



## “Oberoi Realty Earnings Conference Call”

**April 22, 2013**



**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 fiscal year 2013 that ended on March 31, 2013. We have with us joining today Mr. Oberoi, the Chairman and Managing Director and Mr. Daru, the Chief Financial Officer of the company. Please note that this call will be for 60 minutes and for the duration of this conference call, all participant lines will be in the listen only mode. And this conference is being recorded and may be put on the website of the company. After the management discussion there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call, you may signal an operator by pressing '\*' and then '0' on your touch tone 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, 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**

Good morning. A quick update on our projects: We have sold about 500,000 odd square feet in FY13, the value for which is about Rs.868 crores. We have a healthy order book of about Rs.1,600 crores. Our shopping mall has shown stable and constant growth. The commercial segment of the market continues to be challenging. Commerz 2 is now almost ready and we continue to look for tenants. Residential sentiments seems to be coming back, Goregaon continues to get good attraction due to good, solid infrastructure that we built. The school is doing very well, our shopping mall is doing well, the hotel is doing well so a bit of social infrastructure thrown in, and a lot of people continue to find Goregaon attractive. Our hotel has been doing well. I will ask my colleague Saumil Daru to straight away take you into the financials.

**Saumil Daru**

Thank you Vikas. I guess most of you would have received the presentation by e-mail and if not, the same is also available on the website. For FY13 we achieved consolidated revenue of about Rs.1147.52 crores which is as against Rs. 974.79 crores for FY12. This shows a healthy growth on the top-line of about Rs.172 odd crores. The consolidated PBT was Rs.683 crores for FY13 as against Rs.605.9 crores for FY12 and the consolidated PAT was at about Rs. 504 crores for FY13 against the Rs. 462.87 crores number for FY12.

A very quick overview of the asset level performance beginning with our investment properties. Oberoi Mall, the retail asset, has contributed about Rs.79.2 crores versus Rs.-78.18 crores last year, this is a growth of over 1.5%. The EBITDA margins in this vertical

continue to be in excess of 95%. Commerz which is an office space asset contributed over Rs. 46 crores to the top-line as against Rs.43.62 crores in FY12, which is a growth of nearly 6%. The EBITDA margins in this vertical also is in excess of 95%. The Westin Mumbai Garden City, which is the hospitality asset, has contributed about 96.45 crores to the operating revenue for FY13 as against Rs.90.57 crores in FY12 which is a growth of about 6.5%. The EBITDA margins for FY13 were at about a little over 29%.

Quickly to the development properties. For Oberoi Esquire, till date, we have sold about 9.37 lakh square feet which is about 48% of the inventory of the project. Total sales value for FY13 is Rs.359 crores and the cumulative sales value till date is about Rs.1212crores. There has been no revenue recognition in this project as it is yet to reach the thresh-hold levels for recognition.

For Oberoi Exquisite, we have sold a little more than Esquire, we have sold about 9.72 lakh square feet which is about 63% of the inventory of the project. Total sales value here for last year is Rs.250.43 crores and the cumulative sales value till date is a little over Rs.1270 crores. The total revenue recognized for this project in the last year is about Rs.417 crores, cumulative revenue recognition till date is a little over Rs.897 crores. The project completion percentage here is about 71%.

In Splendor Grande, out of the 156 apartments we have sold 155 apartments, so roughly 99.36% of the inventory has been sold and the revenue recognition has been on the basis of 95% project completion. The total sales value for FY13 was Rs. 123.22 crores and cumulative sales value till date is about Rs. 410.89 crores. Total revenue recognized for this project in FY13 is Rs. 212.35 crores, cumulative recognition till date is about Rs. 391.58 crores. Lastly, for the project Splendor, we have sold about 12.77 lakh square feet which is about 99.85% of the total inventory in this project. The total sales value for FY13 is about Rs. 118 crores and the revenue recognition in this case is also Rs. 118 crores on account of 100% project completion.

The work on the project in Worli continues at a good pace, the agreement with the hotel operator, on that, the work is progressing and hopefully we should be able to announce that soon.

Some key financial parameters: EBITDA margin for FY13 was 62.05% and PAT margins were 43.99%. EBITDA margins for Mall and Commerz are much higher than average as mentioned before. Excluding them our margins for the residential business is in excess of 55% for FY13.

With this we would like to now open the floor for any questions that you all may have. Thanks 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 Mahesh Nandurkar from CLSA, please go ahead.

**Mahesh Nandurkar** My first question pertains to you. Knowing your overall business strategy, as you mentioned yourself that the residential market seems to be picking up you know somewhat in the core Mumbai area, and what we understand is that thanks to new approvals and probably the lower interest rate etc., the general stress with a lot of small developers seems to be lower now as compared to what it was, say one year ago. There might be some exception so that you know obviously, so my question is do you believe that the best time to acquire land or add new projects is probably now behind and any new additions that you might be doing now or in this year will probably be at a higher price as compared to what it would have been if you had done the same last year?

**Vikas Oberoi** Let me tell you that the residential market continues to be stable, you do not see a rise as such, Goregaon is probably one of the exceptions because like I said that we built social infrastructure, people have realized the value of a having a good school in your neighborhood, people appreciate a good mall because that is where you know you can get out and spend your family time and a hotel pretty close. It is said that, cities develop around 5-star hotels. So these are things that have probably been instrumental in kind of raising the bar for Goregaon. Prices for apartments also depend on how most of the developers are doing as far as their own balance sheet goes. I would not say that in the market is back with a bang or then one would not get land at a price where you can make money. So I would say that it is a little more complex than what really looks apparent but we see less competition going forward in people wanting to buy land because most of them are in repair mode for their balance sheets.

**Mahesh Nandurkar** One quick follow up on the Goregaon projects. Over the period of time we have seen the sale rate in Exquisite 1 rising slowly in the last 4 quarters or so whereas that in Esquire has somewhat dipped somewhat probably because of the environmental clearance issues etc., When do you expect the sales trend to improve in Esquire?

**Vikas Oberoi** Esquire is in fact sold a lot faster than Exquisite, it is still not out of the ground and yet we have been able to sell so well. So, just to clarify that we have all environment approvals, the only approval that was pending on Esquire was, we had to adapt the plans to the new fungible FSI rule which we have done, issue the approved plan which would happen in the next week or so and then we will start construction there in full swing and sales have absolutely not been an issue. Even you know people understand that it has taken us a little longer but you know we continue to enjoy a lot of confidence and if you see even in this quarter we have done a lot of sales. So really there is no stress on that account.

**Moderator** Thank you. We have the next question from the line of Abhishek Kiran Gupta from Merrill Lynch, please go ahead.

**Abhishek Kiran Gupta** Leasing in Commerz 2. What is missing? Because the product is as good as ready, you can complete it in a week's time. During last call you said that you know it's probably slightly lower rentals and you are getting good enquiries but can you just throw some light on what is happening now?

**Vikas Oberoi** So Abhishek, you know unfortunately there is little enquiry as far as usage of commercial space goes. So we are ourselves wondering why there is no off take as such, so one thing we want to begin with is admit that the commercial market per se has really gone very slow and so this is again you know we feel that it would be in the short to the medium term and not in the long term. But yes, your observation is absolutely correct, and we continue to try and we are not getting to the numbers near what we want, so there is clearly an issue with regards to office space going forward.

**Abhishek Kiran Gupta** So, because it looks like the market might not change immediately and as you said near to medium term. Are we then looking at sub 80 levels of rentals or are you still at 100 plus because we have managed fantastic rentals in Commerz 1 and of course the destination is amazing. You always say about it and there is nothing to say we can see, it the mall, the school everything.

**Vikas Oberoi** It's like really the head and the heart, the heart still does not agree to let go at Rs. 80 and we continue to look for people who want to take quality space. Unfortunately you know it is not like there is a big demand and they are going to other people in fact it is not even like these guys are closing, I am still continuing to talk with the same people who I was. So it is like you know somehow I think globally or you know people have just kind of put a go-slow on this and it could happen very quickly. We had 8,00,000 odd square feet but we were talking to people who need 2,00,000 and 4,00,000 square feet. So you can close two deals and you will look very different in the market. So we continue to believe that we will get but have not taken any decision to bring it down to the numbers you are suggesting. Should be that 120-115-125, triple plus but you know that is the fact, the commercial market is really bad today.

**Abhishek Kiran Gupta** Why aren't we launching Worli? That project is an amazing pace in terms of construction, every day I go by that place.

**Vikas Oberoi** Two things: these are projects which are huge projects, they take over 3 and 4 years to complete. We want to show some volume of work before we go to the market. Today if you really see the market, ready flats be it Samudhra Mahal or NCPA they are selling at Rs.100,000 a square foot and plus. And barring the fact that you know the real difference is

that they are ready and we are under construction. So there is a huge premium any buyer is willing to pay for a product which is ready. We know we are building a world class product, we have got a great architect, we have a good brand that is nearly associated and finalizing the definitive agreement. Once that is done we want to go out with a bang and by then we would have also created some sort of volume and people will get that confidence. So you are right, the pace is good, we are almost on the 18<sup>th</sup> floor today and my team tells me that come June we will have casted or you know virtually shaped up the first living floor as well. Once that is in place we can have a sample flat ready and stuff like that and see again you know once you touch revenue recognition you can easily catch up on whatever sales you want to do. So we are not so concerned about quarter on quarter, we are looking at the big picture.

**Abhishek Kiran Gupta**

I was talking to one of my clients and the two things I said is they are waiting for the hotel operator and the sample flat. So can I stick with that story?

**Vikas Oberoi**

Yes, hotel operator and sample flat. And more over, you know, we want to show some volume, let people get that confidence that yes, like you know you see what work going on is great I know for a fact that when we are able to pull that sort of, you know, when they see the building they will know that this is there for it to be completed and all and it won't go down, you know, one of those buildings that didn't happen or got delayed or got stuck and stuff like that.

**Moderator**

Thank you. We have the next question from the line of Sameer Baisiwala from Morgan Stanley, please go ahead.

**Sameer Baisiwala**

What are you thinking about getting the promoters stake down to 75% as per SEBI guideline?

**Vikas Oberoi**

So Sameer here I am a little luckier than the other people, I have time until October. So what I am really thinking is let me see how the things pan out for others who want to get in before June or rather have to get in before June. You know it is very evident, the company does not need the money; god has been kind to me where I do not need money for myself or anything like that you know. So both of us can really wait, I haven't thought how we will do it but again you know our last 3 years have clearly shown that we want to be predictable in a market like this, we want to understand what is good for the investor and want to do exactly that. It is hardly about 3% - 4%, so if you look at today's market cap you are looking at 75-80 million dollars you know. So it is not big money, neither for the company nor for me, but like I said that I want to do something which would be appropriate and correct for the investor. So that is like really the thought and I am really open to any suggestion if you have any, which could probably help the investor and myself and the company.

- Sameer Baisiwala** The second question Vikas is about the outlook for fiscal 14 in terms of new sales lock-in. I think you mentioned about Rs. 800 crores and half a million done in fiscal 13. How do you see that for the current fiscal?
- Vikas Oberoi** I will say that once Worli kicks in you know we are looking at big numbers. We are also very hopeful that once MOEF clears Mulund we are looking at a little over 3 million square feet. And given today's pricing in Mulund you are clearly looking at a good Rs. 5000 crores of revenue coming out of that project at today's price. So Mulund will be a big kicker for us, Worli will be one, third phase Goregaon will start, we have not yet logged in any revenues for Esquire, so a lot you know I mean this is really the beginning I would say. I mean I really wished you know all this had started 2 years ago when we went IPO. But I think it has been delayed for the right reasons and do not want to challenge god's wisdom. So we are pretty okay with the way things are panning out. We have got a lot in the kitty and we will fire one at a time.
- Sameer Baisiwala** Vikas, I will just say that Mulund given the shape that it is in right now may not be looking at you know fiscal 14 launch and so you just keep that outside the equation and then whatever is left which is Goregaon, Worli really speaking you think you are going to better what you had achieved in fiscal 13?
- Vikas Oberoi** Well the aspiration is to obviously better you know going forward and if you really See what FY13 was all about, it was just about Splendor balance stock getting sold, Grande getting completed and sold and a little bit of Exquisite, you have not seen any of Esquire revenue recognition.
- Sameer Baisiwala** No, this is not accounting revenues, this is on the new sales lock-in that I was asking for?
- Vikas Oberoi** We have got third phase of Goregoan, we have got Worli, I have got inventory in Exquisite - building is near complete, I do not know when you saw it last but it has turned out very well, we are very happy with the way the product has turned out and Esquire like once it comes out of the ground even that will have its own. Plus third phase and Worli. But again I would want to say I mean if Mulund starts then you know we are looking at a totally different ball game, without it also if you really stack all this up we can do much better than the last year.
- Sameer Baisiwala** Yes, in that equation I am taking Worli as what is your economic share not the total so that kind of dilutes Worli a fair bit I would imagine?
- Vikas Oberoi** Yes, Worli is great you know I mean like and our land cost is virtually zero. So you know the model, gross revenue minus construction cost and the balance gets split. So what we get out of Worli is a fairly good margin for the company.

- Moderator** Thank you. We have the next question from the line of Sashikiran Rao from Standard Chartered Securities, please go ahead.
- Sashikiran Rao** Couple of questions, one regarding Worli. You mentioned that you are close to the 18<sup>th</sup> floor and you are close to that early recognition threshold. So as far as the latest guidelines you would require 25% of the cost incurred and 10% of the cash received?
- Saumil Daru** And 25% of sales.
- Sashikiran Rao** And 25% of sales When do you expect to meet all these that is really the sales and cash received guidelines?
- Saumil Daru** See obviously the cash received component we will only meet once the sale is done.
- Sashikiran Rao** Right.
- Saumil Daru** So, that is a subset of the sales function?
- Sashikiran Rao** Correct.
- Saumil Daru** As far as the cost function is concerned, that I am pretty sure that during this financial year we will cross that threshold. So that is genuinely not a concern, the thing which will determine as to when revenue recognition starts is the pace of sales and when do we achieve that 25% threshold in terms of sales. Because any which way for us, the moment there is a sale which happens, between 20% to 40% is what is our initial down payment. So collecting the 10% cash is not a criteria which restricts me at all.
- Sashikiran Rao** My point was regarding the number of bookings that have done once that they have moved from the GSK project. Would they be sufficient to meet your guideline or would it not be?
- Vikas Oberoi** No.
- Sashikiran Rao** And in regards to your cash deployment investment opportunities would we be considering purchasing any commercial asset as an alternative to purchasing land anyhow? This has a possibility?
- Saumil Daru** If it comes to buying out a commercial asset it becomes a yield play. As far as yield plays are concerned, Banks and NBFC's are in a far better position for raising those capitals and for playing that market than we are in for accessing funds cheaper than what we can. Also know, the other thing is that strategically it does not make sense for us to do that. We are happy to invest in office assets but those assets which we build ourselves also. So very unlikely that we



may want to look at some building which has been leased out or something like that and play the investment yield game.

**Sashikiran Rao** No, my question was more regarding commercial assets that are under construction in different stages of construction may be at 1 or 2 horizons for them to become operational?

**Saumil Daru** Well, not really. We will obviously have to see at what stage of construction it is. What is the possibility that it can be finished? Where is it in terms of approvals and all of those. And again, is there any ability for us as a developer to do a value add? So essentially if you will look at the whole of it, for all our track record and for everything which we have done in the past, everything has been development related profits you know, I mean there would not have been any trading related things. So that is not really the game which we aspire to play. So that is strictly not on strategy.

**Moderator** Thank you. We have the next question from the line of Sandeepan Pal from Motilal Oswal, please go ahead.

**Sandeepan Pal** This quarter our Splendor has actually posted quite good number of pre sales. So just wanted to check typical run rate has been around 8 to 10 unit per quarter, this quarter it has been almost 20. So is there any reason you will be attributing to that?

**Saumil Daru** One obviously you know this is a project which is complete, the customer can walk-in, he can have a view of everything from his own apartment, so he does not need to wait for anything and he can quickly make up his mind and get done with it. So not more than that I would want to read into it, the project is complete with everything that we have sold, we are more or less 100% out of the building now. We have sold everything which we can. I would have loved to have a little more inventory with me also to sell more, but we have been able to do well even in terms of realizations. So if you look at what we have also been consistently telling analysts on how the life-cycle of sales plays out for a project, then Splendor is a very good representative of how things have played out.

**Sandeepan Pal** So basically there is still some difference in the realization between Splendor and Grande. So that does not actually impact in more sales towards Splendor because Grande is also near completion?

**Saumil Daru** Yes, there is technically not much difference in the realization also between the two.

**Sandeepan Pal** And sir now, coming to your investment cash flow- is there any change in the classification because if I just compare with last quarters presentation to this quarter around Rs. 181 crores of investment cash flow on a negative side is there. But our Capex is just on the Commerz 2

which is just around Rs. 11 crores. So just wanted to understand what are the rest of the item which you are classifying under investment under cash flows?

**Saumil Daru** Investing cash flow is the Rs.181 crores.

**Sandeepan Pal** Its in slide number 5 actually.

**Saumil Daru** Yes, there are certain advances which we would have given to the joint ventures and stuff so for whatever investment I make in Oasis and the Pune related projects and those all get classified as investing cash flows.

**Sandeepan Pal** Right, but in balance sheet you are classifying that under loans and advance right?

**Saumil Daru** Yes, correct. But if you see my balance sheet and my AS3 also, when the Balance Sheet is published, if you will go by the AS3 of the Institute, then all of these get classified as investing cash flows.

**Sandeepan Pal** Lastly, are there any progress on the conversion of the usage in the JVLR remaining phases where we are just trying to convert from commercial to residential?

**Saumil Daru** Yes, we continue to evaluate that and at the right point of time, you know, once all the approvals and everything are in place, then we shall let you all know. But presently, we continue to be in an evaluation mode as to how everything would work out.

**Sandeepan Pal** Do you see that project to get launched in this financial year or it may get delayed also?

**Saumil Daru** This financial year, for sure.

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

**Prakash Agarwal** Just wanted to ask on the approval status on Goregaon Esquire and Mulund please?

**Vikas Oberoi** Goregaon Esquire, we have got all the concessions approved. Now we are going to get our plan issued. So as far as approvals go, they are done. We just need to get them issued. On Mulund at one end we continue to await MoEF – NOC and on the other hand, we have also challenged the same in the court saying that MoEF – NOC is not required. So we are playing dual, if the NOC comes first, then we will go ahead with that but if our stand gets taken that MoEF – NOC is not required, then we don't have to go for that MoEF- NOC. So these are two things that we are currently processing and we are very hopeful that in the next 3 months, we should get that clarity as well.

- Prakash Agarwal** But on Goregaon Esquire, construction is still not started right? And when this is going to start?
- Vikas Oberoi** Exactly. In another 2 weeks and we will start the work.
- Prakash Agarwal** So the BMC issue is now resolved.
- Vikas Oberoi** All resolved. We have in fact adopted the new fungible FSI regime in that and we have gone ahead and done whatever we were required to and now we can then start.
- Prakash Agarwal** But my understanding was that you were supposed to give a part of the land to the social or the BMC local government body as per the main plan right.
- Vikas Oberoi** You are right in some form. We are required to build the social infrastructure either for self-use or give it to the government. We finished building the road and handed over. This was the first obligation that we cleared. After that we had a reservation for municipal staff quarters. We finished that also. We had a school reservation that we built ourselves. We have got a hospital and an education complex that we intend to build ourselves. So we have taken development permission for that. The only thing pending is some RGs that we were supposed to hand over, where we had taken approvals for labor camp and we have got all that cleared now and we are in the process of handing over. So handing over was not holding any of our permissions, that's a separate parallel process which is required and we are doing it and approvals were majorly because we wanted to see whether we want to go ahead with the fungible rule or we wanted to go as per the old IOD that we had. Now obviously even the fungible rule, though applied was not very clear, people had different, they were reading it differently, now all that is sorted out, plans for Esquire, concessions are approved. We should get them issued in the next week or two and simultaneously we are going ahead and processing some RG area that we have to hand over. 80% of other obligations are done and just this was left because we were using that, even today we have our sample flat built in one of the RGs with permission though. Because we wanted to phase it out and they are holding our TDR and all that also. So if you are going to get into the technicality, now we are going ahead and doing that and that's a separate process by itself.
- Prakash Agarwal** And this project is for the entire (+40) floors?
- Vikas Oberoi** This will be the entire project.
- Prakash Agarwal** So you will release the upper floors also.
- Vikas Oberoi** Yes. We ourselves wanted to decide whether we want to retain those buildings at 30 floors and do a fresh plan on the rest of the project or we will continue. Right now, as we speak, we

are taking permissions only for 30 floors and we will decide whether we are going to add to that or we want to build separately. That's a separate plan.

**Prakash Agarwal**

Might be a third phase which you are expecting.

**Vikas Oberoi**

We might start the 3<sup>rd</sup> phase instantly if we are not going ahead with higher floors.

**Prakash Agarwal**

That could be instantly, that means a couple of quarters away.

**Vikas Oberoi**

Yes. Couple of quarters correct.

**Prakash Agarwal**

So Mulund what is holding, it's been quite long actually and there is an opportunity definitely as you said. The prices have shot up and we do see some ads, I don't know how far true, but people launching in Mulund, which part of Mulund I am not sure though. So can you just give us more sense of how deep the problem is and how fast you could actually get it?

**Vikas Oberoi**

Firstly just understand – we bought this property from Glaxo and their factory is there. We bought this in 2005, got our plan sanctioned, IOD done, fortunately we haven't demolished the factory that existed on site and in 2005, Government decided to put a mutation entry and said that these are forests. We obviously challenged that and went right up to Supreme Court. Supreme Court gave us a relief saying that we can now build and create third party and so there is no forest issue. But I have to go to MoEF. So we said that if there is no forest, we need not go to MoEF. We can go under the Environment Act but don't want to go under the Forest Act. For which we challenged the same thing again in Supreme Court. So we are fighting a dual battle, one is that you don't require MoEF. And the second one is give us MoEF -NOC without prejudice to our rights. Both are being processed in parallel, whichever comes first; we will take that and start our work. I am not aware of who these developers are and where they are doing all these but we as a policy, with our past experience and the way now law stands, don't want to sell anything which is not approved and we will stick to that.

**Prakash Agarwal**

So with MoEF, it has stuck at the Center or State?

**Vikas Oberoi**

No, It's not stuck , it's a process, the report is going to the Center, State I guess at least the department has cleared it. Now it has to be pushed to the Center and parallelly we had our hearing for whether MoEF is completely not required, which was last week or 10 days ago. But that's now gone to July in the Supreme Court. We were parallelly processing both and so now this probably from the State will go to the Center.

**Moderator**

We have the next question from the line of Aditya Suman from Goldman Sachs. Please go ahead.

**Punit** Hi this is Punit from Goldman. Just wanted to ask a broader question like what targets are you setting for the company for possibly for the next 12-18 months and right now management time is taken up by which all activities the most? Is it approvals? Is it construction or is it looking at land deals?

**Vikas Oberoi** Running a business is like looking at the dash board of any aircraft or the cockpit. You cannot be looking at altitude and not looking at speed or you can't be not looking at the weather radar and focusing on one thing. So obviously we browse everything and we are focused on the entire business on the whole. Having said that we continue to look at land as well, sales also is our focus. Living in a country like India; you cannot but not look at liasoning, because that also is an important aspect. So we really do all these and in the 12-18 months, Punit honestly, Mulund should have started by the time we did our IPO, Worli also could have been ahead. I guess the time for these projects have come about and this should really add to our company. Goregaon is obviously a large project, a lot of people keep telling me, but every project that we launch is 1.5-2 million square feet which is equal to if somebody were to do a 50,000 square feet equal to 20 projects. So one can look really fancy saying that I started 1, 2, 3, 4, 5 but our projects are so big that one project takes care of lot of revenues, inventories and growth and all that. So this is what really is taking lot of our time. Everything now seems to be in control, since you are asking me a generic question, we have now set an execution model which is very different from the rest of the industry but we feel very confident and easy about it. I think company is in shape now. We have a lot of time, we do a lot of blue skying also let me tell you and think to how we need to do things better instead of just running about doing the same day to day mundane things like. So that's how we work.

**Punit** So will you actually put any target towards deployment of money into new land deals?

**Vikas Oberoi** Well Punit, I don't want to put any target, in terms of time. We are really looking at the right project, if you actually get me one tomorrow, you will see the money get out of the system in no time. Our criteria are very clear. We don't have any time line for that. Our criteria are we should get lands, where we can build and make reasonable money and give returns to our investors. And we feel that with cash we will get an opportunity. If you really see our track record, we bought in 2002, we bought in 2005, and we bought in 2009. So if you look at our 4 and 5 years cycle, history suggests that we should be buying anywhere between '13 and '14, on a lighter note. But seriously, we are all absolutely ok and happy to buy, so long it makes sense and that's it.

**Punit** And how do you think about dividend policy for the company?

**Vikas Oberoi** We are a company which has got no debt. We have all our cash and we are continuing to leverage our brand name, we get a lot of offers where people don't want money from us. It is

a good problem to have. They want to do joint ventures; they want to bring in their land as their equity, so on and so forth. So we want to be a dividend paying company, we want to give money back to people, because we will grow any way. It is not like we need all the cash to deploy it back for growth. We get a lot of offers where we do joint ventures where very little monies are involved. So we will be a dividend paying company.

**Punit**

But any problems you have thought in terms of payout ratios?

**Vikas Oberoi**

I want to do that. I am too new in the market. Let me feel how the market works and how things happen, I mean on an offline I am very happy to understand how this happens. So if you wish to just come and chat with me on this and I will be happy to discuss with you, what works well – 2 things, for the company and for my investors in the long run, I really want to do that. So I am very happy to take an input on that account.

**Moderator**

We have the next question from the line of Ajinkya Dhavale from Fidelity Investments. Please go ahead.

**Ajinkya Dhavale**

First could you give a breakup of the loans and advances? That number has shot up really too much in the last 1 year or 2 years. So what are the broad advances sitting there?

**Vikas Oberoi**

Can I discuss this with you off line Ajinkya?

**Ajinkya Dhavale**

Yes. Perfectly fine. And the second question on the margins for the 4<sup>th</sup> quarter. Since you have booked so much good revenue from the Splendor, which is 80-90% EBITDA margin project now. Then the margins on the Goregoan look sub-50%. If more Splendor is getting recognized, the margin should have been much higher right?

**Saumil Daru**

Firstly, the Splendor margins overall are not in the region of 80-90%. They are in the region of about 75 percent. Secondly as far as Exquisite is concerned, there have also been changes in estimates on cost and we have always told you all that whenever there is a change in estimate, it always comes prospectively in that year. So, entire impact comes-in in that year. I recollect that there was a margin compression in our September end. So that's why you are seeing some of that getting reflected in this, but even subsequently you will recollect that the margin has sprung back in the project. So when you look at it annually, yes you see that there has been a little bit of margin compression, but once you have the higher floors which now again as far as Exquisite is concerned – you have only got the higher floors left. So again once you start having higher realization, then some of those margins will again start coming back.

**Ajinkya Dhavale**

My understanding on a Splendor, I thought if Rs 25,000 is the selling price.

**Saumil Daru**

That's on built up area.

- Ajinkya Dhavale** So 75% roughly margin right now on the revenue which has been there. How should we think about this margin progression then because as we move towards the end of any project life the margin should move up right?
- Saumil Daru** Yes, it should. You would have seen that say for example in Splendor Grande, our margins are much higher than Splendor but yes, it has also got to do with the fact that the my average realization in Grande is much higher than what it is in Splendor. Splendor was launched in 2006 and your pricing is coming off from there and getting averaged. Similarly in Exquisite also, as we will keep going with the higher floors and booking sales on the higher floor inventory, you will see the margins going up.
- Moderator** We have the next question from the line of Tejas Seth from Emkay Global. Please go ahead.
- Tejas Seth** Wanted to understand how much as on FY13, do you have advances to Sahana Group?
- Saumil Daru** Would be upwards of 400 crores.
- Tejas Seth** Because last we heard it was around 550 crores. So 400 crores would be the total advances you have given which will be recovering from the cash flows of overseas.
- Saumil Daru** Yes.
- Tejas Seth** And just any financial commitments do we have in FY14 other than the construction cost?
- Saumil Daru** Basically those which will come in will be related to the fungible FSI premium, if we buy any TDR for the rest of our projects and stuff like that.
- Tejas Seth** Considering that Esquire we have got this approved as per the new DCR, what would be the outflow towards fungible FSI.
- Vikas Oberoi** About 90 odd crores in FY14.
- Moderator** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal** Saumil, on the Esquire since you have taken an approval for only 30<sup>th</sup> floor so is there a change in the salable area on Esquire project now?
- Saumil Daru** No, See what happens is as you will know in Bombay all approvals come stage by stage. So once we load the further TDR and stuff on Esquire, we will be able to take it up. But as Vikas discussed in response to an earlier question, one of the decisions which we will take at a

particular point of time is whether do we curtail Esquire at 30 floors or do we go further. So we will see what to do at the appropriate point of time. The only thing is that if Esquire does get curtailed, then that salable area moves on into the next phase. So on an overall basis there is no impact.

**Nitin Agarwal**

But for the project at that stage the salable area may come down.

**Saumil Daru**

Yes. Absolutely

**Nitin Agarwal**

And what would be the saleable area on the when you take into account the 31<sup>st</sup> right now.

**Saumil Daru**

It corrects to about 13 odd lakhs square feet.

**Nitin Agarwal**

Vikas on the land acquisition bit, with the way the things have been changing you see in the last few quarters, has there been qualitative change in the kind of assets that are onshore. Is there any decline in the distressed assets which probably bankers are bringing to you or you probably are seeing in the market?

**Vikas Oberoi**

In fact the quality of these distressed assets are distressed by itself, so it is not the price which is distressed, but it is the quality of these assets. Most of these developers have borrowed a lot of money, already sold, taken money and are not in a position to complete. So they have extended their mess into the property that they optically show that it is distressed. We have tried to study that, we have just not been able to buy these sorts of assets from them. So actually the asset that comes in is so convoluted that one just can't make anything out of it. So the only good signal that I am looking at is that I continue to see a decline in interest from a lot of developers when new land comes in for sale. And obviously institutions continue to slow down on funding such acquisition. So that's the hope we have.

**Nitin Agarwal**

But at the same time, we haven't seen too many deals really happening for assets as such over the last 2 years at least in the MMRDA region per se, in the Mumbai region in general.

**Vikas Oberoi**

Yes, you are absolutely right. Yes there is a slowdown because people believe that they can tide over or ride over this sort of market and then probably bring property on sale and stuff like that, because hardly anybody in India gets bankrupt, they continue to keep rolling over and banks have got such big hearts that they continue to accommodate all sorts of failures which is unfortunate, but nevertheless true.

**Nitin Agarwal**

So, where does it sort of put us, as far as our plans are concerned? Are we looking at primarily in a probability basis, we are looking at fresh because most of our acquisitions so far essentially have been clean titles, and it is not been an acquisition of distressed assets,



something which is been what we essentially looked at in the past. So I guess there are not too many fresh assets that are there in the market in general.

**Vikas Oberoi**

Not really. There are a lot of assets, again the government decided to sell land, NTC also wants to sell a lot of their mill lands. But somehow decisions are not being taken. So we just continue to wait. There is a general slowdown in decision making it is the government, some industry who want to sell their excess land, we probably continue to believe that the markets may improve. Real estate developers who are already stressed either have made some commitments on land or are unable to de-tag the lands. So, all these problems continue to be there. But we continue to see land on virtually daily basis but nothing that we feel we would like to get in with.

**Nitin Agarwal**

Lastly if you are looking at your Goregaon project for example, is there a possibility to sort of get some sense on the kind of upgrading which is happening in terms of people who are probably selling off what they have and moving on to upgrading to your "Oberoi Product" in Goregaon. Is there a larger proportion of your buying population which consist the people like that?

**Vikas Oberoi**

In fact – any and every one is buying in Goregaon and upgrading whether he comes from Powai, or whether he comes from Lokhandwala Complex or within Goregaon or Malad or some people come from Bandra and city as well. Now there are many reasons like I have said earlier that people want to live in a neighborhood which has a good school. People want to be around the shopping mall or walk to work, work, stay, play, and eat, all that sort of concepts are very popular and with the infrastructure in Mumbai being poor, you want 80-90% things around your house. So that has factored the growth of Goregaon.

**Nitin Agarwal**

Why I was basically curious there is this question which keeps asked around in terms of how come the price keeps moving and people are still buying or there is still demands at higher levels, so is it because of the larger trend towards upgradation where people in any case have locked into some property which in any case appreciated and using that property to buy into some – so you are not literally putting something afresh.

**Vikas Oberoi**

Not really. I wouldn't say that. Obviously you earn money somewhere, whether you earn your money out of stock and put it in property or you inherit it from somebody and put it or whatever. I am just not so concerned about the source per se, all I want to tell you is the only reason why we are able to increase the price in Goregaon is because this area hit a tipping point then a lot of people now want to stay here. Originally we started with 2 bedroom hall apartments, now we are able to sell 4 bed rooms. The new phase we are thinking of doing 5 bedrooms. You know, more luxury, people have that much more money to spend on and stuff like that then can splurge. So this is it. There is nothing more really. It is not like more

people have made money in Splendor and now they want to add some more money and buy it here. So wherever you earn your money, you put a lot of premium on cash that you deploy, you just don't give it away unless you see value in it. And I see that this area per se has hit the tipping point. And it becomes a preferred area where people want to stay and stuff like that. So we also feel good that we thought through when we were originally putting infrastructure in place people thought that what are you guys doing? Build a residential building instead of a school, use that money here or there. But in all it has all fallen in place. God has been kind and we feel good about it.

**Moderator** We have the next question is from the line of Mahesh Bendre from Quantum Securities. Please go ahead.

**Mahesh Bendre** Just one question more on macro development, last 6 - 9 months we have seen some kind of a slowdown in the real estate market throughout the country. Sale prices rise over the last 2 years has clearly impacted the affordability of the buyers. So based on your experience and understanding of the market, do you anticipate some kind of scale back in the prices over the next probably 12 – 18 months?

**Saumil Daru** See very frankly, with the way the demand-supply situation in Bombay is concerned and everything, in the end the pricing is always a factor of the demand and the supply. If you look at the history of Bombay, last 50-60 years, you will always find that it has been a classically under supplied market. So if you consider the way India story is going, the growth factors are and on top of it with the way the regulatory scenario around approvals and all and the kind of time lines that gets associated with getting approvals are concerned, it is not likely that supply is going to go up materially in the city, so considering that, our understanding very clearly is that there is not likely to be any downward pricing pressure as far as Bombay is concerned. And I am speaking only for the Bombay market right now.

**Mahesh Bendre** Any view apart from Bombay?

**Saumil Daru** Not really, This is the main market which we look at, so that's the one we have been looking at and understanding.

**Moderator** We have the next question is from the line of Abhishek Ranganathan from Tulip Capital. Please go ahead.

**Abhishek Ranganathan** Just a follow up on the Esquire project. You mentioned that it is 1.3 million square feet, if I were to understand are you saying that the current height of 30 floors, you would be doing 1.3 and then the additional phases would contribute to the remaining points?

- Saumil Daru** It was a rough approximation because the question that was asked was what could be the salable area if it got curtailed at 30 floors. I just gave a rough approximation.
- Abhishek Ranganathan** But you think –curtailed at 30 floor, that would be applicable for the entire project itself?
- Saumil Daru** Yes. For all the 3 buildings.
- Abhishek Ranganathan** And then you would have the option of getting to the next phase?
- Saumil Daru** Absolutely.
- Abhishek Ranganathan** So the only thing is the timing of the sale and the cash would get advanced.
- Saumil Daru** To the extent to which I may hit some of my revenue recognition threshold that much earlier.
- Abhishek Ranganathan** And Sir with respect to the change in plans , last call you did mention that we had applied for 59.30 lynching plants of the commercial phase to 2 residential buildings in Splendor, how far have we progressed there?
- Saumil Daru** That is something that we are examining and once we come to a conclusion on that, once I have all my approvals and everything in place, we will definitely let you all know.
- Abhishek Ranganathan** Yes because I think there was something – some sort of car parking FSI issue?
- Saumil Daru** Obviously you want to utilize your FSI from every source possible, so you have FSI coming from the basic land FSI, TDR, premium, fungible FSI, car parking. So you want to exhaust everything when you look at these projects.
- Abhishek Ranganathan** But nothing concrete as such because we are more or less out of inventory in that region?
- Saumil Daru** So I am just waiting for approvals to come in and I think one of the other question also was that Splendor has done very well in terms of sales recently and all, and I said over there that I would have liked to have more units over there, so we are also considering that. The location has also got established, it is a good up market residential locality now. We are also very eager that we get the approvals in time and we work out everything and launch the project as early as possible. But as I said, that’s all subject to us getting approvals and everything and rather than talking hypothetically about it, I would wait for approvals and everything in hand and then discuss it.
- Abhishek Ranganathan** You forayed outside Mumbai, any progress which we have made there?

**Saumil Daru** No. There also we continue to evaluate. The right options at the right point of time. I think there has been enough discussion about this. But yes, like any other developer almost all the major land deals that have got to be done, they do come to us, we evaluate them and wherever we have found it that yes it might make economical or business sense and strategic sense to do it, we start getting into discussions. But again, like in all transactions, until and unless you have something which is conclusive and closed and that's when you want to discuss, the rest is all hypothetical. Are we evaluating and are we looking out- answer to that is yes. Have we closed anything, you will hear about it, we will give a notification to the stock exchange the day we close any transaction, if required.

**Moderator** Participants, due to time constraints, that was your last question. , I would now like to hand the floor back to Mr. Oberoi for closing comments, over to you sir.

**Vikas Oberoi** I would like to thank everyone who has participated in this conference call. We really look forward to interacting with you all. I am really sorry if I have not been able to take all the questions but do feel free, Saumil and I are both available. You can shoot us an email and we will respond to you immediately.

**Moderator** Thank you. Ladies and gentlemen with this we conclude this conference call.

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**For any query regarding the conference call transcript please contact:**

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