



“Oberoi Realty Q1-FY16 Earnings Conference Call”

**July 20, 2015**



**MANAGEMENT: MR. VIKAS OBEROI – CHAIRMAN & MANAGING DIRECTOR,  
OBEROI REALTY  
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**Moderator:**

Good evening ladies and gentlemen and welcome to Oberoi Realty's Earnings Conference Call for the Quarter 1 Financial Year 2016 that ended on June 30, 2015. 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 participant lines will be in the listen-only mode. This conference 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 '\*' then '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 maybe 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 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 good evening to all of you as per the time zones from which you have logged in and a very warm welcome to our conference call of 1<sup>st</sup> Quarter Financial Year 2016, its results and business updates. I would like to thank you all for taking time out for this call and I will give you a quick run through of what has happened in the last quarter for the company.

We received Occupation Certificate for Oberoi Exquisite in Goregaon and have handed over possession to more than 400 satisfied customers. We are also looking forward to launching our Borivali project in the 2<sup>nd</sup> Quarter, that is, before September 2016 and we have also received Commencement Certificate for Eternia, our project in Mulund where work has already started. We are now awaiting CC for the second project which is Enigma and hoping to get CC in the next 30 days where work will also start. With regards to the preferential allotment of equity share, we have today allotted 11 million equity shares to Aranda Investments, a 100% indirect subsidiary of Temasek at Rs. 295 per share. We have also received the entire consideration of 324.5 crores.

I will now hand over this conference call to Saumil Daru – our Group CFO and Director Finance. He will take you through all the details and I am here to answer all your individual questions as and when they come up in the Q&A, thank you.

**Saumil Daru:**

Thank you Mr. Oberoi. As usual I guess most of you would have received the presentation by email from our IR team, if not; the same is available on our website even as we speak. Just to keep things short, in terms of consolidated financials, our consolidated revenue for this quarter was 215 crores; this is as against 181 crores for the same quarter last year. The consolidated PBT stood at 120 crores against 93 crores in the same quarter last year. And the consolidated PAT was at about 79 crores for Q1 FY16 this is as against about Rs. 64 crores for Q1 FY15.

Moving on to our asset level performance, beginning with the investment properties, Oberoi Mall, this asset contributed 23 crores to the operating revenue for Q1 FY16 with the same number for Q4 FY15 and about 22 crores for Q1 FY15. The EBITDA margins as usual in this vertical are at around 95%.

Commerz which is the office space asset contributed 11 crores to the topline in this quarter; this is against a similar number for the previous quarter and about 12 crores for the same quarter last year. Like the Mall, in this asset also the EBITDA margin stands in excess of 95%.

For Commerz-II, this contributed about 1.71 crores to the operating topline this quarter. This is against about a little over 50 lakhs or nearly about 60 lakhs for Q4 FY15 because the rent commencement happened somewhere in March 2015. The EBITDA margins in this quarter were at about 47%.

The Westin Mumbai Garden City which is the hospitality asset contributed 30 crores to the topline for Q1 FY16, this is against 33 crores for the immediate preceding quarter and about 27 crores for the same quarter last year. The EBITDA margins in this vertical again continue to be in excess of about 30%.

As far as the development properties go, quickly Oberoi Exquisite, out of the total project of about 15.5 lakh sq. ft. in this quarter we booked an area of about 49,000 sq. ft. and about 12.5 lakh sq. ft. till date which is nearly 80% of the inventory in this project. The total booking value in this quarter came to 117 crores and the cumulative booking value till date in the project stands at about 1937 crores. In view of the completion of the project we are recognizing the entire revenues from the project, thus the entire sales achieved during this quarter was recognized to the topline and the entire

cumulative sales done till date of 1937 crores has also been recognized over the period of time.

In Esquire, this quarter we booked about nearly 9000 sq. ft. and totally about 10.7 lakh sq. ft. till date. Total booking value this quarter was about 16 crores, and cumulative booking value till date is about 1464 crores. No revenue recognition so far as it is yet to reach the threshold level of construction completion.

For Prisma, of the total project of about 2.68 lakhs sq. ft. we have booked about 8600 sq. ft. this quarter and over 1 lakh sq. ft. till date. The total booking value for this quarter was about 15 crores, and cumulative booking value till date 188 crores. Revenue recognized in this quarter was at about 8 crores and the cumulative revenue recognition till date is about 69 crores.

Quickly to Mulund, Eternia, we booked about 11,000 sq. ft. this quarter and 4.16 lakh sq. ft. till date. Total booking value this quarter was 16 crores, and cumulative booking value till date 614 crores. Enigma, same numbers, in this quarter we booked over 3,000 sq. ft. and nearly 3 lakh sq. ft. till date. Total booking value for 1<sup>st</sup> Quarter was 4 crores, and cumulative booking value till date is 418 crores. In Worli the work continues at a good pace.

Coming back to some key financial parameters, our EBITDA margins for this quarter overall were at 61%. PAT margins were at about 36% for the 1<sup>st</sup> Quarter. EBITDA margins for Mall and Commerz are much higher than average at about 95% and excluding them the margins for our pure residential business also stands at about 61%.

With this we would now like to open the floor for Q&A.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Abhishek Anand from JM Financial. Please go ahead.

**Abhishek Anand:** Firstly with respect to our debt position, could you help us out with the current debt on balance sheet and I see that current liabilities have actually increased by almost 250 crores or thereabout. Is the movement there from the long-term liabilities to the current liabilities?

**Saumil Daru:** So there will be two components to this change in current liabilities. One is, whenever there are new bookings which we make in Mulund, Esquire and any of our other ongoing projects, there you know all the bookings will firstly come through the current

liabilities side till we actually do the revenue recognition. So that will be one area of increase. The other part which comes in is due to a lot of reclassifications which will happen on account of our deposits. So if there are tenants, whose leases or licenses are expiring in the next one year from the date of the balance sheet, then for those, their deposits will start getting classified as short-term and hence you will start seeing them coming in into the current liabilities. Also for the Borivali project, the debt which we had borrowed, there is a 250 crores payment becoming due next April out of which we have already pre-paid about 75 crores, so you will also see that 175 crores getting reflected as a part of the current liabilities under short-term. So that I guess that would explain the entire variation which you are seeing on the current liabilities side.

- Abhishek Anand:** If I understand correctly dividend payment is also made in the 1<sup>st</sup> Quarter, correct?
- Saumil Daru:** No. Our AGM was on the 1<sup>st</sup> of July so the actual payout would happen in the next quarter.
- Abhishek Anand:** Secondly, just to understand on our Worli project, I understand that we have started branding it as 360 West. So I am trying to understand the timelines of the project and what's the status of the sample flat and any timelines you have internally?
- Vikas Oberoi:** Worli, the show apartment should be ready somewhere around November. We have this August month where Europe is literally shut for the furniture and stuff like that that we buy. However by November we should be ready with our show apartment and then start showing it to people and then immediately start selling it as well because we feel that that probably will be one event where we can let people know how our apartments are different and how they will be when the interiors are done and stuff like that.
- Abhishek Anand:** Our spend for the quarter was on a lower side, so is there an issue of approvals there, the height approval, has it come through?
- Vikas Oberoi:** Not really. In fact we are about 4 floors away from the maximum height that we have received approval for and that's why we just kind of are doing work at the bottom instead of going up and this is why you see like the focus is more on the podium and stuff like that. We are just fingers crossed that this gets done in this quarter and then we can again speed up.
- Moderator:** The next question is from the line of Aditya Gupta from Goldman Sachs. Please go ahead.

**Puneet Jain:** This is Puneet Jain. I have got a couple of questions. First is that, now what is your pricing strategy for Exquisite at this point of time given the fact that the property is complete and you still have got say, 117 apartments to sell. How long do you think you will take to sell these apartments?

**Vikas Oberoi:** Firstly, our pricing strategy does not change or we are not trying to increase price, if that's your question. We are not even reducing the price. The price remains the same. The only thing that got better is that today the apartments are ready and they end up saving on....

**Saumil Daru:** The service tax and the VAT, so there is about a 5% saving in the transaction cost.

**Vikas Oberoi:** And we continue to believe that we should be able to sell the entire inventory within this financial year and that's like really our focus and target also. And we are seeing traction as well. Of course, this month is normally slow because the rains sort of begin and people are on a holiday and stuff like that. The sales pick up happens somewhere in early September and then again there is a small period of Shradh and then again Diwali comes in. So this is a period where people probably do their transactions and it's pretty similar to what happened last year or similar to what happened for our project in JVLR when it got ready and stuff like that. So pretty much predictable, very much in line with what we had thought. We would, of course, have liked it to be a few more apartments in this quarter but that's about it.

**Puneet Jain:** If you have to sell off, finish this off in this year, it will mean that you will have to sell off around 40 apartments a quarter?

**Vikas Oberoi:** You are pretty much right, it's not 117 but they are 115 but that still doesn't make a difference. Yes, we are hoping that we would be able to sell anywhere between 30 and 40 apartments and we did that also in one of the quarters.....

**Saumil Daru:** Just the last quarter, Puneet, is where we did it. And as Vikas was mentioning, this is not the greatest of quarters as far as sales are concerned. So even in that we have been able to clock in a healthy number. As the festive season and all will come in, it should only start kind of cranking up from here onwards now.

**Vikas Oberoi:** And Puneet, we got occupation only in May, and between the last two quarters we sold close to 55 and 60 apartments whereas we hadn't got Occupation Certificate. Now we have OC so I think that velocity could go up.

**Puneet Jain:** Second thing is that now the launch of Borivali, it was supposed to happen sometime during June-July, clearly for various reasons it has been pushed back. Now, you have mentioned that you will launch this in September so what gives you confidence that it can be done?

**Vikas Oberoi:** We were awaiting certain clearances. I mean, I would love to say, all of it, but almost all of it is in place and we are ready with absolutely clear plans and that's why we are saying it like that, we will do it.

**Puneet Jain:** So the issue was with respect to some new infrastructure which was going through this project?

**Vikas Oberoi:** Correct, so the new Development Plan had proposed a road. The Corporation has also taken a view that wherever approvals are granted, they will not implement the new DP, they will allow the old DP to continue, and in our case we have got IOD or approval of plans as old as January of this year. So now we are awaiting a circular. The opinion is very clear, we are just awaiting a circular and once that circular is out then everyone who has an approval prior to the new DP having come in, will get the benefit of that and this is exactly what we are waiting.

**Puneet Jain:** So what is left? You said opinion is out?

**Vikas Oberoi:** Opinion is out, based on that opinion a new circular needs to be issued, and we still have a lot of time, let's say even if I assume within September end we are still looking at a good 70 days from today. So once the circular is out, we can simply launch the project. Like I said we already have approvals.

**Puneet Jain:** And what does opinion mean? Is that an informal opinion or is that also an official document?

**Vikas Oberoi:** . It's an official document.

**Moderator:** The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

**Saurabh Kumar:** Can you give us some confidence on how soon do you expect to liquidate this Worli asset? We have put in substantial capital but this is probably the slowest moving project in the portfolio, so I am just trying to understand like even if the take up were to be to your expectation, how long do you think before you have completely out of this asset?

**Vikas Oberoi:** Saurabh, these are high ticket items and if you really see the trend in that type of real estate, there is a general preference amongst people to opt for property which is closer to its completion stage or completed. People obviously want to move out of their present house, use that money with certain savings or probably borrowings, and then buy a new house. So this sort of trend in high ticket items is pretty common. The closer we get to completion date you will see the speed at which they start selling. Obviously we would have loved to sell it a lot faster. We are also as anxious as you are, but having said that the reality is that it does sell only when it is closer to completion. There is a lot of confidence people have, people do come, look at it, and they do like the product also. The market situation is also such they have the luxury to wait. I can't even posture that if they don't buy it, it won't be there tomorrow. The fact is that it will be there, so given the market situation, given the fact that these are high ticket items, people today have the luxury to kind of wait and watch out. However while all this is there, our product is also getting that much more finished and the minute the show flat is ready, we believe that it will give them some motivation or incentive to close the transaction.

**Saurabh Kumar:** The second question was on Commerz II to. What is your expectation on when do you fully lease this asset? Now the supply around your area should be very limited, right?

**Vikas Oberoi:** I agree supply is limited but unfortunately the demand has not been what we all predicted it to be. It is taking a little longer for the Government to kind of deliver on whatever was expected, it's taking longer and this is true for all sectors literally. In a commercial building, unless and until all other sectors do well you don't see demand coming up. Though the only positive here is that there is no supply getting added because these are long lead items. It takes three years for anybody to build a project and today with the way cost of money in India is, not many developers can afford to pump in their money to build a commercial project. But the downside is like that the demand is not as much as it should be. So one's getting inquiry and we are at it but conversions are taking a little longer than what we thought.

**Moderator:** The next question from the line of Ritwik Sheth from Span Capitals. Please go ahead.

**Ritwik Sheth:** I had a couple of questions, firstly on the Oasis; you were supposed to receive additional FSI approval, what is the status on that?

**Vikas Oberoi:** That's work in progress.

**Ritwik Sheth:** The approval, are we expecting it to be received in the first-half or the second-half of this financial year?

- Vikas Oberoi:** We are hoping to get it within the first half itself.
- Ritwik Sheth:** On Mulund project if I see, Enigma and Eternia, Eternia's rate per square feet in this quarter was around 15,000 and for Enigma it's 16,000, so are we marketing it as two different products or just in terms of number of bedrooms or anything...?
- Saumil Daru:** No, in fact the entire differential which you will see will always be on account of floor rise, so it has to do with the sales mix of the apartments, so if your apartments on the higher side, on the upper floors will get sold then your average realization will crank upwards, if what are sold are the lower floor apartments then the average realization will crank downwards, not two different rates between the two projects.
- Ritwik Sheth:** On the Goregaon project now we have less than 700,000 sq. ft. So do we have plans to launch the Phase III in this year or what are your thoughts on that?
- Vikas Oberoi:** So obviously after we have launched Borivali, our focus will be on trying to launch Phase III in Goregaon and that is why we've created a product mix such that anything less than 2.5 crores will be Borivali as a project and anything which will be more expensive will be in this Goregaon project and we are hoping to launch most likely in the 4<sup>th</sup> Quarter of this year itself.
- Ritwik Sheth:** And one final question I would like to squeeze in about the Oasis, like we have spent around 1300 to 1400 crores till date, so once we start selling the units, the cash flow will be utilized to fill the cost, right? The cash flow will come first to us and then then the profit will be then split over the two partners, is that understanding right?
- Vikas Oberoi:** Absolutely, first we will get money that we have invested back and then the split of the profit will take place, so in the waterfall we have priority on that cash.
- Moderator:** The next question from the line of Chetan Vaidya from JHP Securities. Please go ahead.
- Chetan Vaidya:** When you will start recognizing revenue for Esquire?
- Saumil Daru:** Presently the way we look at it we should be able to hit our construction spend for that by October, so depending on how the monsoons go there is a chance that we may take it in September but otherwise I can pretty much say for sure that in the December quarter you will see that recognition coming through.
- Chetan Vaidya:** How much of total amount you are likely to spend on Oasis in FY 16?

- Saumil Daru:** In the current year we have spent about 65 odd crores. I think the slide says it.
- Chetan Vaidya:** No, for the year as a whole how much you are likely to spend?
- Saumil Daru:** For the year as a whole we should end up spending close to about 300 odd crores.
- Chetan Vaidya:** And lastly, recently there was news that 2200 crores to be raised through NCDs and through the preferential allotments, so what is the allocation of this one in terms of projects?
- Saumil Daru:** That money is more or less likely for growth, so if you will look at it we had even last year passed a resolution from the shareholders saying that we could raise about 1500 odd crores of debt. Even this year we have got a resolution from the shareholders for raising about 1500 crores of debt. So the resolution is an enabling resolution, whenever we see an opportunity or anything to get land we would want to then raise the funds. The reason we have also said that we will do about 1500 crores of debt and 750 crores of equity is because as a company you would have seen that we have always done a very healthy mix of debt and equity. So that is more or less the rationale for that resolution. The actual implementation of that resolution will depend on market opportunities and when we get a chance to deploy.
- Vikas Oberoi:** Chetan, just to continue to what you said, our raising capital also is a step in that direction. The idea is that we want a healthy mix between debt and equity so this is the amount raised for equity. And we obviously see the way the market conditions are. Today we feel that a lot of developers are either highly leveraged or they are not in a position to raise money. So we feel that when good land parcels will be available in this period we want to be proactive and ready for such offers. And what happens in a market which is like the way we are in today, is that you get good land offered and it's not contested well, so the idea is that because it is not contested well you get it at a reasonable price. I am not saying that you will get it cheap but you will get very good land at a reasonable price at which you can probably make money. So we have just been proactive whether it's raising money through equity or taking a resolution or just in case we want to borrow when we want to buy a new land and all.
- Chetan Vaidya:** Any likelihood of any such chances happening in the FY-16?
- Vikas Oberoi:** I really wish I could tell you that. Looks too forward looking and I do not think I am permitted to make this thing. But yes, if you ask are you ready to buy if there is land available the answer is yes. We are absolutely ready and waiting.

**Moderator:** Thank you. The next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

**Samar Sarda:** So Mr. Oberoi, I had three questions. One is on the Mulund sales say we launched the project in January. So how do we see sales built up at this project? When do we officially launch the project? What are the timelines are with regards to like when do we commence construction? And how do you see like since that project has a lot of clarity, sales moving over the next few years?

**Vikas Oberoi:** Okay, so, in the beginning of my call I actually said that we started work there maybe you probably miss that out. Just for your benefit, we have started work there. Second, we have already crossed 400 apartments which is literally little shy of 20% of our inventory which is great and this has happened at the back of an official launch. So the launch that we had in the month of Jan was an official launch. The next trigger for sale is when you start work and as I told you that we have already started work and with this trigger is also a trigger when you are ready with your show apartment. Now in Mulund's case we should be ready with our show apartment by August end and again in that festive period we will start calling our buyers who booked by simply trusting our product and we want to showcase what we are intending to build. And I feel what we are intending to build will far exceed the buyers expectation and we feel that at that point or at the back of our show apartment we will be able to see the next wave as well. So this is really our strategy going forward for Mulund and the idea is that we want to clear the entire inventory within one year we having completed the project, like all our projects if you see Exquisite even that has followed the same trend.

**Samar Sarda:** I know. So we have got the CC mean for the project?

**Vikas Oberoi:** Of course, I mean how would I have start my work?

**Samar Sarda:** Fair enough. And now since this project as per the old DC had a public parking scheme. So would you continue with the same or would you amend the things like go on with the possible the new DP or the new DCR which comes by November, what is your thought process on that?

**Vikas Oberoi:** So what we are saying is that we have originally planned and designed everything as per old DPs. We will continue with the old DP and should we require to shift to the new DP we will weigh all the pros and cons of we moving there. Today as things stand there is no new DP as such. So, we have obviously planned as per old DP, we are very happy, our numbers are as per old DP, the company is in a good position to follow the

old DP as well. So we want to, at present, work only on the basis of old DP because it is certain and it is clear. If there is clarity going forward for the new DP and if it is beneficial then we might shift.

**Samar Sarda:** Okay. And what might be the total estimated or budgeted cost for both these projects?

**Vikas Oberoi:** Both projects as in the Mulund project?

**Samar Sarda:** Yes, Eternia and Enigma.

**Saumil Daru:** Yes, presently Samar, we are looking at construction spent of about Rs. 4,500 per square feet so this will come to about if I am not mistaken about 1,700 or 1,800 odd crores total.

**Samar Sarda:** Fair enough. And similarly Borivali since you had got the IOD and there is some clarity on that and we will go by residential plus proposed mall at that property, right?

**Saumil Daru:** Okay, presently we are not looking at doing it as a mall. So for all practical purposes right now you can take it as retail. Whatever retail we would like to do it would be smallish and we would look at selling it rather than looking at a lease model. So whatever will be there will be convenience store, xyz, but it will be more or less something which we will look at it from a sale perspective.

**Samar Sarda:** Okay. And my second question was more on the markets like again divided into two parts. One is like you have the balance sheet and you were looking at a lot of deals in the market. Could you share with us how many big ticket deals are actually available in the market of course without taking names but there are like five deals about 1,000 crores - 1,500 crores which are available in the market?

**Vikas Oberoi:** Well I can only tell you that there are a lot of deals in the pipeline. Obviously, there are two kinds of people wanting to sell one, who have no use of that land but are not desperate to get the money. Second, people who are really desperate to get the money and obviously if the seller is desperate to get money he does not care how the market is. So we are obviously looking at these people who want the money, who do not care what the market is, they want to take a decision today and sell it then and move on. And this is what we are ready for, we have raised some money through this equity and we would like to use that to buy new land. And there is substantial land that is now going to be made available in the next I would say three months to six months.

**Samar Sarda:** Okay. And finally on the markets, especially if I distribute it among the island city more of Lower Parel, Worli and the suburbs both central western suburbs. What is your view on like how are your peers performing? If you have to give your view on the market with regards to the volume pick-up, do you think there is still some pain left or volumes are picking up again dividing it into the island city in the suburbs.

**Vikas Oberoi:** My take on this is very different from a lot of people. Firstly, I completely disagree with a lot of people that there is inventory in the market and when people say there is inventory what do you they call inventory? Do they say that any developer who has merely announced that he is going to build the project, do they call that inventory? Because for us you know land as a raw material which is being available for millions of years what do you do post that? Or what do you do so that it finally becomes a ready apartment. I do not think there are as many ready apartments unsold that people make them out to be. And the process of creating an apartment on a piece of land is huge and just because somebody is making a statement that he is going to build this should not be added to inventory. This is where I come from. A lot of people have been saying that prices are not coming down, prices are not coming down. But if you really see the construction cost has gone up, your premiums to the corporation have gone up, a lot developers are paying a lot of interest and all that. So it is not affordable for them to sell it cheap and nobody wants to sell it at a loss. So why would people even build? Very soon one will realize that. The possibility of prices coming down is bleak unless and until government comes up with increasing the FAR or reducing the premiums and stuff like that. And at some point I mean the press will realize and then they will stop harping on this and people will then buy. This is where I feel the market is, I mean I do not know how many of you like really subscribe to this but really I do not think developers can actually reduce price because even at these current prices they are losing money literally with the interest cost or with the cost of premiums all that if one were to calculate.

**Samar Sarda:** Mr. Oberoi, I agree with your view but if I could take the liberty, you are the only premium developer who has some stock left in Borivali otherwise there is not ready stock which is available for sale. My question was more on the volumes picking up say for example Lower Parel like for three years - four years there was only one developer who was selling a lot of stock. Now suddenly there are five - six of them and again all large players who were selling stock now. So do you see like the volumes really will increase because developers are offering project and area to be sold say you will go online soon some of your other peers will also so, I was more from the volume aspect of it.

**Vikas Oberoi:** I again said that I mean once the sentiments in the sector gets stronger I think volumes will pick-up because people want to buy homes, they all want to live better and all that. And today why the volumes are low is not because people probably do not have the money but because people have this feeling that the prices might come down. I just shared with you what according to me could be the reasons for that to not happen and when people realize that it is not going to happen then maybe the volumes will come back, this is what I am trying to say.

**Saumil Daru:** And Samar just two things or rather just one thing on the Mulund construction cost that should come to about 1,500 odd crores I think I said that it should be 1,700 or 1,800. Secondly, on your question which even Mr. Oberoi was mentioning, we also saw one report last week which said that Oberoi's inventory has increased by about 1,500 crores during the last one year. Unfortunately, out of that 1,500 crores 1,300 cost is the cost of the Borivali land acquisition. So again this is the interpretation by media or by whatever one may say that there is inventory that is getting built up. It is unfortunate that from an accounting perspective when we buy land we classify it as inventory. So I think that is also what is kind of contributing to this notion that there is a lot of inventory build-up. But again what is the actual amount of physical inventory which is there and which is ready and built and is yet to be sold, that is extremely limited.

**Moderator:** Thank you. The next question is from the line of Samir Baisiwala from Morgan Stanley. Please go ahead.

**Samir Baisiwala:** Vicky, I am not quite sure I heard on this Temasek deal and I am not quite sure whether I fully understand this because it is a small transaction on your Rs. 47 billion of net worth you are raising 3.6 billion and you think that this is improving your debt equity mix and this is making you more in doubt for more future transaction. I mean the last deal you did was north of Rs. 10 billion and my guess is more and more of that size so, how does this small deal help you make your debt equity healthier and make you better position for land acquisition.

**Vikas Oberoi:** Samir, firstly, if you see we hardly have any debt so any...

**Samir Baisiwala:** You are already healthy.

**Vikas Oberoi:** Correct, so any equity that I raise will only improve. Couple of things, one, obviously like I told you real estate is a capital intensive business Secondly Temasek is a great brand to be associated with. We wanted somebody like them to come in and we also

see that going forward we could do something similar with anybody of an equal repute as well. And here again you also need to understand that a lot of our projects are literally back ended as far as cash flows are concerned. If you really stack up all the cash that we are likely to receive from four projects it will all happen in 16-17-18 and all that. Need of the hour today is to get money today and this is exactly what we have done.

**Samir Baisiwala:** Okay. And just if I extend this Vicky, you are looking at new projects in Mumbai or outside Mumbai also and just on that you had mentioned that you would be open to JD, JV in Gurgaon any progress on that?

**Vikas Oberoi:** Correct. So obviously our strategy continues to remain the same, we want to deploy our cash only in Mumbai. We would be happy to do JVs or JDAs where we do not require to deploy our cash. We see opportunities coming from the NCR-Gurgaon market and we are exploring but like I said that these have to be literally like no cash at our end for the land owner or whatever. So we are happy to look at those but we do not want to put in our money. So anything that we pay cash for that land has got to be in Mumbai, does that answer your question?

**Samir Baisiwala:** Yes, it does. One final question Vicky and that is on new DP versus old DP. New DP as we understand as what has been announced, just broad contours how does one compare versus the other in terms of what you get in saleable area? What you get to pay to the government as regulatory charges? And third, maybe the appeal of the project which is car parking or no car parking any thoughts on those broad points?

**Vikas Oberoi:** Okay, so firstly, I may disappoint a lot of people but the fact is having gone through it in depth I feel it is the same wine in a new bottle literally and yes, the government has changed nomenclature for premiums. And the premiums could be probably maybe 10% lower in the new DP surprisingly because that is how it works out. It is about 10% lower. It is all in kind of an area calculation so, from that point of view it is only one more step in the right direction in kind of how do they compute the areas. But overall no developer will actually end up losing any FSI. In fact, if there is, there is an increase in certain areas but I do not know now with the new revision whether they will actually go ahead with that. So it might just so happen the buildability of individual plots might remain the same, the way they are proposing to compute in the new DP it might be 10% or 15% cheaper than what it is as it stands. So their rationality has kind of brought in some savings from the developer. Now whether in the new DP if they kind of read this through and they want to kind of make it even, even that might go away. So all in

all I would say that new DP is progressive but yet I still continue to say it is quite the same in the new model.

**Samir Baisiwala:** Okay, this was helpful Vicky, but just a clarification. When you are doing this computation of the chargers you are including the public car park, construction cost, etc., which is there in the older DP but in the new for the same saleable that you get?

**Vikas Oberoi:** In fact, absolutely correct and this is how we realize that we calculate it in the old way we end up spending a little more money than what we would if we were to do it in the new DP. But like I said prior to this new DP coming into play we had always done our math on the old DP. So we just thought that it is prudent to continue to do that and should the new DP come in with the similar frills it will only be positive and if it does not we are not worse off because we have already considered all this as per the old DP itself.

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

**Abhishek Kiran Gupta:** So my question is for the next two years or three years more so from the company's priority and the management bandwidth. So if you look at these five things that we can look forward to Borivali with further launch in Mulund, a further launch in Goregaon of course Oasis is there and the new land parcel purchase. Is it possible for you to prioritize these over the next three years or a pecking order, how do you see these pan out over the next two years or three years? Where will the management bandwidth will be more, generally just your view on all of the five different pieces play out in the next three years?

**Vikas Oberoi:** I can only tell you one thing that it is almost like flying a plane I cannot be focusing on throttle and not on altitude or not on my fuel gauge or not on this thing. So these are areas of simultaneous focus. One cannot lose sight of anything I mean execution is as important as land buying is and so on and so forth. So honestly, very good question but a very simple answer to this is that we will as a company have to focus on all of these. So there is really no lack of priority to any such vertical I mean we have to do sales because they drive cash flows. We have to do development because that is what is going to drive the sales and we have to continue to buy land because that is what is going to replenish our land bank. So very honestly all of this and we do it all the time and again see like we are always wanting to sell but we are wanting to buy that one bit. We also want to continue to buy good land but it should be available at the right price. Today we feel there is nice situation for land buying. So it never gets dormant. We are

always actively pursuing towards it. Having said that last April the opportunity was perfect, we did not have a stable government in the center, people were making all sort of speculations, and most of the developers were leveraged. We were lucky, we had the cash we could mobilize the rest of it and buy Borivali. Today we feel in hindsight we got a good deal, a good land parcel at a decent land price and that is what we are going to look at when we buy. If you see this year we sold Mulund. We used this opportunity, went into the market and we were literally the first ones to come in Mulund after the forest thing got done. We used that opportunity to sell. Execution is happening as we speak so we got to look at everything and not just one.

**Abhishek Kiran Gupta:** Okay, sure. So Vikas what should we look forward to Diwali? Four months now, are you strategizing something? Other than the Borivali launch which you spoke about anything else on sales, pricing, anything?

**Vikas Oberoi:** Okay. So I mean from sale point of view Borivali for sure. Land buying really fingers crossed if we are able to buy a decent land parcel that will be damn good for our company.

**Moderator:** Thank you. The next question is from the line of Nitin Idnani from Axis Capital. Please go ahead.

**Nitin Idnani:** Just one quick question on Mulund. The sales numbers seemed to have dropped up, just wanted to know if there were any cancelations as well which had been netted off and that is why the number is looking so low?

**Vikas Oberoi:** No, barring literally one or two cancelations out of the 400 I would say nothing as such nothing much at all. And like I said we have taken the entire latent demand that existed in that area. Now we are looking at other triggers. We started work, the show apartment should come into play and maybe that will give us the next push. But we are happy the way the things have gone. All allotment letters are also issued and we have already raised the demand for another 10% which was to be due on CC for one of the projects so those money is coming in. Now, the work starts the minute we do our foundation the fourth installment comes into play, this is like business as usual on that side really.

**Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.

**Abhinav Sinha:** Just wanted to check on the Commerz side. So, are we looking at leasing number to go up substantially this year from where we are Commerz-II?

- Vikas Oberoi:** I do not know whether I am looking at but I am seriously hoping they do. This is one area which has been a bit of concern to us. And if we do want to have that area leased out and done with it. It is already built, it is beautifully built, people come like it, and so we just hoping that we are able to.
- Abhinav Sinha:** Sure. Just one more question, this is again on the fund raising that you have so the target end use of the land is likely to be similar to Borivali or is it something else that you have in mind right now?
- Vikas Oberoi:** So end use of fund is obviously to buy new land and we are open to buying any good land parcel where your company can make money that is what we are really look at. If we get a decent land parcel wherever it be does not have to be in Borivali or Mulund or anywhere else but if it is a good land parcel we would love to lap it.
- Moderator:** Thank you. The next question is from the line of Anchit Agarwal from Motilal Oswal. Please go ahead.
- Anchit Agarwal:** Just one quick question, just wanted to get thoughts on the collections of Priviera project.
- Saumil Daru:** Okay, can I come back to you offline on this because the collection over there is with a credit period so basically.
- Anchit Agarwal:** I understand that, so are we going get all of them together or something?
- Saumil Daru:** Yes, it is back-ended.
- Moderator:** Next question is from the line of Deep Master from Enam Holdings. Please go ahead.
- Deep Master:** You must have answered this question but I think I missed it, when do you think Esquire will hit revenue recognition?
- Saumil Daru:** We said that there is chance that it may be in September but in December quarter for sure we are likely to hit that.
- Deep Master:** Then what is holding it back?
- Saumil Daru:** Basically, we just need to achieve that number of having done that actual spent so depending on how the monsoons go and what kind of work we are able to do over the

next two months that is why I said it is a little bit of a touch and go between September and December.

**Deep Master:** Okay. So it will be Q2 or Q3?

**Saumil Daru:** Yes, Q2 or at max Q3. Within this financial year for sure. Hopefully we would want to make it into Q2 but otherwise Q3 for sure.

**Moderator:** Ladies and Gentlemen, due to paucity of time we will be taking the last question from the line of Samir Baisiwala from Morgan Stanley. Please go ahead.

**Samir Baisiwala:** A quick one, how are you thinking about Commerz-2 Phase II? Would you continue to do that commercial or would you looking to change the land usage?

**Vikas Oberoi:** Sameer again very good question, we have been toying with that idea. For now, obviously we want to keep the way the layout is and see how things pan out but we obviously are open to considering either or. Our thoughts are with you on the same issue. We also internally are deliberating, not very clear. I mean obviously it sounds very obvious that if commercial is not doing well why would you not want to spin it into resi? Now the fact is that we have enough of resi to sell as well. So I would not call it luxury to delay but the obvious situation is such that we can take this call a lot later. We have got five more buildings in the Phase-III to start before we come onto this.

**Samir Baisiwala:** Okay. And if you choose to change you have this flexibility given the location?

**Vikas Oberoi:** I mean that location itself can accommodate a residential building literally if one has to because we have only built the foundation we will have to do some tweaking here and there and its nothing very expensive or anything like that. We can easily do that. I mean the loads for that entire foundation were built in such a way that you can easily put up a 50 storied building there.

**Moderator:** I now hand the conference over to the Chairman and Managing – Mr. Oberoi for his closing comments.

**Vikas Oberoi:** So I would like to thank all of you who have taken their valuable time out to attend this conference call and give us their valuable input. Your questions also act as pointers for us to reconsider what we are thinking through, continue to do that please and I hope we continue to get your feedback offline as well. And that is it. Thank you from my end.

**Saumil Daru:** Thank you, everybody.

**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.