



“Oberoi Realty Q2-FY19 Earnings Conference Call”

October 23, 2018



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

Moderator: Ladies and Gentlemen, Good evening and welcome to Oberoi Realty-Earnings Conference Call for the Q2 FY2019 that ended on September 30th, 2018. We have Mr. Oberoi – the Chairman and Managing Director of the company and Mr. Saumil Daru – the Director (Finance) of the Company with us for this call.

Please note that this call will be for 60 minutes and for the duration of this conference call all participant lines will be in the listen- only mode and this conference is being recorded and the transcript for the same maybe put up on the website of the company. After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during the conference, they may signal the operator by pressing “*” then “0” on your touchtone telephone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and maybe forward-looking statements including those relating to general business statements, plans and strategy of the company, its future financial condition and growth prospects. These forward-looking statements are based on expectations and projections and may involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

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

Vikas Oberoi: Good morning, good afternoon, good evening to all of you as per the time zone from which you have logged in. And welcome to the conference call of Q2 Financial Year 2019 Results and Business Updates. Thank you all for taking time to attend this conference call.

Before I begin I would like to share a few quick updates:

You would be aware that we had commenced revenue recognition for our Sky City project in our first quarter. We are happy to inform you that we have now commenced profit recognition for our project Eternia at Mulund.

You will also be happy to know that we have achieved 97% occupancy for our Commerz-II buildings. The rent for this transaction shall commence from third and fourth quarter of this financial year itself.

With this, I will now hand over the call to Saumil Daru for our details of numbers. I will be happy to address any of your individual questions once we begin Q&A. Thank you.

Saumil Daru:

Thank you Mr. Oberoi. I guess most of you must have gone through the presentation and if not the same is even available right now on our website along with the results which have been filed with the exchanges.

In terms of consolidated financials, we achieved a consolidated revenue of 619 crores for this quarter as against 895 crores for the preceding quarter and 308 crores for the same quarter last year. The consolidated PBT was 307 crores for this quarter as against 454 crores for Q1 FY19 and 155 crores for Q2 FY18. Consolidated PAT was at 213 crores for this quarter as against 309 crores for the last quarter and 104 crores for the same quarter last year.

Moving to the asset level performance and beginning with the investment properties:

Oberoi Mall, which is the retail asset contributed 37 crores to the operating revenue for this quarter as against 35 crores for the first quarter and 26 crores for the same quarter last year. The EBITDA margin in this vertical stands at about 95%.

Commerz, which is our office-based asset contributed 10 crores to the operating revenue for this quarter as against 10 crores for Q1 FY19 and 11 crores for same quarter last year. The EBITDA margin in this vertical continue to be in access of 97%.

In Commerz-II Phase-I, this contributed about 18 crores for this quarter as against 16 crores for Q1 and 12 crores for the same quarter last year.

The Westin Mumbai Garden City contributed 32 crores to the operating revenue for this quarter as against 30 crores for the first quarter and 29 crores for the same quarter last year. The EBITDA margins in this vertical continue to be in excess of 33%.

Moving now to the development properties for Esquire first:

Of the total project of about 21.22 lakh square feet we booked over 52,000 square feet in this quarter. Till date we have booked about 15.16 lakh square feet which is about 71% of the inventory. The total booking value for this quarter is 110 crores as against 267 crores in the first quarter and 103 crores for the same quarter last year. The cumulative booking value till date is about 2,389 crores and the total revenue recognized for this project in this quarter is 110 crores and the cumulative revenue recognition till date is 2,389 crores on account of 100% project completion.

For Exquisite, out of the total project of 15.47 lakh square feet, we have booked about 17,000 square feet in this quarter. Till date we have booked about 14.24 lakh square feet which is about 92% of the inventory in this project. The total booking value for second quarter is 39 crores as against 12 crore in Q1 FY19 and 12 crores for Q2 FY18. The cumulative booking value till date is about 2,346 crores. The total revenue recognized for this project in this quarter is 39 crores

and the cumulative revenue recognition till date is 2,346 crores on account of 100% project completion.

Moving to Prisma, of the total project of 2.68 lakh square feet we have booked about 8,400 square feet in this quarter. Till date total is 2.31 lakh square feet which is about 86% of the inventory in this project. The total booking value for Q2 FY 19 is 17 crores as against 26 crores in Q1 FY19 and 16 crores for Q2 FY18 and the cumulative booking value till date is 407 crores. The total revenue recognized for this project in Q2 FY19 is 17 crores and the cumulative revenue recognition till date is Rs. 407 crores on account of the 100% project completion.

For Mulund, Eternia in this quarter we booked over 24,000 square feet till date about 5.64 lakh square feet. The total booking value for this quarter was Rs. 34 crores as against 42 crores in Q1 FY19 and 32 crores for Q2 FY18. The cumulative booking value till date is about 824 crores. The total revenue recognized for this project in Q2 FY19 is Rs. 120 crores and the cumulative revenue recognition till date is about 234 crores.

For Mulund, Enigma in Q2 FY19 we booked about over 7,600 square feet till date over 3.75 lakh square feet. The total booking value for this quarter is Rs. 10 crores as against 19 crores for the first quarter and 25 crores for the same quarter last year. The cumulative booking value till date is 552 crores and the total revenue recognized for this project in this quarter is 18 crores and the cumulative recognition till date is about 86 crores.

For Sky City, we booked nearly 77,500 square feet in this quarter till date we have booked about 14.72 lakh square feet. The total booking value for this quarter was 130 crores as against 89 crores for Q1 FY19 and 88 crores for Q2 FY18 and till date the booking value is about 2,356 crores. The total revenue recognized for this project in this quarter is 162 crores and the cumulative recognition till date is about 742 crores.

For Worli, Oasis – the total booking was over 51,500 square feet in this quarter till date we have booked about 5.29 lakh square feet. The total booking value for Q2 FY19 was 223 crores and till date the booking value is 2,149 crores.

Coming back to some key financial parameters:

Our EBITDA margin for this quarter was at about 49%. The PAT margin was 34% for this quarter. The EBITDA margin for mall and Commerz are much higher than the average as mentioned before. And excluding them the margin for our pure residential business is 45% for this quarter.

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

Moderator: Thank you very much Mr. Oberoi & Mr. Daru. We will now begin the question and answer session. We will take the first question from the line of from Niraj Mansingka from Goldman Sachs Asset Management. Please go ahead.

Niraj Mansingka: Can you give a brief of what do you think is happening in the industry right now considering that there has been NBFC crisis. Number one, is there sales happening in the industry, number two any thoughts on how you see developers getting squeezed, any experience of approvals by the NBFCs is slowing down, etc., so some broad understanding?

Vikas Oberoi: So, Niraj very relevant question. I think we were seeing this coming for a very long time, in fact it probably took a lot longer than we thought it would because we were not able to stack up how developers who do not have a brand reputation, do not know how to build a project, do not have customers who will buy from them literally going out and buying land parcels just because there were people willing to fund them. So, I think this was waiting for it to happen and I would honestly say this is great news for us because we will have less competition in buying land when it comes out to sell and only genuine developers who know that they can buy this piece of land, build the project and deliver it to the customers will probably raise their hand when it comes to buying property. So, I think we are at a very interesting intersection and this is only good news for companies like us and this clearly means that we will face less resistance/competition when it comes to buying land and once that happens we will not have fly-by-night developers trying to commit anything and try to attract buyers. So, I think this is a very positive move as far as we are concerned.

Niraj Mansingka: Vikas can you give more details some color on are your buyers facing issues of approvals by housing finance companies and construction loan being refused and are the projects getting stalled any color on that side?

Vikas Oberoi: All of which what you are telling is true, but none of that is applicable to us, none of our buyers are facing any problems because our buyers are prudent, and they are solid. So, obviously all the banks want to go for them. I mean one-off buyer here and there who probably chose to go to an NBFC instead of a bank because his credentials were not approved by banks probably would have fallen off, but I would say 99.99% of our buyers are not facing that. We do not borrow for construction, so it really does not affect us whether these NBFCs give you money for construction or not. We have always gone and sold enough for us to build it. So, none of these are really applicable to us but you are absolutely right that a lot of developers are going to face similar situations, and this could mean again if there is a disadvantage to your competition it is advantageous to you. So, we are going to really benefit out of the current situation, however, unfortunate it sounds for many people.

Moderator: The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Obviously the momentum in your sales continues to be good once again, are you expecting this momentum particularly for Esquire and Sky City to continue into the third quarter as well?

Vikas Oberoi: This will be little bit of forward thinking if I do. I hope and aspire too, but I cannot promise that will happen. I just want to jog you back into statement I had made on these conference calls that at some point in time commercial building will start doing well because not many people are building. Now I feel that the same will happen to residential apartments also, very few developers will probably be able to take raw material which is land into a finished product which is a ready apartment. And if the supply is going to reduce due to financial mismanagement of developers, due to lack of availability of funds from NBFCs or whatever this is clearly going to be music to our ears because we will end up delivering and there will be shortage because these people who were earlier able to probably build at the back of whatever are not going to be able to do that. So, I clearly see going forward any developer who has good reputation his market share will increase because the market size is not shrinking by any stretch of imagination. We are clearly seeing the market size increasing and supply reducing. So, again I feel that for developers who are prudent, who are having a good track record of delivery will continue to do well.

Puneet Gulati: Specifically, for these two projects because you launched the subvention scheme in the first quarter and there was a good response, so just trying to understand it was not just one-time euphoria hear that momentum continues into October as well?

Vikas Oberoi: So, Puneet originally when we started we had set ourselves 100 apartments in this financial year for Esquire. We are at 76 in just two quarters. So, I am saying that probably we will very easily beat that target. Collectively, by today we do not have any apartment left in Exquisite to sell. Now we are left with only duplex and penthouses which now do not compete with Esquire. And after the subventions scheme came into play we sold about 76 apartments. So, I think the going is good I do not want to preempt any good or bad news for now. I feel that the momentum should continue given the fact that we are now going to get into the festive season so on and so forth. So, I do not see any reason why there should be a drop-in demand.

Puneet Gulati: Specifically, on Eternia and 360 West there has been a bit of price reduction is it more mix issue or there any discount that you look as an offer now?

Vikas Oberoi: See all our apartments get sold basis base price and floor rise. So, in a particular quarter you see lower floors getting sold then you see your price which is lower, but the base price obviously continuous to be the same. In Eternia, specifically we opened up lower floor apartments and that got sold. So, obviously the ticket price looks like as if there is reduction but really there is none. In 360, we had first sold all the higher floors we have yet not opened the high zone as yet. So, in the low zone all the higher floor apartment were sold, now people are buying lower floors also because we made some show apartment and we have started showing people that the lower floors also have an equally commanding view and hence lower floor are also selling.

- Puneet Gulati:** On the commercial real estate side, office space there has been obviously impressive increase in what you call the rentals and also 97% area as you say is now leased out, who are these tenants and what kind of rental rates are they paying now?
- Vikas Oberoi:** These are pretty much local and international companies, but the rentals are also similar to whatever we were getting in the earlier days. Unfortunately, we have not maximized it. We have Rs. 10 here and there we have got extra but having said that we thought we will close the deals more than we go in for increase or anything like that.
- Puneet Gulati:** So, your average Q3 was 134 for Commerz-II Phase-I will it be higher than this or pretty much in the same range?
- Vikas Oberoi:** It is about 140ish.
- Puneet Gulati:** Any specific reason why Commerz-I rentals have come down from 143 to 136 how should one read that?
- Vikas Oberoi:** We are basically all falling in line with Commerz-II. Obviously Commerz-II is a brand-new building existing tenants say that if you are leasing it out in this building you have to level it nothing else.
- Puneet Gulati:** So, you are bringing down rentals for existing tenants is that how one should read?
- Vikas Oberoi:** Whenever there are renewals and they have an option to leave us, we obviously want to retain them, and this was again before the entire one single push we got all our Commerz-II leased out. Some of these are just before when the market kind of really started heating up and all.
- Puneet Gulati:** And how are these rental agreements typically, they are same 5% escalation annually or is there any change in how you structure it?
- Vikas Oberoi:** 5% escalation rather 15% every three-year including deposit and rent separately increasing.
- Puneet Gulati:** And Oberoi Mall obviously continues to outperform, is there more room in your view to grow at the same kind of pace?
- Vikas Oberoi:** So, the improvement that you saw came through two or three big tenants we did. Now as we speak some of my vanilla tenants were let say like Rs. 220 on leasable they all have gone up to Rs. 400. So, as and when they keep coming, we keep correcting the rents to present rent and we see absolutely no resistance because they are doing so well. In fact, even at 400 we have a fight between two, three people, one existing two new people who want to enter and all that. So, God has been really kind on the Mall bit. This also helps us because at the back of this we will be

doing Borivali and Worli. So, like a happy tenant in Oberoi Mall helps us bring in equally happy tenant in Borivali.

Puneet Gulati: And I presume most of these agreements are now as a percentage of their revenue or is it still broadly structured on per square feet basis?

Vikas Oberoi: So, we prefer having a high fixed which is let say Rs. 400 or whatever and we then go in for a percentage of revenue whichever is higher. So, we are assured of a high rent we do not want to take his business risk, but we want to be a partner in his upside. So, we want to secure the minimum to be at a decent number that we talk of and anything over and above that it is welcome change.

Puneet Gulati: So, broadly these rentals should grow in-line with their sales as well?

Vikas Oberoi: Correct.

Puneet Gulati: Lastly, if you can update on the 3rd phase of Goregaon, on Thane, and on Maxima when are they going to launched?

Vikas Oberoi: Goregaon 3rd Phase work has commenced. We are hoping we will either launch it in this quarter or next quarter either of the two. Maxima also is the same. We have already finished our basement, so we will launch Maxima also in this financial year. Thane due to the nature of the deal we want to conclude the whole thing and then speak about it. I think just one more quarter is what we need to kind of put everything on table for everybody to see what we have done and if everything goes well we would ideally like to launch it within the last quarter of this year or at best the first quarter of next year.

Puneet Gulati: Have you paid the entire sum or is yet to be paid yet?

Vikas Oberoi: So, like I said because of the confidentiality in the deal we do not want to divulge much, but give us one more quarter, it will be worth the patience you all have shown.

Moderator: The next question is from the line of Tanuj Makhija from Bank of America Merrill Lynch. Please go ahead.

Tanuj Makhija: I had few questions just a follow up on the funding challenges for the industry, are you seeing now the stressed or highly levered developers cutting prices aggressively to liquidate their inventory?

Vikas Oberoi: It really does not matter - what does not sell does not sell, it does not matter whether you make it cheaper or more expensive. House is a onetime buy, people do not look at bargains or anything like that. It has to be a good product from a good brand. It has to be delivered there are many

things in it. I do not think our customers are going to fall for all these. They burned their fingers in the past I do not think they will ever go in for that.

Tanuj Makhija: So, basically Oberoi Realty will not face pricing pressure?

Vikas Oberoi: Not at all, I do not think so, we are very rightly priced. Our prices take into fact that we have to build them and deliver them and not merely sell and then wait for some stroke of luck to happen that we can deliver, it is not like that. It is a very thought through process. And if we cannot build it at a price we would not offer it and sell it and that is what we have been doing.

Tanuj Makhija: One more question on your cash flows, if I look at the collections for this quarter for about 560 crores and operating cash flow was about 45 crores for this quarter, so can you comment on the construction cost and the likely pace of it over the next few quarters?

Saumil Daru: Basically, as you would have noticed the pace of work at both Borivali and Mulund has been impressive. So, a large part of what you see is the construction spend at those two places. If you would have seen the Worli number also we would have spent close to about 120 odd crores or incurred 120 odd crores in this quarter and then there is the last bit that there was a little bit of TDR and stuff which was purchased for Mulund. So, that is what kind of accounted for the cash flows.

Tanuj Makhija: Could you give us the number please for TDR purchase for Mulund?

Saumil Daru: I think we can take that offline separately.

Tanuj Makhija: And just one last question, any updates from the timelines for the Borivali and Worli Mall?

Vikas Oberoi: So, work has commenced on both projects. We have already given indication by when we will be finishing. I think we are pretty much in line in doing that.

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

Chintan Modi: One, if you could share details like on Exquisite-III launch what could be the configuration and what is the ticket size that you are looking at?

Vikas Oberoi: We have done well with regard to what we have built in Esquire. In fact, we do not have a single four bed room to sell so we are very tempted to start with four-bedroom hall apartments - the luxury ones. Contrary to what the world think actually I must tell you we do not have a single four bed room to sell and the resells are happening at 15% and 20% premium over the prices that we are actually selling. So, we want to start with that. We are going to start with three bedrooms. And the differentiator here is that this product will be ready let say three years down the line whereas the other ones are ready, and people have to pay in and move in. So, this is what

we are looking at three bedroom and four bedroom and moreover Goregaon has acquired this premium status and we want to continue to maintain that and the surrounding everything is like complementing the development and we are looking to build. So, it pretty much will be very similar to Exquisite and Esquire.

Chintan Modi: Are you planning to continue with the scheme for the new launch as well?

Vikas Oberoi: We have not really thought of that to be honest.

Chintan Modi: Secondly is on the cash flow I think if I broadly look at your 1H cash flow is somewhat around 1000 odd crore if I assume that the momentum continuous for second half also and that will end with something like 2200 kind. Against this since we are coming up with multiple launches also what could be the cash outflow if you can just take us through that and are you seeing any incremental increase in the debt levels?

Vikas Oberoi: Firstly, we are not really looking at any increase in debt levels, at best if one has to build a shopping mall or office or Commerz-III that we intend to now start building because Commerz-II is now fully leased out. We may need money for that. So, very specific project for development will require debt, but other than that if you see we have been able to manage all our developments through our cash flows and sales and we would ideally like to continue to do that and we would not want our debt levels to go higher.

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

Sameer Baisiwala: First question is on 360 West, when do you think this will come up for recognition I see now you are very close to having sold 25% and the second question is of the 2150 crores booking value you have been paid less than 50%, so just wondering what is keeping the balance inflows?

Vikas Oberoi: Firstly, we are very close to the numbers you are absolutely correct. Few more flats and we should end up hitting the revenue recognition. Having said that, on the other front more than 50% of the money are received. We are technically with the way RERA expects us to count I think we are at about 67% of work done. In some cases, a lot of these buyers have put their own milestones like they expect. When you finish glazing in the building we pay you so much, when you do this because they are all advised by top lawyers and they want to kind of ensure that some basic activities are done. So, that is it I mean nothing other than that and we are equally happy that so much money is yet to be taken of course we would love to take it, but nevertheless but now if you really see the amount of work that is balanced with the money that we need to receive we are probably even-stevens, then we will be done with it we may not need to pump in any more money even without a single flat sold we will be able to complete the project out of the cash flows we need to receive from them.

Sameer Baisiwala: So, we are looking at about six to nine months for these triggers a milestone for us to receive the balance 1000 plus crores?

Vikas Oberoi: In fact, I must say that internally we are gearing to finish the most part of everything by March end of this financial year. I mean few things will probably will spill to June, but you are absolutely right in the next nine months we will have done all our work and we would be in fact we fancy our chances to get occupation certification by maybe March end or June of next year. So, June of 2019 so we will be done with everything and all our monies will be due.

Sameer Baisiwala: The second question is on the unsold inventory on OC project so to say so 250 units pending in Esquire if I am not wrong and now about 150 units in Worli, so it is a pretty massive number out there, so how are you thinking about liquidating all of this?

Vikas Oberoi: So, we get our OC in a way where we get two years from the time we get our occupation certificate until the government start charging us the deemed rental and all that bit. So, we have until March of 2020, so we have got another 18 months. If we see how Esquire has done in the last two quarters we have done 76 apartments I mean let say if we are able to close 100 or maybe more than 100 by March and we will be left with probably 200 odd for the next one year and if so many people move in there is a different sort of buzz in the building. So, we have seen that happen in Exquisite also. So, even people moving in Exquisite are helping Esquire and so on and so forth. So, if you see collectively both of them put together we have almost sold 86 apartments in two quarters. Now since there is nothing in Exquisite to sell the focus will be on Esquire and we should be close to all our sale by April of 2020 or March of 2020. I mean that is our conservative realistic estimation. So, I do not think we will go very wrong from that and these are apartments based fully paid for no debt on them you will receive money it goes directly to your cash flow, profit, everything. So, it is like really something we really want to see.

Sameer Baisiwala: About 150 unsold units or so in Worli it is probably is about 6,000, 7,000 crores of unsold?

Vikas Oberoi: Sameer I keep saying this that every quarter I feel that I will surprise you all by telling you that I have sold 15 apartments, but somehow that just does not happen. Maybe I am very bullish about my product or very enthusiastic about it, but I must also tell you that the footfalls are immensely increased. We are talking to a lot more people like there are probably 30 deals in the pipeline, but it just takes too long, and these are not people who one can simply pin them down and say close it. Multiple deals are in play, but they finally have to happen to happen and they are within the ballpark on price and everything. So, there is a huge process these people believe more in Vastu, they have top lawyers, same lawyers want to do complete title search for the same product for the new client. So, it just takes too much time and so that is where we are, but very optimistic that we will be able to once it starts and the good part is that we have now the best inventory left for ourselves. We have not even opened the high zone, so from 48 above we have literally not sold anything so that probably will when we start selling that which we want to sell at a premium we will get momentum also. Again, today the 50 who's -who of Mumbai

have literally brought in apartment here I think even that probably will start rubbing off and working on people.

Sameer Baisiwala:

On the CAPEX side for the two malls and the large Commerz-II Phase-II I think if you need to complete them and say roughly three years it is a very high CAPEX that we are talking about maybe 2,500 crores. And I remember you said that you would rather fund to finish construction finance so it is a very fair bit of gearing or leveraging up that we will be to see over next two, three years would this be correct?

Vikas Oberoi:

I will just tell you how we are planning this out. We want to firstly lock in all our deals and in our shopping mall at least we get 12-month deposits and stuff like that from the incoming tenant number one. Number two, unlike any other asset where you will build and wait for it to be leased there is a risk element attach to it. In a mall where you have preleased everything, the receivable of the rent will take care of the interest and the principal repayment of the loan that we take. So, I am not worried about the quantity I am worried about how I will pay and where the cash flows are going to come from. If I have clarity of where the cash is coming from, really no number is big. So, it is more about being prudent where the money is coming from rather than the quantity of the money and here again if you see we have not leveraged anything on our existing rental portfolio. Commerz-II fully leased out is a little over 100 crores. Our Commerz-I hotel, school and mall throw in another 250 crores. So, we are looking at 350 crore rental income every year. Even if I discount that I have enough money from my existing rental yield that can take care of two more assets which will you know the deal that I did with cinema operator. I am telling you I am getting identical offers for my Borivali Mall that I am getting in Goregaon. If I just use the same number we are looking at another maybe 300 crores of rentals yield out of Borivali and similar number in Worli. So, if all this get ready we are looking at decent size of 1200 odd crores of rental portfolio happening from these three additional assets. We are not really worried about gearing on that.

Saumil Daru:

Plus Sameer again if you look also at the way Borivali has been doing if you look at just the existing level of sales about 2,350 crores. Borivali is again going to be generating cash surplus to what is going into the construction. Again, you will also end up drawing down only as much as it is required because Borivali is going to be spinning cash, you have the rest of Esquire, again as Vikas mentioned that is complete free cash flow. So, all of these will end up also contributing to the cash flow. So, we will see how it finally cranks up, but while there will be some cranking up which will happen, it may not be entire amount which will come from construction funding.

Vikas Oberoi:

And Worli also we will get in cash - one is our share of profit and also our contribution in the construction in the waterfall that comes out first. So, even that cash will come back to us which will again become free cash flow in our hand. So, that way we are still completely in control which we like to be.

Moderator:

The next question is from the line of Abhishek Anand from JM Financials. Please go ahead.

- Abhishek Anand:** I have my first query on the DCR which had been released, so is this correct that there is some calculation change in FSI calculation and we will get some additional area?
- Vikas Oberoi:** All that have been factored in by our calculations. So, we have actually always calculated it and presented it the way we have understood, I mean its marginal nothing out of the whack. Both of them that we have mentioned are pretty much the same.
- Abhishek Anand:** So, nothing much changes on available area?
- Vikas Oberoi:** Nothing changes for anybody really.
- Abhishek Anand:** And if we could get some more details on 360 West projects especially on the debt side how much is on the books is there any debt that LLP is carrying?
- Vikas Oberoi:** There is no debt on the book.
- Abhishek Anand:** I was getting to hear that certain debt is linked to the Worli project.
- Vikas Oberoi:** No there is really no debt at all.
- Abhishek Anand:** If you could help us out with the TDR and FSI purchase is expected in FY19 do we expect any purchase for Borivali in the current year?
- Vikas Oberoi:** We are waiting for a few policy clarities on this bit. We will cross the bridge when we come to it of course we will need TDR but like in what form how and from where all those clarities need to come into play.
- Abhishek Anand:** Also, we were hearing tower E being launched soon any tentative timeline on Sky City?
- Vikas Oberoi:** So, Sky City we have A, B, C, D happening. We continue to sell A, B, C, D if you see in this quarter we have sold flats on a higher floor and that is why you see the price increase, but we really, we have not had an increase in the price, it's just the higher floor that are selling. We are already building tower E, we can start sales today but if I sell tower E today then I am already selling A, B, C, D with good momentum. So, there is no point in diverting these customers to tower E and we have predominantly seen in that the lower floor gets taken first because they come cheaper they come without floor rise so they come cheaper. Literally the 50th floor ends up being almost 50% more expensive than the base floor.
- So, people like to live on the lower floor it is not because they like height or dislike height, but they do not like the price that they have to pay for the higher floors and all. So, we do not want to start E because we already are seeing this quarter we sold good number of apartments in this thing. So, it some sort of mini strategy that we are playing it out that we are delaying E because

we are seeing momentum, the minute A, B, C, D starts drawing up we will launch E so that we are able to give more offerings to a more variety, to more better views to people and then probably sell E, but then we are already building F, G and H. So, the work for F, G and H has started, the work for the mall has started, the work for the hotel has started in Borivali. So, work wise everything is there, the minute we sell any of these we will immediately be able to recognize or get cash or whatever for the project.

Abhishek Anand: I think somebody mailed me something on tower-E?

Vikas Oberoi: The good part is the market are always ahead of our own thought process and we do not mind that because they kind of almost guide you to do what they want us to do and we take them very seriously. If the broker will say start Tower E and all that, we kind of think through about it and we do know these rumors are not things that are baseless. We do have discussions, it is funny to know that even our discussion which are closely held discussion do get out.

Abhishek Anand: Vikas if you could have the capital deployment view if you expect the stress level to go up in the sector, are you planning to hold off any big purchases for the time being and see how the market plays out and we are actively looking for deals in the current market as well?

Vikas Oberoi: We are looking for deals and every deal has to be looked at it in its merit and see because one can never time the market. We cannot time the market either way. You guys know it better than we do, but having said that I feel if there is good land if it is available at the right price, if it is credible seller, then we are buyer for that even today. We are not nervous about the market at all, in fact these are the times when you get good land parcels at reasonable prices. I am not saying cheap or expensive, but you get it at the right price and if you do then we are buyers.

Abhishek Anand: Any ballpark number what you expect as per reasonable price to be 10% below is the current price? Do you expect land to come off from current levels land prices?

Vikas Oberoi: Well, there is no current level as such. All these buyers are flushed with funds from NBFC which are luckily now not going to give money to these developers. So, we stand a better chance in getting land parcels at the right price. So, that is our criteria. We do a Math, we know see real estate, if you see apartment prices have not gone up in the past four years and so there should be no reason why land prices should go up. In fact, if at all land prices should correct because the inflation has to hit something if the ready product prices does not change and the input cost has gone up, the only cost that can be corrected and is variable is land. So, land should technically become cheaper every year and that is music to our ears because that is what we want that is our raw material. In an industry where, raw material prices keep going down producer should be happy.

Moderator: The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

- Adhidev Chattopadhyay:** Just give us some color on the Borivali and Worli malls what would be the total budgeted CAPEX over the life do you have any figures for that?
- Saumil Daru:** So, typically we have seen that if we were to benchmark it to current pricing, these should be at about Rs 4000 per square feet.
- Adhidev Chattopadhyay:** But this is including the multi-level car park also along with the malls there is an area we are doing presentation or it is on the leasable area so just wanted to understand.
- Saumil Daru:** It is obviously on the leasable area, but basically we spread the entire cost of construction over the entire GLA because in all fairness most of the tenant fit out and all are all done by tenants themselves. So, what we are left to finish to do is only the services, the super structure and only the common area.
- Adhidev Chattopadhyay:** Sir on the Worli mall now have we got all the approvals in place or is there some coastal regulations on approval still pending or anything else we need to do over there before we do the leasing?
- Vikas Oberoi:** We will be taking approvals in due course as we speak. There is no coastal approval that we need. We are already clear of that. We fall under the present DCR so for us that is not a problem, but like I said we basically will be taking approval under the new DCR and as we speak we are processing that.
- Adhidev Chattopadhyay:** So, there are no environmental grievance or any other hurdle?
- Vikas Oberoi:** No uncertainty or no hurdle on that account.
- Adhidev Chattopadhyay:** Sir lastly sir on this Commerz-II now in Goregaon obviously the building has leased out, so are you want to be starting now construction immediately on whatever balance FSI is there for the office building?
- Vikas Oberoi:** Yes, we want to immediately start, in fact we have a design meet on Monday next Monday and we get cracking on it. We have something very interesting, very iconic coming here, this is the last of the commercial building that we will be doing in Goregaon. So, we want to really make an iconic building here.
- Moderator:** The next question is from the line of Sandeep Kothari from Fidelity Investment. Please go ahead.
- Chandrashekar :** I am not sure whether it has been asked before, but just want to check do you worry about any second order impact on pricing in that some of the developers who were affected by this NBFC crisis come to sort of offload finished inventory maybe in the next few months and that sort of

put pressure on pricing for a while on your project obviously did not move for a while but do you worry that this can actually go down?

Vikas Oberoi: You know if they had ready apartments to sell they would have not been in this crisis. All of them are in the crisis because they have taken money and bought land parcels which they do not know what to do about, they have not been able to build, they have not been able to sell nothing. So, you just see, absolutely yes, there are brownfield project some right across our projects which are at level one and level two and not moving, but I mean by no stretch of imagination will a buyer buy a brownfield project of a developer who is defaulting in repaying his own loan and there are no ready apartments with developers who are in trouble. If they were, they would not be in trouble, trust me because everything sells in Mumbai, it is a ready apartment, it will sell at a cheaper price but there are not any developers who are in trouble and have ready apartments.

Moderator: The next question is from the line of Nimit Gala from Edelweiss. Please go ahead.

Nimit Gala: I have two questions one related to Enigma. So, do we have any target number of units to sell for the year because I understand the other projects have been doing well, but we have been still struggling to sell the units here?

Vikas Oberoi: Our first target is to sell as many apartments that we can immediately start recognizing revenue and so that is really our first target I must say which we should achieve within this financial year if everything goes well. Again, Enigma is a one of its kind project even in that micro market. If you see here, we have really done a calculation that probably we are doing a little over 20% of all of Mulund development as we speak today and our 20% is very unique and different because 20% is the highest quality product and very differently sized, everyone else the rest of that 80% are competing for the one and half, two and half bedrooms not even three bedrooms. We started three bedrooms. So, literally the overlap between competition and us is very minuscule and competition has decided to avoid us, we are very happy for that. We feel going forward and because our apartment are of a little larger size, they do end up selling only when they are nearing completion because it is a big check people write number one. Number two, Mulund unfortunately is a cash market we do not take cash and that is also a deterrent, but this is something that we will have to live with it and we will continue to. So, it is slow but certainly not a worry for us. It is slow, but it is not a worry as such.

Nimit Gala: Second question if I understand it correct a good number of portions of your sales it comes from NRI in that case are we witnessing any increase in inquiries given the recent appreciation?

Vikas Oberoi: Honestly not many of our customers. I mean we actually firstly do not really differentiate but you have given us as good cue. We could step up our marketing for NRI clients telling them that now that rupee is cheaper they can get an apartment at a better price, but really we have not really thought as much. We do not focus on the NRI market, we look at actual user, but this is certainly something that one can think and push towards.

Nimit Gala: What I understand other players some portion that comes from NRI and they have been witnessing good inquiry so just could be another point for you.

Vikas Oberoi: We will try and go in for some international exhibition and see the response. We have never done that, but there is no harm in trying in places like Hong Kong, Dubai, London and some cities in the US where you have an Indian domination.

Moderator: Ladies and gentlemen since we are running out of time that was the last question. I would now like to hand the floor over to Chairman and Managing Director Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you all for taking time to attend this conference call. We like taking feedback from you all and this really helps us think how we go forward we really get a lot of good advice from you people. Please continue to help us do that we look forward to talking to you in these conference calls or even otherwise. Please continue to reach out to us. Thank you again, have a good day ahead.

Moderator: Thank you very much sir. Ladies and gentlemen with this we conclude this conference call. Thank you for joining us and you may now disconnect your lines.