



“Oberoi Realty Limited Q3 FY15 Earnings Conference Call”

January 19, 2015



MANAGEMENT:

MR. VIKAS OBEROI – CHAIRMAN & MANAGING DIRECTOR - OBEROI REALTY LIMITED

MR. SAUMIL DARU – DIRECTOR, FINANCE - OBEROI REALTY LIMITED

Moderator:

Ladies and gentlemen, good evening and welcome to the Oberoi Realty's Earnings Conference Call for the Q3 Financial Year 2015 that ended on December 31st, 2014. We have Mr. Oberoi – the Chairman and Managing Director of the company and Mr. Saumil Daru – the Director, Finance of the company with us for the call. Please note that this call will be for 60 minutes and for the duration of this conference call all participants' lines will be in the listen-only mode. The conference call is being recorded and the transcript for the same may be put on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should you need assistance during this conference call, you may signal an operator by pressing '*' and '0' on your touchtone telephone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts or 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 the 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 like to hand the conference over to Mr. Oberoi – the Chairman & Managing Director of the company. Thank you. And over to you, sir.

Vikas Oberoi:

Good morning, good afternoon, and a very good evening to you all as per the time zone you guys have dialed in. I would like to thank you all for taking time out and attending our conference call. A very quick update for Q3 FY15- it has been a good quarter, I would say almost short of a great quarter. Company has done well, we have been able to launch Prisma which is a building that we have on the JVLR and have sold a little over 27%, and there were only 91 odd flats out of which we sold 24 flats. We have also launched our projects at Mulund Eternia and Enigma, though technically this was launched in January so I cannot call it as a news of the previous quarter but nevertheless I just want to share this news with you that we have sold a little over 300 apartments and the gross sales work to over 850 odd crores. This is the first time in the history of our company that we were able to do such massive sales in less than five days and we are very-very excited. We received a great welcome in the Central Suburbs and for those who do not know, this is our first project in the Central Suburbs.

On the commercial front also we have got some good news, we have been able to lease two floors and here again what is more significant is that there is momentum now in

the commercial market and we are seeing a lot of enquiry and we hope that this will continue to do well. Our other assets also like the mall continue to do well. Burger King happened to launch their outlet out of our mall. Krispy Kreme Donuts also did that, so things are looking up for the mall as well. I am obviously going to be back on specific questions but now I will handover this conference call to Saumil who will take you deeper into numbers. But like I said that I am here and happy to answer any and all your questions. Thank you.

Saumil Daru:

Thank you, Mr. Oberoi. Firstly announcement at the beginning, I am just having a little bit of a bad throat so you all will have to excuse a little bit of coughing which you might hear from time to time. I guess most of you must have received the 'Presentation' by e-mail from our team. Anyways it is available on the website as we speak.

Coming quickly to the numbers – in terms of consolidated financials, we have achieved consolidated revenues this quarter of Rs.219 crores, this is as against about Rs.185 crores for Q3FY14 which was the same quarter last year and Rs.189 crores for Q2FY15 which was the immediate preceding quarter. So for the nine months FY15 we have achieved consolidated revenue of Rs.590 crores as against Rs.627 crores for the nine month period same time last year.

Consolidated PBT numbers - Rs.119 crores for Q3FY15, this is as against Rs.98 crores for Q3FY14 and Rs.104 crores for Q2FY15. Same figure for nine months, nine month FY15 was Rs.316 crores as against Rs.337 crores for nine month FY14.

Coming to the consolidated – PAT numbers Rs.79 crores for Q3FY15 as against Rs.68 crores for Q3FY14 and Rs.70 crores for the immediate preceding quarter. For the nine month FY15 consolidated PAT was Rs.214 crores as against Rs.234 crores for nine month FY14.

Quickly moving to our asset level performances – we begin with the investment properties. Beginning again with the mall, as Mr. Oberoi said that it continues to do well, it contributed Rs.24 crores to the operating revenue for Q3FY15 as against Rs.22 crores for the same quarter last year and Rs.23 crores in the immediately preceding quarter. For the nine month FY15 the operating revenue was Rs.70 crores as against Rs.65 crores for the same period last year. The EBITDA margins in this vertical continue to be in excess of 95%.

Commerz which is the office space asset contributed Rs.11 crores to the operating revenues this quarter as against Rs.12 crores for the same quarter last year. And again

the same figure of around Rs.11 crores for the immediately preceding quarter. The EBITDA margins in this vertical also continue to be in excess of 95% like mall. The Westin Mumbai Garden City contributed Rs.32 crores to the operating revenue this quarter, this is as against Rs.29 crores for the same quarter last year and a similar number of Rs.29 crores for the preceding quarter. The EBITDA margins in this business hover in the 30s so this time around it was at about 31%.

Quickly moving to the development properties – Esquire, this quarter we booked about 25,000 sq.ft. This is as against 17,000 odd sq. ft. in Q3FY14 and about 6,600 odd sq. ft. in the immediately preceding quarter. Till date we have booked about 10.56 lakhs sq. ft. The total booking value for this quarter is Rs.46 crores as against Rs.34 crores in Q3FY14 and Rs.11 crores in the immediately preceding quarter. Cumulative booking value till date is Rs.1, 444 crores and as you all are aware there has been no revenue recognition till date as it is yet to reach the threshold level.

For Exquisite, out of the total project area of 15.47 lakh sq.ft. we have booked about 50,000 sq. ft. odd in this quarter, as against the 10,800 odd sq. ft. in the same quarter of last year and 34,500 odd sq. ft. in the immediately preceding quarter. Thus, till date we have booked about 11.44 lakh odd sq. ft. which is about 74% of the inventory in this project. Total booking value in this quarter is Rs.122 crores as against Rs.22 crores in Q3FY14, and Rs.86 crores in Q2FY15. The cumulative booking value till date is about Rs1680 crores, out of this in terms of revenue recognition during this quarter it was Rs.132 crores. Cumulative recognition till date is about Rs.1,655 crores on account of roughly about 99% project completion.

For Prisma out of the total project of about 2.7 lakhs sq. ft. we have booked about 72,000 sq. ft. Total booking value is a little over Rs.125 crores.

For Oasis the work continues at a good pace.

Coming back to some key financial parameters our EBITDA margins for Q3 FY15 and nine months FY15 were both at about 58%, PAT margins were 36% for the same two periods. As usual Mall and Commerz are much higher than the average and as mentioned they are over 95%. Excluding them the margins for our pure residential business is about 57% for nine months FY15.

With this we would now like to open the floor to any questions that you all may have. Thank you so much.

- Moderator:** Thank you very much, Mr. Oberoi and Mr. Daru. Ladies and Gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Puneet Jain from Goldman Sachs. Please go ahead.
- Puneet Jain:** I have got couple of questions with respect to construction of your projects. Plus also your launch of Borivali. So what will be the cost of construction say in Mulund as well as in Worli?
- Saumil Daru:** For Mulund we would say anywhere for assumption purposes you would have to take it between Rs.4,800 and Rs.5,000 per sq. ft.
- Puneet Jain:** This will include FSI cost and TDR cost all cost?
- Saumil Daru:** No. This will be construction cost.
- Puneet Jain:** Okay. But what will be all inclusive cost of FSI and TDR cost?
- Saumil Daru:** FSI and TDR we can let you know but my advantage is that the land cost comes at a very historical number. We have to just average out all the cost and we can revert to you. As far as Worli is concerned in terms of cost on construction area it should be in the range of about Rs.6,000 to Rs.7,000 per sq. ft.
- Puneet Jain:** For Worli?
- Saumil Daru:** Yes.
- Puneet Jain:** But you have already spent close to Rs.10 billion in Worli at this point of time.
- Saumil Daru:** Yes. Correct.
- Puneet Jain:** So the total area is 1.7 million sq. ft.
- Saumil Daru:** Yes. As we have told you there is also a chance that, that area could go up. So depending on what happens with that, that's when we will freeze up the numbers and let you know as to what it is likely to cost fully. These numbers which we are giving here are on the basis of what we are incurring right now.
- Vikas Oberoi:** Puneet, the Worli project finally will be a lot bigger but as you know that we want to only commit once we have approvals in hand which we are in the process of taking. We do want to first stack up all the area and not let the market speculate so we just want to be on the safer side and hence once the approvals are in hand we will do it. If

you want to know obviously we have done the foundation keeping all that in mind. So, obviously the cost right now is spread over a smaller area that is built but once the entire FSI comes it will be more in the average of what Saumil just told you. So that is it.

Puneet Jain: Now since you have launched in Mulund you will launch Borivali, so the area under execution as well as the sales capacity required will move up significantly over the course of maybe next three to four quarters. So any thoughts on that how will that be managed and also are you looking at any target sales may be for FY16 since you will have multiple projects under execution?

Vikas Oberoi: So let me answer your last question first. Puneet we are not in a position to speculate what will happen in 2016 and plus we as a company are still thinking of how to manage this entire forward looking guidance that the market expects us to give. So until that is clear we do not want to answer that question.

Vikas Oberoi: In terms of the previous one on how we will ramp up, basically we continue to evolve as we grow. From execution point of view we are already doing four times of what we did probably the last year or a few years ago. So going forward our strategies are very simple which is that we will continue to outsource the construction activity, and we will do it to the best of the companies so that one gets good quality. So these are things and they are pretty much business as usual for us. I feel that we have kind of cracked the code in terms of scaling up and we are not really worried about it.

Puneet Jain: Okay, thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just firstly in terms of Exquisite one, what is the timeline for the possession now?

Vikas Oberoi: We have already applied for OC and we have also got the fire NOC. Everything has been filed, and the building is ready. Internal target was December but I think at best it may just go into February or March but we are like now telling the world that we will give it to you before March and we are pretty confident that that will be done.

Puneet Gulati: And is there likely to be any price revision when you get a formal OC?

Vikas Oberoi: Haven't thought of that, we are all waiting for the budget to kick in, we are all waiting how interest rates draw, and then we will all see how the momentum takes up. All I

want to tell you is that there is almost no apartment which is ready with an occupation certificate and that we are yet to sell. So this will probably be the only stock we will have and even in the market our survey and study shows that there aren't buildings which are ready for possession and are available for sale. So it is a good market to be in but I do not want to comment on increasing prices because we will only have to see how things pan out.

Puneet Gulati: In terms of Mulund you said you sold about some 300 apartments what would be that roughly in area wise?

Vikas Oberoi: We are basically selling this at carpet area. Our carpet area sold is about 375,000 odd sq. ft. and the market saleable also I will tell you, which is how the market perceive it as. The factor is like a 1.65 so close to about 6 lakh plus sq. ft. is sold. But like I said that we want to tell the market that this is our carpet rate, and this is how it is and if somebody else were to sell it as a saleable or super built up then this is what he would sell it to you as. So we want to bring in this transparency, we want to bring in this carpet rate and carpet area and all that while selling. It is just getting ourselves future ready because once a real estate regulator comes into play then anyway everything is going to be on carpet. So it is expected to be a carpet area all inclusive kind of pricing for all of us.

Puneet Gulati: Okay. And if you can update a bit on the Worli project specifically to your comment that the existing 1.8 million can go up.

Saumil Daru: Again like I said that we do not want to really speak a lot about it, let that happen and we will obviously come to you. We are very transparent about whatever is happening. So until and unless we get it in our hand we do not want to speculate on what it will be finally and how it will be and all that.

Puneet Gulati: So is that what is delaying the momentum of sales in Worli?

Vikas Oberoi: Not really, that has got nothing to do with it. We have got approval until 65 floors, so up-till that we can always sell. We are only waiting for actual user to see a show flat that we have started doing and things like that. There is really nothing, we obviously have some pressure on price points due to competition but they also have limited stocks so it is not like they have a perennial supply of FSI. So they obviously are selling it cheaper and so on and so forth so that is how it is. This is somewhat hurting us but again our product is different, it is much better quality and once the show flat is ready I believe we will be able to show it better than today.

- Puneet Gulati:** For 1.8 million Sq. ft. you need to build 65 floors is that the right thing or?
- Vikas Oberoi:** For 1.8 million sq. ft. we have got an approval for 65 floor, we are already on the 60th floor literally and there are two building. We are on the 59th floor as my people correct me. And as far as the next building is concerned, there is some FSI in that too. So this 1.8 is technically into A building and B building.
- Puneet Gulati:** And you can add another building or would you need to add floors?
- Vikas Oberoi:** No we are going vertical on both the buildings.
- Puneet Gulati:** Okay, great that is all from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** After great sales start how would like to say pace the sales at Mulund both in terms of volumes and pricing from here on?
- Vikas Oberoi:** Hi Abhinav. I said this to somebody even in the last quarter that we have windows in which one ends up selling a little more. In a project there is always this initial spurt when you start the project and you sell anywhere between 20 and 25% of the stuff. Which I guess is pretty much what we have done, we have done less than 20% but we are very-very excited. However this sort of target we had internally set for a period of almost a year which actually happened in five days so we are very thrilled. The next one could be when we start work on site physically and people get excited and at the same time also have our show flat ready. And then from there on till the building is under construction it is pretty much like even Stevens. Then again you could expect to get a spurt like how we are getting now when Exquisite is ready. So markets typically follow a trend unless things change drastically and markets are really back. Exquisite was started in 2009 and it went on till 2014 and I feel that the last five years were not the best years for the Indian economy and especially for the real estate sector. Going forward with stability in the government and with new things expected to happen in the budget I feel that the market really may pick up and enhance to a big level. So I would say that is how it could go for Mulund also.
- Abhinav Sinha:** Okay, so it is fair to assume that is a 10-15% will be sold towards the end of construction which you say 2020 or something like that.

- Vikas Oberoi:** And that also gives you another thing that today on a saleable area I am saying, the best building in Mulund sells anywhere between Rs.18-20,000 per sq. ft. Like I told you we have only sold in Mulund at carpet area but let's say if one were to compare on a like to like basis with what market follows as saleable area, then we launched our product at Rs. 12,250 per sq. ft and Rs. 12,750 per sq. ft. So this itself is like a good 35% cheaper than something which is ready and let's say over four years we will catch up with that then we also get a premium against competition. So something like this which is ready in five years probably may be at Rs. 21000 per sq.ft. or Rs. 25,000 per sq.ft . So one would not regret if 20% of the material is left and it then gets sold at those prices.
- Abhinav Sinha:** Right. Sir just my question on the commercial as well, since offices seems to be moving now finally. So in a year's time roughly what is the leasing area we are expecting and when does the current leasing starts getting rent earnings?
- Vikas Oberoi:** So again now, please don't hold me on to this but our internal target is to finish leasing within the financial year that starts on 2015 April, and ends in 2016 March. So by the end of the next financial year our internal target is to complete the leasing of the building.
- Abhinav Sinha:** And finally sir any word on the lease rental or say that tenant mix which we are looking at here?
- Vikas Oberoi:** Not really! The building is well built and made, and I cannot force companies but I would love to have them open their headquarters here. But if they do not and they want to have their back offices here and stuff like then we are pretty okay with it. So it is not like we drive it really. We are getting good interest and I must say that we are feeling very happy and positive about it. Like on all the calls earlier I was very subdued about commercial but it suddenly seems to have picked up.
- Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** I actually had three questions, one is basically for Mulund, what will be your total cost for this project construction plus land cost and all FSI cost?
- Saumil Daru:** If you would have heard I just mentioned to Puneet also that on the construction cost it is at about Rs.5,000 a sq. ft. That multiplied by about 3.2 times, the total construction cost let's say will come to about Rs. 1,600 odd crores. On FSI cost, my land cost itself is historical that is at about Rs.220 odd crores. And then the additional part on the

fungible as well all the other aspects TDR and all that I will just need to relook those numbers and come back to you.

Saurabh Kumar: But it should be under 2,000 crores total cost?

Vikas Oberoi: Give or take Rs.150 crores here and there.

Saumil Daru: Yes. About Rs. 2100 odd or Rs.2200 odd crores is what it should come to totally.

Saurabh Kumar: Okay. 21-2,200 crores.

Saumil Daru: Yes.

Saurabh Kumar: Let say if I take 15-16,000 as average realization through the project then the top line should be our 5,000 odd crores right?

Vikas Oberoi: As we speak the rate at which we are selling, I am again just clarifying because we are selling carpet but on a like to like on a saleable area which Saumil said is 3.2 million our sale price average is at about Rs.14,300 per sqft or Rs.14,500 per sqft .

Saurabh Kumar: Okay and sir second question is same numbers for the Worli one so what is the cost left now on the Worli project which you need to incur including the hotel?

Saumil Daru: Can we take that discussion offline Saurabh?

Saurabh Kumar: Sure, no problem. And sir one more thing, this quarters you seem to have sold like higher volumes at higher prices so that is the way real estate moves but could you just comment like are you seeing a definite pickup in Mumbai real estate in general or is it specific to your properties since you have a lot of finished stock, if you could just make some comment on the Mumbai market and is this what you see as a trend with some of the other developers or competitors or whatever?

Vikas Oberoi: Saurabh firstly we have not increased the price, these are realizations out of higher floors, so obviously they give us higher price because we sell it with floor rise and stuff like that number one, and number two like I told you that today when the world walks into Exquisite they clearly see that it is ready and ready to be delivered and we are waiting for the occupation certificate. So there is a genuine shift. Like people who want to sell their existing apartment, add a little bit of cash and move in, they are our customers and we believe that they are reasonably lot in number. So that is why you see an uptake. In fact the minute I get my occupation like we have targeted we can give

ourselves a year and plus to sell the rest of the stock but I would not be surprised if we can do these sales in three and six months also.

Saurabh Kumar: I am guessing these are six crores apartments so we earlier did not see lot of traction and suddenly it seems to have picked up so?

Vikas Oberoi: So two things one obviously is that we have all seen the stock market gone up, and number two the government is in place, they are doing what they are saying and stuff like that, so people are not now second guessing any intentions of the government also. So there seems to be confidence there, and all in all economy is doing well. And for us, Exquisite is ready and I would love it for all you guys to come and have a look, it is shaped up very-very well and like I said that we would have loved it to be complete by December with OC in hand. But like I said the building is complete and we are not doing any work inside. It is just that we are waiting for formal approvals and then we will get people moving in. Today, like Saumil said that 76% of the stock is sold, so when people start moving in then their relatives and friends will come over and this could give a different booster to sale also. So that also kind of can give us a big flip in sales and stuff like that and again like I said that there are people who want to sell their existing houses and move here. So that also helps them plan their cash well, they could sell their apartment and straight away move in here by adding some cash. So that also kind of helps them decide.

Moderator: Thank you. The next question is from the line of Akshay Rao from Edelweiss. Please go ahead.

Aashiesh Agarwal: Sir my question was with respect understanding the Mulund launch obviously we have some numbers that is close to 0.6 million sq. ft. in terms of salable area. Just want to understand what is the kind of mix of inventory that we would have sold is it more like the compact ones or are we selling more of the larger ones?

Vikas Oberoi: They are very evenly positioned I must say that we had three kind of three bed room all of them have sold well. And so has the 4 BHK done well. So all of them have done really well.

Aashiesh Agarwal: Okay. And in terms of timeline should we broadly assume 4 to 4.5 years for it to be completed or you think you can do it before that?

Vikas Oberoi: We would take that kind of time. I would say that our internal target is to finish it in less than 48 months and we would really do everything possible to push it through.

- Aashiesh Agarwal:** And one in terms of book keeping question the Exquisite revenue recognition do we expect, sorry Esquire I am sorry, do we expect to get in this quarter or it will go into the next quarter?
- Saumil Daru:** Most likely in the next quarter.
- Moderator:** Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** I am not quite sure whether you have disclosed the details of the first transaction that you have done Commerz-II Phase-I in terms of size, rental, etc.
- Saumil Daru:** Okay, so there were about two floors as Mr. Oberoi mentioned a little while back, so that comes to about 50,000-odd sq. ft. of GLA.
- Sameer Baisiwala:** Okay, and the rentals are they quite similar to Commerz-I?
- Saumil Daru:** Yes, pretty similar, very much in the ballpark.
- Sameer Baisiwala:** And the second question is when do we expect Borivali to get launched?
- Vikas Oberoi:** Sameer we want to basically launch it in within March, but depending on few things we may launch it between March and June. We are just focusing on that as we speak and we are very-very keen to launch it within that kind of time. But let's say if not within March for sure within the April and June quarter.
- Sameer Baisiwala:** When you do achieve that you would not have too many Greenfield sites so to say to launch. So how are you thinking about adding new projects? How is the action on the business development side?
- Vikas Oberoi:** There is a huge pipeline. A lot of people are offering us land and all I want to tell you all is that with these two put together we would be close to 10 million sq. ft. of execution area. So this itself is a sizable amount of work on ground. I could make it look like I am slicing this and launching a million at a time and every quarter sound very interesting but nevertheless, this is a huge effort. On the business development front also this cash is going to be taken and deployed to buy new land. We continue to be on the job and look at land reasonably aggressively but again with our strategy, the way we buy, we want to make sure that land is bought at the right price and the company needs to gain out of it and that is how we will go.

- Sameer Baisiwala:** Okay, and is there any update on the Glaxo Worli land?
- Vikas Oberoi:** On the Glaxo Worli land we obviously have the order and it is clear and we are now internally planning to make sure what is the best use of the property, how this needs to be built so we are working on it. From corporation point of view we are clear as in that issue is sorted out.
- Sameer Baisiwala:** So from BMC's point view you can pretty much go ahead?
- Vikas Oberoi:** Yes, we can pretty much go ahead and do it.
- Sameer Baisiwala:** Okay. And you are not quite sure what you want to do right now over this?
- Vikas Oberoi:** We are sure but we are still wanting to sharpen up and then run the numbers through and see how, and what is the best use and stuff like that for the company and all that, so we are working on it.
- Sameer Baisiwala:** And we should be comfortable that there would not be any impediments coming from any court order, BMC or any government bodies?
- Vikas Oberoi:** So government bodies have cleared it so I hope they don't, but one can never predict so we are keeping our fingers crossed and we are working towards what we want to build. All this is very uncertain in India, anything can happen on any project. We bought Mulund land from Glaxo, title certified by a reputed law firm and then somebody tells us that this is forest even though there was a factory running for the last 50 years, so anything can happen. I am only going to pray and hope that nothing happens.
- Sameer Baisiwala:** One final question from my side it is on Exquisite. I am just curious, hopefully you do sell balance 169 units in quarter two as you mentioned but just curious if you do not and the OC comes then does the company would be required to pay property tax, CAM charges all of these on these units?
- Vikas Oberoi:** Our agreement allows us to not pay, but in all fairness we do end up paying. But it is not very significant literally. So it is not something that is hurting us, we want to sell and we will sell.
- Sameer Baisiwala:** Okay, Vikas just a thought on this because this is quite significant - about 800crores of inventory.

- Vikas Oberoi:** Yes.
- Sameer Baisiwala:** And neither are you, what you are losing is the opportunity cost may be it is worth 15% in your hand so about whatever 100-150 crores, if it gets delayed by three or four quarters neither its customer gaining anything out of this, so is it something that worry you that there is an opportunity cost attached to it and nobody is getting anything out of that?
- Vikas Oberoi:** We do not think of it like that, it is an investment for the company because historically we have always earned out of the stock that we have held. So going forward also I am not saying that I want to make a business out of it and I want to increase that, but there are things like I said there is hopefully a good budget in the making and we are very confident that it will go through. The economic indicators of the country look good. Politically we are stable. Rupee has not depreciated as much as the other currencies in the world have. So all in all I am saying that India continues to be on a growth trajectory and we are hopeful that somehow this will not be a bad call. If you are telling me that if I would you be interested in dropping price by 15%, I have not seen that ever happen like price is literally not the criteria. Like I said today we have got fence sitters who are waiting for OC to happen and lot of those will come in and in that momentum with the possession having been taken with these people coming in, I think the rest of the stuff will get sold.
- Moderator:** Thank you. The next question is from the line of Tejas Sheth from Emkay Global. Please go ahead.
- Tejas Sheth:** Just wanted to understand we saw spurt in demand across your projects in some Andheri to Goregaon, just wanted to know what is the profile of the buyer side now, any comment on that?
- Vikas Oberoi:** Not literally, if you see the way we sell we ask for 10% down payment and other payments are also very strict and we also have a lock-in for people who buy for less than two years and stuff like that. So our belief is that most of them are actual users.
- Tejas Sheth:** Okay, even in the Andheri and Goregaon where we have seen sharp increase quarter-on-quarter?
- Vikas Oberoi:** Yes, firstly investors don't buy apartments that are ready, so obviously the Goregaon purchases are by actual users. Number two, as far as Andheri goes we have delivered 1,300 apartments from 2011 onwards, those are 2.5 bedroom and 3-bedroom apartments. So of these 1300-1400 people, some of them have done well while some

of their families have grown and so on and so forth. So they have also bought apartments in the new buildings. This is how it really panned out.

Tejas Sheth: Just one more question on your debt side. Considering now Prisma will be cash flow breakeven considering you sold 27% of the area I believe even Mulund may be two quarter down the line would be cash flow breakeven. How you see your debt profile in FY16?

Vikas Oberoi: We have got surplus cash sitting in Mulund and Prisma also as you rightly said, but if you also see that we have also come down on debt. Saumil will tell you a little more on that.

Saumil Daru: Basically Esquire currently is more than supporting itself. For both Prisma and Mulund, we have only seen the beginning right now. Plus we will start getting the milestone-based payments also once we reach those levels of threshold. So for the present moment for working capital purpose I do not see any need to increase the debt in the coming year.

Tejas Sheth: Okay, but are we taking any construction finance for Oasis?

Saumil Daru: Yes, we are. So for that matter I would always like to have certain lines of credit available with banks for general construction purposes. The whole point will be how much will we be able to draw down or how much we will actually need to draw down. Which for the present moment as it looks like it there is going to be sufficient liquidity which will not require us to draw down on the banks for just the general construction purposes.

Moderator: Thank you. The next question is from the line of Abhishek Kiran Gupta from Bank of America. Please go ahead.

Abhishek Kiran Gupta: Absolutely congratulations on this fantastic launch, much awaited. We look forward to the Borivali as well. Now two questions – one do you see yourself or aspire to become cash positive again by '17 or '16, or are you happy with this debt and it will continue. What was the company look because you have been cash positive for a while, you have just taken little bit of debt. What is the plan of action for the next 18 to 24 months?

Saumil Daru: Abhishek I just told Tejas that we do not see ourselves cranking up on debt for working capital purpose and by working capital I only meant what we will need for construction funding. Obviously we are going to look at opportunities to grow. Like you saw what

we did with the Borivali transaction that when we required to crank up the debt, we cranked it up. Moving forward once we have got Borivali going and we already have started off with Mulund you will see that even if I want to crank up the leveraging just a little for land acquisition then that is a possibility which is clearly open. I am just saying that, that is a possibility I am not saying that is something which we are definitely looking and doing. But if there are growth opportunities on account of buying land, even earlier in the call somebody asked about how we would want to now buy more greenfield lands or something, so if that comes up then where we have got projects which are already spinning cash, it makes us that much more comfortable to go for leveraging if required. But otherwise as I said even in response to Tejas that for pure construction funding purposes I do not think we may want to raise any leverage.

Abhishek Kiran Gupta: That was not the question, basically I was just thinking as a firm do you want to go back to cash or you will aggressively going to go back to Thane or Bombay or Delhi to look at your land, where is the sweet spot? Are you back in Delhi?

Vikas Oberoi: Firstly we will not buy land in Delhi. Our idea is to do a JV so we do not really require to put in money as far as Delhi goes. As far as Thane or Mumbai goes if we get good land then we want to buy that land. Because we have a good brand name, we would like to build as much and sell and we want to buy non-competing locations. We have got Borivali, so then unless we have a great deal we will not buy land in Borivali because we already have a good chunk. Then we have got Goregaon, we have got Mulund happening, and we have got Worli happening. So we will obviously not want to sit on cash, this cash needs to be deployed, and we will buy land. And as far as debt is concerned if we have surplus cash we will repay the debt and we will accumulate cash and as soon as we get good property at the right price we will aggressively go and buy that. So to answer your question plain and simple, we are not looking at sitting on cash and ramping our balance sheet up. We are also not saying that we will aggressively take risk and borrow any kind of money and go and just buy land. It is going to be controlled aggression but our business allows us or rather requires us to buy land and we want to deploy our cash into buying property and if there is a shortfall we will obviously borrow, make good of that, make sure that there is a repayment plan for it within the right time, repay that debt and continue to use our brand name, franchise and continue like it is business as usual.

Abhishek Kiran Gupta: Sure. Thanks Vikas but one last thing, you have done very small redevelopment in Khar, you have done greenfield. Is there a preference now going forward for the company the Chief Minister also spoke about cluster redevelopment in South Bombay

any thoughts on that? You have liked a certain segment you are going to focus on that or are you open with everything and anything?

Vikas Oberoi: No, so we are open to anything and everything so long as at the end of the day the risk is commensurate with the reward that we get. Knowing our company we would not want to take slum rehab alone as they all come with various risks, and again that is really not our expertise. We will require a third party to manage the slum. We are okay doing redevelopments, we are okay doing brand new land purchase so really we do not have any specific preferences, it is the location, and it is the price that actually attracts us. The rest of them are all something that actually falls in place.

Moderator: Thank you. The next question is from the line of Anubhav Gupta from May Bank. Please go ahead.

Anubhav Gupta: So my first question is on your two projects – Prisma and Mulund, both projects have done quite well recently so today does it give you confidence to launch the subsequent phases in these two projects or you would wait?

Saumil Daru: As far as Prisma is concerned Prisma is a one-phase project and the next phase is Maxima. So obviously by itself Prisma is a standalone building. And it is again in a very good location, well-established, and we already have a large presence in that area so obviously we are very confident that when it will come to launching the next phase over there also there should be no issues. As far as Mulund is concerned what we have launched right now are the projects on both the plots, so there isn't if I can say that much of phasing. Except that what we have done till now is may be opened only up levels upto the 21st floor and what we will do in the next phase is to open up levels beyond the 21st floor. So, again with the way the response that has come about in Mulund we are extremely confident now as to how those would also do.

Anubhav Gupta: Right. So internally what is target to sell that project Mulund one?

Saumil Daru: In Mulund, as Mr. Oberoi also mentioned in response to one of the earlier questions, we would look at doing about a 4-4.5 year construction cycle and in that case we may want about 10 or 15% of the inventory to be left at the end. So you add may be a year of worth of sale of inventory to that construction time period which is about 5 years.

Anubhav Gupta: Okay. If you look at the development revenue in third quarter almost 90% of the revenue came from exquisite.

Saumil Daru: Yes.

Anubhav Gupta: So in fourth quarter and first quarter of next fiscal which projects you think will hit the threshold limit do you think of that 150 crores worth of development revenues achievable in next two quarters?

Saumil Daru: I would not want to get into the numbers of it but what we are looking at getting into next quarter in addition to Exquisite is that we are likely to see revenue recognition from Prisma happening. As we mentioned we have already sold in excess of 25% so we just need to now commence revenue recognition once we incur 25% of cost which we are also very close to. In the quarter coming after that we are also likely to see Esquire coming in.

Anubhav Gupta: Okay, so the fourth quarter will be majorly Exquisite and Prisma?

Vikas Oberoi: Yes.

Anubhav Gupta: Alright. And lastly I would like to ask one question on the combined inventory which is 0.9 million sq. ft. if you take Exquisite and Esquire what is the internal target to sell this inventory?

Saumil Daru: As far as Exquisite is concerned it should happen within the next one year. As far as Esquire is concerned we still have more than two years to go for completion of construction itself so Esquire we have more than a fair amount of time available with us to sell the balance inventory. And again if I repeat that strategy of holding 10% or 15% of the inventory till completion, then that additional time is also kind of available to us.

Moderator: Thank you. The next question is from the line of Sandipan Pal from Motilal Oswal Securities. Please go ahead.

Sandipan Pal: Probably at the risk of being little over optimistic I would just ask one thing that now with all these new launches happening quarter after quarter so, the remaining part of the Goregaon launch both residential and commercial can we assume that it will take little bit of time while coming to your thought process?

Vikas Oberoi: We do not have much to sell in Goregaon in terms of booking. So you would not be incorrect if you were to assume that within the next financial year you would see phase three of Goregaon also being launched.

Sandipan Pal: Okay, and on the commercial side?

- Vikas Oberoi:** In sequencing if one were to say that first we started Mulund, then we will go on to Borivali and then followed by the third phase of Goregaon.
- Sandipan Pal:** Right. And on the commercial side?
- Vikas Oberoi:** Commercial side we are continuing to lease Commerz-II. We have one more building here to be done and we are just waiting to see how Commerz-II pans out, how the market pans out and then we will start construction of the third building. And here again the new building will only get leased once it's complete so we really do not have to start pre-selling it or pre-leasing it because there is no market for building that is not built as far as commercial goes.
- Moderator:** Thank you. The next question is from the line of Rithvik Seth from Span Capital. Please go ahead.
- Rithvik Seth:** Just few couple of questions, firstly what is the agreement in the Hotel Ritz-Carlton?
- Saumil Daru:** It is a 50-50 JV.
- Rithvik Seth:** 50-50 JV?
- Saumil Daru:** Yes.
- Rithvik Seth:** We will be spending the entire amount like we are constructing the Hotel.
- Vikas Oberoi:** We as in who. This is a 50-50 between the land owner and us, Ritz-Carlton does not put any money. We are going to build the hotel and Ritz-Carlton will only operate it, is that what your question was?
- Rithvik Seth:** Yes. And how much have we spend totally on the entire Worli project till date?
- Vikas Oberoi:** I think we answered that Rithvik because the same question was asked.
- Saumil Daru:** Or if you can connect with Aditi little later then she will be able to give you the numbers.
- Rithvik Seth:** Okay. And one last question on the Mulund project, so when are we starting the expected construction?
- Vikas Oberoi:** We should start within the next two months.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just on your comment for the phase three is there any internal target how much will be launched in phase three for the Goregaon project?

Vikas Oberoi: Phase-3 overall should ideally have five buildings but we are not sure Puneet, it is a little too early. We have planned but we all are waiting and we want to see how the market pans out, we now have a very successful three bedroom, we have a very successful four bedroom that we have done. We originally started planning with five bedrooms and duplex, but do we want to claw back and do only four beds or only three beds. So this is a configuration that we are working within ourselves and we might just start one building at a time and then take it forward because even if we may not have new launches, we do have inventory of existing apartment. So it is all about how they sell because even here in the existing building also duplex have done very well. So we just want to be very sure as to what is the sort of area that we need to come up with.

Puneet Gulati: Okay. And in Commerz-II you have roughly 8 lakh sq. ft. to be leased out. Is there any particular configuration that you are looking to lease out bigger floor plates or smaller, what are the options that you have there?

Vikas Oberoi: So we are more than happy to lease out any area. Our one floor works out about 25,000 odd sq. ft. but we are okay to even split that into two if somebody were to have it. But ideally people would come to the suburbs because they want larger floor plates, because even if one were to desire a large floor plate in Nariman point one cannot get it, Bandra Kurla becomes expensive and so does city. So people come here when they want larger floor plates and that is what we have to offer and we are happy to kind of lease anything literally.

Puneet Gulati: Okay. And lastly what is the risk to the Borivali launch from March to June?

Vikas Oberoi: What is the risk?

Puneet Gulati: Is there any risk do you foresee any risk?

Vikas Oberoi: No, it is a clean land, bought, conveyed in our name and we in fact have applied for approvals as we speak. Both the state and the central government are pushing hard towards providing ease of doing business, it is like top of the mind of every politician. They want this message to go across so we have no problems over there, things are

really looking up, and permissions are now getting easier as we speak so they are doing a good job.

Puneet Gulati: So is the plan finalized or you still have to finalize it?

Vikas Oberoi: We have a very different process. We make plans and we get them vetted by brokers. We study competition, we also check with some customers who are interested, and take their feedback so all that is happening as we speak. So the idea is that we are obviously ready but something here and there keeps happening. But we are quite ready as in we know what we want to do. Even in Mulund for the first time we have started with these compact 3-bedroom hall apartments, and they also have been received very well. And this is an outcome of a lot of deliberation between customers and ourselves and our internal team and also studying what competition is doing.

Puneet Gulati: Okay. And would you launch the entire 4.5 at one go or do you intent to launch in phases there?

Vikas Oberoi: Again not thought of it, it all depends on how things go. We will start work at one go for sure because we want to finish that project also within the next five years. That is very clear.

Puneet Gulati: So realistically June launch is a worst case scenario is that fair to assume?

Vikas Oberoi: Yes, it is fair to assume that. That is what we were discussing today that between March and June is not much of a season when you kind of sell, but whatever our target is to do it within that.

Moderator: Thank you. Ladies and Gentlemen, due to paucity of time that was the last question. I now hand the conference over to the Chairman and Managing Director – Mr. Oberoi for closing comments.

Vikas Oberoi: I would once again like to thank you all for joining us on this conference and we are very humbled with the response that we got in Mulund. Thank you all for feeling so good and positive about what happened with us and sharing our happiness. I would continue to be available and so does my team. If there is really anything that you feel we must do it differently or we can better what we do, I am very open to suggestions. Thank you again, thank you that is it.

Moderator:

Thank you very much, members of the management. Ladies and Gentlemen, with this we conclude the conference call. Thank you for joining us and you may now disconnect your lines.