



“Oberoi Realty Limited Q2 FY-20 Earnings Conference Call”

October 22, 2019



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

Moderator: Good day ladies and gentlemen and a very warm welcome to the Oberoi Realty Q2 FY20 Earnings Conference Call. We have with us today on the call Mr. Oberoi – the Chairman and Managing Director of the company and Mr. Saumil Daru – Director of Finance.

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 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, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone.

Before I hand over the conference 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 and the future financial condition and growth prospect. The forward-looking statements are based on expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual result, opportunities and growth potential to differ materially from those suggested by such statements. I would now glad to hand the conference over to Mr. Oberoi, the Chairman and Managing Director of the company. Thank you and over to you.

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 FY2020 results and business updates. Thank you for taking the time out for attending this call.

Before I begin I would like to share with you some quick updates. We are very happy to inform you that we have closed the entire land purchase of GSK that we were in for Thane property and we have taken possession for the same as well. We have also received our approval prior to the August deadline. The transaction was closed at an average price of about 15 crores per acre and it is way lower than the transaction that Raymond’s did for 35 crores per acre which is literally adjacent to our property.

Our annuity business continues to do well. We have now fully leased Commerz-II. We have started construction for Commerz-III as well. You’re also aware that an IT search was carried out in the month of August. You are also aware that our company follows and implements the best practices of compliance with all applicable laws. We have clarified this to the stock exchange that we do not anticipate any material impact of this search on our company. The matter is sub judice and we do not intend to take any questions on this subject during the call which I hope you will understand and appreciate. Business for us anyway continues to be as usual.

With this now I will hand over the call to our Group CFO – Saumil Daru who will take you through the numbers. And I'm again as usual happy to be addressing all your individual questions which we will go through after this. Thank you.

Saumil Daru:

Thank you, Mr. Oberoi. I guess most of you would have gone through the presentation. If not the same is also available on our website along with the results which have been filed with the exchanges. We will keep things short as usual to help us to allocate adequate time for the Q&A.

In terms of consolidated financials; we achieved total consolidated revenue of 505 crores for this quarter as against 618 crores for the previous quarter and 619 crores for the same quarter last year. The consolidated PBT was 192 crores for this quarter as against 216 crores for Q1 FY20 and 307 crores for Q2 FY19 and the consolidated PAT numbers were 138 crores for this quarter as against 152 crores for Q1 FY20 and 213 crores for Q2 FY19.

Moving onto the asset level performances; the investment properties continued their steady and strong performance. Oberoi Mall which is our retail asset contributed 40 crores to the top line in this quarter as against 39 crores for the last quarter and 37 crores for the same quarter last year. EBITDA margins in this vertical are in excess of 94%.

Commerz which is the office space asset contributed about 10 crores to the top-line this quarter as well as the same numbers for the last quarter and the same quarter last year. The EBITDA margins in this vertical continue again to be in excess of 94%. Commerz-II Phase-I contributed about 30 crores for this quarter as against 29 crores for Q1 FY20 and 18 crores for Q2 FY19.

The Westin Mumbai Garden City contributed about 31 crores to the top line for this quarter as against 32 crores for Q1 FY20 and 32 crores for Q2 FY19. The EBITDA margins in this vertical are in excess of 32%.

We now move to our development properties; for Esquire, we booked close to about 19,000 square feet in this quarter till date about 16.74 lakh square feet which is about 79% of the inventory. Total booking value for this quarter was 41 crores as against 124 crores in the preceding quarter and 110 crores for Q2 FY19; the cumulative booking value till date is about 2,719 crores. The total revenue recognized for this project in this quarter is 46 crores and the cumulative revenue recognition till date is 2,719 crores on account of 100% project completion.

For Prisma out of the total project, we have booked about close to 9,200 square feet. Till date, we have booked 2.49 lakh square feet which is about 93% of the inventory in this project. The total booking value this quarter was 19 crores as against 16 crores of Q1 FY20 and 17 crores for Q2 FY19. Cumulative booking value till date is about 443 crores and out of this the cumulative revenue recognition till date is about 438 crores on account of 100% of project completion.

For Mulund, Eternia in this quarter we've booked close to about 18,500 square feet till date 6.34 lakh square feet. Total booking value this quarter was 23 crores as against 27 crores in Q1 FY20 and 34 crores for the same quarter last year. Cumulative booking value till date is 922 crores and the total revenue recognized for this project in this quarter is 49 crores and the cumulative revenue recognition till date is about 478 crores.

For Enigma, in this quarter we booked close to about 12,000 square feet, till date 4.43 lakh square feet. Total booking value this quarter was 15 crores as against 34 crores for Q1 FY20 and 10 crores for the same quarter last year. The cumulative booking value till date stands at 651 crores.

For Sky City, the booking this quarter was close to 45,100 square feet and till date about 17.68 lakh square feet. Total booking value for Q2 FY20 was 72 crores as against 187 crores for the last quarter and 130 crores for the same quarter last year and till date booking value is 2,820 crores. The total revenue recognized for this project in this quarter stands at about 220 crores and cumulative revenue recognition till date is about 1,682 crores.

For Three Sixty West Oasis, we booked again close to about 36,100 square feet in this quarter. The total booking value for this quarter was 150 crores and till date, the booking value is about 2,402 crores.

Coming back to some key financial parameters; our adjusted EBITDA margins for this quarter was 46%, PAT margins were at about 28% and the EBITDA margins for the mall and the Commerz businesses are much higher than the average as mentioned before. Excluding these, the margins for our pure residential business stands at about 37% for Q2 FY20.

Thank you and with this, we are now happy to take any questions that you all have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Tanuj Mukhija from Bank of America.

Tanuj Mukhija: My first question is on the recent launch Oberoi Maxima in Andheri, just wanted to confirm two things. Can you describe or discuss about the response to Oberoi Maxima? And secondly I could see advertisement saying that the subvention scheme is available for Oberoi Maxima. So, are subvention schemes back at Oberoi Realty projects in full way?

Vikas Oberoi: We got a very good response for Maxima and to answer whether subvention schemes are back, so subvention schemes were never taken away. The banks are still continuing to support that and they are selective about the customers. So, we are good to go with them as well.

Tanuj Makhija: A second follow-up question is actually on your units booked in second quarter FY20. The run rate or the units booked at Sky City and Esquire are clearly below your run rate for the previous

quarters and given subvention scheme was on and full swing across projects, so what would you attribute this slowdown in sales at Sky City and your Goregaon project?

Vikas Oberoi:

This was a slow quarter for all industries across all sectors. I don't think we are any different. We are not bigger than the Indian economy. We are not bigger than our sector. So, having said that I guess it's just one of those quarters where everything seems to be slow but this is again I would say a passing phase. We were discussing the other day that what are you really left with, what are the options with people who have money? They are scared of keeping that money in the bank, most of the NBFCs and also HFC. So, I think real estate is the only amongst the safest play where they can really put that money back. I feel not only would original demand come back but I also see that investors will come back into real estate and with very few developers left who have the credibility I think we stand a great chance. I mean I'm not unduly worried about one quarter. We continue to commit ourselves, back ourselves, build as much as we can and be ready, so that's where we are.

Tanuj Makhija:

If you could just give us more details about your Thane project around, timeline, project specifications, area of launch that you can share given that now you have got land fully acquired.

Vikas Oberoi:

We are still on the drawing board. Actually, we have certain strategies but we want to open them up closer to launch which should ideally be in the fourth quarter. So, again it's just kept very tightly because we don't want competition like any other sector has started reacting very quickly on what one is doing. So, we want to wait and only announce when we announce for the market. So, one thing I can tell you is that we are aiming at the last quarter of this financial year and we have something very innovative coming up. Again, like I said that our purchase price for Thane has been so good that we can really play the volume game, the price game and go out aggressively.

Tanuj Makhija:

We initially had plans to even launch Exquisite Phase-III in Goregaon, so just your thoughts on next phase of launch in Goregaon.

Vikas Oberoi:

So, for people who have visited our office who would know that we have started work and we are literally at the fourth slab and the fifth slab of Phase-III. It is just a matter of time again. It could be either the last quarter or the first quarter of next year, depending on how things go and we will do that as well. So, as far as execution goes we have already started that. It's only a matter of time. Again like I said that the last quarter was not something that we need to write home about. Hence we just want to play it out and see how the market pans out. Like I said we are optimistic but we want to see that optimism on ground and then take a call.

Moderator:

The next question is from the line of Puneet from HSBC.

Puneet:

Can you give some sense on what is your plan for CAPEX in terms of your commercial office spaces, commercial expenses in this year and next year.

- Vikas Oberoi:** We have started construction for Commerz-III. We have 1.8 million square feet in our Phase-III which is little over 2.5 times of Commerz-II which is under construction. We see this getting completed by 2022 of March. Work has already started. Contract awarded and that's it.
- Puneet:** I thought the original plan was 2.3 million square feet, has it been cut down to 1.8?
- Vikas Oberoi:** No, the original plan was always 1.8 million.
- Puneet:** Can you also give some sense of what is the plan for the Glaxo land?
- Vikas Oberoi:** Thane or Worli?
- Puneet:** Worli.
- Vikas Oberoi:** So, Worli we are doing a mall, we are doing office and we are doing a small hotel on top.
- Puneet:** Any breakup of what the configuration would be?
- Vikas Oberoi:** So, the mall is 800,000 square feet, the office is 900,000 square feet and the hotel is about 150,000 square feet. 800,000 leasable, 900,000 leasable and 150,000 of very small like 80 to 100 room hotel just to kind of brand the building and stuff like that. There again work has started. As you all know our property is connected to the metro station, so we expect a huge footfall for our mall, accessibility for our office. You literally get out of the metro and walk into the office building or the mall that's connected because this is an underground metro and we have got connectivity this way. So, again really happy with the way things are panned out for that purchase.
- Puneet:** And timeline for this?
- Vikas Oberoi:** We are giving ourselves anywhere between 2.5 to 3 years to finish everything and work has started here also.
- Punit:** Any benefit of tax that you guys expect. I still see 28% that's it for this quarter.
- Vikas Oberoi:** Correct, before the end of next quarter, before the end of December quarter we will be through with our working and we obviously see benefit in what the government has offered. We want to be prudent about how we can maximize and then move into the new regime. Of course, there is going to be a sizable amount of benefit because barring the MAT credit we genuinely don't get any other benefit as such. So, for the real estate industry as a sector, I think this is a very good call.
- Puneet:** On the Enigma side, why there is huge divergence between Enigma and Eternia project completion, can you help me understand it a bit?

- Vikas Oberoi:** There is no diversion. Both timelines are the same, if you're talking about sales velocity.
- Puneet:** Revenue recognition as well.
- Vikas Oberoi:** Revenue recognition is only based on sales, nothing other than that. Eternia happens to be smaller units and hence are selling slightly better than the Enigma units and Enigma units will sell when they get ready because it's a larger ticket size, people want to sell their existing apartment and then move in. So, the sales there are not keeping pace with what Eternia has and that's why you see revenue recognition slower than...
- Saunil Daru:** As far as Enigma is concerned we have not yet hit the threshold achieving 25% of the area sold. So, if you would recollect last year when we moved over to IndAS 115, we had said that for projects where we have not yet hit that 25% threshold our revenue recognition will be only to the extent of cost. Once it crosses this 25% threshold then even the profit recognition will begin. In fact if you look at it in this quarter for Sky City E also that is what has happened, so now the profit recognition is coming as far as Borivali is concerned even from Sky City E. so that's the reason for the difference between how...so that is how Eternia and Enigma are moving slightly differently.
- Puneet:** The last one is on the Commerz 1, the leasable area has gone down a bit.
- Vikas Oberoi:** So, some churn I mean it's only temporary.
- Puneet:** The absolute area which used to be 318 it is now 308.
- Vikas Oberoi:** Correct, so this is just some churn happening, somebody moving in, if we have rent free, all those issues nothing other than that.
- Saunil Daru:** We would have taken some bit of that office space for ourselves for our own requirements that is why you would have seen that come-off.
- Moderator:** The next question is from the line of Atul Tiwari from Citigroup.
- Atul Tiwari:** Could you throw some more light on the Thane land transaction is especially with respect to the cost? So, Rs. 15 crores per acre versus 35 crores that you mentioned, so why is your cost so low compared to the other transaction that you mentioned?
- Vikas Oberoi:** We got a good deal that's it, nothing other than that.
- Atul Tiwari:** It's too much of a difference, 15 Cr versus 35 Cr.
- Vikas Oberoi:** If you all know that we had locked in almost a year-year and a half ago and we had paid those monies also year-year and a half ago. It took us a lot of time patience in getting this deal done.

But it is done today and we are very happy, very lucky that it's worked out for us at this price and happy for Raymond to have sold it at that price because it also sets a benchmark for us.

Atul Tiwari:

Any comment or color on the situation in the property space especially given this backdrop of liquidity squeeze and everything that is going on. How is the stress level for other developers, are you guys seeing some kind of deals being offered to you for rescuing some of the stressed projects, are you interested or not interested at all? Any kind of color will be great.

Vikas Oberoi:

In fact there is a huge amount of elimination of competition. The way things are going there will be very few developers left. Developers who have a good reputation, good track record has delivered projects in time, delivered quality and who customers trust and put that money in. So, one is your basic need for housing will be served by a few of us, number one. Number two, you have very little option with your cash to deploy anywhere and the financial other products are also not that desirable and so on and so forth. People are skeptical about mutual fund and so on and so forth. So, I would say that in a given scenario real estate may not have appreciated as much but it never failed people as far as it holding onto the value is concerned. So, a mix of future use, wanting to upgrade, people would want to use their money in buying homes. So, I'm again saying that I completely agree your business is on a day-to-day by not even quarter-on-quarter but I would say that one quarter really doesn't indicate anything. We see the slowness in the market and market will bounce back, bounce back for people again with those conditions put through. To answer your next question do you get offers, of course we get a lot of offers unlike any other factory in land most of these developers have created third-party interest. Those third parties have either taken them to RERA or NCLT. So, unlike a steel plant that goes into NCLT where the incoming party gives money and takes over, here even if you go through NCLT and its resolution the buyer has a very powerful tool of going to RERA and digging things out. So, you may take the liability of developing and finishing it but you are not excused from the liabilities that it was supposed to be delivered on so and so time and those penalties and put together. So, all those guys will come much before you liquidate. So, we are very skeptical, we are going to see how this plays out, what sort of safeguards will the new developer get these flat holders who have already booked. So, these are things that we want certain clarities for, number one. Number two and as a group we have decided that we will not do any brownfield projects, almost not do any brownfield projects because what people come to us is for quality, how we build, how we design, how we utilize space and if we take a brownfield project and try and brand that as our project and push it through I don't think that will work. We are very committed to our design and we do not want to take brownfield projects. But greenfield if there is land and if its only financial strain on the developer then one can look at it. But most developers have created multiple rights in the property and it comes with own set of legacies. And so long as I'm going to get property like Thane which are cheaper why would I want to chance my arm in doing these things which could unnecessarily drag us down.

Moderator:

The next question is from the line of Sameer Baisiwala from Morgan Stanley.

- Sameer Baisiwala:** Saumil you not started recognizing for Worli Three Sixty, I thought you had hit 25% now?
- Saumil Daru:** Basically what happens is as far as the books are concerned we move on the basis of full potential. What we have announced to you all so far has only been that the area on the basis of 65 floors, we still feel that we will be able to go a little, maybe there is a chance for a little bit over and above that to come in. So, if we factor in that total potential then we have not yet hit 25% at least as far as the accounting books are concerned. So, once we have full clarity on that and that should be in a quarter or so then we will be able to tell you exactly at what stage does revenue recognition commence.
- Vikas Oberoi:** Sameer our Worli project originally planned for 89 floors, we actually have approvals up to 75. But we have civil aviation clearance only up to 65 and that is exactly the potential we have actually told you all. But like Saumil said that we have approvals for 75 floors in our hands, so that is the FSI potential we have. More or less as days go by very clear and getting sure that it won't go beyond 65. But we just want to wait it out for this quarter and then see and then finally take a call and move on.
- Sameer Baisiwala:** And that is for the back tower or both the towers?
- Vikas Oberoi:** No, only for the back tower, the front tower is already topped out. There is no further potential. Anyways in the back tower we are seeing whether we can get 3-4 floors extra or things like that.
- Sameer Baisiwala:** Second is on your Thane land Vikas, so I was a little surprised to see that the land cost is by 550 crores and I think you have put out to 340 crores for regulatory charges. I have never seen regulatory charges to be (+60%) of the land cost, so anything specific going on here?
- Vikas Oberoi:** I would love to use your voice to go to the government and tell them that this is way too high. We have been protesting but then they turn around and tell us that 'look there are people who are buying'. So, it's a combination of Ready Reckoner and this and that and all that put together. So, one couldn't help but this is money gone to the government under various premiums and ULC and this one and that one. It hurts us but that's the law unfortunately.
- Sameer Baisiwala:** Would you be require to now pay for TDR and FSI anymore or is everything...?
- Vikas Oberoi:** Of course one will require to pay TDR and FSI but like I said that if I compare it on a per acre basis a similar land parcel has gone at 35 crores where we paid 15, so if that is of any consolation for us.
- Sameer Baisiwala:** Of course you got a good deal but I didn't realize that it's so discretionary.
- Vikas Oberoi:** But I liked what you said and I genuinely personally also feel why should the government be charging us so much money but they do. It used to be 100% at one point. They have rationalized

it to 40 and that 40 is on the Ready Reckoner Rate and the Ready Reckoner Rates are higher and all that put together works out to this much.

- Sameer Baisiwala:** And I presume for Raymond land transaction also the same would have applied.
- Vikas Oberoi:** So, 35 is an all inclusive price for the buyer and 15 is an all-inclusive price for us.
- Sameer Baisiwala:** No, the split I mean to say or is there anything specific for you?
- Vikas Oberoi:** No, the same. They have also paid similar money.
- Sameer Baisiwala:** Saumil just on your balance sheet, there seems to be a big movement Q1 to Q2 on the asset side in inventory and in other current asset.
- Saumil Daru:** Correct, so basically Thane which was appearing as what we can say as an advance has now moved into inventory, so that's your primary change.
- Sameer Baisiwala:** Vikas, is there any financing limitation that your buyers are facing or there is no problem on that side?
- Vikas Oberoi:** People in Mulund are facing some financial limitations. These are people who either don't have enough income on record or whatever but only that market is where we feel some bit of disconnect. Earlier NBFCs used to really consider many other ways of evaluating and doing that. Now in their absence these guys are a little handicapped when it comes to buying. So, we do feel only that market but Borivali, Goregaon and all that, these are not at all an issue. Now I guess even they and I'm seeing very slowly are conscious of that fact that they will have to build it up or whatever so I see a genuine effort from these guys.
- Sameer Baisiwala:** So, for Worli Glaxo land, I hear your split between the mall and the office but given the acute shortage of space for offices I understand in this area now are actually pretty much I would say that much of length and breadth of greater Mumbai. Would you not want to increase more of office over here?
- Vikas Oberoi:** We did that math; we did a perfect balance between the two. If I were to just simply run the numbers, BKC is at anywhere between Rs. 450-500 on carpet I would say whether it's one BKC or Maker Maxity. It's between these numbers. We would get something similar for offices in Worli and if I were to compare what I get in Goregaon for my mall I am getting similar numbers or in fact from vanilla stores even better numbers than the numbers that I talked about. I would say that, I am basically only hedging my bet by splitting office and retail and retail gives me similar or in fact little better rental than what offices give me and they both complement each other and retail gets built faster. So, I'm going to build a retail and start the mall much before the whole office building gets ready. It's like a combination of multiple things hedging our bet,

number one. Number two is I can build this faster, three is the revenue that I get out of both. The lease are similar if not mall being superior, the lease are similar. And the biggest thing is that they complement each other, so that's why we've moved to this. We had what you said in mind that what if we do a simple office building and just simply lease that out. That also was considered but we have enough critical mass for the office also.

Moderator: The next question is from the line of Kunal Lakhan from Axis Capital.

Kunal Lakhan: Just quickly on Three Sixty West. What is the status of the OC here?

Vikas Oberoi: We have applied for OC and hoping that another 3-4 months we should get it.

Kunal Lakhan: We sold well in this quarter so in anticipation of OC are we seeing better footfalls, better traction there?

Vikas Oberoi: In fact, we sold a lot more. It's just that it's spilled into the next quarter which probably will come to you. Yes I see a lot of traction after having applied for OC and for everyone's benefit we have also started handing over, we have started giving people access to do their interiors. So, that itself has also worked out very well. Today a lot of families are already doing their interiors and that message has also gone very well.

Kunal Lakhan: On the Mulund project, across both the projects if you look at like it's almost 70% of inventories unsold and the project is expected to be completed over the next 1.5-2 years. So, what's the strategy here and most likely we could see a situation where we will see a Goregaon like situation where we will have to probably give a deferred payment plan here as well. I just wanted to know what's the thought process here to monetize this.

Vikas Oberoi: Again we are continuing to watch how the market pans out and like I said that this has been an unusual quarter but Mulund started very-very well and then you saw many other developers launching, lot of them failing. So, again there are probably only three or four developers with reputation who are now building. A lot of them have fallen aside so that also has worked in our favor. The building is now topping up again that's working in our favor. The building is looking good, come out well. So, we will have to just wait it out and see how this pans out and then we will sell and we will go by market forces and do what it takes for us to clear our inventory.

Moderator: The next question is from the line of Chintan Modi from Motilal Oswal.

Chintan Modi: We have seen in case of Three Sixty West, Eternia and Enigma the average rate for the quarter is approximately 8% to 10% lower compared to whatever we have sold till date. What's your thought on that?

- Vikas Oberoi:** Chintan there are no discounts. Every quarter has sales from various levels of our project. If the flats are sold at a lower level then you see a lower realization because as our price are indicative of the floor rise also. So, if you take a lower floor, the per square foot yield is lower, if you take a higher floor then the per square feet yield is higher and that's where you see. From our end there has been no price change at all.
- Chintan Modi:** Just to confirm one thing on the Thane land parcel we will continue to get those 80-IBA benefits if you launch?
- Vikas Oberoi:** We have approvals prior to August and we will get that benefit. Now with the new tax regime the company wants to take a call whether we want to get into the 80-IBA benefit or we take a flat the new tax rate, 22% tax rate. So, we want to play that out because ORL has Goregaon, ORL has the rest of Thane to be built and so on and so forth. We want to see how this plays out and then we will take that benefit because this new tax benefit itself is a good incentive and a game changer. Just before everyone leaves I just want wish everybody a very Happy Diwali in advance because I see some people finish their question and leave, so I thought I will take this opportunity to wish everybody and their families a very Happy Diwali and a Happy New Year ahead.
- Moderator:** The next question is from the line of Niraj Mansingka from Goldman Sachs.
- Niraj Mansingka:** Two questions on some changes of area, actually if you see the presentation done on 20th May 2018 the area for t Worli was actually, if you look at I-Ven Worli it was 1 million square feet mall and hotel of 0.68 million square feet and right now there are the changes are like the mall is 0.8 or 0.9 if hotel is 0.15 and similarly we also had Commerz II, Phase-II which is Commerz III, it was 2.3 million square feet then and now it's to 1.8. So, can you tell me some more changes that has happened during that period since then in terms of your area of each of the larger projects? And more concerning about the Commerz III, I-Ven and...
- Vikas Oberoi:** I-Ven if you see you stack up all of that that is the pretty much similar to what we have shown in the other one. Commerz III had a hotel component which we have taken off in this presentation because we are not sure whether we are going ahead with the hotel component.
- Niraj Mansingka:** But you still have an option to build at that area right because of that...
- Vikas Oberoi:** We have a lot of balance, it will rebalance. We have a lot of area to be built around Goregaon itself.
- Niraj Mansingka:** So, whatever is 2.3 minus 1.8 is half a million square feet that is....
- Vikas Oberoi:** It is available in Goregaon for us to build anywhere within our area.

- Saumil Daru:** And in all probabilities may be as a part of Commerz III itself.
- Niraj Mansingka:** Can you also give a breakup of the Borivali site. What is the breakup that you have right now of the resi-mall-hotel?
- Saumil Daru:** About 4.5 million square feet of resi, it's about 1.2 million square feet of mall and it's about 0.3 million square feet of hotel.
- Niraj Mansingka:** And commercial?
- Saumil Daru:** Commercial is a separate thing. That's about a million square feet but that is coming in from the next phase which we will be doing adjacent to the Borivali property.
- Niraj Mansingka:** What is the status of that particular land parcel of that commercial that you have?
- Vikas Oberoi:** There we have got approvals. We are now looking at vacating the site and all that. We have got approvals from the Department.
- Niraj Mansingka:** What is the total cost you are carrying for that particular commercial land site for Borivali?
- Saumil Daru:** Right now, there have been very small cost which has been incurred so far. The main cost will come in as we get into the redevelopment of that property. So, right now, it's a very small cost which is being carried in the books.
- Vikas Oberoi:** Niraj let me just clarify that the million square feet next to Borivali that we are talking about is a slum redevelopment and this is the first slum redevelopment of its kind where the slum developers, slum owners have approached us because they saw our building getting built next door. All of them, we have got a virtual 100% mandate from them to build their rehab component and utilize the free sale component. So, that's how this a million square feet of office building has come about. What Saumil told you is that our cost will be the cost to build the rehab component for which we will get the free sale ourselves and that's why very little cost has gone in right now, only some documentation, some premiums that we have paid for getting our approvals in all that.
- Niraj Mansingka:** Any rough guesstimate of how much will be the total cost of an equivalent per square feet for this commercial area?
- Vikas Oberoi:** If you are saying estimate it will probably be about Rs. 3000 a square foot or maybe even less than that.
- Moderator:** The next question is from the line of Tanuj Mukhija from Bank of America.

Tanuj Mukhija: Oberoi Realty now plans or is constructing multiple sites from multiple projects. For example, the Borivali mall, Worli mall, I-Ven, Exquisite III, Commerz Phase-III. So, could you just give an idea about what is your construction cost outflow for the next 2 years?

Vikas Oberoi: Can you take that off-line because you have asked us a question where we will have to consolidate everything put together. So, you can take that off-line with Saumil or Mayank. We will be more than happy to give you. But you rightly said that as a company we are doing construction or building more than what we have ever built and all projects are on. You can see we have actually topped up in Borivali, we had almost topping up in Mulund and these two projects, the five buildings and this put together is probably 10 million square feet odd of construction that we are doing and as we speak we are more than 20 million square feet under construction. So, yes very exciting phase for us and we are all geared up. Saumil will give you all the future expenses that we have planned out and you can take that off-line from him.

Moderator: The next question is from the line of Manish Gandhi, an Individual Investor.

Manish Gandhi: My question is more on a macro thing. So, with three things happening simultaneously like never before seen this infrastructure changes in Mumbai. At the same time the cycle in this fifth or seven year in the down cycle and the structural changes happened. So, with Vikas you have many cycles experience, so how do you think the Mumbai real estate market will play out in the next 10 years and with this kind of infra which are the new areas which can be opened up for the development?

Vikas Oberoi: Let me start with the infra bit. Typically in India infrastructure follows people and not the other way round. Typically internationally you will see that governments build infrastructure and once they build infrastructure people start staying around it. In our case people start staying, they have issues of commuting then the government puts this metro. If you see the metro on the Western Express Highway it's only catering to people who already exist and live. So, quality of life for people will go up here and hence the real estate demand will increase here and maybe prices may go up here as well. So, that's the little bit of the infrastructure bit. To answer your question how the market will look 10 years ahead, I always get reminded of what Warren Buffett said that, "your rear-view mirror is always clearer than the windshield". So, I would like to answer this by looking at the rear-view mirror. When the Lehman Crisis happened in 2009, we had completely written-off everything and we thought that this is like dooms day and everyone predicted that nothing is going to happen. I would say that the first thing one needs to do is to get out of that thought. If you look at the rear-view you will want to get out of that thought. These are issues that have happened literally every decade or two decade, some worst, some not so as bad and then whatever. The Great Depression to what happened in Lehman Crisis. So, I would say that first get out of that mindset; two- real estate is no different from any other business and so I would say that keep to your basics, have low leverage, completely consider cash is king and liquidity or cash flows more important than profit. You continue to make sure that you have your cash flows, your commitments to the external market, your bankers; again very-very

important because your reputation rides on this and the most important thing is the customer writes the biggest cheque of his life when he buys an apartment. So, respect that immensely. If one doesn't respect that then you lose out on the customer and he is the guy who is like really paying for your bills. All I'm trying to say is that buying a house or staying in a good apartment is not going to go out of fashion. That's one bit, two, we are an aspirational society, an aspirational country and many of us have seen wealth for the first time. So, many of us are making more money than what our parents made in their entire lifetime. In a year is what we make, think through that and huge change in mindset of this new India which says that I'm going to live by spending money and not by saving money. So, all that is happening I would say. I personally feel that like real estate as a commodity will come back for investors because they will have very little. What does gold do to you, gold just doesn't lose its sheen and value and you feel that you feel safer when everything else around you is falling apart, be it banks, be it financial institution, be it any sort of financial product. Real estate is one piece that over generations have been constant, people have passed on these values so I'm a big believer of real estate and I feel that this is going to bounce back as a big investment commodity. This will only be good for people who have had a good reputation and going to go about doing that. This is my two bit, take this as a pinch of salt apply your own mind and take decisions accordingly but I genuinely feel, I'm putting my money where my mouth is. I will continue to build and believe that this is the best form of investment.

Manish Gandhi:

The second one on the similar line, so the kind of structural changes happened in the industry and the kind of consolidation we all see; can you give any example world over something like this has happened in a city like Mumbai. It's a big city and do you feel really that only five or ten players can build this city for the decade or two decades or whatever. If India has all the aspirations, do you feel it is genuinely possible?

Vikas Oberoi:

I must tell you to begin with that India is the only country where you see 100 developers. If you go to China there are only 10 people building 90% of the China. If you go to the US you will see handful of people building. This is a specialized industry. We started treating it as a mom-and-pop store, everybody who thought who could sell real estate started getting into doing this business. It's a specialized business. Be it Hong Kong, be it Singapore you would take it that there are only the 5-6 people who actually have built the entire city and that's why you see consistent quality, there is hardly any ghost building and all that. Look this business is not easy for a lay man, they don't understand the financial cyclicity of business, they don't understand cash flows. It's a classic case these developers have taken short-term loans in a project which is a long gestation project and assuming that just because I have a plot, I will be able to sell it. The minute you take away the equation of a buyer these guys don't have anything. They don't have a reputation; they default in one thing. I agree there is a like a systematic failure I would say on part of these developers and I don't want to sound like a sadist but I see this like an opportunity for us. I completely see this as an opportunity and why not, if the whole world has literally five developers building their city why should Mumbai be any different. You are free to take your

bet on the five you think will be able to deliver. We certainly believe we are one of them and we will continue to do things that make you guys believe that we are one of them.

Moderator: The next question is from the line of Shubhanu C from SBICAP Securities.

Shubhanu C: I have one question, I see that for this quarter the cash flow has been negative which is (-) 467 crores, is there any particular reason for that to either cash flow from operations went down?

Saumil Daru: The only reason is whenever we do a land acquisition, so for example you would have seen that there was a large payout which was involved as far as Thane was concerned. So, for us any land acquisition or any FSI Acquisition which we do always becomes a part of the operating cash flows and hence you would end up seeing that as a negative. Typically if you look at the operations otherwise from if I would just to look standalone at Borivali, Mulund, xyz put together then those cash flows will always continue to be positive at an operating level.

Moderator: The next question is from the line of Parvez Akhtar from Edelweiss.

Parvez Akhtar: What are the expected launch timelines that we have now for the mall in Borivali and Worli and also for Ritz-Carlton?

Vikas Oberoi: The Borivali mall next year is when we finish our superstructure and hand over people to do their fit outs. Worli mall will be probably 2021 and Ritz-Carlton is 2020 next year end.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you for taking time out for this call. We really like receiving feedback from you all and this only helps us think better, think harder and please continue to share your thoughts even without this call. We are absolutely available, both Mayank and Saumil are there for you to answer any of your queries. Thank you again, Happy Diwali to you and your families. Thank you.

Moderator: Ladies and gentlemen on behalf of Oberoi Realty Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.

This transcription of the Earnings Conference Call for Q2FY20 may contain certain discrepancies. Further, certain edits have been made to the transcription for the sake of brevity. We have made all the efforts to ensure that the intent and purpose of the wording remains intact. However, we would not be responsible, if any discrepancies or deviations are observed in the transcription.