



“Oberoi Realty Limited Q4 FY 2017 and FY 2017 Results
and Business Update Conference Call”

May 05, 2017



**MANAGEMENT: MR. VIKAS OBEROI -- CHAIRMAN AND MANAGING
DIRECTOR, OBEROI REALTY LIMITED
MR. SAUMIL DARU -- DIRECTOR (FINANCE), OBEROI
REALTY LIMITED.**

Moderator: Good Evening, Ladies and Gentlemen, and a very warm welcome to Oberoi Realty's Earnings Conference Call for the Quarter 4 Financial Year 2017 and Financial Year 2017 that ended on 31st of March 2017.

We have with us today; Mr. Oberoi -- the Chairman and Managing Director of the Company; and Mr. Saumil Daru -- the Director (Finance).

Please note that this conference is 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 a 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 and may be forward-looking statements, including those relating to general business statements, plans and strategy of the company, its future financial condition and growth prospects. These forward-looking statements are based on expectations and projections and may involve a number of risks, uncertainties, and other factors that could cause actual results, opportunities, and growth potential to differ materially from those suggested by such statements.

I am now glad to hand 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, and good evening to you all as per the time zone from which you have logged in and welcome to the conference call of Quarter 4 Financial Year 2017 and the Full Year of 2017 Results and Business Update. Thank you all for taking time out for this call.

Quick update, as you are aware that RERA has kicked-in in Maharashtra from May 1st. We believe that implementation of RERA will boost customer sentiments. It will also create a level playing field for credible developers in the market. So, all-in-all I feel as Oberoi Realty we welcome RERA.

To start with some good news, we have added about 5.3 lakh square feet of additional saleable area to our Worli project. This is on Tower A of the project. We have also been able to successfully have DGCA send our file for additional height to ICAO and we are awaiting results for that for us to get finality on the height of the Tower B.

Our residential projects also saw some decent deals being closed. So, I would also want to say that as far as we are concerned, demonetization has had minimal effect as such or it is a non-event. In any case, you all know we anyway deal in full cheque. So, that anyway was never the issue.

Retail has also seen good growth with the mall continuing to do well. Again, this continues to encourage us to build more malls, and you all are aware that we are going to build a mall in Borivali and Worli as well.

In commercial also, there is some good news as we have leased 100,000 square feet to Samsung. They will be moving their Mumbai Headquarters here. The rest of the projects also continue to be stable, construction progress is good, which is pretty much in line with what we have planned.

For the details, I am now going to hand over the call to our group CFO, Director (Finance) Saumil Daru, who will take you through all the numbers. After that, we are here for answering your individual questions. Thank you. Over to Saumil.

Saumil Daru:

Thank you, Mr. Oberoi. I guess most of you must have received the presentation by e-mail from the IR team and if not, the same is also available on our website along with the results which we filed with the exchanges. Keeping things short and sweet to help us allocate time for Q&A.

Going through some numbers in terms of consolidated financials, the total consolidated revenue for this quarter was Rs. 302 crores as against Rs. 242 crores for Q4 FY 2016. For the full year, the consolidated revenue was Rs. 1,161 crores as against Rs. 1,458 crores for FY 2016.

The consolidated PBT for this quarter stands at Rs. 150 crores as against Rs. 104 crores for same quarter last year and the consolidated PBT numbers are at Rs. 562 crores for this year as against Rs. 663 crores for the full year FY 2016.

The consolidated PAT for this quarter was Rs. 101 crores as against Rs. 67 crores for Q4 FY 2016 and the consolidated PAT for the whole of FY 2017 was Rs. 378 crores as against Rs. 435 crores for FY 2016.

Moving on to the asset level performances and the investment properties: Firstly, Oberoi Mall contributed about Rs. 25 crores to the operating revenue for this quarter as against the similar number for the same quarter last year. For FY 2017, the operating revenue was at about Rs. 100 crores as against Rs. 98 crores for FY 2016. The EBITDA margins in this vertical are at about 93%.

In Commerz, the office space asset, it contributed Rs. 12 crores to the operating revenue for this quarter as against Rs. 11 crores for the same quarter last year. For the full year, the operating revenue stood at Rs. 48 crores which was a similar number for the last year. The EBITDA margins in this vertical continue to be in excess of 95%.

Commerz II Phase-I, this contributed Rs. 8 crores this quarter as against Rs. 3 crores for the same quarter last year. For FY 2017, the total operating revenue from this building was Rs. 22 crores as against Rs. 9 crores for FY 2016.

Lastly, The Westin Mumbai Garden City, this contributed about Rs. 33 crores to operating revenue for this quarter as against Rs. 32 crores for the same quarter last year. And for the full year, the operating revenue was at Rs. 126 crores versus about Rs. 127 crores for FY 2016. The EBITDA margins in this vertical continue to be in excess of 30%.

Moving on to the development properties. Esquire, out of the total project area of 21.22 lakh square feet, we have booked a little over 21,000 square feet in this quarter, and till date about 12.05 lakh square feet which is about 56% of the inventory. Booking value for this quarter is Rs. 38 crores as against Rs. 46 crores in Q4 FY 2016. Cumulative booking value till date Rs. 1,758 crores. The total revenue recognized for the project in this quarter is Rs. 156 crores. And cumulative revenue recognition till date is about Rs. 1,254 crores.

For Exquisite, out of the total project area of about 15.47 lakh square feet, we booked close to 7,000 square feet in this quarter, and till date we have booked about 13.61 lakh square feet which is about 88% of the inventory in this project. Total booking value in this quarter was Rs. 16 crores as against Rs. 37 crores in the same quarter last year. Cumulative booking value till date Rs. 2,198 crores. In this case, we have completed the project 100%. So, all the sales till date has fully been recognized in P&L.

Prisma, of the total project area of 2.68 lakh square feet we have booked 12,364 square feet in Q4 FY 2017, and till date about 1.79 lakh square feet which is 66% of the inventory in this project. Total booking value for this quarter is Rs. 22 crores as against Rs. 8 crores in Q4 FY 2016. Cumulative booking value till date is Rs. 316 crores. The revenue recognition for this project in this quarter is Rs. 19 crores and cumulative till date is Rs. 183 crores.

In Mulund for Eternia, in Q4 FY 2017 we have booked a little over 13,000 square feet and till date we have booked about 4.71 lakh square feet. Total booking value for this quarter stands at Rs. 20 crores as against Rs. 10 crores in Q4 FY 2016 and cumulative booking value till date is Rs. 713 crores.

For Enigma, in Q4 FY 2017 we have booked over 10,100 square feet and till date 3.29 lakh square feet. The total booking value for this quarter is Rs. 16 crores as against Rs. 11 crores for Q4 FY 2016. Cumulative booking value till date is nearly Rs. 500 crores.

In Mulund for both these projects we have not yet hit the threshold for recognition and hence, this entire amount constitutes our order book.

For Sky City, we have booked 26,362 square feet in Q4 FY 2017 and till date we have booked about 11.47 lakh square feet. Total booking value for Q4 FY 2017 was Rs. 43 crores as against Rs. 133 crores for Q4 FY 2016 and till date the booking value is about Rs. 1,900 crores.

For Oasis, we booked about a little over 45,000 square feet in this quarter. Till date we have booked about 3.4 lakh square feet. Total booking value for this quarter was Rs. 187 crores and till date, the booking value is Rs. 1,291 crores. In this project, as Mr. Oberoi informed earlier, we have received approval for additional residential area of about close to 5.3 lakh square feet in Tower A.

To conclude, some key financial parameters, EBITDA margin for this quarter was 54% and for FY 2017 was 53%. PAT margin was 33% for Q4 and 32% for FY 2017. EBITDA margin for Mall and Commerz is much higher than average. Excluding them the margin for our pure residential business is at about 46% for FY 2017.

With this, we would like to open the floor to any questions that you all will have. Thank you.

Moderator: Thank you very much Mr. Oberoi and Mr. Daru. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, my question is on RERA. So, now that the act has kicked-in, could you give some more color on what is the status of implementation on the ground in the sense that our officials of the RERA are ready and can you go today and get a registration for a new project, is the website ready, so are all those nitty-gritties in place or will it take some more time for that infrastructure to do that up?

Vikas Oberoi: The nitty-gritties are in place and obviously, you can just go register your project. They will come back to you with their suggestion/s, objection/s or whatever one wants to. And I can only tell you that like any other institution that the government creates, they will have their teething problems. But that will not really affect the project as such. The government is very committed to make sure that they make a good show of this and we are pretty confident that there will be no slippage at this end.

Moderator: Thank you. We will take the next question from the line of Pooja Bhatia from Morgan Stanley. Please go ahead.

Pooja Bhatia: Sir, on the Worli project, what is the capex you will have to incur for the additional residential area of 0.5 million square feet?

- Vikas Oberoi:** We haven't really worked that out. But it will be less because the foundation and other work is done so, proportionately less. But we are yet working that out.
- Saumil Daru:** It is more opex than capex.
- Vikas Oberoi:** Yes, correct.
- Moderator:** Thank you. We will take the next question from the line of Abhishek Anand from JMFL. Please go ahead.
- Abhishek Anand:** Question on the Mall assets, just wanted to know any timeline if you have fixed on the Worli and Borivali Malls and of course, what is the rental outlook in these regions and the construction spend you are likely to do?
- Vikas Oberoi:** We are on the design board and continue to evaluate cost. But what we have done is that we have done a dipstick study in terms of what the demand is like and all that. So, that is very-very encouraging and as far as timelines go, a project of this size would probably take let us say give or take anywhere between 2.5 years and 3 years for it to get ready and operational. Since we are in early 2017, we are looking at probably 2019 and that is about it. So, even if you are able to give for fit out around that or may be a little earlier that is when we are looking at starting.
- Abhishek Anand:** For both the malls or just the Borivali one?
- Vikas Oberoi:** No, both the malls.
- Abhishek Anand:** Okay. Just a follow-up, has the construction already started in Worli project because at least I am able to see some construction activity or it is just the metro activity which is going on?
- Vikas Oberoi:** No, we have started work by securing the site. There is a lot of work that needs to be done before we start our basement and excavation and all that. So, we are just kind of doing the preparatory work which requires some amount of piling and all that. So, that has started. We do have CC and all that also. We are just waiting for the right design. We have already appointed an architect and we are looking at designs as we speak.
- Moderator:** Thank you. We have the next question from the line of Adhived Chattopadhyay from Emkay Global. Please go ahead.
- Adhived Chattopadhyay:** My question is on Worli project, so the additional FSI coming in, could you help us understand how the revenue recognition may change for the project, I mean the new area will it be added to the total saleable apartments in the project and then will that 25% threshold will be calculated for the number of units?

- Saumil Daru:** Yes. For the present moment, we have our options open on looking at it. But yes, ideally looking at it, it could be counted as one project itself and then in that case everything will work on a consolidated basis. But that is something we are still evaluating as to whether we end up segregating Tower A and Tower B or do we end up considering them together.
- Adhidev Chattopadhyay:** Sure. And just follow-up on that, for the hotel building excluding resi-portion, so when is that expected to be ready now tentatively?
- Saumil Daru:** We are looking at 2019 as the commencement date for the hotel.
- Adhidev Chattopadhyay:** 2019 beginning of the year.
- Saumil Daru:** Yes.
- Moderator:** Thank you. We have the next question from the line of Kunal Lakhan from Axis Capital. Please go ahead.
- Kunal Lakhan:** In this quarter we have seen some significant ramp-up in execution at Esquire, you almost incurred 7% to 8% of cost in this quarter alone. What is the timeline for completion of this project?
- Vikas Oberoi:** December 2017, this year.
- Kunal Lakhan:** Yes, okay. So, just a follow-up on that, so basically, we will be having two ready projects with inventory of more than a 1 million and half square feet.
- Vikas Oberoi:** Not really. Exquisite, I mean as we speak we are left with a little over 30 regular apartments, some of the pent houses continue to be with us. But by the time the Esquire project is ready Exquisite we are hoping will be pretty much sold off. And then we would have started the other phase of five more buildings which is our third phase of the project.
- Kunal Lakhan:** Sure. So, would that mean we would also expedite the launch Phase-III in Goregaon?
- Vikas Oberoi:** The project for Phase-III is scheduled to be launched in this financial year. So, it will happen on schedule as such.
- Moderator:** Thank you. We will take the next question from the line of Ritwik Sheth from Span Realty. Please go ahead.
- Ritwik Sheth:** Sir, my first question is on the additional 530,000 square feet that you got approval. What is the amount that you have spent for getting this additional FSI?

- Saumil Daru:** We are not spending any amount. I mean, as you would know as far as the Worli deal is concerned we have a JV partner and the land and the corresponding FSI is his obligation.
- Ritwik Sheth:** Okay. So, we would not be paying anything from our pockets for the additional FSI.
- Saumil Daru:** No, as far as the sharing is concerned, it is revenue minus cost and the balance is split between our JV partner and us. So, the same model which was there for Tower B, will continue for Tower A also.
- Ritwik Sheth:** Okay. So, these 530,000 square feet will be all together a separate tower?
- Saumil Daru:** It is a part of Tower A, the tower at the front, there is a hotel at the bottom, you would have seen that. The super structure for that part is complete and on top of the hotel is the residential part and there also we have started working.
- Ritwik Sheth:** Okay. And sir, can you give us the amount that we have spent till FY 2017 cumulatively on the Worli project?
- Saumil Daru:** Can we take that offline because we will just have to get into some more statistics on that.
- Ritwik Sheth:** Sure, no problem. And sir, what is the launch pipeline for FY 2018 like Borivali, Mulund the balance plus you know...
- Saumil Daru:** See, as far as Borivali is concerned we will clearly have one more tower which we could look at getting on board this year and that would be the fifth tower. In fact, on the fifth tower we have already commenced construction also while we have opened bookings only for four. As far as Mulund is concerned, you are aware that our phasing there is more vertical rather than horizontal. So, depending on how the off take goes, we are happy to open further floors as the demand comes in.
- Ritwik Sheth:** Okay. So, is there any threshold like on Borivali we have launched 2 million square feet and we have sold more than 1.1 million square feet. So, you know like 1.5 million if we reach will we launch further?
- Saumil Daru:** No, we will launch because we are also looking at how the inventories are moving and depending what floors are available in the other buildings we can open up those kinds of floors over here. Any which way whenever we open the sale on that one we have already started work as I told you. So, customers are also going to see that and have that much more confidence that work is already happening, so those delivery timelines are all going to be met.
- Ritwik Sheth:** Okay. And one clarification like just for FY 2018, our revenue recognition, we should expect Mulund in Q4 or the second-half and Borivali is same, right?

- Saumil Daru:** That is what we are aiming for. In one of my discussions with another analyst also I mentioned it all depends on how the monsoons go and what kind of speed we are able to do and all of those. But revenue recognition in this financial year is something we are definitely aiming for both of these.
- Ritwik Sheth:** Okay. And even Worli, so even if you consolidate then should we look at H2 revenue recognition?
- Saumil Daru:** Correct. Because in Worli if we consolidate again, from the view point of revenue recognition we will easily meet the 25% construction cost threshold but the whole thing would-be achievement of sales, so that is the only factor which is going to drive recognition in Worli.
- Ritwik Sheth:** Okay. So, what is the fungibility that we have accounting wise that we can separate the two towers that way?
- Saumil Daru:** So, those are certain technical parts again like I said, we can take some of it offline in terms of how accountants interpret a project and what kind of approvals there are.. many angles which come in. So, that is where the flexibility is coming.
- Moderator:** Thank you. We will take the next question from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** My question was essentially- are you happy with the pace of sale you are registering in the Worli project and the inventory sales which you have essentially in your Mulund and Borivali assets. I mean, if this a pace, these are five apartments in Worli and around 30 apartments in the other projects, so is this a number which you are happy just from inventory perspective?
- Vikas Oberoi:** Firstly, this is the first quarter after demonetization. Obviously, we were in fact worried about how this will pan out and we made a statement that now it is a non-event. So, obviously, the way we are seeing increase in footfall that is giving us confidence that really demonetization is a non-event and going forward, things are going to look good. With regards to Worli if you see, in the last quarter we sold three apartments. All these three apartments were actually sold in a month and we thought that the quarter we will probably do about ten. But then demonetization happened and everyone pulled out. But coming out of that and then selling five apartments and of this value, I do not think that is a bad call. So, going forward, we expect the pace to increase. But if you ask us, have we been happy with what we got after the quarter of demonetization, then the answer is yes.
- Saurabh Kumar:** Okay. The only thing I was thinking you have 200 odd apartments here and after this 5 lakh square feet extra area the number of apartments will go up may be to around 250 odd apartments and you have sold 35. So, clearly need to be doing at least 10 apartments a quarter to at least sell off in at least some four-year to five-year timeline.

Vikas Oberoi: Absolutely. That is literally our target and more may be. But like I said, we are only hoping that we do not have any more surprises like demonetization or any such stuff for us to get that momentum. We really thought that in the Q2 we got that momentum and we thought that probably Q3 we will achieve what you are trying to tell us. But because of this thing it kind of got stuck. So, we are also aiming at similar and more sort of numbers that you are suggesting. But again, like I said these are market driven and the best part is we have got the best inventory with us, these higher floors and all that will be left with us. We feel that it may not be that difficult for us to achieve further momentum once we go forward.

Saurabh Kumar: And if I can just have a follow-up here. How do you feel about competition now, we have heard Blu is sold out and that Omkar is 75% - 80% sold. So, how do you feel the market now shapes up?

Vikas Oberoi: We are not really looking at competition. See, our product is different our clientele is completely different. So, we are not really looking at competition and how they do and what payment terms they gave and stuff like that. We do not want to be in the business of taking 20% now and 80% on possession and then wonder whether these guys will show up or no. Ours are serious sales where we have got serious money and we continue to get money from our buyers. So, we are different and our product is different. So, we really do not want to compare or compete with them.

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

Punit Gulati: First, if you can give more color on which quarter do you intent to launch your Exquisite III and if you think RERA could result in delayed launch for that project?

Vikas Oberoi: So, RERA would not delay the project because we already have approvals in hand and all we need to do is get RERA approvals and from what we are hearing and experiencing RERA permissions are not difficult to get if all your paper work is in order. So, that part is okay. With regards to the launch we are looking probably at the last quarter of this year or may be the September quarter.

Punit Gulati: Okay. Just secondly, if you have any thoughts on how the market in terms of business development, has changed post demonetization and now that RERA is also there?

Vikas Oberoi: For that I would segregate projects into Greenfield projects and project that other developers have started and are not able to complete. So, as far as Greenfield projects go, we do not see much of competition from developers, and we feel that land can be bought sensibly by people who are prudent. Hence, we will have opportunities there. As far as projects where developers have started and have not been able to build for whatever lack of reputation or lack of customer or having over leveraged, we see those also coming. But I know, it is not going to be easy for any of the developers to crack that because they come with their own notions and own

set of expectations which sometimes you can and sometimes you cannot fulfill. So, we are waiting and watching. But again, like I said our hopes are on Greenfield projects where we will feel that a lot of sanity would have come into the market and we will be able to do land transactions at a decent price.

Punit Gulati: So have land prices softened as per your view?

Vikas Oberoi: More than land prices having softened good land is available at the right price. Earlier people were paying premium thinking that two years later I will be able to sell it at a higher price and all that. That sort of notion has gone and so, people are prudent about what they are buying and how they are buying and all. So, that is a good thing in the market.

Moderator: Thank you. We will take the next question from the line of Manish Gandhi, Individual Investor. Please go ahead.

Manish Gandhi: Mr. Oberoi, just one question on our competitive advantage and I think we have one of the greatest brand in Mumbai and I have been associated with it. But what happens when RERA comes, so how much weightage apart from many great things what the company has done the timely delivery and the surety of delivery in the mind of customer, how it changes for us or a developer like us because every other competitor will have to give that, so just wanted to have your views on that.

Vikas Oberoi: So, every other competitor will have to do that and they would have done that if they were able to do that even earlier. So, the fact that they are not able to do they might not be able to commit. If they are not going to be able to commit then obviously they will not want to be in this business and if they commit then the government is going to force them to deliver. And if they do not deliver they will end up paying penalty and all that. I see a lot of projects. In fact, we were trying to negotiate for a land parcel where this developer is asking me that why don't you take over my company and I told him that you have already committed to your buyers that you will deliver this project in 2015. We are in 2017 and by the time I look at the state of your project even if I jump in now and do all sort of firefighting, I will not be able to complete the project before 2018. Who will pay for the delay and all that so obviously, what you are saying they could do they would have done in the past. Some of them will probably raise the bar and try and finish, a lot of them will perish. So, it's anybody's guess at the end of the day. But as far as we are concerned, all we have to do is continue to do what we have been doing and that is about it.

Manish Gandhi: Right. And just one more thing, so we have been trying in last three years - four years to enter NCR because we had one land JV in Pune but we have not been because of regulatory but just a thought. Is not a Pune, in a nutshell, extension for a company like us because many people prospective buyers in Pune already knows about Oberoi and our brand. So, just your thought on this. Rather than going to NCR, Pune do you not feel it is a better fit.

Vikas Oberoi: So, I agree with you, Pune will be a better fit. But again, NCR also is not a bad idea to go to. But having said that we are in no hurry, at the end of the day the right time is the right time, the right time could be tomorrow, the right time could be five years and this is right time for the company, I am not saying market as such. We continue to hone our skills doing projects correctly, doing projects in time creating a seamless process, experience for the customer, all those things are being done and that is very important and it is almost like an IP for us. So, once we have solid franchise then we can take this to other parts. Like we anyway outsource a lot of our construction design. So, from capacity point of view we do not have a problem. If I am working with L&T, L&T's capacity is my capacity, the best designers in the world are available for us to hire and do that. What we do have? We have knowledge and we have a brand that we intend to take to the rest of the country. So, as we mature we will take a call and go forward.

Moderator: Thank you. We will take the next question from the line of Abhishek Anand from JMFL. Please go ahead.

Abhishek Anand: So, we basically were hearing something on a single window clearance especially in Delhi and Mumbai. Basically, there was a talk about approvals being given in 8 days to 10 days. So, what has been our experience and whether this facility has been operational? Basically, just wanting to understand your experience on the same.

Vikas Oberoi: Let me tell you that nowhere in the world one can get approval in 8 days - 10 days. From what I know even Dubai and all they take about two months. So, I think between us if we can come to even two months or three months, I think we are very well off. So, I am not even hoping that approvals will happen in 8 days or 10 days. But like I said that we will be happy if things can be done within the first 90 days with all approvals in place. They have of course, cut down on a lot of departments. They are now allowing, let us say if you have a parking plan then a private parking consultant can approve your plans. So, a lot of all this like your mechanical, electrical, HVAC which was earlier going to hydraulic engineer in the BMC for approval now your internal guy can do it and certify that these are as per IS code or whatever. But one still has to go and I think it is a very positive thing. We will be very happy, a lot of environment approvals have now become standard conditions in approval, so one does not have to take specific approval of environment up to a particular size of the project. So, these are very positive steps that government is taking I think they are good. Some amount of governance will be required which is not bad otherwise you will see all haphazard buildings come up. I am pretty happy with the way things are going, it could be faster but one has to follow rules.

Abhishek Anand: Yes, I understand but the single window clearance, the online facility that I think has been functional.

Vikas Oberoi: Ultimately, you may apply online but you will have to still follow up on all that. Yes, they have internal guidelines that you have to either approve it or reject it within the first seven

days. And as a practice they just end up giving you a rejection as your own application may be having some sort of shortfalls. So, they will kind of just give you a refusal saying that these things have to be done then you go back, again fill in the deficiencies and then again, they will do this. So, it will still end up taking anywhere between 60 days and 90 days which is very good trust me, it is very good. Most of the developed countries take one year and more.

Moderator: Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.

Nitin Agarwal: Vikas, on the affordable housing which was announcement by the government. I mean, does that play into our strategy going forward?

Vikas Oberoi: Honestly, we are continuing to study that market and trying to find a way. See, at the end of the day yes, we want to build homes. But we also want to make money for our investor. So, unless and until we are able to crack that code, we cannot commit to doing those. So, we continue to watch and study, if let us say if business makes a case out of it then we will do it.

Nitin Agarwal: But in your own assessment what is the stumbling block despite all the measures that the government has announced in terms of making it a return accretive business for a developer?

Vikas Oberoi: I would just say that basic cost is. The construction cost with all that premium and land cost put together just does not stack up. The Government will probably need to do some more on this. We are internally discussing and trying to put together a paper, in which we will share with the government, what we feel the government needs to do to make sure that more developers are interested. So, we continue to think through internally and we might put in a paper to the government and say that this is our idea. If they appreciate great, if they do not then...

Nitin Agarwal: And secondly, when you look at next two years - three years for ourselves, apart from the retail piece which is going to get like accelerated sort of focus from the company side in terms of the investment you are going to make, where are the areas that you are going to be focusing on because all the other projects that we have right now are well-established it is only about incremental launch of phasing of those projects.

Vikas Oberoi: That itself is a job in itself. If you calculate and see, this is the capex we need to do, so we need complete focus on that and with RERA coming in, we have somebody who will hit hard on our knuckles if we do not perform on time. So, we need to be very careful and mindful of that. Again, I mean, yes, we are in the business we are looking at land, we will buy new land, we will build. Luckily for us it is something now we know well and it is a well-oiled machine we will continue to do that now.

Nitin Agarwal: Okay. And lastly, in Goregaon after the launch of Phase-III will there be any more inventory left in Goregaon?

- Vikas Oberoi:** So, Phase-III five towers and one commercial building then we are left with a hospital and an education complex and then we are done.
- Moderator:** Thank you. We will take the next question from the line of Parikshit Khandpal from HDFC Securities. Please go ahead.
- Parikshit Khandpal:** Sir, I wanted to understand the PMC opportunity in the real estate sector and if we have any role there, are we looking at those kind of deals post the RERA.
- Vikas Oberoi:** There is an opportunity obviously and we also continue to look at that but for us many things need to fall in place. One is the location has to be right, we are picky about that. The other thing is that most of these PMCs are PMCs of developers, these are redevelopment projects where developers have committed money and they have got stuck. So, again, what sort of design commitment they have made. So, we are picky about it. We will continue to do that. If there is greenfield land parcel where they tell us that do a PMC we will happily do it. But of course, we will treat that like our own project because you are going to put in your brand, you are going to make sure that we are not misleading anybody and we have a method to this, we want to do a financial closure of that because once we take this up, we want to make sure that the entire project will get finally built. So, we want to make sure that everything is lined up, the title is clear and all that. So, we are happy to do that.
- Parikshit Khandpal:** Okay. Sir, my second question was - if we segment the Mumbai market so, there is an investor demand and there is an end user demand. So, post-RERA how has this changed because what we understand is that investment demand has been really low and it is right now the end user which are having the demand.
- Vikas Oberoi:** So, we have never had investors I mean, at least we do not encourage investors. If somebody were to buy being an investor and take the apartment and invest, we cannot stop them but the way we run our company we ask for higher upfront payments, we want them to register the agreement and so on and forth. So, we have not had any impact even if let us say these investors have evaporated. For us, we have always focused on actual users because at the end of the day these investors also look for actual users. So, we will rather look at them and do our business that has been our philosophy.
- Parikshit Kandpal:** Okay. Sir, any particular reason why there has been slow down in the Borivali sales because in the last quarter we did 33 apartments and in this quarter, it is around 19 apartments.
- Vikas Oberoi:** Well, like I said, we obviously were coming out demonetization month or rather demonetization quarter. So, it is not that bad as such. And we also have to see that we have launched four towers, most of the lower level floors are already sold. I was actually at the sales office today and I could see a lot of buzz there. So, I am not unduly disturbed or unhappy about it.

- Parikshit Khandpal:** And sir, lastly, if you can give your view on the residential REIT because we are talking about commercial REITs now. So, do you see any future for the residential REIT in India?
- Vikas Oberoi:** No, I do not see because yields are so bad I do not think anybody would want to put their money where the yields like 1.5% and 2%.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** Sir, first question on Worli, the increase FSI that we have on residential how are you planning this product. Will it be similar to the existing?
- Vikas Oberoi:** So, well this has got to sit on the floor plate of the hotel on top, we have multiple options, we can do small size apartments, we can do large or very large. So, we are very open to that. Today, what we are doing is we are actually just building the similar floor plate of the hotel and we will go up that is where we can actually consume the FSI and then we will see how we will slice that.
- Abhinav Sinha:** Okay. And when the additional height approval comes assuming it does, is there additional FSI that you get?
- Vikas Oberoi:** So, today we have FSI for about 75 floors and we have built about 62 - 63, we already have up to 75. We have clearance up to 65, we have started work there and our entire building can go as high as about 89 if we get all height approvals and FSI approvals.
- Abhinav Sinha:** Okay. So, this 75 corresponds to 1.78 million is that correct?
- Saumil Daru:** Actually about 67 corresponds to 1.78 million and once we go up to about 89 that as per your question that will be incremental FSI.
- Abhinav Sinha:** Ok. Thank you. Sir, secondly on the leasing business the 0.1 million square feet from Samsung when does it start reflecting in P&L?
- Saumil Daru:** Sorry, which one?
- Abhinav Sinha:** The Samsung deal that you have done in Commerz II.
- Saumil Daru:** Okay. So, basically because we have already handed them the premises for fit out and on account of straight lining, our financials for the last quarter already incorporated a little bit of earning but that is the P&L impact. The cash impact should start in this quarter.
- Abhinav Sinha:** Okay. And how is the leasing pipeline looking like this year?

- Saumil Daru:** Again post the Samsung deal also, the kind of enquiries, the kind of RFPs and everything we are doing that look extremely encouraging and promising. So, we would want to believe that the target that we have set internally for the full lease out of the building, we should be able to achieve it in the timelines that that we have set ourselves.
- Abhinav Sinha:** Which is this year?
- Vikas Oberoi:** Hopefully, yes. We have got literally 100,000 square feet being leased every quarter. Last quarter we had Teva this quarter we had Samsung. So, hopefully everything is going well.
- Abhinav Sinha:** Okay, that is good to know. Finally, on Esquire, we are looking at completion in 9 months - 12 months and price gap is still high versus Exquisite. So, does this start narrowing quickly now?
- Vikas Oberoi:** I desperately want to do it but my sales people are not allowing. I give you this opportunity to convince them, some of them are here and listening.
- Moderator:** Thank you. We will take the next question from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** I think on the RERA just one other clarification is there clarity now in Mumbai in terms of exclusion of the ongoing projects, what clarity in terms of what projects will be applicable for RERA in Mumbai?
- Vikas Oberoi:** Any and every project that is under construction will have to be approved under RERA, all other projects which have got occupation certificate are out of that gamit and obviously that is about it.
- Nitin Agarwal:** So for example, for us projects like Exquisite and all will have to go for...
- Vikas Oberoi:** As per our current understanding, Exquisite does not have to go as it has got occupation certification.
- Nitin Agarwal:** For Esquire.
- Vikas Oberoi:** Yes, Esquire will have to go.
- Nitin Agarwal:** So how does it work in a sense you are already doing sales on the project till the time you get those certificates, you cannot do fresh sales?
- Vikas Oberoi:** No, you can until July 31st.
- Saumil Daru:** So, you get 90 days from the date of RERA to basically file your application. If you do not file your application within the 90 days then yes, obviously what you are stating could happen. But

effectively you have to file your application within 90 days and you can continue. Even in that period, you can continue to sell and after that you can continue to sell.

Nitin Agarwal: Once you get the approvals in place?

Saumil Daru: Yes.

Nitin Agarwal: Okay. And secondly, Vikas, in terms of a couple of years back you expressed confidence about the fact that you are looking to step up the scale effectively for the business. In terms of how things have played out over the last year and year-and-half years I mean, are you happy with the way, rather satisfied with the way the expansion of the business really the expansion strategy has played through?

Vikas Oberoi: If I say I am satisfied, my whole office will go to sleep. So, I cannot say that. We will need to continue to be hungry. But at the same time, we also understand the limitations that this business has had and all that. So, going by that we are okay, but we want to continue to push ourselves to do better.

Moderator: Thank you very much that was the last question. I would now like to hand the conference over to the Chairman and Managing Director -- Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you all for taking time out for taking this call. We really like receiving feedback from you all. This only helps us think harder. Please continue to share your views, continue to call us, meet us, and continue to guide us on how to run your company better and until then, I look forward to seeing you or talking to you over the phone or sharing this conference call with you. Thank you again. Bye-bye.

Saumil Daru: Thank you.

Moderator: Ladies and gentlemen, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.