if we had sold all of it we would want to do more than that. I wouldn't probably say I am happy. We understand where the markets are. We are not being over bullish about a few statements that have come in the media that now the markets have changed and this and that and other. We want to play it cautiously. And that's why to answer someone's earlier question I said that we are not looking at increasing prices because we understand that we don't want to be just reacting on a few good news and all.

There is a long way to go and we need to really build that momentum. So we don't want to do a classic mistake that most developers do. That a minute you have two buyers come to your door you will increase the price. So we don't want to do that.

Prakash Agarwal: But no thinking on reducing prices and accelerating?

Vikas Oberoi: No, there are no reasons for us to reduce price as such. Not for now at least. We don't have any reasons.

Moderator: Thank you. We have the next question from the line of Hansraj Singh from IDBI Capital. Please go ahead.

Hansraj Singh: My question was on Splendor Grande Project. As per your presentation the project seems to be 82% complete and last quarter this number was 69%. So can you explain what is the reason for this jump in execution by around 12% - 13%?

Saumil Daru: Very simple Hansraj. We are looking at completing this project by December this year/early next year, so obviously we have to ensure all that expenditure is going to come in the course of the next six months. The principal reason why some of these costs start going up is because as you start getting into the finishing levels, some of the materials which come in are some of the more expensive materials and those do not take as much time to procure or as much time to install and all of those. So once you start getting into the finishing stage then the expenditure starts building up, so which is why you are seeing this kind of a jump which you are seeing in this quarter.

Hansraj Singh: Sir my second question was on Commerz II. What is your total budgeted project cost for Commerz II?

Saumil Daru: For Commerz II the Phase I should be about Rs.300 to Rs.310 crores. There is about 15-odd crores more to go in terms of Commerz II Phase I, I think we are at about Rs.288 crores right now. For Phase II we will have to work it out once we freeze out the plans on that.

Hansraj Singh: Have we bought TDR into this project or it is just the land and your construction cost?

Saumil Daru : Right now not in this one so far.

Moderator: Thank you. We have the next question from the line of Sameer Baisiwala from Morgan Stanley.

Sameer Baisiwala: Vikas just wanted to understand a bit more on your selling strategy for Exquisite. You are almost 14 months from completion and you got about 306 apartments to be sold and you are saying that you can do it in one year's time. If I just look back over last two years you have been able to sell 112 units and those were lower floors and hence lower ticket size, so it's almost 55 – 60 units per year. Aren't you clearly looking at a situation where by the end of next year you will be sitting with a fair bit of inventory on hand, and what gives you confidence that you should be able to sell it in that time frame?

Vikas Oberoi: Sameer, in fact my fear is the contrary to what you are saying. And we sold with everything and not have anything left, because I want to have the benefit of price increase when the product is ready. If you really see Exquisite is a far superior product than Woods, and today Woods is selling at Rs. 22,000 a sq.ft. and at least 60 to 80 resales happening in the last one year so this clearly indicates that there is a huge demand for ready product, and in fact more so, I want to tell you that there are some 100 people in Woods who want to buy a flat here (in Exquisite) and are ready and move in, so they are saying that we don't want to bridge the cash flow, we would rather buy it when it's ready. So, I absolutely have no worries on that account. Markets are good. I mean I should not be praising my own product but really, it turned out very well. It is probably one of our best execution at least at present state, minus the Worli project that we are doing with Samsung. But this is really good quality product and we thought through great engineering. I don't see any reason why this should not sell at will, virtually. And like I said, that every project has its own cyclical. Today, anybody wants to buy this has to pay almost 85% - 90% down whereas he is going to get possession after 18 months. So what he fancies is that I will take the apartment when it is ready. Even at best if I have to give 20% more it doesn't really hurt me or 30% more. So that's how people think : which is fine with us. It is a cash flow positive project, it doesn't hurt us if it continues to be in our inventory, that's it.

Sameer Baisiwala: Vikas you still have some inventory even though few left in Splendor and it is all ready, ready to move in but somehow those arguments have not worked in Splendor. And second is what you can see I guess not everything but customers too can see a lot of that. They can see Exquisite is almost getting ready and even if I take your number for Woods, 60 to 80 resales, here we are looking at 306 units get unsold. So I am just curious that we may actually be left with a fair bit by the end of next year.

Vikas Oberoi: Let me tell you about Splendor. Firstly Splendor, you are looking at 1,300 apartments. Splendor, we had a small ticket entry point. Splendor had a lot of investors. While I have 25 flats left to be sold, I am transferring 50 flats every month for people who are selling it virtually, 40 to 50 flats I am giving permissions to transfer. So I don't see there is a lack of demand firstly, and the number two fact is that I am left with either very high floors or maybe road side flats, this flat, that flat. Third, maybe I am not saying this as an authority, maybe some of the sellers are also taking cash and as a company we just don't do that. These are couple of reasons, but again nothing much to really look at, 25 apartments is hardly 2% of the stock so it is hardly anything to look for. You look at Grande project next door, which is selling very well. So, it's okay. At the end of the day, there is no mechanism I have, with which I can force people to buy. We at our end do our best, apply whatever strategy we know from you, alter our strategy going forward, but like I said it is just not one way, it is a two way, customer also has to come in and do that. We are conscious of what you say. We continue to have our track record. We have our own beliefs. We do all that to our best of our capability and ability, and there is nothing much beyond a point one can do.

Sameer Baisiwala: Vikas, just moving on, how are you thinking about the launch for the next phase in Garden City, which we understand is Exquisite III, and there was some news article talking about tree transplantations, the approvals required, etc., so any clarification on this would be very helpful?

Vikas Oberoi: We obviously like anyone else in the country, applied for tree cutting permission and we got tree cutting permission and some of the politicians objected to that. It was a Commissioner decisions to give us permission and he

wanted to stay put at that. Basically it was more of a tussle between bureaucratic and political machinery not agreeing. Finally, those guys came to our site and you have been to our site, you have the benefit of having come to our site and then when they saw that we have actually agreed to put 10,000 trees, so like the math goes this way that it is for every one tree that you remove you have to put two, in fact we have put three, not only we put three we put 10 more after that. So it was absolutely appreciated. It was some sort of a storm in a tea cup, but these things can grow out of proportion. Fortunately facts were on our side, we were very clear, we were process driven and we were able to circumvent that. Not that we know any other way, but yes, it did create some sleepless nights for us as well, but all is well that ends well.

Sameer Baisiwala: The timelines for Phase III Exquisite launch?

Vikas Oberoi: I hope last quarter this year.

Sameer: This fiscal year?

Vikas Oberoi: Yeah.

Moderator: We have the next question from the line of Tejas Seth from Emkay Global. Please go ahead.

Tejas Seth: Sir just wanted to know, when can we see the launch of the second phase of let's say Splendor Grande which you said you are converting into a residential space?

Vikas Oberoi: Next quarter hopefully, again few permissions here and there, some alterations on site and we are back into business on that.

Tejas Seth: And how big would this project be?

Vikas Oberoi: It will be highrise of about 30 floors. So, residential building should be of about 22 floors, because we are going for seven floors of car park in that. We have already built car park for the office building, so we don't want to break the car park and all that, and plus anyway people are demanding more car parks so we will build that, so that's it.

Tejas Seth: Sir Prisma was like 0.7 million sq.ft., so would it be that size of residential space?

Vikas Oberoi: All in all put together both projects, yes, could be that much. Whatever we can consume, the consumption of FSI in Resi projects is still slightly difficult but the recoveries are better, so whatever, we will come to you when we finally got everything, it is probably a precursor to what is in the making.

Tejas Seth: You mentioned that you have sold some 2 lakh sq.ft. in Oasis through soft launch, to relatives and friends. Is this over and above the 15 flats which were transferred from Glaxo?

Vikas Oberoi: No, inclusive.

Moderator: Thank you. We have the next question from the line of Shashi Kiran Rao from Standard Chartered.

Shashi Kiran Rao: You are running to negative operating cash flow for the first time in your operating history.

Saumil Daru: Very quickly what Mr. Oberoi also mentioned in response to one of the questions about us buying TDR. So this is just the TDR which we are acquiring for the Goregaon project. That has been an outflow of about Rs.100 crores in this quarter, and if you really look at it that is what is taking the operating cash flow into a negative zone. So it is nothing other than that, not something which concerns us really, not something which is a long-term thing that this is how it is going to be, but that's how it is working out.

Shashi Kiran Rao: On the balance sheet also, if you look at it, you have moved some amounts into current investments. Any reasons for that ?

Saumil Daru: No, it is just basically a classification thing. Based on revised Schedule VI and how the institute expects us to basically recognize FDs. So FDs with maturity of less than 3 months become part of cash and cash equivalents and FDs with maturities of more than 3 months are required to be disclosed separately. So rather than take all of you analysts through all of those boring accounting presentations, for the sake of the presentation we have just put all those FDs together and said this is the total cash balance available with us.

Shashi Kiran Rao: In terms of cost spent in this quarter where else have you spent money?

Saumil Daru: Basically, the largest consumer has been Exquisite and Grande. These are the two residential projects which are going on. So those are the ones where the maximum amount has been spent.

Shashi Kiran Rao: I guess you might have spent 50 crores on Worli as well?

Saumil Daru: Yeah and in addition Worli. Worli when we take into consolidation it is a lesser proportion which hit the numbers but yes, you are right. Worli was about 38 crores odd which was spent in this quarter totally.

Moderator: Thank you. We have the next question from the line of Aashish Jagnani from UBS Securities. Please go ahead.

Aashish Jagnani: Was the reason like if we see your cash and cash equivalents for the end of this quarter it is about Rs.1,100 crores versus previous quarter being about Rs.1,280 crores. So partly 100 crores as what you mentioned as TDR?

Saumil Daru: Yeah, and about 65 crores was the dividend which was paid out in the quarter.

Moderator: Thank you. We have the next question from the line of Nitin Adnani from Enam. Please go ahead.

Nitin Adnani: Just wanted to understand on this conversion of commercial to residential at Splendor. You said the total saleable area would be around 0.7 million sq.ft.-odd. Could you walk us through what would be the cost outflow in terms of the fungible FSI purchase that we need to do?

Vikas Oberoi: We haven't done any math on this. As a principle, we have decided that we will do this. We have yet to kind of fit how the whole project will go about, what approval we will get and then we can come back to you. This should ideally have been in the next quarter, but in the sake of clarity I have kind of given you a thought that the company is doing as we speak. Just because I wanted to give you all comfort that because I knew probably the follow on question would be if commercial is slow why you guys continuing to build in Splendor as well, so really not much of math done on it, but we should be ready in the next 30 days and we will be able to give you far better clarity on what we are building and what not.

Saumil Daru: And once we have the approvals then we will have a slightly better position to tell you as to what exactly are the fungible FSI working out and all of those things.

Vikas Oberoi: Correct, I mean we have a very good working idea, but I believe you guys like to be more exact than just having a general idea. So I have given you a business idea of what we intend to do and obviously it is profitable and that's why we are doing it for your company.

Nitin Adnani: Last quarter, we had an operating margin which was slightly lower on account of a cost reset that we had. I think it was about some 150 million.

Saumil Daru: Yes.

Nitin Adnani: This quarter the margin seems to have remained at that level. Any reason why it should not have probably just jumped back up?

Saumil Daru: Not that I think of any specific reason because one is obviously the sales if you look at the earlier question also which was there in terms of lower realization in Esquire or something, the sales are on the lower floor, residential was 55.44% last quarter and 56.21% for the half year. So that means that in this quarter margins would have been about 58% odd, so may be what you are looking at 56% in the presentation is the number for the half year. So if you look at it then in this quarter the margins have gone back to the 58% odd percent level.

Moderator: Thank you. We have the next question from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: Can you please tell us a bit about how the Oasis Worli Projects demand is panning out? Essentially it is in the 30 crores kind of a segment. And how you are approaching the sales here?

Vikas Oberoi: I am very confident on the Oasis project because of many reasons. One, the quality of the product is unmatched, there is nothing in the city that is even being planned at that level. Of course when you hear a lot of people, the Lodhas of the world, everyone is trying to do a good job, but what we have taken upon ourselves to do is something really iconic. So the who's who of the city is likely to have this address. We are confident of that. Like I said that we also have one of the top brands who will probably put up a hotel and service/brand the resi. So that gives us a lot of confidence and I have already got a lot of enquiry and these are people who don't want me to share their names, but trust me the who's who of Mumbai, the Top 10 families of Mumbai want to have a house here either for themselves or their kids or whatever, so great traction, absolutely no worries.

Abhinav Sinha: And sir secondly, you have done around Rs.600 crores of sales here. So what is the kind of advance you would have received?

Vikas Oberoi: We all work on at least 20% before we issue allotment letters. We have not issued allotment letters to anybody. So my guess is anywhere between 10% and 20% is already received. More like 20 than 10 and by the time we do our agreement which should be in the next month or so or before the next quarter we would have received 40%. We have always maintained that. We want serious buyers, people who put in money. We don't like to book an apartment with a mere token or a 5% or a 2% and all that.

Abhinav Sinha: So essentially the tracking of cash flows would be very much in line with the other projects?

Vikas Oberoi: It will be absolutely in line and imagine on a Rs.600 crores sale you will have like Rs.250 crores cash sitting in your bank and more coming as we do our work, it is progressive payment.

Moderator: Thank you. We have the next question from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda: One, on the macro and one, of course on the projects. There weren't any big approvals over the last 18 months. The projects which were nearing completion or already under construction prices did not correct much. Now since a lot of approvals will flow.....?

Vikas Oberoi: So this goes back to Punit's question which he said that, what do you see? Whatever is ready and built that commands a different price. You can't compare that to an under construction. When you look at demand, under construction demand is driven more by who is the developer, what is his track record, so on and so forth. There are developers who have a good track record, have delivered, they will obviously be in business when approvals come into place depending on what the market situation is. People who have got ready products are virtually sitting on velvet, they can sell as much as they want to because there is great traction, and market is good. Again, we should not do a fundamental mistake of increasing the price too soon and getting too comfortable. We should be prudent about it like I mean I am rather addressing Sameer Baisiwala's concern here that we should not be increasing prices. I don't see any reason why we should reduce but at the same time I should not increase prices. So I guess these are some pointers for us going forward.

Samar Sarda: Just a follow up on this like excluding the approval process as a developer what are the concerns you see if at all when you are looking at the market?

Vikas Oberoi: It is pretty simple. Again like I said that I always look at it from the customer's point of view. If I am a buyer how do I look at? Of course macro economy which really drives my individual decision because it is not like I am going to a restaurant; I am buying a house. I need to know what my next five years are going to look like, how am I doing, all that, that is one thing that he looks at. Then he is writing the biggest cheque of his life, so he wants to know who the franchise is, who the developer is. After he has ticked that box, he will have come to that box only after he has approved the location, after he has approved the design, configuration and all that. So these are the things that play a big role. Honestly

between you and me, it is very simple. There is no challenge as such. There are a few things that are really not in your hand like the markets, if you know as you were to get into a market which slides 50% tomorrow then all of us are going to be in a loss, so that one cannot really protect yourself, otherwise it is business as usual, there is really nothing, I guess we all have similar challenges in life, so there is nothing much as such.

Samar sarda: And just with respect to the company a couple of things. The public parking proposals you have got, for Goregaon, JVLR as well as Mulund. All these three proposals are cleared by the Joint Traffic Commissioner and the BMC or they are still to go through that process?

Vikas Oberoi: No, the two projects are cleared but we are trying to increase the parking and all that as in we have a case for getting more car parks. That's what we are trying really. Of course with the new math, again, earlier we were allowed 40% incentive, now we are allowed 50% incentive, so it is a math I don't want to go through, but we have approvals but we are looking at getting an increase on those numbers.

Samar arda: Goregaon and JVLR?

Vikas Oberoi: Goregaon and JVLR. I mean marginally like JVLR we want probably 100. Mulund is yet stuck in the forest matter.

Samar Sarda: Any significant like advances probably little more than 50 crores you paid for any land acquisitions or agreements or advances over the last six months?

Vikas Oberoi: Not really. Just barring the TDR that we bought which is we got delivery of 50% balance and 50% to be delivered in some time to come. Nothing really.

Samar Sarda: And one final question with regards to this project getting converted from commercial to residential, of course I don't want to get into areas but wouldn't the area uses actually in a residential because of ventilation and other things come down with respect to a commercial project?

Vikas Oberoi: Yes and no, but like I said we are continuing to work on it and let's see what we finally get. We will obviously take a prudent call, we will do the math and see what really works better and only then take a decision on behalf of your company, not to worry.

Moderator: Thank you. Due to time constraints we would be able to take one last question that is from the line of Vineet Chandak from IDFC Securities. Please go ahead.

Vineet Chandak: Vikas, you talked about aiming for a Pan India footprint going forward, has this been a recent change in strategy or has it always been on the cards ?

Vikas Oberoi: Hi Vineet, firstly, it is not Pan India, it is only one other market that we want to explore. We feel that we as a developer have certain skill sets which we probably can take to any other parts of the country. We want to put like a nibble

foot into Delhi and see how we can work. We will take about may be one or two million sq.ft. in partnership with somebody and see how things work and then go full hog. So we might just take a bet of may be 20 million or 30 million or 40 million, so a Rs.100 – Rs.200 crores bet. Nothing more than that. We won't jump into a lock, stock and barrel and then realize. We are feeling confident about doing some work in Delhi and a lot of people from there have looked at our work and they feel that we can bring in something new and different. We want to try our skills. If we succeed then we will go deeper, otherwise we will continue to work in Mumbai. Clearly, no Pan India.

Vineet Chandak: And where do you see these things sort of playing out for you over the next 12 to 15 months or it is going to be beyond that?

Vikas Oberoi: Not even 12 to 15, within the next 6 to 12 months. So FY13 onwards probably we will get more serious about Delhi.

Moderator: So we will take the next question from the line of Punit Jain from Goldman Sachs. Please go ahead.

Punit Jain: Just wanted to understand your pricing strategy for Oasis property. Like you have said that you have opened it towards a certain set of people. Why this decision and will that not lead to slightly lower pricing if you rather go for open sales?

Vikas Oberoi: Just wait for the next quarter because I was so keen to get the allotment letter out so that I could tell you what price I have sold at. You will be so pleasantly surprised when I tell you. Only at the cost of just not disclosing it because I am a limited company, tied my hands totally. I would love to tell you that none of your concerns will hold. You will be happy, very pleasantly surprised . That is the kind of traction and the kind of people we are getting to buy. It is really nice.

Punit Jain: Your ownership right now is 78% and you possibly need to get it down to 75% over the course of next three quarters. Any thoughts with respect to that?

Vikas Oberoi: Yeah, it is difficult to let go of such good stock, but nevertheless what I have to do, I have to do. No thoughts as yet but we know we have the best people advising us, we will go and do whatever is prudent for the company. Again options are only two, either I sell or we dilute into the company. So let's see, neither of us need the money, but we can't anyway give it for free also. So whatever is best for the company we will put our heads together, obviously talk to you offline and then take a call.

Moderator: Thank you. We have the next follow up question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Vikas, just wanted to check on Commerz II Phase I . Who will blink first? You said you are getting good volume traction but the gap is 5% to 10% rental. That doesn't look too big to me as just about 3 months for the project to get completed.

Vikas Oberoi: Sameer, you are asking me a strategic question and if I tell you that I am ready to blink it will just go to the people who want to come and take the space. These are all market dynamics. One cannot really say that. Let me tell you what are the positives. I have only told you the negatives of what commercial property market is all about. Firstly, nobody in the city has 2,00,000 – 250,000 sq. ft at one-go if somebody wants to take it today. So options are very few. If somebody were to come for space let's say 2,00,000 – 250,000, almost nobody has that, I can say.

Sameer Baisiwala: Indiabulls?

Vikas Oberoi: But they are firstly in Parel, one. Number two, they have all these IT parks. The advantage that I have is Commerz II is not an IT Park. If a pharmaceutical company wants to buy an office then they cannot go to India Bulls and do that because it is an IT Park or at best the banking, financial services and all. So that is a huge advantage. My worry is that 20,000 – 15,000 sq.ft areas are available. That is what depresses the market but bigger space neither do they have an option nor do I have an option. If I get somebody who is really serious and wants to close it, I will be smart about it because I know in over the next five years, seven years I will get my property back and if the markets are good then we probably get a bigger number then. But thanks, your questions are great pointers and I appreciate them, continue to do that. They almost help us strategize our way forward.

Moderator: Thank you. I would now like to hand the floor back to Mr. Oberoi for closing comments. Over to you, sir.

Vikas Oberoi: Thank you everybody for joining us on this conference call. We really appreciate all your questions, all suggestions, all strategy that comes out of these questions. We would really appreciate that you continue this with us and engage with us going forward.

Moderator: Ladies and gentlemen with this we conclude this conference call. Thank you for joining us.