



“Oberoi Realty Limited Q2 FY-22  
Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Oberoi Realty Q2 FY22 earnings conference call. We have with us today on the call Mr. Vikas Oberoi – the Chairman and Managing Director of the company and Mr. Saumil Daru – Director of Finance of the company.

Please note that this call will be for 30 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 will be put up on the website of the company. After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, you may signal the operator by pressing ‘\*’ then ‘0’ on your touch-tone telephone.

Before I hand the conference over to the management, I would like to remind you that several 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, strategy of the company, the future financial conditions and growth prospects. 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 results, opportunities and growth potential to differ materially from those suggested by such statements.

I 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:** Thank you. Good morning, good afternoon, good evening to all of you as for the time zones from which you have logged in and welcome to the conference call Q2 FY22 results and business updates. Thank you all for taking time to attend this call. I hope your family and you are doing well and keeping yourself safe.

Before I begin, I would like to share a few updates. I am sure most of you would have gone through our press release and would have seen that we launched our next phase of Elysian project at Oberoi Garden City on 28<sup>th</sup> of October. We received an overwhelming response from our customers and clocked in Rs.787 crores of gross booking. The traction in Goregaon for both ongoing phase of Elysian and our completed projects Esquire, Exquisite continue to be equally strong. Our Sky City project crossed a cumulative booking value of Rs. 4,000 crores with a total area sold in excess of 2.5 million square feet. Mulund also continued its upward trajectory with Eternia and Enigma together crossing a cumulative booking value of Rs. 2,200 crores, with a total area sold in excess of 1.5 million square feet.

The sale growth across all our projects make us feel very optimistic, about both the overall demand environment, the volume recovery, along with the supply side consolidation and also our ability to deliver quality gives us immense confidence for the upcoming launches. I would also like to let you know, that going forward we would like to make our interaction more focused and we will be opening the floor for question and answers straight away.

With this I will let the question and answer queue assemble and I will be happy to address your individual questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Puneet from HSBC. Please go ahead.

**Puneet:** My question is on Three Sixty West. We were expecting a similar performance there, that didn't happen. What is happening there, if you can give more color?

**Vikas Oberoi:** We are waiting for the occupation certificate for Three Sixty West, and then we will start sales for the project. I am hoping that it should happen within the next 30-45 days. Once that happens, we will see the momentum there too. We have so much inquiry and there is absolutely no resistance on price on that product. The product is complete now and many of them are doing their interior finishing. So, once we have the OC, it is like I said is another 30-45 days away you will see similar sales trajectory there as well.

**Puneet:** And second, any update on Thane launch?

**Vikas Oberoi:** We were hoping to launch Elysian more like September, but that happened in October. Now we are hoping that we will be able to launch Thane before December. So, within this quarter, fingers crossed, everything ready, our plans are ready, just waiting for a few final approvals, and then we will get cracking on that.

**Puneet:** I will come back in the queue, but last question any thoughts on price increases in your Goregaon project since there is a great amount of traction there?

**Vikas Oberoi:** If you would have noticed, the second phase has already begun with higher pricing and there is absolutely no resistance on the price bit. We have been able to push prices up by Rs. 500-1000 per square foot basis, the view and other things. And not only that, but we have also increased the price in Tower-A. So, to answer your question, it is imperative not only for me, but most developers because the input costs are going up and whoever does not increase price, it will be very difficult for them to deliver the project. So, I really would want to know how they would manage to deliver the project without increasing the price. Given the fact that, input costs are going up, commodity prices are going up, and we are likely to hit hyperinflation. Hence, I would call it price adjustment and not price increase, it is just that the increase in input cost needs to be passed on.

**Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** My first question is, in the last call you had said that you are looking to build a separate business development team for the redevelopment project and you are also looking to hire a non MMR CEO. So, any update on that?

- Vikas Oberoi:** So, we are close to closing somebody, we have hired somebody rather. But they are on serving their notice period and so on and so forth. So, we would wait for that to happen. All companies have three months' notice period and so on and so forth. So that is happening as we speak.
- Parikshit Kandpal:** My second question is on HBS project. So, any updates on how is the progress going on and when do you think that project can be brought into the market? So, I was asking on the HBS project, so any update on that, how is the progress there and when do we expect to launch that project?
- Vikas Oberoi:** You know, HBS is a complex project. There are lot of layers, I mean unfortunately for us, the society has signed as a co-promoter and they have also mortgaged their property to the banks and that needs to be sorted out before we can move any further on that. We knew that there is little bit of hair in the property, but not so much. So obviously we are treading cautiously. Luckily, we haven't put any money in the project. But we want to make sure that whatever we take, we can deliver. So, few surprises. But like I said that we haven't invested money in it. Continue to work towards cleaning it up and ensuring that whatever can be done to do the project is being done. And here again we have 192 members, we need to understand that they have in turn created a lot of hurdles in their own development by doing these two things. So, we have to tread very cautiously on that.
- Parikshit Kandpal:** But we continue to remain in the project, right? So, we are trying to clean up and get it going.
- Vikas Oberoi:** We continue, it is a two-party effort. It can't be singularly at our end. The project needs to be viable for it to be paying off whatever had been created by the erstwhile developers. So, we continue to look at it, but like I said it needs both the society and us to ensure that this is sorted out.
- Moderator:** The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Just talking about the pricing environment, how are you thinking about other sites, more specifically Borivali, Mulund and Worli as well?
- Vikas Oberoi:** On the pricing front, Borivali we are continuing to maintain pricing. We have enough margin there, so is Mulund, and in Worli like I said that we feel that we are able to push the prices higher. One, there is hardly any competition, the product is ready. Once we have OC, we will be able to command that price. So, this is where we are on the three projects on pricing.
- Sameer Baisiwala:** So, you are not thinking of taking any price hike in Mulund or Borivali?
- Vikas Oberoi:** Not really, not in Mulund or Borivali. We are continuing to maintain the pricing. In fact, if you see, in Goregaon we had started Elysian Tower-A much lower than the existing product. And we don't have any supply, almost any supply left in Esquire. The first project that will get ready

is 3-4 years away in Goregaon and people realize that. At one end, there is a huge traction on the ready product, booking also happens to be doing well.

What we try to communicate in our press release was that between January and October, we were able to sell Rs. 2,700 crores worth inventory in one single location, and this is a very big high. By the time we finish this year, if things go well, we could probably be crossing Rs. 3000 crores in one calendar year out of one project. And that genuinely gives us the confidence that going forward ORL can achieve significant numbers when all these projects start really throwing numbers, including Thane. I mean, we want to set ourselves up for the volume game in all these projects, even in NCR. Our idea is that each project should ideally give us Rs.1 000 crores and as the project progresses, it should end up giving us anywhere between Rs. 2,000-3000 crores. So, this is what really our entire effort is all about. And we want to tell the market or demonstrate to the market that the run rate at which we were originally envisaging Rs. 500 and Rs. 800 crore every year out of every single project, can really be pushed. It may not be to Rs. 3000 crores, but certainly to Rs. 1500 and Rs. 2000, and we now have that belief and aspiration to do that in other projects. So that is really the idea.

**Sameer Baisiwala:**

Just one more question, and that is on the balance sheet. How do we see next 12 to 18 months in the sense that you should keep in mind the construction cost the CAPEX for mall and office etc.? Do you think the residential cash flows is going to be sufficient to fund that or do you think the leverage is going to go up over this time period?

**Vikas Oberoi:**

As far as the office goes, we already have debt in place and it is a long-term debt. It is to be repaid in 11 years, at some 9%. So, it is really cheap and it has easily taken care of the rentals that we have already committed by a tenant. So that is absolutely no issue. The residential cash flow will certainly take care of its own development, that is one. We also want to use the residential cash flows in buying new land parcels. Our strategy has always been that we hypothecate the receivables of these ready assets to banks, take money and buy a land parcel, like what we did in Thane. So, Esquire cash flows literally funded the entire acquisition of Thane. And once Esquire sales are done, Thane will literally be sitting free of debt on ORL which is amazing, and it will start throwing cash for itself. Similarly, we have enough receivables at Mulund and Borivali once these projects are ready. So, we can even do the same thing there and use that cash flow.

So going forward I don't see any additional debt or rather any big debt. All the growth will very easily be managed out of the cash flows that come in. A few top up here and there again because we are building these annuity assets. They do get built at the back of a certain debt, but otherwise we don't need it. Look at Elysian, Rs. 750 crores, anywhere between 35-40% of cash will come to us, a lot of these are construction linked sales. So that money will come in and it kind of takes care. I mean A & B have taken care of all five towers literally of Goregaon. And imagine the inventory that will get ready, even if let us say one doesn't sell, but that is not the idea. The idea is like to continue to sell. This is our belief. It is very conservative, so there is nothing surprising

for anybody. We are not changing our strategy at all as such. I think the aggression will come more out of sales, which you saw in Elysian and other projects, and that is what exactly what we want to stick to.

**Moderator:** The next question is from the line of Samar Sarda from Axis Capital. Please go ahead.

**Samar Sarda:** I have a couple of questions. One on the Three Sixty West, I understand the project is converted from like 1991 to DCR 2034. So, if that is the case, any approval related payments were done in Quarter 2 or Quarter 3?

**Vikas Oberoi:** Yes, we have converted our project from 1991 DCR to 2034, which means we have taken all the earlier approval area that was free of FSI **(Inaudible)** into FSI, and we have made the requisite payment before August. Because that was one window where we were getting to pay at the discounted price and so that has been done. And this is why we thought, that because we are now gold plating project so much, why not wait until OC and then sell these in the market.

**Samar Sarda:** The second question was with regards to Elysian, like you sold roughly 46-47% of Tower-A and now 40% of Tower-B. I understand most of the units sold in Tower-B are 4 BHKs. So, any likelihood of the next tower happening in this fiscal, or you would want to push it next fiscal that you have seen so much demand right now?

**Vikas Oberoi:** If you see Tower-A, we did sell similar numbers, and then literally in the next 6 months double that sale also. So, Tower-A also we had similar numbers and then the sales continued. We are hoping that Tower-B also the sales will continue. And, we have Thane in our hand, we have got to take momentum in Three Sixty West. We will probably be launching another tower in Borivali, because again Borivali is also doing well. We have got higher floors on Mulund that will come into play, and all that. So not really, I mean, we will not launch another tower in this financial year for sure. But we have many other launches lined up and we keep our company busy with that.

**Samar Sarda:** And just one last question if I may. Now that the market is improving, like a lot of your peers who are not doing well or also trying to sell the stock probably much cheaper. So, do you think this will affect like land deals you are looking at A) either with like developers whose projects are stuck, or even with landlords where they are realizing that the market is going well, there might be price increase probably a year down the line and hence land prices might go up a bit?

**Vikas Oberoi:** I don't know how many people will be in a position to buy land. Like I said earlier that if developers don't factor in the increase in cost and continue to sell at the same prices, we were not able to make money then, I don't understand with increase in costs and adding to the interest cost, how will they literally even deliver? So that is one question mark. And I would like for myself to know how all other developers are doing. People who have defaulted or not lived up to their word, are the customers going back to them. And if the answer is no, then this really

leaves very few of us, I mean let' say 20 credible developers in India to literally build all of India. And so given that, I don't see that land prices will go up and one will have enough time to really look through and pick a good land parcel, pick up a good seller and only then do a deal.

**Moderator:** The next question is on the lineup from Kunal Lakhan from CLSA. Please go ahead.

**Kunal Lakhan:** Since we have made the hire for the CEO for the non-MMR market, there must be a solid plan here, right? So just wanted to understand how much capital do you plan to deploy in non-MMR projects say over the next 3 to 5 years? And how much do you think these markets will contribute in terms of sales? Also, do you think that the non-MMR projects would have the same margin as our MMR projects?

**Vikas Oberoi:** So firstly, we want to take a baby step. Step would be anywhere between 2 and 3 million square feet on one site, we want to build the team and then do it. We put our dot on a hundred years, we want the company to live its lifetime and not your lifetime or our lifetime. So, we want to be very calculative, we want to be very conservative about this. We will take one or two projects at best. It won't be more than 2 to 3 million square feet and our investment will be less than Rs.1000 cores. So that is current assurance.

**Kunal Lakhan:** Sure, and then what kind of ROIs would you expect from...?

**Vikas Oberoi:** Even the NCR market, there are very few quality players. Again, it is as a good quality player and we feel that people really appreciate the fact that this is a professional company, company that has delivered quality and in time. I think we will be able to get the desired premium and similar margins that we get anywhere in Mumbai.

**Kunal Lakhan:** Secondly, any update on the leasing demand for Commerz III and also any update on the REIT-plans for our rental portfolio?

**Vikas Oberoi:** So firstly, the good news is that there is no cancellation. Our existing lease continue to be strong, that is the positive. We continue to now get inquiry for new offices for Commerz I and Commerz II that again is a positive. As far as Commerz III is concerned, we haven't started marketing, it is a little too early. We are in the process of creating a show office so that we can explain to people how this is going to eventually look. And I must say that it is really coming out well. We are now, I think on the 17<sup>th</sup> or the 18<sup>th</sup> level and we are doing our external facade and the building is really looking gorgeous. So, I don't see any problem there. As far as the REIT goes, we want to have a critical mass and only then we will do that. Until then we will continue to add to our income of ORL as a rental portfolio like what we do.

**Kunal Lakhan:** Just a follow up on that, at what stage would you open Commerz III for leasing?

- Vikas Oberoi:** So again, we haven't proactively done that. But probably either beginning of next year or first quarter of next financial year, something like that.
- Moderator:** The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.
- Pritesh Sheth:** So, first question is on the CAPEX that we have done this quarter as well. Last quarter I think we have somewhat around Rs.700 crores of payments for FSI and commercial CAPEX. This quarter we are seeing similar numbers. So just a bit of detail into that and what is the expectation for this year? How much we would be spending?
- Vikas Oberoi:** Can I let Saumil to take this offline with you because these are lot of details. But I will let Saumil take that separately with you.
- Saumil Daru:** Pritesh, can we discuss this subsequent to the call?
- Pritesh Sheth:** Sure, no problem.
- Moderator:** The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.
- Amandeep Singh:** Firstly, on your Mulund project, as this project witnessed healthy traction in Q2, we note that there has been some impact on pricing versus the last couple of quarters. So firstly, can you help us with your thoughts on the same? And also, in October month we note that the Sheth Developer had launch a project next to yours, which witnessed a healthy traction during the same month. So possibly if you could give us some sense on how has been the last month for you?
- Vikas Oberoi:** For us, last month has been exceptional. In fact, in all projects, you will see it in our next quarter, number one. Number two, there is no reduction in price in Mulund. If at all, these must be lower floor flats sold and hence you would see a lower number. But there is no reduction in price. And none of these sales have affected our velocity in Mulund. So, we have done really well. We continue to do well. And again, the clubhouse is almost complete. So, the apartments in the building are complete and people are now going there and really seeing the difference in quality that we have brought in and you will see that. Our apartment sizes are also very different from what the Sheth is offering.
- Amandeep Singh:** Secondly, you indicated your plans of outside Mumbai. So just a continuation on that. Will it be possible to give us some sense on what would be the business model, like land purchases or JV, JD initially?
- Vikas Oberoi:** So, we prefer doing land purchase, and we would like to stick to that. Even if it is a JD then it will be only area in return. We don't want to have a very complicated relationship with landowners. We would rather value the property and give them area in return and be done with it. We don't want to do any other models.



**Amandeep Singh:** Lastly on the commercial bit. Will it be possible to help us understand how has been the physical occupancies at your assets currently? And any sense on the fresh lease ups at say Commerz etc. picking up?

**Vikas Oberoi:** So physical has been good. I would say most offices are working anywhere between 50 and more percent of people walking in. I see now like our office is working like a regular office. I think most people are now going back to work, and this is exactly what is very heartening. I feel we saw a big offtake in residential. The next in line is commercial and which is not too far away. You will see similar stories, people looking forward to going back to office.

**Moderator:** Ladies and gentlemen, due to time constrains that was the last question for today. I now hand the conference over to Mr. Vikas Oberoi for closing comments.

**Vikas Oberoi:** Thank you everyone for taking time out for this call. We take your feedback very seriously. We really like interacting with you. I hope you liked this new format, which is really focused on question and answer instead of we giving you a commentary. Thank you again. I wish all of you a very Happy Diwali and a prosperous New Year ahead. Thank you again.

**Moderator:** On behalf of Oberoi Realty Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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