



“Oberoi Realty Limited Q1 FY 2014 Earnings  
Conference Call”

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**Moderator**

Ladies and gentlemen good day and welcome to the Oberoi Realty's Earnings Conference Call for the Quarter 1-2014 that ended on June 30<sup>th</sup> 2013. We have Mr. Oberoi, the Chairman & Managing Director of the company and Mr. Daru, – the Chief Financial Officer of the company with us. Please note that this call will be for 60 minutes and for the duration of this conference call all participants' line will be in the listen-only mode and this conference has been recorded and may be put on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call, they may signal an operator by pressing \* followed by 0 on your Touchtone phone. 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, it's 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 on the conference to Mr. Oberoi, the Chairman and Managing Director of the company. Thank you and over to you, sir.

**Vikas Oberoi**

Firstly I would like to thank you for taking timeout and to participate in our Q1 FY14 results and business update. A quick update on the quarter that gone by, markets have been a bit sluggish though our order book continues to stand on a little over Rs. 1550 crores. We continue to maintain a very healthy cash balance or cash equivalent close to about Rs. 900 crores. Oberoi Mall, our rent yielding asset is nearly 100% occupied, in fact attracting a very good retail mix. Hotel also continues to do well. Let me point out certain concern areas Commerz 2. I think commercials spaces are struggling a bit, we continue to get enquiries but not something like really tangible or great in terms of rentals. We continue to be hopeful, let us see how things pan out. Residential ones are now awaiting the real estate regulators' bill, so obviously all developers are kind of looking in to it and trying to see how they will run their company, manage their finances in light of what is likely to come in. The economic outlook with elections around the corner also needs to be taken in to account before we project any rosy picture as such.

I will now handover the stage to our Group CFO, Mr. Saumil Daru who will take you through the financials and I will jump in to answer any questions that come from your end and I look forward to them.

**Saumil Daru**

Thank you Mr. Oberoi. I guess most of you would have received the presentation by email from the IR team, if not then you can still access it and even as we speak right now it is

available on our website. In terms of financials, we have achieved a consolidated revenue of Rs. 239.40 crores in this quarter which is as against Rs. 230.86 crores for the same quarter last year. Consolidated PBT in this quarter was about Rs. 147.57 crores as against Rs. 137.62 crores a gain of over Rs. 10 crores and the consolidated PAT was about Rs. 101.82 crores for this quarter as against the Rs. 100.80 crores bottom-line which we reported for Q1 FY13. Quickly to recapitulate our asset level performance. In terms of our investment properties, Oberoi Mall, as Mr. Oberoi said, is almost 100% leased out now and it contributed about Rs. 20.74 crores to the top-line for this quarter as against Rs. 19.85 crores in Q1 FY13 which is a growth of nearly 5%. The EBITDA margins as usual in this vertical hover around 95%.

Commerz, which is the office space asset contributed about Rs. 12 crores to the operating revenue for this quarter as against about Rs. 11.26 crores in Q1 FY13, which is a growth of nearly 7%. Like the Mall, the EBITDA margins in this vertical are also in excess of 95%. The Westin Mumbai Garden City has contributed about Rs. 25.9 crores to the top-line for Q1 FY14 and this is as against about Rs. 22 crores for the same quarter last year which is a very healthy growth of nearly about 18%. The EBITDA margins for the hospitality asset in this quarter were at about nearly 31%.

Quickly to the development properties – Esquire, we booked about a little over 25,000 square feet in FY14 in this quarter. Cumulative aggregate is about 9.62 lakhs square feet. Total booking value in this quarter is about Rs. 41.1 crores. Cumulative booking value for project till date is about Rs. 1,254 crores. As you will recollect, we received our approvals under the revised DC Regulations for this project towards the end of June but there has been no revenue recognition in this project so far as it is yet to reach the threshold level of construction completion.

Moving quickly to Exquisite, out of the total project of about 15.4 lakhs square feet, we have already booked about 9.94 that is nearly about 10 lakhs square feet which is about 65% of the inventory in the project. In this quarter the total booking value was about Rs. 47.76 crores and the cumulative booking value till date is about Rs. 1,300 crores. The total revenue recognized in this quarter was about close to about Rs. 125 crores. Cumulative revenue recognition till date is about Rs. 1,022 crores and percentage completion is about 78%.

For Splendor Grande the last unit was sold in Q1-FY14, thus completing the entire sales in this project. If you look at this then this would mean that we now have no inventory left whatsoever in any ready project. The only inventory that we have is in Exquisite and Esquire which are under construction. The work on Oasis project continues at a good pace. The agreement with the hotel operator should also get frozen shortly and we are slated for a launch soon.

Some key financial parameters. The EBITDA margins for Q1 FY14 were about 64.54%, PAT margin at about 42.5%. EBITDA margins for Mall and Commerz as usual are much higher than the average and excluding these, the margins for the pure residential business is in excess of about 55% for Q1FY14.

With that, I would like to throw open the floor for any questions that you all may have. Thanks for giving us a patient hearing.

**Moderator** Thank you very much Mr. Oberoi and Mr. Daru. We will now begin with the Question & Answer Session. We have the first question from the line of Mr. Puneet Jain of Goldman Sachs.

**Puneet Jain** My first question is actually towards Oberoi Esquire. So if I look at the presentation you have removed the area of Oberoi Esquire, so can you throw some status on the project?

**Vikas Oberoi** Punit, as you remember that we had started booking in Oberoi Esquire before the new rules came into play and so the common areas that were designed for Oberoi Esquire were not very efficient if we look at the way the new rules compute area. What we have really done till now is bookings up to 30<sup>th</sup> floor and going forward what we really want to do is to curtail the Esquire development to may be anywhere between 35 and 36 floors so that we can use that FSI in any other building next door and then probably make that building higher. So that is the idea and we are kind of fine tuning the plans to determine where we would want to curtail it and whether it will be 36, 35 or how much of that area can we absorb in our Phase 3 and 4 . The positive here would be that Esquire revenue recognition will come a lot earlier because we will be building less of it and smaller building and we still be able to adhere to the timelines we have given in terms of possession or at least we will come closer to that.

So these are the two positives and the other positive is more to do with the efficiency of planning with the new computations because currently they do not look as efficient as what we would have ideally liked our project to be. So going forward you will see a lot of buildings which will have two or four apartments per floor instead of six apartments which will then make the computation of FSI in the new 35% that you get fungible which will make the entire building a lot more efficient. That is the whole idea.

**Puneet Jain** And what is the current construction status on the same and when can it come for revenue recognition? The other thing is that on Exquisite you now have got close to over 400,000 area left in terms of saleable area actually more. Inventory is around 5.5 lakhs square feet while you are maintaining a run rate which is much below that, while it will take two to three quarters for the completion?

- Vikas Oberoi** The first thing is we had to demobilize L&T, now L&T is in the process of remobilizing and they will start construction immediately, we have already told them to go ahead. On Exquisite we have 500,000 square feet left now. The building is at a stage where all slabs are complete, externally also if people pass by they can see that the finishing is in progress. So this building let us say is less than one year away from possession, and people do not want to put 100% of the money because that is what is due today. People at this stage normally prefer to move in to a building which is ready and once the building is ready you will see a huge strike rate because there are times where people like to book which is like that early stage and a bulk of the sale that happens when it is ready. If you would have seen even in Splendor we were left with a good 150 odd apartments which were complete and we then were very quickly able to ramp up. So, on the sale front that really per se is not an issue.
- Saumil Daru** Yes Punit, once we freeze out on the exact size of the building and everything else, our anticipation is that based on when L&T starts work, we should be able to do it in the fourth quarter of this year you should see the revenue recognition coming.
- Vikas Oberoi** And in this case also sales are already done, we have done sales worth over Rs. 1300 crores. Lot of that cash is received it is just that we are awaiting the recognition. It is like a profit sitting in the company but cannot show it to the investors.
- Moderator** Thank you. We have the next question from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari** My question again on the sales booked in the quarter, historical run rate has been easily above Rs. 2 billion per quarter and even higher than that however in this quarter it has fallen off the cliff and I understand that there is no inventory in the ready projects but even in Exquisite and Esquire the volume is too low. So is it a conscious strategy why the company or suddenly the market has become very weak, what is the thought process of that?
- Vikas Oberoi** See firstly, you are correct that there is no ready inventory and on the second thing we are internally also kind of debating what sort of documentation we need to really do in terms of the new regulatory thing coming. We had that issue with Splendor some of the residents went to Court. Fortunately none of them got any relief so we stood our ground and everything went perfectly well. But we want to kind of internally assess how going forward with the new set of consumerism and new real estate regulator bill coming in to play, how we want to have our relationship with the customer, what sort of documentation, what sort of safeguards we are permitted to have because even if you get everything written there are certain things that you are just not protected with. So what is the best one can get in terms of protection is what we really want to look at and that is why we did not want to push Esquire as much. And here again we were awaiting approvals, those approvals have come, we want to be very clear with when we will give possession and things like that and we want to have a clear communication

with the customers because at the end of the day our brand is what we really stand for and what people really come to. So we do not want to either short change the customer nor give any wrong signals. So the whole idea was we did a huddle inside, we actually stopped sale and now that we have got things in place and we have got our clarity we will again start rolling and the other big thing is also that we were originally awaiting Mulund to happen which did not come in the time that we expected now it is pushed by a month, hopefully it gets done then.

So if that would have happened you would have seen a completely different picture like you are talking off Rs. 200 crores, it could have probably crossed much, much more than that. So these are a few things that have led to what you are pointing out.

**Atul Tiwari** Second question is on the Worli project, how much is it's construction spending which we will do in FY14 as per your plan and how much we did in the first quarter?

**Saumil Daru** In the first quarter we did about Rs. 136 crores you would see that in the presentation itself. Overall during the course of the year we expect this to be in the region of about Rs. 500 crores.

**Atul Tiwari** What about the sales and the collections against the same, how much is that?

**Vikas Oberoi** We have yet not launched the project but again continue to sell them. Here again we could have simply added Worli and made the entire sales area and the number look big and all that but what we are really doing is we are waiting for a proper launch and then come out with numbers and we have set an internal target for ourselves to have. We have already identified the operator by the way. We have got him signed, and we are now waiting for the definitive agreement and we have set an internal target of 30<sup>th</sup> August 2013 to get the operator on board and then we start the official sales. As we speak like I told you that there are flats from our old Worli project that move in here and some new sales which come to anywhere around 23 to 24 apartments which is a good 2,00,000 to 2,20,000 square feet.

**Atul Tiwari** In Esquire, the price hike to Rs. 15,000 was taken after the quarter was over or it was before the quarter and how has been the response after the price hike?

**Saumil Daru** Price was hiked on about 22-23<sup>rd</sup> June.

**Vikas Oberoi** It was may be 8 days before the quarter end but again actually let me tell you that we increased the price and we stopped sales because we just want to internally come out with clear possession dates, we want to come out with a clear documentation, clear communication with our existing and future flat holders because we do not want to have any ambiguity. So these are the reasons why we kind of just did not sell but the price hike came about 8 days

before and we immediately stopped sales. We have like some 10 or 15 buyers who want to buy in and are holding on but we want to first be clear on how we want to set other things up and then we will go and take these monies.

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

**Prakash Agarwal** Updates on actually the Mulund project and Commerz-II project please?

**Vikas Oberoi** Mulund project we are in the Supreme Court to get one order and with the change in the CJI, now the new bench will get formed so whatever we were anticipating would happen on 11<sup>th</sup> July 2013 has unfortunately got pushed to may be a month or month-and-half later. So all we need is probably a good 3 or 4 days hearing in the Supreme Court and we will be, fingers crossed, home and dry. So that is the update on that. Commerz-II is almost complete. We continue to speak to people but there is a general slowdown in the economy and hence people are taking longer to kind of decide whether they want, they do not want, they want an “x” amount of area, they do not want that. So commercial has been a bit of a drag honestly, even though optically like our colleague asked earlier with the sale drop in the residential I am absolutely not so worried or perturbed about that. My major concern is commercial which continues to be at drag, it is not like really picking up as some other people are expecting it to.

**Prakash Agarwal** There was some thought of converting the usage to residential, is that on?

**Vikas Oberoi** We have looked at it, it is possible but again we have not taken a call. One can think on its feet but cannot simply go about doing it because there are many things that one really needs to look at. So we are internally debating what one should do and a lot of people tell us that commercials will have its say because lot of people have stopped building commercial. When the demand for commercials will come there will be very little supply available because one should not forget that in 2005 and 2007 we leased the commercial area at Rs. 200 a square foot also. So of course one can always be nostalgic and say that oh those days will come back but this is the market and we have seen everything. We have seen in 2008, we have seen a slow down now and there can be a bounce back. So what we think is that we will continue to focus our energies in Phase-3 of Goregaon which we are like already working on and if not the next quarter then the quarter after that we will launch and hopefully Mulund should also come through and we will thus also look at Mulund. So we are gearing up to do all that than focus on this Commerz-II.

**Prakash Agarwal** Again follow up on Mulund, so you expect that this should be ready to be launched around second half of the year?

- Vikas Oberoi** We are so ready I cannot tell you and we are ready with the construction drawings, we are ready with all collaterals, so the minute we get that order you will see work starting. In fact we hold a list at close to 100 people who want to buy a house and they have written names and told us that whenever you start you just let me us know and stuff like that. So that is the kind of demand that exists for our project there. We are just waiting for it to get cleared and we will get it cracking immediately. That is something we are really looking forward to as well.
- Prakash Agarwal** But you have clarity on the Supreme Court how it is standing currently, what is the status?
- Vikas Oberoi** Clarity on what? The legal aspect?
- Prakash Agarwal** Yes.
- Vikas Oberoi** Unfortunately we have had this clarity over the last six to eight months to a year but somehow Courts are taking much longer than what we really thought it would. So if everything goes well then it could be in 30 days. And it is just unfortunate that things take a little longer than we anticipate.
- Prakash Agarwal** Is it only us who could get approval in the Mulund belt or most developers were stuck because of the environmental clearance and all?
- Vikas Oberoi** No, in fact there are many developers who are in the same boat as we are. And in fact not only us there are some 200,000 flat holders, people who bought flats in '75, '69, '60. There are factories that are built in '57. In their wisdom they have shown it as forests so with just a pencil entry which says that this land is in forest without going in to the fact that there was a factory existing. So of course Court has taken a view on all that, it is just that we need a good 4 to 5 days of hearing and hopefully everything will be okay.
- Prakash Agarwal** Do we require more approvals on Esquire for construction to start or we are okay with all the approvals?
- Vikas Oberoi** No, we are very okay with all the approvals, just let me tell you that approvals in Mumbai are received at two stages one is you get CC up to plinth. Once you complete your plinth then you get further CC. But as far as plan approval goes, you get the plan approval for the entire FSI that you proposed for. So today we have proposed the FSI for 30 floors and we are doing an internal math whether we want to do 36 or 38 or 34, and then we will fill the rest of that up and for that we have all the time in the world. That is really not an issue and so we continue to work. When we finish our plinth, we call the authority and tell them to check, they check the plinth and there is nothing more to be done. It is just two officers who will give you further clearance that we are building as per plan and that is it.
- Prakash Agarwal** But that withholds our construction or we can simultaneously start constructing?



- Vikas Oberoi** Let me be fair that it does not hold anyone's construction in Mumbai. If you built as per plan it is just like a two hour inspection that they do when they come to site. They look at it and they will kind of stamp the same CC up to the entire top floor. They just want to see what you are building on that one typical floor that you are going to replicate. Once they check that they allow you to replicate it as many times as your floors are. So that is the only approval left.
- Prakash Agarwal** And lastly on the SEBI norms, when is the last date you are permitted to have more than 75% promoter ownership?
- Saumil Daru** That will be about 3 years from the date of listing so that will be October 20, 2013.
- Moderator** Thank you. We have the next question from the line of Adhidev Chattopadhyay from HDFC Securities. Please go ahead.
- Adhidev Chattopadhyay** If I could refer to Slide 5 of the presentation on the cash flow, you had done around negative operating cash flow of roughly around Rs. 122 crores for the quarter, so I just wanted to understand does this include any component of construction outflow for the Oasis project as well?
- Saumil Daru** Yes.
- Adhidev Chattopadhyay** So how much that would will be if you just for the other projects and Oasis if you could just give us a rough break up?
- Saumil Daru** We pointed out that what we totally spent on Oasis in this quarter was about Rs. 136 crores and in addition to that what has also happened is there has been this fungible FSI which has been paid for the Esquire project such that the total payment to the BMC has been about Rs. 125 odd crores. So if you look at it there were two large chunks of payments which went out which ends up reflecting the overall operating cash flow from the quarter as negative.
- Adhidev Chattopadhyay** And there is one more question again on the Oasis project. Once you launch the project and the cash inflow starts to come in so in what proportion would this have come in to Oberoi from the joint venture like is it your construction money you have put in first comes back to you and then the profit share starts or how is the broad structure?
- Saumil Daru** In terms of pure cash flow, the entire construction cost bucket for the entire project needs to be filled up first before there is any distribution to any of the partners.
- Vikas Oberoi** We have a priority until we receive our deposits and then it gets split in to the ratio.
- Moderator** Thank you. We have the next question from the line of Amit Agarwal from SBI Caps Securities. Please go ahead.

**Amit Agarwal** My question pertains to that the sales in Esquire was probably slow because you are looking at a new regulatory bill which is going to come in and even when you launch the Mulund project probably your sales would be slow again so are you looking at slowing your sales until you get a clarity on the regulatory bill?

**Vikas Oberoi** No Amit, let me tell you what we really want to do is we have kind of understood what this regulator bill will come and be all about. We want to make sure that our document is in sync with that. We do not want to be surprised later on. So what we are really doing is we are looking at it internally. There is no cap on the speed at which one can sell. The only reason why we slow down now is because we are completely relooking at the documentation, communication that we have with our customer, what sort of commitment we gave, how we go about doing all that. So once we have that, as a norm the applicability of that will be to all projects and going forward this document will become a standard document so it would not slow down any sale as such. Mulund will also sell at like any other pace. Of course the regulator will require us to open an account, put some amount in escrow. I am sure you read all that as well. So we are kind of fine tuning ourselves, understanding how we work and how we will be working and stuff like that and what sort of commitments end developers give, will that be considered as a commitment and how and what repercussions will one have. So you will be a little more aware of what you have said and do not want to get in to litigation and unnecessarily waste your time and money on that.

**Amit Agarwal** My second question pertains to your cash balance which has come down by roughly about Rs. 400 crores quarter-on-quarter so I know you have given me two of these reasons for coming down one is construction for Oasis which is Rs. 136 crores, fungible FSI for Esquire is Rs. 125 crores, anything else apart from this?

**Saumil Daru** Not really. If you look at it then between March and today it is off by about Rs. 200 odd crores and the numbers which I gave you kind of accounts for that difference.

**Amit Agarwal** When do you expect the cash flow from Oasis to start? From what you said earlier you do have some apartments which have been sold but there has been no cash flow from there technically. So when do you expect the cash flow from the Oasis project to start for you?

**Vikas Oberoi** The deal there is we have gross revenue that will get collected in as one pool. Out of the gross revenue, first amount will go to taxes, second amount will go towards construction, third waterfall will go to receiving our deposits back and the fourth will be a split between two partners. So obviously if you really see we have back-ended our receipts but this is a joint venture where construction cost commitment is on both parties because it is gross revenue minus construction whereas we are using our brand to sell. So for us it is very important to make sure that that we have enough money to build the project even though the regulator here was not in place and we are not required to really do that but when we sell this to the market

we want to be doubly sure that this gets built. So unlike many developers we are using the entire cash flow to first build the project and then that cash flow will start getting taken out. The least we will do is that unless we sell an area up to a particular value, let us say if the construction cost is going to be X, so until and unless we sell for that value we will not start taking monies in to our hand. So we do not really need to make sure that all the money that we need for construction is in our hand even if we sold for that much area, anything surplus is what we will take with us and in this case there is no regulator. The entire idea was that since we are putting our brand, our name, so we really make sure that the project gets built and stuff like that. We do not want to have any stress on cash flow and stuff like that. So our partners are very cooperative, they have been very happy about it as well.

**Moderator** Thank you. We have the next question from the line of Gaurav Pathak from Standard Chartered. Please go ahead.

**Gaurav Pathak** Again on the cash flow side, could you give us some explanation on the Rs. 8 billion differential in investing cash flows after excluding the liquid mutual funds?

**Saumil Daru** Well, if you look at it the Rs. 8 billion is the final amount of cash balance which is left. Are you referring to the investing cash flows specifically?

**Gaurav Pathak** Yes, the investing cash flows.

**Saumil Daru** Okay, what happens is from an AS-3 perspective whenever we are making investments, be it in to mutual funds or some of this other FDs exceeding a particular tenure, then it gets reflected over there. So even if you will see my balance sheet in the published annual report, you will see that at the end of the cash flow statements there will be a reconciliation between the cash and cash balance as per the cash flow statement and what gets reported in the balance sheet, so that comes purely out of the accounting treatment for the investments which we make. That is why in our investor presentation we give you a consolidated list, we do not show how much is investment in mutual funds and how much is the cash balance or the bank balance separately we consolidate it and show it to you that this is the aggregate picture of the liquidity which we have.

**Gaurav Pathak** So if you look at the investing cash flows it is Rs. (-42) billion.

**Saumil Daru** If you add back the investments in liquid and mutual fund that is probably so. Even for example some of the investments which we make on construction of capital assets incremental CWIP all of those this will all get categorized as an investing cash flow.

- Saumil Daru** So anything which we incur on Commerz-II or any of those aspects or if there are advances in the nature of a capital expense for certain projects where for example in Oasis some of the advances which would get made if they get classified as a capital expense, those also go over there.
- Gaurav Pathak** In terms of your Oasis Worli project now that the operator is finalized, is there an iron clad clarity on what would be the final ratio of profit sharing and when do you think Oasis Worli will come for revenue recognition?
- Saumil Daru** We have explained this in our prospectus as well as you will see this in our IR presentations also. The profit sharing is based on the rate at which we sell the flats. So it begins with 25 and it can go as high as up to 40%. The hotel operator of course is required for the project but that has nothing to do in terms of what is the profit sharing which we will have for the residential component. As far as the hotel part of the project is concerned it is a 50/50 venture between us and our partner but the entire profit sharing for the residential can go up to 40% based on the rate at which we sell.
- Gaurav Pathak** If you are looking to start the project by August and the operator is finalized then I am sure you have some visibility on where you are looking to price the project, so I was coming from that context?
- Saumil Daru** Yes, so we will figure that out as we go along. What will happen is that this number will also keep varying and you will also see an appreciation in the price of the project as we will keep going on over the next few years. That is pretty much there in the markets and we have been discussing with a few people on the sales, we are quoting Rs. 50,000 plus floor rise on this particular project.
- Gaurav Pathak** And when will it come for revenue recognition if it gets launched in August?
- Saumil Daru** As per current estimate, see there are two aspects. If I look at it as how much percentage of the cost that will be incurred we will easily be able to recognize that within this financial year itself. The only thing that will come is as per the new institute guidelines you have to also sell 25% of the entire salable area in the project. So depending on that if you are able to achieve that then for sure in this year.
- Gaurav Pathak** Could you throw some light on the Phase-3 launches in the Goregaon project because we need to guide the declining sales momentum from there?
- Saumil Daru** Well, as per our current plans we have two things, one is obviously we will also have to keep in mind what happens on Mulund and how we work out that though again having said that between Mulund and Goregaon they are two separate markets. So Mulund we anticipate that if

you are able to get our Supreme Court approvals in place then we should be looking at a launch around Diwali or somewhere in the second half of this year. As far as Goregaon is concerned then that is also a similar timeline which we would want to look at for the 3<sup>rd</sup> Phase.

**Moderator** Thank you. We have the next question from the line of Mahesh Nandurkar from CLSA. Please go ahead.

**Mahesh Nandurkar** What is the growth strategy in terms of new project acquisitions?

**Vikas Oberoi** Again like we continue to look at land, land continues to surprise everybody. People talk about things slowing down but the developers just seem to bring money from somewhere and believe and buy more expensive than what we can buy it at. But on a serious note we continue to look at land very aggressively and are waiting for a good project to come by and all it takes is one big cheque then all the cash balance that you see on the balance sheet is like taken care of and cleared. So one is really not worried. We have enough plans for the next 4 to 5 years but one should not wait for that kind of time. We are looking at a good window. I think with the elections round the corner, with RBI tightening the noose on liquidity and with the money not being available I guess we will have a good what you call opening and we will have a clear shorter rate and we will take that. This is our business, we know real estate and we do not do any other business barring this. So I am personally not at all worried and patiently waiting for that right deal to happen. It hopefully should happen within the next 6 to 9 months and that is it. So growth obviously is going to come out from real estate. It will come out of primarily Mumbai. We continue to look at NCR and Bangalore and all that. So these are the areas but NCR and Bangalore would be small bets, they would not be more than Rs. 20 million each. We will do JV's with a local partner, a local land owner who has good connections. We know we are good at construction, design, marketing, selling, so we will do that bit. We will depend on our local land owner who will do all the approval work and stuff like that until we learn the range of that city and that is what our growth strategy really is like.,

**Mahesh Nandurkar** I think in one of the previous calls you had mentioned that it is kind of a continuous process, new deals keeps on coming and the old deals keep on going out of the system. So just on that when you talk about the old deals going out of the system what exactly happens to those, is it that the sellers just decides to sort of develop on his own or he decides not to sell at all or somebody else buys it or how do the deals go out of the system?

**Vikas Oberoi** I think this is a combination of all three. Majority of it is obviously bought by third party and there are some deals where somebody gives it for a better joint venture deal and at some places some of these guys just withdraw, so I would say that 80% of the deals obviously get done and some or the other person buys it and they are more aggressive, they think that they can get a better yield or whatever. They just do that. We are open for and we are waiting for that one good opening which we will take a shot at and if you really see all our land buying

has been like that, it has been very prudent and so on and so forth. So we really want to focus on good land buying because that is where it all starts. Today if you see most of these guys are either highly leveraged or they are in some sort of pain or trouble. It has got to do with the expensive land buying and not being able to monetize it. So this is the fundamental, and I would not want to call it as mistake that others do. But I am just saying that there is a slight difference between their reading and our reading of what this business is like. So I feel that your first thing in land is that buying should be correct and gone are the days when people thought that they could change the goal post and all that. Today it is pretty much of a level playing field; everyone comes up with the same number that this is saleable and going forward with regulators asking you to sell on carpet area and stuff like that and you having to have a separate account, I guess the industry will get disciplined. We are growing at a pace because of the discipline that we follow, others will also fall in line and then I think there will be a level playing field and then we will see how and who buys what at what price and things like that.

**Mahesh Nandurkar**

And since you mentioned that some of the developers are in a some sort of stress and we also hear about the same thing and then anecdotally speaking interacting with brokers give us an idea that the prices even of the completed and ready to move-in kind of properties the prices have come down a bit in some parts. So do you first of all agree with that statement, that it is a general trend or do you think it is a very specific trend?

**Vikas Oberoi**

So let me honestly tell you that ready apartment sales have just not gone down nor have prices gone down. In fact, if any they will only continue to go up. Let me tell you that the supply is going to get constrained. We optically look at real estate regulator's bill but what will it do, it will actually slow down the supply of cheap money to some developers who do not have any cash flows. They were looking at these cash flows to help them ride or tide over whatever but that is not going to happen. Ready apartment is selling at a much higher premium than anything which is under construction. So I would say that that bit or rather part of your statement is not completely true or rather I do not feel it is true. Markets for ready products are really strong. There is no question on that. In fact things are only getting more and more difficult to build in India with so many rules and regulations coming in. There was a time when we figured approvals in three months, today it takes almost 2 to 3 years, so who will bear that cost. Again at some point in time, I am not saying it against or pro the developer or against a consumer, but there was a time when a developer used to sell apartments even before he had got his approvals and he would give a discount to the buyer and the buyer would very well know that this is going to take time and that is why I am getting a discount but he was getting the cheap money which he was ploughing it back in to business and building it. Now if the regulators are not allowing him to do that then he will obviously have to wait and so the costs are just going to get added to it and anything which is ready is going to become or continue to become more and more expensive. Now there is an apartment in Samudra Mahal, it is almost selling at Rs. 150,000 on carpet area and that is the price people are willing to pay

for something that is ready. I do not deny, it is a great building, and it is bang on Worli Sea Face. But come on, at Rs. 150,000 on carpet (and this is a ready product versus we are under construction) fine, I am talking of built up area or whatever at Rs. 50,000, so even if you calculated at carpet it will be Rs. 70,000 to Rs. 80,000 so we are 50% off a product which is ready. That is a 30 year old building. My building has been built by Samsung, it will have one of the best hotels, there will be service and when it is ready even if one has to assume that I will get Rs. 100,000 of square foot on carpet, I am on velvet. So I am just saying that clearly there is no way that anything that ready is going to slow down and the supply going forward is only going to get lesser and lesser with or rather it is going to slow down at least, unless Government comes up with things that will speed up things, that is any of your or my guess like whether it will really happen in our life time.

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

**Samar Sarda** My first question is with regards to your subsequent launch at Goregaon and the JVLR property which you have converted from or which you are going to convert from commercial to residential, now taking in to consideration all the possible contingencies with regards to your approvals, with regards to the time when you submit what is the probability that both these projects would get launched in FY14?

**Vikas Oberoi** Again if you said that considering all probabilities within FY14 for sure.

**Samar Sarda** And like even if you launch Mulund, Goregaon Phase-3 would happen?

**Vikas Oberoi** It will happen because they are not fighting with each other really, like one is Eastern Suburb, the other one is Western Suburb and so it is really they are not eating in to each other's market. So I am not really that perturbed.

**Samar Sarda** And since you are already working on Goregaon Phase-3 like tentatively what would be the area of the project?

**Vikas Oberoi** You know this is really not market information as yet so I would refrain from disclosing that to you but once we set this in the market we will surely tell you.

**Samar Sarda** You have been scouting land for quite some time and you probably look at every possible deal in the market, it is more from a developer perspective like how has the stress in the market moved like for year, like Bombay developers are quite in stress and you also commented some time back on that but it has been like 2 to 2.5 years now and even the cost of the fungible FSIs picking up on these developers, what do you think will happen over the next 2 to 3 quarters with regards to most of these developers ?

**Vikas Oberoi** No, honestly even I keep wondering where they get their mojo from. I really do not know how they are able to manage this but they seem to do it and seriously my guess is as good or bad as yours. I really do not know. So I would refrain from commenting on other people's business strategy but it does surprise me. That is what I would like to leave it at.

**Samar Sarda** If at all I have just have to continue a bit on this like are there developer properties still available in the market or most of the properties you are looking are more directly land owners?

**Vikas Oberoi** No, there are developer properties available but the balance sheet and they personally are not probably connected to each other. The balance sheet shows the stress but neither shown on their face or their behavior or their actions. So one gets really confused and so there are deals in the market but our banks are not really pushing them, there is no virtual foreclosure happening and this is again market news that there are companies who are running on like 90 days NPA and 120 days NPA but nothing is happening to them. Their lifestyles are not getting affected, there is no stress. They all know they have to pay and just continue to live that life. So how do you preempt, there are people who they owe money. If they are not able to push them or force them to sell really, I have no influence on them to kind of get them to sell it.

**Moderator** Thank you. The next question is from the line of Anand from Jefferies. Please go ahead.

**Anand** Sir, first question is just continuing on the strategy part you have mentioned that you have enough land for the next four to five years but effectively it is all in three land parcels Goregaon, Worli and Mulund. In terms of your thought process do you just want to wait for land opportunity and then take the deal if it comes, if it comes it is fine otherwise it is fine you go ahead and develop on the three land parcels or you actively want to increase the scope or the size of the company and actively seek out land. I just want to understand that?

**Vikas Oberoi** 200%. We are going to actively go out and seek land. We only know this business and we are good at real estate God has been kind that we have reached the level that we are. We are known for our qualities and we are known for the way we do things in real estate. So there is no question, there is no alternate. It is just that like we are not blinking as yet and we are waiting for the right deal to happen and we will go ahead and do that. Absolute no brainer on that part, there is no question. I am not converting my company in to an NBFC, cashing out and applying for a banking license or anything like that on a lighter note. This is the business we know and this is what we will do. We are passionate about our business. Like I again said, I do not want to make this classic mistake of getting desperate and buying land and they will come our way. That is it, we just need a little more patience and I thank you all for that and all my investors understand and agree with our strategy because we do speak to them also .So there is no point in hurrying up. So we just want to be prudent about it and it is not like real estate is going out of fashion. People will very soon realize that it is not just land price plus



construction cost plus your margin and that is your profit. There are many variables coming to play. One is the time lines itself, then there is efficiency of development, aesthetic design and so many things like that which really make a building and this is the expertise which few developers in this country have and we consider ourselves lucky that we have a little bit of that also and this is why we are not unduly disturbed if we are not getting land at the speed we would probably have liked to, or rather our investors or well-wishers would have liked to but again having said that we are very actively looking at it and we are very sure that we will get it and it is only a matter of time.

**Anand** Sir, the tax rate this quarter was a bit higher at 31%. Do we expect that to continue going forward because now I think we do not have any 80-I(b) projects, right?

**Saumil Daru** Exactly, you have already deciphered it. So the only thing that will matter is how much is the rental income vis-à-vis the residential sales income because the rental income goes out at about 22% and your usual rate of about 33.99% and whatever it comes to will apply for all your other regular income.

**Moderator** Thank you. We have the last question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala** Vikas the question here is that for the balance projects we developed which is Exquisite-III, Commerz-II – Phase-2 and Mulund may be total up to 7 to 8 million square feet. How much money is that you would require for the FSI, TDR, etc.?

**Vikas Oberoi** We have not really done a math because even the corporation keeps changing their computation, they keep changing that but we can do a number and come back to you separately.

**Sameer Baisiwala** And as on final one, it has been three years from our IPO almost and stock is around 25% off and the question here Vikas is that for the upcoming equity offering how do you want to price the issue? is that IPO price going to be any reference point?

**Vikas Oberoi** You know again Sameer our idea is absolutely not to maximize or minimize or whatever either way. We will go with the flow. We will 200% want to be fair to our existing investors and so we will and we are contemplating many things. So one is really not clear on how we will implement it but at least in the past three years we have been able to establish our conduct, our transparency, our commitment to any stakeholder with us. So all that will be looked in to and it will be done in that same spirit. We do not have a clear cut answer today but whatever we do we will keep all this in mind and then come up with pricing as well as placing strategies both ways. So that will be done considering all of that because it is hardly a number. After this I continue to hold 75%. So it is not like there is any issue on that account.



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**Moderator** Thank you. I would now like to hand the floor over to the Chairman & Managing Director – Mr. Oberoi for closing comments, over to you, sir.

**Vikas Oberoi** Many thanks to everyone who has joined our conference call. This is a great valuable input that we get from you people. Your questions drive us to answers and thoughts that probably drive our company in turn. Continue to do that we and again we are happy to separately answer any of your questions. I know many of you were not able to join the conference call but just feel free, our IR team is here to help you with. Saumil is here and so am I so please feel free to drop in a line or whatever you like and continue to look forward to be connected to you.

**Moderator** Thank you sir. Participants, with this we conclude this conference call.