



“Oberoi Realty Limited Q2FY 2018 Earnings
Conference Call”

October 17, 2017



**MANAGEMENT: MR. VIKAS OBEROI – CHAIRMAN AND MANAGING
DIRECTOR, OBEROI REALTY LIMITED
MR. SAUMIL DARU – DIRECTOR (FINANCE), OBEROI
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Moderator: Ladies and Gentlemen, Good evening. And welcome to Oberoi Realty's Earnings Conference Call for the Quarter Two Financial Year 2018 that ended on September 30, 2017. We have with us Mr. Oberoi – the Chairman and Managing Director of the Company and Mr. Saumil Daru – the Director Finance of the Company on this call today.

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 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 you need assistance during this conference call, you may signal an operator by pressing '*' and then '0' on your touchtone telephone.

Before I hand the conference call 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 expectation and conjunctions 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 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, Good evening to all of you as per the time zone from which you have logged in and welcome to the conference call of Q2 FY18 Results and Business Updates. Firstly, thank you all for taking your precious time on today's day, I know it is Dhanteras and a lot of you must have been busy with pooja in your office.

A quick update that I want to communicate to you is, as you all know we have been selected as the successful bidder for GSK's Thane land and we now get into the paperwork phase of that deal. We have also completed the registration of our projects with RERA. All our projects are now RERA approved and we have received registration numbers for all of them as well. All our projects continue to do well in terms of construction. We also see that with the onset of RERA and GST we are witnessing an increase in customer confidence and improved market sentiments. We also believe that credible players like us are likely to gain ground and some unorganized players will be pushed out due to this intent of RERA. We are also believing that there will be some sort of consolidation in this sector. With a robust pipeline and sustained focus on customer centricity we also believe that we will continue to create value for our stakeholders.

I will now hand over the call to Saumil for him to take you through the numbers. Again, I am more than happy to answer any of your individual questions once we begin our Q&A. Thank you.

Saumil Daru:

Thank you, Mr. Oberoi. I guess most of you must have received the presentation from our IR team, and if not, the same is available on our website along with the results filed with the exchanges. To go on to the numbers, in terms of consolidated financials we achieved consolidated revenue of Rs. 308 crores for this quarter, this is as against Rs. 270 crores for immediately preceding quarter and Rs. 264 crores for the same quarter last year. The consolidated PBT was Rs. 154 crores for this quarter as against Rs. 131 crores for the first quarter of FY18 and Rs. 124 crores for Q2 FY17. And the consolidated PAT for this quarter was Rs. 104 crores as against Rs. 91 crores for Q1 FY18 and Rs. 83 crores for Q2 FY17.

Moving on the asset level performances. Our investment in properties continued with their steady and strong performance. Oberoi Mall, which is our retail asset contributed Rs. 26 crores to the operating revenue for this quarter as against a similar number for the first quarter and Rs. 24 crores for Q2 FY17, the EBITDA margin in these vertical stands at about 93%.

Commerz, which is our office space asset contributed about Rs. 11 crores to the operating revenue for Q2 FY18 as against about Rs. 12 crores for Q1 FY18 and Rs. 11 crores for Q2 FY17. The EBITDA margins in this vertical continue to be in excess of 98%. In Commerz II Phase-I this contributed about Rs. 12 crores for this quarter as against Rs. 11 crores for the first quarter of this year and about Rs. 4 for the same quarter last year.

The Westin Mumbai Garden City contributed Rs. 29 crores to the operating revenue for this quarter as against Rs. 30 crores for the preceding quarter and Rs. 29 crores for the same quarter last year. The EBITDA margin in this vertical continued to be in excess of about 31%.

Moving on to the development properties: Esquire, out of the total project of about 21.22 lakh square feet, we have booked a little over 50,000 square feet in this quarter. Till date the total bookings stands at about 12.67 lakh square feet which is about 59% of the inventory. Total booking value in Q 2 FY18 is Rs. 103 crores as against Rs. 26 crores in Q1 FY18 and Rs. 53 crores for Q2 FY17. Cumulative booking value till date is Rs. 1,871 crores. Cumulative revenue recognition for the project stands at Rs. 1,537 crores out of which about Rs. 175 crores has been recognized in this quarter and balance has already been recognized earlier.

Exquisite, out of the total project of 15.47 lakh square feet, we booked a little over 5,300 square feet in this quarter, till date 13.81 lakh square feet, which is about 89% of the inventory in this project. Total booking value for this quarter is Rs. 12 crores as against Rs. 33 crores in Q1 FY 2018 and Rs. 40 crores for the same quarter last year. Cumulative booking value till date Rs. 2,244 crores. And the total revenue recognized till date also stands at that number on account of 100% project completion. The revenue recognized in this quarter is about Rs. 12 crores.

For Prisma, out of the total project of 2.68 lakh square feet we have booked closed to 9,000 square feet in this quarter, till date about 1.91 lakh square feet which is 71% of the inventory in this project. Total booking value for this quarter is Rs. 16 crores as against Rs. 5 crores in the first quarter of this year and Rs. 19 crores for the same quarter last year. The total cumulative

booking value till date stands at Rs. 332 crores and the cumulative revenue recognized till date out of that is about Rs. 206 crores. Again, out of the Rs. 206 crores Rs. 17 crores was recognized in this quarter and the balance has been already recognized in earlier quarter.

For Mulund, in Eternia, Q2 FY 2018 we have booked close to 21,300 square feet, till date the total booking is 4.96 lakh square feet and the total booking value for this quarter is Rs. 32 crores as against Rs. 4 crores for the first quarter and Rs. 23 crores for the same quarter last year. Cumulative booking value till date is Rs. 727 crores.

In Enigma we booked a little over 16,850 square feet, till date a total of 3.48 lakh square feet. And the total booking value this quarter is Rs. 25 crores as against Rs. 3 crores for the preceding quarter and Rs. 17 crores for the first quarter of last year. The total cumulative booking value stands at Rs. 512 crores.

In Sky City, we booked over 55,900 square feet this quarter, till date 12.35 lakh square feet. The total booking value for this quarter was Rs. 88 crores as against Rs. 52 crores for Q1 FY18 and Rs. 45 crores for Q2 FY17. Till date the booking value is Rs. 1,975 crores.

For Worli Oasis, we booked about a little over 15,000 square feet in this quarter, till date about 3.85 lakh square feet. The total booking value for Q2 FY18 was Rs. 76 crores and till date the total booking value stands at Rs. 1,501 crores.

Finally, coming back to some key financial parameters. Our EBITDA margins for this quarter was 54.69% and for Q2 FY 2017 was 52.27%. PAT margins were 33.53% for this quarter as against 31.33% for the preceding quarter. The EBITDA margins for Mall and Commerz, as I mentioned, are much higher than the averages of 54% and excluding the margins for our pure residential business is about 49% for this quarter.

With this, we would now like to open the floor for 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. Our first question is from the line of Puneet Gulati from HSBC. Please go ahead with your question.

Puneet Gulati: My first question is, if you can help me understand what has really happened in Commerz I, the occupancy is down and you have taken some area for your office space, so what is driving this increased demand for internal office space and how should we look at this number?

Saumil Daru: As far as the office space in Commerz, you are saying Commerz I, right?

Puneet Gulati: Commerz-I, yes.

Saumil Daru: There is no increased office space being taken.

- Puneet Gulati:** So, the occupancy has gone down to 82%?
- Saumil Daru:** There is only 1 tenant which has gone out, that is there. The other one of the space occupied for our own use which has gone up has been there since quite some time.
- Puneet Gulati:** So, there is no increase in that, right, that is the whole number only?
- Saumil Daru:** No, that remains constant.
- Puneet Gulati:** Okay. So, this occupancy has gone down here, what is driving this?
- Saumil Daru:** So, there is this one tenant which has vacated, that is all.
- Puneet Gulati:** Okay. And how is the progress on new tenants for Commerz II?
- Saumil Daru:** That has gone well. So, if you look at it we are virtually now getting on a steady state line for this 45% odd of occupancy which we already have, all those cash flows have started. As far as the balance is concerned, the pipeline looks good and hopefully with the way the deal pipeline is looking this quarter we should be looking at closing one more decent sized transaction. And by about March we should also look at hopefully being there at about at least 75% occupancy.
- Puneet Gulati:** Okay. And if you can comment on what kind of spend did you do on your construction for the quarter?
- Saumil Daru:** For individual projects these are varying numbers, so may be that is something which we can discuss offline with you.
- Puneet Gulati:** Consolidated numbers?
- Saumil Daru:** It would be about Rs. 130 crores.
- Puneet Gulati:** And if you can also give some more color on when does the revenue recognition likely to start for Sky City and your launch plans for may be the third phase of Exquisite?
- Saumil Daru:** So, I will take the Sky City one first. The way we are seeing progress at the site, it could either be the last quarter of this year or it could become the first quarter of the next financial year. But that is something we will have to keep monitoring because we will just have to see how the work proceeds at that place. And hopefully we would want it to come in the last quarter of this year. If you look at the institute guidelines there are two metrics to be achieved, 25% of construction done and 25% of area sold. In Borivali we have sold way more than the 25% of the area, so the first metric we will meet easily. We will just have to ensure that we cross the second threshold so that we can begin the revenue recognition.
- Puneet Gulati:** Okay. And on the launch plan?

- Vikas Oberoi:** So, launch, again, I do not know whether you all know, we have already started our work at site and we continue to build that. I mean, one of these days whenever we feel that it is the right time to kind of come out with a new project we will do that, we are not setting any dates for ourselves but hopefully probably closer to February and March is when we are really looking at the last quarter of this year. Again, we also want to see how we are able to monetize the ready Exquisite and Esquire also. So, after that we will look at Phase III.
- Puneet Gulati:** Okay. And are we already RERA approved for this project or do you have to apply for it?
- Vikas Oberoi:** No, we have to apply for that, we have not applied.
- Puneet Gulati:** Okay. And lastly, if you can give more color on the new Thane land, how much more would you need to pay for it?
- Vikas Oberoi:** We have not paid anything as yet. Like I said, it is just that we have been selected as the winning bidder and all this will now follow-on and stuff like that. We are not in a position to speak more about it. But since it is a matter of fact and everyone knows, we thought that we would simply tell you all.
- Puneet Gulati:** Okay, but you cannot comment on what more would you need to spend?
- Vikas Oberoi:** No, not as yet.
- Moderator:** Thank you. Our next question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** Just wanted to understand, see we have been clocking around Rs. 300 crores of collection, not for previous quarter but before that on a quarterly basis more than that, but over the last two quarters we have seen it come down. So, in the next quarter should we expect a significantly higher collection as the demand letters go out and the pent-up collection is received by the company, should we expect that?
- Saumil Daru:** Yes, very clearly. Because this has happened more due to RERA, this is all post RERA implications. So, as you are aware all the developers had to reword their earlier MOFA agreements to meet the RERA conditions and all of that. So, once all that agreements have got rolled out and then they have all got registered, so I think this was something which we had discussed even in the last analyst call, Abhishek. Even in the last quarter as you rightly pointed out the collections were a little subdued. But very clearly with the pace of registrations and everything else that we are seeing we believe that almost all these collections will come through by December.
- Vikas Oberoi:** See, we cannot collect money without these guys having registered the agreement, that is what RERA wants us. So, we now need to make sure that all the guys who had booked from us and who have already paid us 30% - 40% register an agreement and only then we can agree to the

demand. Number two, if you see Esquire, we have already completed as per RERA there is only an X amount of money we can take from our buyers, we have already taken that. Luckily for us we should finish with Esquire probably around December. So, after that 100% of the payment will be due so that catch-up, as you rightly said, you will see that happen instantly. But luckily for us, if you see, they are very miniscule adjustments because we were pretty close to what RERA really wants us to do. At some ends we were behind RERA, at some ends we were like may be marginally exceeding what RERA allowed us to collect. So, we have finally been able to manage it properly.

Abhishek Anand: So, Esquire you are planning to complete by December this year, right?

Vikas Oberoi: Yes.

Abhishek Anand: So, over next two months basically you are going to collect 21% of the remaining collection?

Vikas Oberoi: Correct, from the amount that has been sold.

Abhishek Anand: So, that is almost Rs. 360 crores from Esquire itself?

Vikas Oberoi: Correct. Obviously we will be raising demands and we are hoping that given the track record we will probably be able to collect it within the next two months of we raising the demand. And because this is the final installment, people will kind of plan and then they will take it and stuff like that. But we are very clear that we will be ready with the project with our OC before December.

Abhishek Anand: Sure. Secondly, I wanted to understand regarding the RERA website. So, I understand that you have registered all the projects, it is visible. But when does the next updation happen, is there some kind of a directive by the regulator to update the quarterly sales or is it voluntary, how does this activity take place?

Saumil Daru: So, Abhishek, the requirement as per the law is that the update has to be quarterly. So, though the only thing I would just want to clear about is what is the exact date by which the quarterly update has to go through. But the update is required on a quarterly basis for sure.

Abhishek Anand: But no one has updated, so that is what I was...

Saumil Daru: The quarter has just ended, if I am not mistaken we would be amongst the first of the real-estate companies to declare the results. And I would expect that at least on the listed side you will see most of them coming up with results only may be a week or so and further down the line. So, people take their time to close their books and look at these numbers. So, I would guess that may be by end of the month you would get a better picture.

Vikas Oberoi: And since we are already listed and we anyway disclose, for us it is hardly an issue, we only have to update whatever we are telling you all as such.

- Abhishek Anand:** Yes. No, it is more from an industry perspective.
- Vikas Oberoi:** I agree.
- Abhishek Anand:** So, lastly, we understand that you have been assigned as the top bidder for the Thane land parcel. Are we looking out for more land parcels given the commitment we might require for the Thane land parcel, we might go slow on further portfolio addition or we are actively looking further...
- Vikas Oberoi:** Abhishek, we are very, very clear that we will continue to buy land wherever we feel that it makes economic sense, that is the first thing. Number two, we do not want competing suburbs because then we end up cannibalizing our own product. Third is we already have enough capacity that we can now build a lot more. So, if we get good land in good pockets of Mumbai we would be very happy and we would be reasonably aggressive in taking those properties. So, like execution point of view we do not see any challenges, we are building probably more than what we built in our entire lifetime and everything seems to be going smooth. Esquire will be a little over 2.2 million square feet of delivery, so one has not done this sort of deliver ever earlier, we delivered Exquisite just a year and a half ago. So, if you see that as a company we have been ramping up our production and delivery and today we feel very comfortable that we can build more and deliver more. So, we are very happy to take on more land and this is not with an intention to do any land banking, whatever land we will buy we will quickly get into development. Like Thane, we internally want to make sure that we launch the project within the first nine months of having paid, registered the document.
- Abhishek Anand:** And finally just to understand, as you were mentioning Esquire getting completed this year, what is the pricing difference now between Esquire and Exquisite and what is your strategy here because inventory will compete for sure after December between Exquisite and Esquire?
- Vikas Oberoi:** So, Exquisite continues to be about may be 10% higher, give or take 8% to 10% higher than Esquire and finally I think they will all blend out. Yes, that is it, so we have not really strategized because we see that now we do not have much left in Exquisite anyway, these are higher floors, duplex or penthouses and they will be dealt more on a case to case basis. But Esquire, if you see the numbers, they continue to do very well now and people see value in Esquire over Exquisite. We have enough of Esquire to sell, we do not mind that scenario where people see value in Esquire and want to buy Esquire, it is fine by us. And that is how we are playing it out, but happy to take any suggestions any of you have.
- Moderator:** Thank you. Our next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** Sir, can you shed some light if the pace of sales that we have seen seems to be sustainable going forward as well?
- Saumil Daru:** Yes. So, the way we look at it, and as Vikas mentioned when he began that you are now seeing post GST. Pre-GST again a lot of people were unsure as to what the final GST burden was going

to be, there were a lot of rates bandied around whether it was 18%, whether it was 15% or 12%, till it finally settled down at 12%. So, now there is a lot more clarity, they also know that while that is 12% how much is the developer passing on to them. So, in our case as you would have seen our campaigns we had this 0% GST impact campaign. So, from that particular perspective, from a customer's end there is more clarity on dealing; and now again look at the impact which RERA is bringing in, it is a pro-consumer legislation, if you will already look at some of the judgments which are coming out under RERA they are again tending to go in favor of the consumer. So, with this the consumer is now that much more confident of dealing with the developers because he knows that he has the protection of the law behind him. So, if you look at an overall environment and from a structural perspective this part of the deck is clear. So, at least from this perspective one can say that this recovery looks sustainable, because there is nothing now on the horizon which is likely to change or create any doubts in the minds of the customers, so they should now look at coming back to the markets and closing out transactions.

Abhishek Anand: Okay. And sir, if I look within that, the Worli project seems to be moving slower since six months odd, so any change there we are expecting? And also I think we have now aligned the tower A and B inventory together, so does it mean that revenue recognition is delayed here?

Vikas Oberoi: Abhinav, we are very seriously considering that we have reached peak of our development as far as the tower B goes. We had civil aviation approval until the 65th floor, we are looking at restricting this to the 65th floor itself. This means that technically both the towers super structures will be over we will be doing our external finishing and be done with it. What I want to tell everybody is that even with the area that we are currently holding it is far more than what we have ever informed or promised the investors. So, we feel that there is very little merit in waiting beyond where we are right now, we want to finish it at 65th floor and close the project.

Abhishek Anand: Okay. And finally just on the Thane project itself, so how do you see the product at that location and within that context will you look at take advantage of the affordable taxation benefits as well?

Vikas Oberoi: Okay. So, we will obviously do everything that is possible and can be done. But very little that we can share right now, we are in a planning mode, we will do our best, we will consult you all and then only move forward. For now our entire focus is that we close the deal and take the property. Obviously we continue to plan but we do not want to discuss openly right now.

Moderator: Thank you. Our next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Vikas, just on new project acquisition, two questions. One, what is your comfort level to which you want to lever up your balance sheet? And second, are you also looking at capital light JD, JV model and do you see deals on table for that?

Vikas Oberoi: Again, contrary to what the market thinks we are not averse to leveraging, our focus is very clear that we want to make sure that we buy money at a cost which is cheap. We also want long-term debt, we also want to ensure that we are backed by projects that have crystallized cash flow or have products that are ready and that can be sold in the market. So, like we will always be prudent about how we go about doing it, there is no upper cap or a lower cap that we kind of put, but whatever we have done historically and when I say historically you can look at as over 10 years not just three, four or five years is what we intend to do. Sorry, what was your next question?

Sameer Baisiwala: Capital-light JD, JV transactions.

Vikas Oberoi: So while we are okay with this capital-light JV, JD model, we also feel that with RERA and all that, there is a lot of skin in the game. If by deploying capital, I can make more money, I am not averse to deploying capital. Now deploying capital could be third-party capital, it could be our own capital, it could be borrowed, it could be leveraged, it could be leveraged out of the land that's coming in as a JV. But we would ideally like to have more control on the projects over merely doing a development management program because you put in a lot of your goodwill into the project and a buyer is only looking at you. If I have a management contract and let's say the developer or rather landowner terminates my contract, I still am morally bound and committed to the buyer. So I want to have enough control where I can deliver what I promise.

Sameer Baisiwala: Okay, wonderful. And just on Esquire, Saumil, I heard, and I have seen also your Zero GST Impact campaign, but how do things change after you get OC? My guess is, it should fall at least 6% cheaper. What do you think right now?

Vikas Oberoi: So what we've done, we've really made it into like an MRP price. And what we are now doing is that this is your gross price and we give you a split of GST and what you pay us, but going forward, once OC is obtained, you'll still get the MRP where we will take 100% of the money. And our logic here is that after we have obtained occupation certificate, we will not be getting credit for all the input cost. So we cannot pass it on to you. So your price does not change. And I guess this is what the government has also realized, and somewhere probably, there are murmurs that they might introduce GST even in the ready apartment.

Sameer Baisiwala: Okay. But if it's running Zero GST Impact at the moment and pre-GST it was 6% tax, service tax and then VAT...

Vikas Oberoi: Correct.

Sameer Baisiwala: My guess is post OC, this 6% should have been a latitude to be passed on?

Vikas Oberoi: Correct. So what we have really done is, we have grossed up the price to 106. Let's say my base price is 100. We've grossed it to 106 as we speak and 106 is going to be the price post OC also. So we are simply saying that the gross cost to the customer continues to be 106. There has been

no change in that. That's why it is zero GST impact, and what we are trying to tell people is that we will not get any input credit after we have completed the project. So obviously that cost, which I was originally passing it on to you, is continuing to be a cost to me, which again you will only have to pay.

Sameer Baisiwala: Okay, now I get it. And just moving on to Worli project, I think so far 2,100 crores or so has been spent on construction over here. So the question here is, going forward, and I think about 680 crore, 700 crore has been the customer payments so far. So question here is, as we go along and the construction spend finishes and you continue to have more sales and more cash flows, then how does the cash gets split? And I presume you will get the return of this entire construction spend, taxes versus a profit share?

Vikas Oberoi: Correct. So the way this works is that out of all the revenue, 20% goes to the landowner; 80% comes into the bucket where construction is done. Once the construction cost is done, we will get 80% to do the catch-up, remove our money, remove everything else until we do our catch-up, and then again, it'll get split into the way the split up is done. So we start getting super priority. So the way we thought through was that, first, the money will go in construction, but he also wanted some cash flows to come to him. Simultaneously, 20% would go to him. So only 80% goes into construction. Once the construction work is done, whatever we have invested, wherever there are banks, they will get priority out of that 80% to get repayment, including us. After both these things are done, we'll get a catch-up on the profit and then he will get more than 20%. That's how it is. It's a nicely done document. I mean, it's prudent, it's well done.

Sameer Baisiwala: Okay. Super. So which means that, once the construction gets done, maybe in a year or so..

Vikas Oberoi: You will see a lot of cash coming into Oberoi Realty.

Sameer Baisiwala: Yes, exactly. So there is a lot of cash return.

Vikas Oberoi: Yes. I am also waiting for it.

Sameer Baisiwala: Okay. And just one final question from my side, Vikas. Any update on two of your historic investments, Sangam City and Juhu Centaur?

Vikas Oberoi: We continue to come so close to closing Juhu Centaur, and again, don't end up closing it. Legally we have a very good document. If everything plays out, we have enough earlier cases where Supreme Court has made sure that whatever price was agreed upon between the buyer and the seller, the seller has to give it to the buyer at that price. We are already 12 years into the court, maybe another five, six, seven years and one will get property at the price one had bought it at. Apart from that, we continue to be interested in resolving it outside the court, but somehow have not yet succeeded. Continue to hope that someday good sense will prevail upon them and we will probably see us settling this out of court. And Sangam City, again, the Pune DP is done.

Barring Sangam City, which was kept in abeyance, the only part of Pune that is not decided is the Sangam City part. It is a property in the heart of the city. From what I gather from the town planners is that government really wants to make it into a city center, some sort of a hub because this is their last opportunity. So we continue to wait and then they really want it to be the heart of Pune. So we continue to wait which way the government goes and wait anxiously. That's it.

Sameer Baisiwala:

Is there a risk to Sangam City?

Vikas Oberoi:

No, not at all. I mean, absolutely no; zero risk. There are two type of land parcels. One is the JV and the other one is where we bought land. So in both scenarios, we have done a good deal. Land buying of course is very attractive. We've done a very good deal there. Even joint ventures are very good, we have very low deposit and we have to build certain area for them, for the land owners.

Moderator:

Thank you. Next question is from the line of Tanuj Mukhija from Bank of America. Please go ahead.

Tanuj Mukhija:

Couple of questions on your lease assets portfolio. Can you please provide an update on your Borivali and Worli mall, thoughts and launch pipeline? And are you looking at monetizing your mall portfolio and office portfolio in the near term?

Vikas Oberoi:

Firstly, we are not really looking at monetizing our mall portfolio because, again, our cost of money continues to be cheap. Most of the people who want to buy want to look at least a 12% IRR, whereas we borrow money at sub-9. So again, why give away 33% extra to somebody. So we are not really looking at doing that. As far as the mall at Borivali, we are in the design stage and we've also started some excavation work and all that. Part of the approval is also in place and maybe we'll start leasing close to maybe the last quarter of this year. We already have fantastic demand from cinema operators to anchor tenants and even individual tenants. So really very happy, very confident about how that will pan out. We've hired Benoy, they are the architects for our mall in Borivali, and these are the guys who did Westfield in London. They also did Singapore, the ION Orchard City Mall in Singapore, their flagship mall. So again, very happy the way things are going.

Tanuj Mukhija:

Okay. And secondly, I believe we have a very profitable school and would it be possible for you to share the financial numbers of the school in Goregaon and also your upcoming school in JVLR?

Vikas Oberoi:

Well, I mean, it's not profitable. It just gives you enough rent for the investment ORL has made. And the second one also is built on those lines. So that's about it.

- Tanuj Mukhija:** Sure. And last question from my end, we have seen a weak sales demand, especially in the high-end luxury segment. So are you looking at perhaps a shift in strategy from high-end luxury towards more mid-segment over the course of next three to five years?
- Vikas Oberoi:** No, not really. I would say that we are so lucky to be born in a time like this in India. And if you really see that every level of the pyramid that you draw, in terms of the population, is growing. So people at the top are making money, people at the bottom are making money. So instead of saying that there is opportunity at the bottom of the pyramid, I would say that every section of that pyramid has opportunity. You need the right product, you need the right marketing strategy. And there are buyers. This is one thing one doesn't need to really go out and look for, when you do a good product in India. So I think there is really no reason why we need to revisit that. Again, like, Thane of course cannot give us the sale price of Borivali and so is Mulund, not going to be able to. So we would like to play with all segments, and now we believe that we are kind of getting good at doing that.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.
- Adhidev Chattopadhyay:** Sir, just wanted to ask on the Worli Oasis project. Now, if you're not able to fully utilize the FSI, so do we have an option of selling it as TDR or loading this FSI onto our other plot in Worli?
- Vikas Oberoi:** Absolutely. One can get TDR and sell it.
- Adhidev Chattopadhyay:** Okay. So on the Glaxo project, it's been on the works for quite sometime. So any movement has happened on what we want to build over there?
- Vikas Oberoi:** So no, we've already said that we are going to build a mall. In fact, again, the same company is designing the mall. We have also started work at that site. And very soon we will pick momentum and start leasing there as well.
- Adhidev Chattopadhyay:** Okay. So it is clear that the sort of FSI we will have to get on the plot, there is enough clarity on the same.
- Vikas Oberoi:** Almost.
- Adhidev Chattopadhyay:** Okay, sure. And sir, secondly, question is again on, now under RERA, so whatever new projects you launch in terms of whatever cash you can collect upfront from customers, how would it vary from what was the practice till now, if you could help us understand that?
- Vikas Oberoi:** Very miniscule. I mean, like I said that we were very, very close to what RERA requires us to do. So we are pretty okay. In fact, in the beginning, we were taking less money than what RERA

requires us to or rather allows us to take. And in the end, we were taking slightly more money. So it evens out either way rather our cash flows in the initial projects, so if you see Borivali or Mulund, in fact end up improving and something like Esquire gets a little back ended, but Esquire, again like I said that we are just three months away from giving possession. We don't really have to worry about it.

Adhidev Chattopadhyay: Okay. Sir, and just lastly to follow up on this, this Mumbai development plan, it has been now almost like over two and a half years since the first draft came out. So what are you hearing on when it will possibly get finalized and would we want to wait for it to come in and launch or we can go ahead still?

Vikas Oberoi: Well, the government has already declared that they want to bring the development plan before March. And if you see, now the entire DP looks pretty much like what it was in the past. They are, of course, coming up with certain rules, which will govern the DP. So more than the development plan, development regulation will control the way the development will go. So the DRC will be more important than the DP.

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

Manish Gandhi: So many of the question has been answered. Just one question. So how should one look at our saleable area in all the three projects; Borivali, Mulund and Goregaon, like, how you mentioned in last con-call vis-à-vis what we have shown in investor presentation, and now what has been shown in RERA documents, of course, the upper limit what you have shown. So it will be very helpful if you give some color on that. How much additional FSI we can get in all these three projects because the gap is huge.

Vikas Oberoi: So Manish, very valid and a very good question. We ourselves want to, we are doing that math internally and we are pretty clear with what we can get. At some point, we will come out with that and clarify. We will sit together and get that out and get it out to the people immediately.

Manish Gandhi: Right. Why I was asking you because what happens, I don't know whether it is right or wrong, most of the people or institutional guys, they value company on NAV based and NAV changes drastically in these projects.

Vikas Oberoi: Absolutely. So what we are really doing is at one end, we will write what is the potential of the property. And on the other end, we also want to calculate what sort of expenses one will have to create because there are premium FSIs that have to be bought, TDR that has to be purchased to reach that ultimate number. So we will come up with all that. We will do our math internally and then put it out into the world.

Manish Gandhi: Right. That will be really helpful.

- Vikas Oberoi:** Absolutely. Good question, good suggestion and it's there on our mind.
- Manish Gandhi:** Because I don't think we are getting the valuation what we deserve compared to other players. So that's a huge mindset.
- Vikas Oberoi:** Surely do that.
- Manish Gandhi:** Yes. And one more question, kind of a repetitive, but like what we have shown extreme patience in not buying properties despite our capacity. So like how Charlie Munger says, extreme patience plus extreme decisiveness. That is what creates winners. And you have said that we are ready to buy many properties if available at our thing. So it will be helpful if you throw some more color on that, because market thinks that we buy property every three year, and that is not the right thing. We had done in 2005 many deals, so...
- Vikas Oberoi:** Correct. So you are absolutely right, Manish. What I want to say is that, yes, we do continue to look at land parcels. Again and again, our strategy is very simple. We don't want to buy an expensive site firstly. We ideally don't want to buy sites, which are competing our own site. And these are the two things that we keep in mind. And if you see that there is always this window of opportunity that opens up when, let's say, two or three developers who have already bought for themselves and are not keen to buy. And so we get that little window of opportunity. Again, our parameters of buying, we ideally like to buy clean property. We like to buy it from a good seller. So all these things need to be aligned for us. Then it's not a matter whether if I get this next month, if all these criteria match, I will go and take that for sure.
- Manish Gandhi:** Right. And just lastly, is it fair to assume that before launching third phase in Goregaon, we would like to take our price up in Esquire after OC?
- Vikas Oberoi:** Sorry, try to take what?
- Manish Gandhi:** Trying to take our prices up.
- Vikas Oberoi:** Honestly that's not in our hands. Today the right or the capacity to increase price is not with us. And I don't think we'll be able to do that or we will want to do that if the market doesn't support. But like I said that we'll just want to see enough of Esquire sold before we start this. In fact, it's really surprising that I already have people who tell me that we want to buy Phase III because we want it in 2020, 2021. We don't want it now. So we don't want to go into Esquire. So the mindset of the buyer who is buying under construction is also keeping in mind his own need, when he would want to see that ready.
- Manish Gandhi:** Right. Thank you very much and congratulations on selling Esquire 18 flats after, I think many quarters. So we think it will build up on this.

Moderator: Thank you. Next question is from the line of Sagar Karkhanis from Nirmal Bang. Please go ahead.

Sagar Karkhanis: My first question is on the Worli mall. What are the expected timelines, by when we feel it will be up and running?

Vikas Oberoi: Worli mall is adjacent to the underground metro station that comes right next to our property. And from what I gather, they are looking at 2019-2020, is when they will have that station up and running. Three years is what they are saying, so all of '18, all of '19, all of '20. We want to time it in such a way that we also finish our mall around then and do it because otherwise we'll have a lot of work happening outside and the mall will have a very slow start. So this is where we are. So to answer your question in plain and simple, about 2020 is what we are really looking at.

Sagar Karkhanis: Right, perfect. And secondly, on 360 West, like, we have an excellent brand, great location and a wonderful and majestic project, which is already up. Yet, the bookings run rate has not been up to the mark. So is it something that we are deliberately doing in terms of marketing to wait for the prices to be in better levels or if you can share some thoughts on the micro market itself and on our strategy?

Vikas Oberoi: So two things. One is, we have not opened higher floors in that, the high zone in that project. We continue to sell all apartments only below 48 floors. So obviously we've restricted the choice for people to go higher. We were only waiting to see how high can we go. If you would have got complete height, we would have then opened up maybe between 48 and 60 floors at an X price, a little higher than what we sold. If we wouldn't get, then we will want to get a much higher price on the higher floors and all. So this is why we were not encouraging sales in that zone, but now, again, like, if we have decided that we will be curtailing the height to the 65th floor, then we will go ahead and do this quickly. Then we'll start selling the higher floors as well.

Sagar Karkhanis: So let's say in the first half, we've done four units in that project. So how do you see that run rate over the next one year, two years?

Vikas Oberoi: Honestly, very difficult to predict. I'd love to see more of it go. And like I said that today we have a lot of visitors who come in, we filter them, we ensure that only real serious buyers come in and see. So we are hoping that it'll go up, but it's very difficult for me to predict and say that it's going to be in this time, and I'd love for it to be 15 apartments a quarter, but it's only my thinking.

Moderator: Thank you. We'll be taking the last question from the line of Abhinav Sinha from CLSA. Please go ahead.

- Abhinav Sinha:** Hi, just a quick followup. Do you expect Mulund project to hit recognition this year?
- Saumil Daru:** Hi, Abhinav, Saumil here. Again, Mulund is following pretty much a similar trajectory to what Borivali is following. So like I answered in my question on Borivali, it could either be last quarter of this year or the first quarter of next year, a little bit of a touch and go, but yes, maybe as we also get more clarity, as things go ahead because the monsoons are still going on, if you will see. So that starts impinging on the pace of work and everything. So maybe another couple of months down the line, we will have more clarity on the basis of what has been the progress of work till December. I think that may help us give you more clarity in all probabilities when we get on to the next conference call.
- Moderator:** Thank you. Ladies and gentlemen, since we are running out of time, 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 for the call. We really like receiving your feedback. This only helps us think harder and perform better. Please continue to share your views, your inputs to help us deliver better. Thank you once again. Wish you and your family a very happy Diwali and a prosperous New Year, full of peace and blessings from God. Thank you.
- Saumil Daru:** Thank you so much and happy Diwali to all of you.
- 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.

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