



“Oberoi Realty Limited Q4 FY16 and Financial Year ended March 31, 2016 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty Earnings Conference Call for the Quarter 4 Financial Year 2016 and the Financial Year 2016 that ended on March 31, 2016. We have Mr. Oberoi – the Chairman and Managing Director of the company and Mr. Saumil Daru – Director of 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 and this conference call is being recorded and the transcript for the same may be put up on the website of the company. After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, you may signal the 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 and may be forward-looking statements including those relating to general business statements, plans, strategy of the company, the future financial condition and growth prospect. The forward-looking statements are based on expectations and projections and may involve a number of risk and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I would now pass the conference over to Mr. Oberoi, the Chairman and Managing Director of the company. Thank you and over to you, sir.

Vikas Oberoi: Good morning, good afternoon, good evening to all of you from whichever time zone you dialed in for this conference call of Fourth Quarter FY16 and the entire financial year ended March 31, 2016. Thank you all for taking the time out.

A quick update on our existing projects. You will all be very happy to know that the show apartment of 360 West is now ready we will soon be scheduling visits, first, of our existing flat holders and then we will show it to our brokers and analysts and then to the prospective customers. Going by the enquiry we all seem to be on top of the mind of most of the people who want to buy this size of an apartment and we are keeping our fingers crossed. As far as the financial year 2016 is concerned, which is partly calendar year 2015, it has been a great year for us. Mulund and Borivali both got launched in CY15 and in FY16 we have achieved highest ever topline of Rs. 1,440 crores. At Borivali we also achieved another milestone of having our total booking value of Rs. 1,700 crores till 31st March 2016. I am now going to pass on the call to Saumil Daru who will take you through the detailed numbers. I am here and very happy to address your individual questions, if any.

Saumil Daru: Thank you Mr. Oberoi. I guess most of you would have gone through the analyst or the investor presentation which is already live on the website. Just to keep things short and simple so that we get enough time for the Q&A.

In terms of consolidated financials, for the quarter the total consolidated revenue was Rs. 237 crores. This is as against about Rs. 349 crores for Q4 FY15. For the full year FY16 as Mr. Oberoi mentioned our total consolidated revenue stood at a little over Rs. 1,444 crores. This was as against about Rs. 940 odd crores for the full year FY15.

The consolidated PBT numbers, Rs. 101 crores for this quarter as against Rs. 172 crores for the same quarter last year. The consolidated PBT was Rs. 654 crores for the whole year as against about Rs. 489 crores for the full year FY15. The same numbers on PAT Rs. 64 crores for Q4 FY16. This is as against Rs. 103 crores for the same quarter last year and the consolidated PAT number for the entire year stood at about Rs. 426 crores. This is as against Rs. 317 crores for FY15.

Now moving on to the asset level performance and to begin with the investment properties, Oberoi Mall contributed about Rs. 22 crores to the operating revenue for Q4 FY16 as against Rs. 23 crores for the same quarter last year. For the entire year the operating revenue for the Mall stood at Rs. 94 crores as against a similar number for FY15. The EBITDA margins in this vertical continue to hover around 94% mark.

For Commerz, which is the office space asset, our operating revenue for this quarter was Rs. 11 crores as against a similar number for last same quarter last year. For the full year FY16 the operating revenue was about Rs. 46 crores. This is as against Rs. 47 crores for FY15. The EBITDA margins in this vertical also continue to be well in excess of 95%.

Commerz 2 Phase 1 contributed about Rs. 2.73 crores for this quarter as against Rs. 0.56 crores for the same quarter last year. For FY16 the operating revenue was about Rs. 7.81 crores as against the Rs. 0.56 crores for FY15. Coming to the hotel, the Western Mumbai Garden City contributed about Rs. 32 crores to the operating revenue in this quarter as against Rs. 33 crores for the same quarter last year. For the full year FY16 the operating revenue stood at Rs. 127 crores as against Rs. 122 crores for FY15. The EBITDA margins in this vertical continue to be in excess of 30%.

Quickly to the development properties - Esquire has a total project area of about 20.31 lakhs square feet and out of which we have booked about 22,610 square feet in this quarter. Till date the cumulative booking in the project stands at about 11.22 lakhs square feet which is 55% of the total inventory of the project. The total booking value in this quarter was Rs. 46 crores as against Rs. 4 crores in the same quarter last year. The cumulative booking value till date is about Rs. 1,596 crores. The total revenue recognition for this project in this quarter was about Rs. 79 crores and the cumulative revenue recognition till date is about Rs. 691 crores.

For Exquisite, out of the total project area of 15.47 lakhs square feet we have booked another 14,430 square feet in this quarter. Till date we have booked about 13.17 lakhs square feet which is approximately 85% of the inventory in this project. The total booking value for this quarter is

Rs. 37 crores as against Rs. 140 crores in the same quarter last year. The cumulative booking value till date is about Rs. 2,097 crores and the total revenue recognition till date in this project is Rs. 2,097 crores on account of 100% project completion.

For Prisma, again out of the total project area of about Rs. 2.68 lakhs square feet we have booked 5,204 square feet in this quarter. Till date about 1.32 lakhs square feet of area has been booked. The total booking value in this quarter is about Rs. 8 crores as against ~Rs. 46 crores in the same quarter last year. Cumulative booking value till date is about Rs. 235 crores. The total revenue recognized for this project in this quarter is about Rs. 8 crores and the cumulative recognition till date is about Rs. 104 crores.

Coming to Mulund, firstly in Eternia in this quarter we booked about 6,680 square feet and till date booked 4.32 lakhs square feet. The total booking value in this quarter is Rs. 10 crores as against Rs. 597 crores in the same quarter last year which was also the launch quarter. The cumulative booking value till date is about Rs. 650 crores.

In Enigma, in this quarter we booked nearly 7,500 square feet and till date we have booked about 2.92 lakhs square feet. The total booking value in this quarter was Rs. 11 crores as against Rs. 413 crores for Q4 FY15. Cumulative booking value till date is about Rs. 438 crores.

In Sky City, we booked another 83,000 square feet in this quarter. Till date the total booking stands at about 10.3 lakhs square feet. The total booking value in this quarter was about Rs. 133 crores and as Mr. Oberoi mentioned till date the booking value till 31 March is about Rs. 1,700 crores.

Coming back to some key financial parameters. Our EBITDA margins for Q4 FY16 were 47% and for full year FY16 were about 48%. The PAT margins were about 27% for Q4 FY16 and 29% for the full year. The EBITDA margins for the Mall and Commerz are much higher than average as mentioned above. And excluding them our margins for the pure residential business is 44% for the full year.

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

Moderator:

Thank you, Mr. Oberoi and Mr. Daru. We will now begin the question-and-answer session. We will take the first question from the line of Anubhav Gupta from Maybank. Please go ahead.

Anubhav Gupta:

My question belongs to the Mulund project. We have seen that the sales income has definitely slowed down there after the launch last year. So is that related to the market scenario or are you are seeing a low take off because of the inconsistency and people may want to look at a few milestones before new customers come in?

Vikas Oberoi: I think you are absolutely correct. Every project has its pace and sales also happen in a phased manner. When you start the project you end up having a lot of enquiry from people who want to book in advance. So that rush we saw. Now it is a consolidation stage; let the project come up a bit and then again you will see some traction. So this is very similar to the trend that we have seen even in Exquisite and maybe Borivali also will follow a similar trend. So typically, anywhere between 15% and 20% gets sold if it is a very successful launch

And then you will see another 30% to 40% getting sold when the project is under construction and then the final 30% gets sold when the project is just about to be completed. And these days you will see a trend where let us say about 10% get sold after occupation certificate. So we have all sorts of customers, risk taking people who want to have their apartment early and all that. So I do not really read much into it. It is pretty predictable as such.

Anubhav Gupta: So today the pre-sales which stand at Rs. 10.8 billion, do you think the project will hit recognition mark during end of this financial year or it will go into FY18?

Saumil Daru: Two factors which govern recognition. One is the quantum of sale. On that basis I do not think we would have a concern about hitting the 25% of project area sold mark. The other angle is incurring 25% construction cost. Again I think may be a quarter or so down the line we may be able to give you a clearer picture. But as it looks right now it is kind of likely that we may hit recognition this year. But we will come to know little more down the line once we see more progress on the site. Then I think we would be able to come back to you in a better way in terms of where things are.

The other angle which is also likely to impact revenue recognition going forward as you are all aware is from 1st April, 2016 we move over to IndAS. As we speak, we are still awaiting clarifications from the institute on whether the old guidance note on revenue recognition will continue to apply or not. So I think we will have to wait and see how everything pans out before we come back to you in a very definite way.

Moderator: Thank you. We will take the next question from the line of Punit Gulati from HSBC. Please go ahead.

Punit Gulati: Just wanted some color on the commercial off take. Obviously Commerz has doubled occupancy from 7 to 14. Are you seeing better signs ahead or do you think this is where it is going to stagnate for some time now?

Vikas Oberoi: Commercial continues to create a lot of enquiry but we are yet to see deals happening at that speed. The other positive for let's say somebody like us is that there is very little supply in the market. So that also is a positive. So I see demand firming up and deals getting done in the next few quarters.

- Punit Gulati:** And secondly, coming back on the Mulund project, you introduced fresh inventory both in Mulund and Borivali. But Borivali did much better than Mulund. Would you attribute some particular reason for the difference?
- Vikas Oberoi:** Borivali is a market where we do not have any competition as such. Mulund still has a lot of supply. So I would really put this to that. Nothing really other than that.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.
- Adhidev Chattopadhyay:** I have got a few questions. First is pertaining to approvals. Now you have recently seen the new Mumbai High Court has banned giving approvals for projects not having have an IOD and CC that is what we understand. So does it affect any of our ongoing projects? And if we were to launch further towers will that prevent us from doing so?
- Vikas Oberoi:** Not really. We have got IODs for all our plans approved. So we do not get affected by this order at all.
- Adhidev Chattopadhyay:** So just to again continue on this one. Borivali let us say we have launched four out of the ten towers. So if we want to launch the further towers also, we already have the approvals in place means?
- Vikas Oberoi:** Yes, I mean this order does not come in our way. We can easily launch.
- Adhidev Chattopadhyay:** And secondly was on the Worli project. Just to understand the cash flow now that we will be doing whatever formal launch or so as to say. Now whatever are the customer collections does everything flow back to the overall balance sheet or is it going to be proportionately distributed among the land owner and Oberoi?
- Vikas Oberoi:** No, so the way the waterfall works is that first the entire amount towards construction comes in for our use. Once that is done only then the distribution happens.
- Adhidev Chattopadhyay:** And just a final thing on this one. Now under the new accounting standard on projects if you are owning less than 50% I believe there are some clauses that we directly show the profit in bottom-line and we do not book it as part of the revenues. So on the Worli project is there any such scenario likely or are you still awaiting clarity on that?
- Saumil Daru:** We would still want to get some more clarity around this because the aspect is not only just around the percentage of shareholding or anything but what is control and all of those related angles also are coming in now. So we would want to take a good look at it before we come back to you on that part. When we would be looking at the numbers for June I think by then we would definitely freeze our position on that.

- Moderator:** Thank you. The next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.
- Ritwik Sheth:** I had a couple of questions. Sir, firstly on the Glaxo Worli land what is the land size over there?
- Vikas Oberoi:** It is about I think 20,000 square yards.
- Ritwik Sheth:** And we own 100% in it?
- Saumil Daru:** So 50% is owned by ORL and 50% of the shareholding in that company is owned by Vikas Oberoi.
- Ritwik Sheth:** And second question is relating to the construction cost for FY17. What is the construction cost that we are envisaging for the year?
- Saumil Daru:** Typically, we do not end up going down the guidance line or the prediction line, Ritwik. But if you want some color then more than happy may be if you can discuss it offline with the IR team.
- Ritwik Sheth:** And the last question is just broader like, if I take a step back and see since listing the amount of construction we have had on our hands and the revenue potential going forward over the next 5 years, it seems that we are at an all-time high on that basis. So more than 10 million to 12 million square feet and revenue potential of another Rs. 20,000 crores - Rs. 25,000 crores. So what is the game plan over the next three years like do we think that we have enough on our hands or we you can go and add more projects like Goregaon Phase 3 and we can even develop Glaxo land. So I just wanted to have a sense what you think?
- Vikas Oberoi:** The idea is to obviously go ahead and build Goregaon and the other Worli project and continue to see if there is any other land parcel. So you are absolutely right today we have a good name, we know how to build. I mean nothing really stops us to just continue to grow that way and that is exactly what we want to do.
- Ritwik Sheth:** So as bandwidth like there is no issue like we can take Goregaon and add?
- Vikas Oberoi:** Yes, no issue at all.
- Ritwik Sheth:** And if there is any lucrative opportunity we can add to our existing land bank also?
- Vikas Oberoi:** Yes, absolutely open.
- Moderator:** Thank you. The next question is from the line of Chetan Vaidya from JHP Securities. Please go ahead.

- Chetan Vaidya:** Sir, my question is on Exquisite. It is being a complete project. There has been a kind of a slowdown in terms of number of apartments sold in the last three quarters. So what is your assessment of the same and what are the expectations for the FY17 performance?
- Vikas Oberoi:** Well, Exquisite we are left with only very high floors or some of the larger apartments like duplexes and penthouses. So that obviously is slower than what we expected it to be. But things are moving, so no real cause of concern as such. But at the same time one would have loved to have it done faster.
- Chetan Vaidya:** So you think you will be able to clear in FY17 itself?
- Vikas Oberoi:** We were hoping to clear it by FY16 which did not happen but one cannot stop hoping. So we obviously are looking at selling it as early as possible.
- Chetan Vaidya:** And last time there was an announcement by BMC to increase the FSI to 5 certain areas. To what extent our projects will get impacted by that and when do you think it may likely to get implemented?
- Vikas Oberoi:** So BMC if you will see the new chapter they are not increasing any FSI in any project as such. So they have kind of frozen it at two and we have always calculated and planned it accordingly. So really it does not matter as such. So our present DC norms take care of all our projects and we do not need to wait for any new rules or regulations to come in and all.
- Chetan Vaidya:** And sir, lastly if I may. So can you provide some update on the Pune project and the property investment in Juhu?
- Vikas Oberoi:** Pune project again the Pune DP is not yet finalized so it is taking longer than what we thought. But that is about it.
- Saumil Daru:** Juhu was the Centaur one so there the matter is in the Court. So as and when those issues get sorted out we will update you on that.
- Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** So my first question is on your pre-sales. So this year we have obviously run very well Rs. 2,300 crores odd. So for FY17 do you think I mean I am just struggling how do we get a number which is higher than this? What do you think drives this?
- Vikas Oberoi:** In fact, firstly all of Worli needs to sell. We have got phase 3 of Goregaon and we have got these projects which will continue to also support sales. So I feel it should not be really difficult. I

mean internally if one sets a target to do more than that, it is possible and easily possible I would say.

Saurabh Kumar: And phase 3 launch when will this come? I mean one would presume that you would need to be completed with Exquisite before you can do that?

Vikas Oberoi: Not really. See Exquisite is at a different stage and like I said earlier that buyers of ready apartments behave differently than buyers of under construction property and lot of people fancy booking at launch because they get the choice and they get it at a cheaper price, and also they get time to pay. Exquisite is ready and all the money needs to be paid upfront. So I would not see phase 3 as any competition to Exquisite. In fact, it will only complement.

Saurabh Kumar: And not even to Esquire as well?

Vikas Oberoi: Not at all. Esquire also is at different stage. Esquire is like almost midway into construction or let us say by next year end we will be done with it. So buyers are already factoring that. So we have enough scope for something to start as a booking project today.

Saurabh Kumar: And the phase 3 launch when should we expect this?

Vikas Oberoi: Well, we want to do it for sure this year. It could be either the first or the second quarter of this year. But yes, it will be earlier.

Saurabh Kumar: And the next question is on Worli. So we need to cross 40 apartments if I am not wrong to cover that 25% sales threshold and we are at about 15 odd. So do you feel confident enough to get that 25 booking to get this on to P&L this year or?

Vikas Oberoi: We want to do much more than that.

Saurabh Kumar: No, we will be happy to do more but 25 is likely?

Vikas Oberoi: Yes, that is for sure minimum that we would also target.

Saurabh Kumar: And just one last question on this office property there has been some reduction in rent if I am not wrong. What has driven that?

Saumil Daru: Which Saurabh, Commerz 1 or Commerz 2?

Saurabh Kumar: Commerz 2 if I am not mistaken?

Saumil Daru: Commerz 2 could not be because there we have the rentals kicking in from two more floors.

Moderator: Thank you. The next question is from the line of Manish Gandhi an individual investor. Please go ahead.

Manish Gandhi: Sir, I have two questions. And my first question is of course you have partly answered but still. This year for Oberoi and some other good brands in Mumbai we have seen great response to new launches. Whereas ready possession like Exquisite we have seen muted response. How do you think of this situation any parallel you have seen in the previous cycles? Because generally in today's situation where because of late delivery in industry, of course not Oberoi, there should be greater demand for ready possession. So do you see any structurally different attitude of customers? Please share your thoughts on this.

Vikas Oberoi: Not really. What you said obviously also make so much sense that today ready product should easily be purchasable. There is less transaction cost also on a ready product. But people continue to look at under construction. May be they want staggered payment or something like that. So Yes, I mean we would have loved to see Exquisite sell as fast or faster than the other two projects. But it is not happening. So we also are internally trying to study what is really the cause.

Manish Gandhi: Yes, because I have been born and brought up in this area and I know of course Goregaon is much better compared to Borivali area. Of course Borivali is also good but so as you said that you are also concerned. So whenever you get answer please share with us.

Vikas Oberoi: Sure we will do that.

Manish Gandhi: And one more question. See last 10 years for Oberoi we have seen average return on equity and return on capital around 17%. And we have seen good period as well as bad period last five years. But there are two points if we are starting from 2016 which is different from 2006. One, because of all your efforts and the company's effort our brand has of course gone at a much higher level and there is competition which has structurally many small and big developers looking in bad shape. Given this background like what should one expect for the next 10 years? I know it is difficult to predict but do you feel we are in a much better position to generate better average return for next 10 years? So please share your thoughts on this.

Vikas Oberoi: Absolutely I mean today we know how to execute; we have a good brand. So I think the next 10 years will only be better. If competition is in trouble, then that much easier for you to kind of win customers. At the end of the day we feel that there will be very few professional developers left with this new real estate regulator coming in to play. Very few developers will actually be able to even meet the target set by these guys. So I think all-in-all the future for the company looks great. There may be short term pain but future outlook is great.

Manish Gandhi: One more question is kind of hypothetical you may answer it right now or if I get a chance to meet you. But what goes behind the mind of Vikas Oberoi. You are sitting there waiting and Rs. 2,000 crores you have spent in Worli waiting so patiently and so confident that you will be able

to sell at your terms and of course this is a great ability to do this. But I just think about it. I tried to put myself in your shoes and I do not get the answer?

Vikas Oberoi: Well, this is the only business we know (as in real estate) and we are very confident of the product. Plus, we are not expecting to sell higher than the market even after making a building which is so much more superior than most of the competitors. We are still looking at selling at market price. So I mean I should not worry at all. There is really no cause of worry.

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

Abhinav Sinha: First question is on project margins. We have seen that Esquire margins are around the 40% - 42% sort of benchmark now on EBITDA basis. So do you expect this margins to be similar for the remainder of the projects like Mulund and Borivali?

Saumil Daru: See everywhere it depends on what is the land cost. So Borivali is a comparatively recent acquisition so that would be having a slightly different margin. Mulund if you look at it, in the books it gets reflected at the historical cost of acquisition of whatever Rs. 220 crores - Rs. 250 crores. So the reported margins in Mulund will be a little different. In terms of construction cost yes, more or less both the projects will kind of have the same construction cost. But again if you look at the ready reckoner rates and the premiums which will go out calculated on those rates, those will also be different for both the land as the ready reckoner rates in Borivali and Mulund are different. So that is why the two of them will have a slightly different EBITDA profile.

Abhinav Sinha: But the new one should average around this market is that correct 40% - 42%?

Saumil Daru: Yes.

Abhinav Sinha: Sir, second question is on the board resolution for NCDs and equity Shares. This is just an enabling one, is it?

Saumil Daru: Correct, if you would have seen it last year also we had got an absolutely similar resolution done.

Abhinav Sinha: But any intention this time to sort of materialize these?

Saumil Daru: We just like to keep ourselves ready for an opportunity in case there is anything. Because in that situation trying to get a shareholders' resolution is a kind of a 60-day lead time. So it is just that you want to be ready to fire when you want and you do not have any of the regulatory constraints hitting you and trying to complete a transaction.

- Abhinav Sinha:** And finally, can you share your thoughts on how the real estate bill can possibly impact launches for you going forward or even the cash flows? I think since you charge a higher 40% in the first six months do you see that really impacting your cash flows from here on?
- Saumil Daru:** See two things. One is if you look at it, all along we have never done this kind of a pre-sales trying to launch the sales before approvals or anything. We have always, if you look at it all our projects we have our approvals in place before we launch. So to that extent the new provisions of the bill do not have any impact on the way we are doing our business. Coming to the second aspect, the working capital cycle under the new regime is likely to undergo some change. We are also evaluating but so far they have not yet come out with the detailed rules. We will also want to have a look at the rules and then take a call on how much it impacts. But yes, to an extent the new provisions are going to impact the way the working capital cycles are going to function, as far as the sector is concerned.
- Moderator:** Thank you. The next question is from the line of Punit Gulati from HSBC. Please go ahead.
- Punit Gulati:** Sorry for the repeat question again. But why an enabling resolution for equity issuance? I mean I believe you have enough room to take debt. Are you seeing some very large projects which could come to you? Some thoughts would be helpful.
- Saumil Daru:** Very frankly even as I mentioned in the last reply also this is just an enabling resolution. This is just in case there is anything which comes up. For the present moment we are not in a position to say whether there will be something which will come up or not. But if one could look at it there are enough options in terms of private equity x, y, z. There are many ways in which the fundraising can be done but yes, the equity does remain as one of the options.
- And in a situation where we are going to the shareholders we just believe that it is fine to just keep this at Rs. 750 crores it is not a very major dilution or anything which one is really looking at if you go by the current market cap of the company. Not that there is anything planned but yes, this is just an enabling resolution and we would want all of you to just look at it like that
- Punit Gulati:** Yes, but there is a big commercial portfolio as well which can help you raise debt fairly easily?
- Saumil Daru:** Yes, so we can assure you all that we would want to look at all possible avenues to raise funds before we kind of move on towards the equity part.
- Punit Gulati:** So what amount of debt would you be comfortable with before you move on to issue equity?
- Saumil Daru:** We can look at that it all depends on the market conditions, the need for cash, where do we stand in the cycle. So many of these factors start coming in.

- Moderator:** Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.
- Vipul Shah:** Sir, this is a question on 360 West. How many apartments will be on sale once the project is fully complete and what is Oberoi Realty's share in this project and how much we have spent on this project till date?
- Saumil Daru:** As per present estimates based on where we stand currently we should have about 200 apartments in the project. Your second question was?
- Vipul Shah:** What is our shareholding in this?
- Saumil Daru:** For the purposes of modeling we would tell you all to do at 30%. It ranges between 25% to 40%.
- Vipul Shah:** I did not get it. Shouldn't shareholding be fixed?
- Saumil Daru:** So depending on the rate at which we sell. our share moves up from 25% to 40%, so the higher the realization, the higher is our ratio. So for the purposes of your modeling you can assume an average of 30%.
- Vipul Shah:** And what is the amount we have spent on this project till date?
- Saumil Daru:** Till date about Rs. 1,600 crores.
- Vipul Shah:** Rs. 1,600 crores that is our share?
- Saumil Daru:** It is basically what we are supposed to put in for the construction cost.
- Vipul Shah:** And my second question is on your Glaxo land. So forgive me for repetition means what is holding up that project if you can brief tell me?
- Saumil Daru:** So we have a few options which we want to consider. One of the options is to do a residential project and the other is to do a yield project which could be in terms of a retail asset or something like that. So we are just evaluating all the permutations and combinations and then we will proceed to take a call and then we will go ahead accordingly.
- Vipul Shah:** So there are no regulatory hurdles?
- Saumil Daru:** No, there are no regulatory hurdles in it.
- Vipul Shah:** So it is from our side that we are evaluating different options that is why we are not coming out with the launch?

- Saumil Daru:** Absolutely.
- Moderator:** Thank you. The next question is from the line of Chanchal Khandelwal from Birla Mutual Fund. Please go ahead.
- Chanchal Khandelwal:** A few book-keeping questions. What is the typical construction cost which we can assume for the Borivali and the Mulund project individually if you can tell us?
- Saumil Daru:** For the present moment between Rs. 4,800 to Rs. 5,000 a square foot.
- Chanchal Khandelwal:** And when you are doing Commerz 2 second phase 2 what will be the cost of construction there?
- Saumil Daru:** It depends but Yes, the cost could be about Rs. 4,000.
- Chanchal Khandelwal:** So Commerz, commercial is a little lower?
- Saumil Daru:** Yes, because you do not do fit outs.
- Chanchal Khandelwal:** Second question is you hinted that in the new real estate bill our working capital cycle may get impacted or some impact on the working capital. Can you just highlight how and what? I mean just to for the sake of understanding so today assume today already different projects how do you internally move the cash flow and what will happen after this?
- Saumil Daru:** So one is internally we have very strong controls on movement of cash so typically you do not want to drain out any project out of its cash which is collected and you do not want to transfer it to any other projects which is one of the things which the new bill is bringing in in terms of the 70% retention in a particular account and then using it only for the purposes of the project. So from that perspective we are extremely comfortable because this is what we have done for the last few years or for our existence for that matter. So there are very strong financial controls on that.
- Where I was coming to in terms of the working capital aspect was typically that the regulator wants you to walk up to him with virtually all your approvals in place, all of those things in place which would then mean that you would have paid up all the premiums, you would have paid up the regulatory things to the government. So that is where your upfront investment could go up slightly more compared to where it is today.
- Chanchal Khandelwal:** Thirdly, what is the FSI so we have still to buy in Borivali and Mulund do you have a number of how much you have to spend in terms of buying FSI in both the places?
- Saumil Daru:** We can discuss that particular part offline if you are okay with that.

- Chanchal Khandelwal:** Lastly on Worli. So the amount which we assume we are able to sell say 40 flats or 50 flats the amount which will come will come first to us and then to the partner? So in terms of cash flow we will be the one who will get it first?
- Saumil Daru:** Okay so typically as Mr Oberoi explained to the earlier question the bucket which is the construction cost bucket needs to be filled up first and after that bucket is filled up then there is a distribution which happens.
- Chanchal Khandelwal:** So construction cost in this since you have already spent Rs. 1,600 crores it will come to us first, right?
- Saumil Daru:** Yes, so we have to also budget for the balance construction cost and then whatever is the surplus yes, to the extent to which we have invested more we will get back first.
- Chanchal Khandelwal:** Sorry to again ask you. Do you ascribe a cost of the land or is it only the construction cost which has to be paid back first?
- Saumil Daru:** The land cost is embedded in the ratio itself.
- Chanchal Khandelwal:** Yes, so assume that you are able to get Rs. 300 crores to Rs. 400 crores this year the entire amount the money should flow to Oberoi, right?
- Saumil Daru:** Yes, it should.
- Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** Just a follow up question on your cash flows. So Saumil, was there like a large outflow this quarter because I am just seeing your inflow was about Rs. 350 crores yet the net cash has come down marginally by Rs. 30 crores?
- Saumil Daru:** Yes, so there was an NCD which was actually due for repayment on April 22 which would have technically meant this current financial year. We had a pre-payment of that in March because we had collected the cash. So that is where you are seeing that is the single largest part and then Yes, there is also a loan which we have in Worli so there was a part repayment of that also. And then there was about Rs. 80 crores odd pay out for dividends. If you recollect there was an interim dividend which we had declared and which we had paid out towards the end of March.
- Saurabh Kumar:** And second is just on Borivali and Mulund. So just to understand it you have started work on the entire project even though you have launched only a part of the inventory. So even the other towers even though we have not launched you are working on it, right. So whenever phase 2 happens that can come in to recognition earlier?

- Saumil Daru:** Yes, as far as Mulund is concerned it is the same tower which is the upper floors. So there, there is no difference. As far as Borivali is concerned we have right now begun work on the first four towers which we have launched. So for books purposes we will be considering that as a phase.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.
- Adhidev Chattopadhyay:** Sir, just a follow up question on Esquire. So are we expected to finish this project entirely by FY18 or could you see a spill over to FY19 in terms of your construction?
- Saumil Daru:** By FY18, yes we should finish it.
- Adhidev Chattopadhyay:** So just to understand this should have expected to be like equally spaced out over these next two years or would it like be back ended like next year will be 40% instead 20%? Like any guidance you would like to share?
- Saumil Daru:** More or less I would always want to presume an even spread rather than any lopsidedness. I mean typically we have not seen any lopsided thing even if you go by our history then Exquisite or any of them we have not seen any lopsided spends.
- Adhidev Chattopadhyay:** Sir, just on the Worli project now just want to understand what is the status of the height approvals, have you got approvals for the higher floors now?
- Saumil Daru:** We will let you know. This is also something we are looking at. So as and when we get it you will definitely see us letting all of you know.
- Adhidev Chattopadhyay:** Just sorry to dwell on this. In Worli so now when you were selling an apartment what would like a typical payment structure will be like because I think the structure I believe is some 70% - 80% complete already. So for our potential customers would the payment terms be line with what is there for our existing projects? I am just saying because the ticket size is high that is the only reason I have.
- Saumil Daru:** No, that is fine. But the affordability in these projects are also higher. So the payment terms pretty much even for whatever we have sold has been along the lines of our existing projects. And so for this also we will likely do similar and most importantly people are seeing what kind of progress has already happened on the site.
- Adhidev Chattopadhyay:** And just lastly on the hotel part so what is the progress on construction over there?
- Saumil Daru:** We are virtually done with the super structure of the hotel. So now the interior fit out parts is scheduled to begin.

- Moderator:** Thank you. The next question is a follow up question from the line of Chetan Vaidya from JHP Securities. Please go ahead.
- Chetan Vaidya:** The question is for Mr. Daru. As per my understanding the inventories of Rs. 3,900 odd crores that we have in the books that would include the apartments which are launched and unsold for Borivali and Mulund?
- Saumil Daru:** Sorry, your question on inventory, right of Rs. 3,900 crores?
- Chetan Vaidya:** Yes, Rs. 3,900 crores would it include the apartments which are launched but not sold for Borivali and Mulund also?
- Saumil Daru:** See so typically your rule for inventory valuation it is construction work in progress. So to that extent it is the work in progress for the entire project. And basically because we follow the percentage completion method as and when as much as is recognized will hit the P&L and the balance will continue to be carried forward.
- Chetan Vaidya:** Okay so what will be the work in progress portion in this?
- Saumil Daru:** This is spread across, this Rs. 3,900 crores is spread across Worli i.e. Oasis, Borivali, Goregaon, Mulund everything. And basically the carrying cost of the inventory is the land cost plus the construction work in progress.
- Chetan Vaidya:** How would be the finished goods in this?
- Saumil Daru:** This is not finished goods. There would be a very marginal amount of finished goods. That is only to the extent of Exquisite.
- Moderator:** Thank you. The next question is from the line of Sameer Chedda from Vama International. Please go ahead.
- Sameer Chedda:** Just wanted to check, we have procured a Crompton Greaves plot in Worli. Just wanted to know what is the FSI which will be available for the Worli project in that?
- Saumil Daru:** There was no procurement of any of the plots or anything. There was some newspaper article which was suggesting that. But there has never been any confirmation or any announcement from our side.
- Sameer Chedda:** And just one more question is the cost of construction you mentioned is around Rs. 4,800 to Rs. 5,000 per square feet. Is this considered on the carpet or the built up which you have?
- Saumil Daru:** This is on the built up.



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Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to the Chairman and Managing Director – Mr. Oberoi for his closing comments.

Vikas Oberoi: Thank you for participating in this conference call. We really appreciate all your comments. Please continue to do so and continue to guide us moving forward. Thank you again and look forward to talking to you all again in the next quarter.

Moderator: Thank you. Ladies and gentlemen, with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.