



“Oberoi Realty Q3 FY '20 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Oberoi Realty Q3 FY '20 Earnings Conference Call. We have Mr. Oberoi - the Chairman and Managing Director of the company and Mr. Saumil Daru - Director of Finance of the company, with us for the 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 call is being recorded, and a transcript for the same may be put up on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, you 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 may be forward-looking statements, including those relating to general business statements, plans, strategy of the company, the future financial condition 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: Good morning, good afternoon, good evening to you all as per the time zone from which you have logged in, and welcome to the conference call of Q3 FY'20 results and business updates. Thank you all for taking your time to attend this call.

Before we begin, I would like to share a few quick updates. We have launched Maxima for our existing customers this quarter, and you will be seeing a full-blown launch within probably the next week or so. You would have also seen in your presentation that Sky City continues to perform very well. We have also crossed 1,200 apartments sale in that project, which almost takes us to 66% of the inventories sold from the time we launched the inventory. And we've also started construction for Commerz III here at OGC. This will also be a part of our annuity portfolio that we are continuing to build.

With this, I want to hand over the call to Saumil, who will take you through all the details. And of course, as usual, I'm available for any question and answers after that. Thank you.

Saumil Daru: Thank you, Mr. Oberoi. I guess most of you must have gone through the presentation, which is there on our website, along with the results, which have been filed with the exchanges.

In terms of consolidated financials for this quarter, our total consolidated revenue stood at 536 crores as against 505 crores for Q2 FY '20 and 548 crores for Q3 FY '19. Consolidated PBT numbers were 209 crores for this quarter versus 192 crores for Q2 FY '20 and 195 crores for Q3

FY '19. The consolidated PAT numbers were 148 crores for this quarter as against 138 crores for Q2 FY '20 and 137 crores for Q3 FY '19.

In terms of the asset-level performances, beginning with the investment properties. Oberoi Mall contributed about 40 crores to the operating revenue for this quarter as against a similar number for Q2 FY '20 and 38 crores for Q3 FY '19. The EBITDA margin in this case is 95%. Commerz, which is the office space asset, contributed about 6 crores to the operating revenue for this quarter as against 10 crores for Q2 FY '20 and 10 crores for Q3 FY '19. The EBITDA margin in this vertical is also around 94%. Commerz II, which is the other office building, contributed 31 crores for this quarter as against 30 crores for Q2 FY '20 and 22 crores for Q3 FY '19. The EBITDA margin in this case is about 95%. The Westin Mumbai Garden City contributed 38 crores to the operating revenue for this quarter as against 31 crores for Q2 FY '20 and 36 crores for Q3 FY '19. EBITDA margins in this vertical are in excess of 30%.

Moving on to the development properties next. For Esquire, out of the total project of 21.22 lakh square feet, we booked nearly 27,000 square feet in this quarter. Till date, about 17.01 lakh square feet, which is about 80% of the inventory. The total booking value for this quarter was 59 crores as against 41 crores in Q2 FY '20 and 66 crores for Q3 FY '19. The cumulative booking value till date is 2,778 crores. And as far as the revenue recognition is concerned, for this quarter, it was 59 crores, and the cumulative revenue recognition till date is 2,778 crores on account of 100% project completion.

For Exquisite, of the total project of 15.47 lakh square feet, this quarter we booked another 17,600 square feet. Till date, about 14.43 lakh square feet, which is about 93% of the inventory. Total booking value in this quarter was 35 crores, and cumulative booking value till date is 2,386 crores. The total revenue recognized for this project in this quarter was 35 crores, and cumulative revenue recognition till date, again, is 2,386 crores on account of 100% project completion.

Moving on to Prisma now. The total project of about 2.68 lakh square feet, a little over 2,600 square feet booked in this quarter. Till date, 2.51 lakh square feet, which is about 94% of the inventory in the project. The total booking value for Q3 FY '20 is 5 crores. Cumulative booking value till date is 448 crores. And the revenue recognized for this project in this quarter is 10 crores, and cumulative revenue recognition till date is 448 crores on account of 100% project completion.

For Maxima, of the total project of 4.1 lakh square feet, we have booked about 13,800 square feet in Q3 FY '20. Till date, we have booked about 0.13 lakh square feet, which is about 3% of the inventory. The total booking value is 21 crores, and cumulative booking value, again, stands at 21 crores.

For Mulund totaling between the 2 projects Eternia and Enigma, we have booked a little over 18,500 square feet in Q3 FY '20. Till date, we have booked about 10.96 lakh square feet. The

total booking value in this quarter was 26 crores, and the cumulative booking value in Mulund stands at 1,600 crores.

For Sky City, we booked a little over 65,300 square feet in this quarter, till date, 18.34 lakh square feet. The total booking value for this quarter was 100 crores as against 72 crores for Q2 FY '20 and 119 crores for Q3 FY '19. And till date, the booking value is 2,920 crores. The total revenue recognized for this project in this quarter is 208 crores, and cumulative revenue recognition till date is about 1,891 crores.

For Three Sixty West, Oasis we booked close to 10,400 square feet this quarter. Till date, nearly 6 lakh square feet. The total booking value for Q3 FY '20 was 54 crores, and till date, the booking value is 2,456 crores.

Coming back to some key financial parameters. The adjusted EBITDA margins for Q3 FY '20 were 46%. PAT margin was 28%. The EBITDA margin from Mall and Commerz are much higher than average, as mentioned before. And excluding them, the margins for our pure residential business is 36% for this quarter.

With this, I would like to hand over the floor for any questions that you all may have. Thank you.

Moderator: Sure, thank you very much. The first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, any indicative timeline on when our Goregaon Phase III and Thane launches will come up?

Vikas Oberoi: So Phase III work has started. As you guys know, we are probably doing the 6th or the 7th slab there. And Thane, we have already commenced with our show apartment. So both these projects, we intend to launch probably in the first quarter of next year.

Adhidev Chattopadhyay: Okay. So this is now an April, May launch, I'm guessing because...

Vikas Oberoi: Either it will be an April, May launch or maybe probably in the early part of second quarter, more of the festive season and stuff like that. So either of the two. We are contemplating. We'll see how the markets play out. But all design, approvals, everything is in place. Both projects, the show apartments are coming up. We are very excited about what we're producing. So I guess, it's just a matter of few months here and there, but we are gearing towards that.

Adhidev Chattopadhyay: Okay. Sure, sir. The second question is on our Mulund project. During this quarter, both in Eternia and Enigma, we have launched quite a lot of new inventory. So now, as I see, both the projects, we have more inventory to sell currently than what you achieved till date cumulatively in both Eternia and Enigma. So I know we have been doing some promotions recently saying

that it will be completed next year. So what is our strategy now, sales strategy to monetize the inventory we have?

Vikas Oberoi: Honestly, finally, now I can say that I am getting my confidence back on Mulund because the buildings have shaped up. We are seeing very strong footfall back. Our ad also got in a lot of footfall. These were some of the fence sitters, some of the people who were probably not sure how this will pan out. Mulund market is a bit sensitive because all of them have suffered having taken under construction when there was this entire forest issue. So now, I guess, with the project near completion, we're giving them visibility of possession, the entire drive is back, I mean, and really the ad that we put was, the response was far more than what we expected. So all I can say is that, finally, probably the next entire year will belong to Mulund.

Adhidev Chattopadhyay: Okay. So the completion is expected within FY '21. I mean, within March '21, is this the correct understanding?

Vikas Oberoi: So though our RERA dates continue to be the dates where we are legally committed, we intend to finish the project much earlier, and we have indicated to the world that they can get possession next year.

Moderator: Thank you. The next question is from the line of Parekh Kumar from JPMorgan. Please go ahead.

Saurabh: This is Saurabh. Sir, just 2 questions. One is on this Worli. So the pace of sales still is quite slow. So what are you doing to kind of get it some impetus? And secondly, Saumil, if you can just help us on the commencement date as it stands for all the leased projects under construction?

Vikas Oberoi: So Saurabh bhai, firstly, Worli, we see a lot of traction. We, in fact, get a lot of feelers from people where they say that they would ideally like to buy when it's ready. And we are gearing up to get occupation certificate probably by first week of April. And once that is in place, the confidence that people have will again come back. These are high ticket items. We've been very lucky that until today, we've got a decent traction from the buyers. But I feel that going forward, because we are now so close to completion, a lot of people are like waiting for it to get complete and then probably take that. So I don't see a problem there. And Saumil, if you can...

Saurabh: Vikas, just one follow-up on that. So normally, we have seen that when these people take over the apartment, it takes them still about 7, 8 months to do their fit outs and everything. So I was wondering, have you seen that activity happen where people are asking you for their apartments or fit outs or...

Vikas Oberoi: So almost, I would say, close to 20 or 22 apartments have already been given for people to start doing their fit outs and the rest of them are also taking. A few of them want to take it only after OC, they are not in a hurry. And others, also, like I said, that fence sitters who want to buy are also waiting for occupation certificate to happen. And in fact, if any of you want to come and

see the entire amenity space and all that is now actually come into shape, and it really is looking very good. And so we are very confident about the product and not really worried about the sale at all. On the annuity income, Saumil will take over.

Saumil Daru: So Saurabh, basically, what we are looking at is, as far as the Borivali mall is concerned, that would be Q4 of FY '21. So anywhere between Jan to March next year, March of '21, for that matter. As far as the I-Ven mall is concerned, it is about a year after that. As far as the I-Ven office is concerned, it is September of 2022. And as far as Com III is concerned, we expect that we should complete this by March of '22.

Saurabh: And the Ritz-Carlton, sir, when is that OC coming?

Saumil Daru: Towards the end of this year.

Saurabh: Towards the end of March '20?

Saumil Daru: This calendar year.

Saurabh: December '20.

Saumil: Yes, December '20.

Saurabh: Okay. And just one final question. Sir, on this Worli again, your JV partner is under some, he's had some litigations going on, on account of its exposures with Dewan. So this specific property is not impacted because of that or?

Vikas Oberoi: No, this absolutely is not affected at all. He's got nothing to do with this property, neither this property's mortgage or under any stress. Absolutely nothing.

Moderator: Thank you. The next question is from the line of Mohit Agarwal from IIFL. Please go ahead.

Mohit Agarwal: You have this deferred payment structures across your projects. So can you share what's your total bookings? How much would be coming in from those? Are almost all the bookings coming in from those schemes that you are giving?

Vikas Oberoi: Not really, Mohit. If you see, we actually have a differential pricing for deferred payment. We have a differential pricing when you come through a bank and when you come through construction link plan. And so people pretty much choose if they want to get a deferred payment more because of they want to ensure that they get possession on time and stuff like that, they are pretty much paying for the delay that they do. And so as such, firstly, there is no cost. And I would say, in a ballpark, probably 30% or 40% of the people go for the sort of deferred payment.

A lot of them, with God's grace, because of our brand name, are happy to pay upfront and take that lower price.

Mohit Agarwal: And what would be the price differential approximately?

Vikas Oberoi: So what we really do is when you buy an apartment as construction linked, you pretty much earn about 7%, 8%. And this is tax-free for them because, one, they save on stamp duty, they save on GST. So if you put all that together, it's a decent return. So for us, we get it cheaper than the money that we would take from the bank. And at the same time, it's like a win-win. We put a number which is far more than what they would get in an FD. And if they add the benefits that they get because of stamp duty reduction, because of GST savings, so this amount comes to reasonably a good number. So net-net, they'll end up getting a 10% return on their investment. And as far as we are concerned, we pay only 7%.

Mohit Agarwal: Okay. Two questions on your annuity. One is, this time, we saw a dip in the occupancy in Commerz I. So any comments on that?

Vikas Oberoi: So we had a tenant in Commerz I who occupied a large area. He wanted to, in fact, double the area and was actively considering Commerz II. But by the time he got his permission, fortunately for us and unfortunately for him, Commerz II was fully leased out. You would have seen today that Commerz II is 100% leased out. And because he could not expand within the campus, he had no option but to leave because he was holding 100,000 square feet with us, he wanted 200,000. We would have loved to have him continue in Commerz II, but we were also mindful of the fact that whoever comes first, gets it. They took a lot longer than what they should have, and hence, I could not give them the space. However, the space that's come back has also pretty much been leased. In the next quarter, you will see that all of that has also gone. And there is really a short supply. I mean today, if I had built Commerz III, I would have been much better off. So I almost regret having delayed building Commerz III. That's the kind of demand I see. And then for the same space that these guys have left, I have 3 suitors for that space and at a much better price.

Mohit Agarwal: And lastly, on the Worli I-Ven land, the 50-50 shareholding, any progress on that? Any thoughts there?

Vikas Oberoi: Well, nothing different from what I continue to think. I'm mindful. I always say that I'm mindful of how people want us to behave or perceive. We'll, for sure, not let them down and continue to see. There are too many things in this. There is a tax angle, there is an arms-length angle, many things that one needs to look at. For now, it's status quo. But like I said, very mindful of how this will play out and how people expect us to.

Moderator: Thank you. The next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

- Abhishek Bhandari:** I just had one question on this Three Sixty West. Now that we have sold close to 30%, are we very close to recognizing that through the P&L?
- Vikas Oberoi:** So technically, we haven't yet crossed 25%. And since we are already in February, we also want to ensure that we kind of cross margin, only then cross the 25% mark, so that we get the spread for paying taxes also in that way. I mean, like, we haven't crossed 25% and OC is also expected in for the second week of April. So I think from then on, we'll do that.
- Abhishek Bhandari:** Okay. Because I was looking at Slide 17, it shows area booked till date is 6 lakh square feet out of total 22 lakh. The second question, Saumil, is around the CAPEX outlay for FY '21 and FY '22 for these annuity projects.
- Saumil Daru:** Yes. So in terms of what is the amount we are likely to spend?
- Abhishek Bhandari:** Yes.
- Saumil Daru:** So again, if you look at the base construction cost of around Rs. 5,000 a square feet and split it across the 2 years, you will land up with a very good ballpark of what we are likely to spend.
- Abhishek Bhandari:** And Vikas, my last question is on this Ritz-Carlton Hotel at Worli. Eventually, would you want to make it 100% asset for yourself?
- Vikas Oberoi:** Not really. I mean, like I always tell people, hotels are loss leaders. Unless and until it kind of adds to the value of the project, one should not really build hotels because they don't really make commercial sense. So we are not interested in buying the entire property. The hotel was a strategic decision for us to brand rest of the development. It has given the halo, but it's not given us the price advantage. But what I would say is that it at least put us as #1 in people's, probably, priority list when it comes to buying a house. So while we thought that it'll do a lot more in terms of giving us a much better price, given the market conditions, customers are able to still get a deal out of it, even though it's a Ritz-Carlton residences. But on a standalone basis, does the hotel make enough for the value we invest? I'm not a big believer. For me, the hotel has to be a kicker which kind of lifts the entire area around it, and it has to be a strategic investment and not a financial investment. So I would never really, if everything is done and somebody were to give me a great offer, I'll be very happy to sell 100% of the hotel.
- Abhishek Bhandari:** Okay. The reason I'm coming from is, again, the stress with your partner probably might inch him towards him selling a stake to you. So that's where I was coming from.
- Vikas Oberoi:** Not really. Again, like I said that it doesn't make commercial sense. And the values are way too higher. If that be the case, we'll be very happy to discover value in the market and probably both of us sell and get out of it.

Abhishek Bhandari: Okay. And Vikas, just to clarify, given that on the other land parcel in Worli, you still have 50% and the company has 50%. So is the construction cost also being borne in the similar ratios at the moment?

Vikas Oberoi: Exactly.

Moderator: Thank you. The next question is from the line of Pankaj Tibrawal from Kotak Mutual Fund. Please go ahead.

Pankaj Tibrawal: The last time when you guys raised capital, the thought was to increase velocity across your projects. You guys did some of those in the initial round. But for the last few quarters, velocity seems to be missing. Any thoughts on that? And the nonlinear scaling, which we thought that in next 4 to 5 years, the opportunities which have been presented should see us scale significantly much higher than where we were. Where the energy is going for the management across for the next couple of years because the opportunity seems to be right and balance sheet seems to be in a good position.

Vikas Oberoi: So when I look at our business, I feel that the way things are panning out, especially after demon, GST, RERA, I clearly see that this has kind of almost cleared up the competition. And to add to that, this entire NBFC mess has also further cleared that. I also see very strongly that just like the commercial market, which saw a shortage in supply, if you all jog your memory back, you will realize that literally there has been no addition of office buildings, especially, let's say, look at BKC. For the last 6, 7 years, you've not seen a new building come up. Even in the suburbs, you see that there is hardly any supply of office buildings. And this led to a shortage, and hence, all that was ready is now leased out. Now, of course, I mean, like we are doing Commerz III, and there must be some other people who are trying to build offices. Now a similar thing is happening in residential. And if you ask me, where is your energy going? We have 8 towers in Borivali, close to 3,000 apartments, out of which we've launched 1,800 and sold 1,200 of the 1,800, and this is under construction. So 66% of the inventory in Borivali has been sold under construction. And if you look at the overall project, 40% of the inventory of all 8 towers that I'm totally planning are sold. We have 60% of the inventory, which will come probably over the next 3-4 years, which is what we are expecting to sell. We have Mulund that will get completed and that will be sold. We've got almost 4.5 million square feet of area to be sold in Goregaon. So if you really see, we have enough and more on our plate. We want to be very sure. We want to focus our energy to close these projects. This actually will end up giving a lot of cash flows to us also. These are projects that have been literally built out of internal cash flows. If you see 170 apartments in Esquire that are left to be sold, itself are worth about 800 to 1,000 crores. Not a rupee needs to be spent on that. I mean, at best, from the revenue that I generate, I'll probably have to pay 150 - 200 crores as tax, that 600 is a clear surplus for us. So if you see all our projects by the end of next year, we'll be ready and we'll be ready to generate that kind of cash basis, the velocity at which we can sell. So focus on completing and selling these projects. Focus on making sure that these annuity assets are built and leased out well. Focus on launching Thane.

We've enough on our plate. Of course, no one is saying that if you get a great opportunity, one would not do it. But the way things go, I don't see the contour of business getting better for the rest of the world. So I will have the luxury of having enough time to buy whatever I want to at continued depressed prices. What probably will go up and what will probably do better are buildings that get completed because not many of them are going to be completed. Even these so-called international brokers will finally have to rewrite the meaning of inventory. Most of these developers who have stuff which is under construction is actually stalled. Until they'll go through the NCLTs of the world, until they find a new way to fund it, you don't see supply coming in a big way. There are handful of us who are actually building and completing. And I can say this out of a lot of study that I'm doing through when I hire people, there are these guys who have not been paid salaries, my contractors come and tell me about who is not paying them and stuff like that. So we have enough of knowledge of what's happening in the market. That gives me a very clear indication that there will be a shortage of supply even in the residential component. And we will be lucky that we will be building a lot of this in the next 1 year. Starting with Mulund and Borivali, again, with ready stock in Esquire, new stock for phase 3. So with Worli also now getting occupation in April, I think this will be the future. And as a company, we want to concentrate and focus on this. We clearly believe a bird in our hand is worth more than 2 in a bush. We want to make sure that we really optimize and maximize what we have in hand and then think or digress otherwise.

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

Sameer Baisiwala: Vicky, have you thought about the Thane format? Was it the mixed use? Or what's your plan over there?

Vikas Oberoi: So Thane, we will start with resi. We have a little bit of retail, but it is more like, see, it's 60 acres, and if everything goes well, we will be able to build over 12 million square feet. And so we have enough of a critical mass and that critical mass will need some sort of retailing. So that bit is there. We are not closing our options if it comes to any sort of office building and stuff like that. But again, like I said that, that is not really our priority. We have studied the market, we've understood the gaps today. Everybody is getting very area conscious, final ticket price conscious and so on and so forth. So there's a clear glut in our market, which only serves that segment. We will create a slightly subsegment of that, maybe a higher version of that. And the difference will be like instead of an i10, we do an i20 and become a little more aspirational in the affordable range, and that's what we are known for and come up with that. Designs are done, show apartment work is happening, people can go and see. Demolition is happening today in a big way. So focus is to really make sure that we launch that now in the next 2 quarters.

Sameer Baisiwala: Okay, great. And you don't see this to be Garden City type of development. Vicky, I say that because 12 million square feet would be probably, to my mind, the single largest concentration

of residential apartments that I can think of. No other project has had, so in the longer term, do you think this will sell or do you need to do mixed use?

Vikas Oberoi:

So Sameer, it is Oberoi Garden City Thane, for sure. And we've already planned, like somebody asked me that would you buy that hotel? The idea is that you create a hotel. So this probably will be the first 5-star branded hotel in Thane within our property. We will have retail. We still fancy an idea of putting up a school there. So you're absolutely right, it is Oberoi Garden City. It may not have massive retail because literally 800 meters away from us, our property is joined to the hip when it comes to Raymond's. And in fact, all along, I thought that probably Raymond's has an edge. When I now look and think back, I feel we have an edge over Raymond. We are in the more developed part of Thane. Hiranandani Meadows is apparently one of the good buildings, which is literally 500 meters from us. And this is an area which is closer to Ghodbunder, it is closer to the well-developed residential area and all that. So very positive. It will be an OGC, for sure. And we'll only build what is not around in that vicinity and of high quality. If there are things, then we will not build that. But whatever is the shortcomings, we will make sure that we build.

Sameer Baisiwala:

And Vicky, on Glaxo land in Worli, I mean, the sooner you resolve the ownership, would it not be better? Because more later, it is towards the completion of the project, the less value would be left for Oberoi. That's one. And second, for the other Worli project, the Three Sixty West, have you taken a decision to cap at 65 floors? Or are we still pursuing to take it higher?

Vikas Oberoi:

We have almost taken a decision of capping it to 65 floors only, and we will firm that up and take that call end of March or first week of April because then we can officially say that, yes, we are cutting it to this level and then we will follow things going on. I can discuss this offline with you and explain.

Sameer Baisiwala:

Yes. Sure. I get that one. And on the 50% stake in the Glaxo land?

Vikas Oberoi:

So again, Sameer, the issue is only how do we make it elegant. And at the same time, like cost-neutral. I don't want the value to be eroded in, let's say, if I transact, then x amount of money has gone in tax, y amount of money has gone in stamp duty and so on and so forth. So we have engaged a professional external firm to advise us on how we should go about it. They gave us certain options. Those options were also, they were collective options on how we move our annuity assets in SPVs and get ready for the REIT. But this new, what you call, tax on dividend and these sort of incomes have put a dampener on that. We now need to recalibrate ourselves how we will look at this entire thing through the lens of the REIT income and the taxation around it and stuff like that. So to answer your question, we want to do it sooner. We are only looking at the cost and the leakage that will come through with it. But we have to take a call. See, one option is that I simply sell my share to a third-party who could become a strategic investor and then probably create an SPV, transfer all these assets into that SPV and take that into a REIT. So eventually, though, he holds 50% here, eventually becomes a small part of the REIT, and we

then read things out and so on and so forth. So this becomes elegant at arm's length, no interference and so on and so forth. So something like that, multiple options are being worked out, but something elegant is what we like to do it.

Moderator: Thank you. The next question is from the line of Swagat Ghosh from Franklin Templeton. Please go ahead.

Swagat Ghosh: Sir, this is a followup to an earlier question asked. So while you elaborately explained why you are probably not looking at newer projects and focusing on your energy and existing projects, I want to understand the thought process. When the QIP money was raised, did we overestimate the stress in the market and thought there'd be more opportunities immediately which did not materialize?

Vikas Oberoi: On the contrary, we actually underestimated the stress, and we thought that this stress was temporary, but this just looks to be a lot more and a lot more longer for the rest of the world. So we feel that today, land literally is a commodity, and one can get land whenever one wants and as much as one wants. We need to ensure that we've understood the cyclicity of this market, and we've understood what customers want. If they want to start buying projects which are going to be more towards completion, then we need to ensure how we take these projects from inception to near completion and then get people interested and how we phase things out and so on and so forth. So that bit was not probably clear then. Today, it's become a lot more clear. And when we raised money, the NBFC crisis was not in play. And all that has changed the dynamics today. If I want to buy land, there's hardly any competition as such. So we have the luxury to wait it out there. And wherever, we are committed to our customers because that's where literally the value of our franchise is, we want to make sure that we build super quality. In fact, if you would have seen our Mulund ad, we've gone ahead and added amenities in that project. And people have loved it, our existing customers have loved it, new buyers are liking it. We are now close to completion. So suddenly, Mulund started warming up. And this is a great feeling and a great confidence for the team who's selling, who's building that. Now we know what will it finally take at least for the next 2-3 years for developers if they want to get this customer in. And that'll be probably complete your project and get it to near completion and then deliver.

Swagat Ghosh: That's a fair point, sir. But what I'm trying to ask is, why did we raise that money because the cost towards completing our existing projects did not require that incremental equity money. We could have levered up a bit more.

Vikas Oberoi: Correct. I wish I had the knowledge of hindsight that I knew that markets are going to play out like this. If I did, I would have not done it that way. Nevertheless, I mean, we are continuing to build annuity assets, so it's okay. You can't get all your calls right. Some of them are taken basis how you read the markets. And in a way, I would say, I am not complaining the way the markets have panned out, it's only given us a clearer edge or it's, in fact, taken away competition far more

than what we expected. So we are not unhappy about it. Yes, we can't claim that we read the market completely the way you are suggesting.

Swagat Ghosh: Right. And sir, a follow-up is that particular equity raise strengthened our balance sheet and improved our leverage ratio. So can we expect that based on that only, any opportunity that we see now, we need not raise additional money? Or can that be another possibility?

Vikas Oberoi: No. So obviously, we are not going to raise any more money. We are building annuity assets, and you will see that we will lever up when it comes to these annuity assets. We will borrow against that. And if you see, like how Saumil gave you the date that Borivali will get ready first, then you will have your Worli happening second and then your office building third. So if you see, sequentially, even though we'll have borrowed money for all 3 projects and we'll get a large sanction, but by the time Borivali is ready, we can even discount receivables and repay the debt there and so on and so forth. So we are happy. We've strengthened our balance sheet. We have annuity assets, we'll build them. And our idea is to take the annuity asset income to anywhere between 1,500 - 1,800 crores every year, which itself will be almost 2, 3x of the profit we are earning today.

Swagat Ghosh: Got it. And my second question is on Three Sixty West. So from what I understand, we are bearing the construction CAPEX and collections accrue to us completely before we actually recover the construction cost that we have incurred. Is that understanding right? And has that, in any way, changed in light of the stress faced by our partner? If you can clarify, that would be very helpful.

Vikas Oberoi: No. So firstly, out of the entire receivables, we get 80% and 20% go to him for his thing. That's the understanding, which continues to be one. You will all be happy to know that Worli now is pretty much being built from the collections that we are getting from there. We are not required to add any more money now. So there is enough velocity, enough collection that Worli has which allows us to finish it. And like I said that we should get OC by April and then we expect the velocity to, in fact, increase. And so that's our aim, none of the understanding has changed.

Swagat Ghosh: Right. So this 80-20 stays till the construction cost?

Vikas Oberoi: 80-20 stays till we do a catch-up. And once we recover all our money, then the split starts proportionately.

Moderator: Thank you. The next question is from the line of Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: So just wanted to understand what sort of comfort do you have on Maxima project?

- Vikas Oberoi:** I mean, very good comfort, from what point of view? Are you suggesting sales? Or are you suggesting...
- Manish Agarwal:** Yes, sales.
- Vikas Oberoi:** Well, I mean, we have sold more than 1,500 apartments or plus 1,500 apartments in that complex. This is the last of the inventory left. And when we launched, I'm sure we'll do well, and we have priced it very attractively. And today, like Prisma has delivered, you have an international school literally 500 meters from there. You're on the JVLR where you see metro work happening. If we don't get confidence there, then I can't give confidence in any part of Mumbai.
- Manish Agarwal:** Okay. Got it. And secondly, so our Borivali Mall is expected to come by 4Q and even I-Ven 4Q FY21. So are we seeing any sort of pre-leasing momentum, any anchor tenants, anybody showing any interest?
- Vikas Oberoi:** Absolutely. I mean, we have just about put a team together to now start marketing. And again, I mean, like, if you see, almost 40%-plus work at Borivali is already done. And once this starts coming out, we will strongly start marketing. And because we make sure that we have a lot of vanilla retail in Borivali, these guys really need only probably 2 or 3 months for them to turn it around. So we are now going to start reaching out to these guys and do that. And all these are our repeat customers. They are all existing in our Goregaon mall. And these are the similar tenants. Today, like you saw, Goregaon is more than 99% occupied and almost giving us 160 crores every year. So we don't have any issue on that.
- Manish Agarwal:** And what will be the broad rental for Borivali?
- Vikas Oberoi:** We are yet working out. We don't want to disclose it today because they will eventually form an average. So we want to make sure that and again, if you see that barring what's being done in BKC or maybe one in Thane, there is no new mall that's being built in Mumbai. So I see that these are all high capital-intensive businesses, and you need the right location, you need expertise. We are lucky we have all that and hence, we are sure that this can be a good product.
- Moderator:** Thank you. The next question is from the line of Arpesh Thakker from Motilal Oswal. Please go ahead.
- Arpesh Thakker:** First of all, sir, can you give some light on the overall Mumbai market? Because at this time, after 2 quarters we saw growth in volumes and much better growth in the realization. So that's why the booking value was higher. So are the prices firming up and also the market is picking up in terms of volume, especially the Mumbai market?

Vikas Oberoi: So what I explained earlier is that people are now sensing that supply is going to be a huge constraint. Very few developers will be able to deliver. So when you will see volume increase, you will see volume increase at certain developers, and this probably may not be an increase in the market, but this will be increase in their market share because others are now not delivering. So there's going to be a polarization of these customers into the hands of these people. And this is what I have been trying to explain to people. And luckily for us, it's now playing out and showing us that this is the future. So even though you may see that the market has not expanded, certain developers will do well. And it'll show in both in quantitative sales, and it'll show in price increase. We have, for ourselves, been able to very steadily increase price in Worli because if you see around us, there is probably a one-off developer who's building, but everyone else is like literally shut shop. So if they have to buy, they have to come to us. And the similar case is even Mulund. I don't want to take names, but there are very few developers who are now building and completing and building that quality. So that'd be the case. Borivali is also pretty similar to the same story that I'm saying. So we see a huge consolidation of customers at the hands of a few good developers. And whoever will complete will actually laugh his way to the bank. So this is where the markets are going, and that's why you see a jump. And in fact, as we go further, you will see this jump higher and higher. You'll see concentration of customers at the hands of a few developers.

Arpesh Thakker: Okay. Fair enough. And sir, second question is mostly on the Thane project that we have. So if I'm not wrong, we were planning an affordable portion in that project, right?

Vikas Oberoi: Correct.

Arpesh Thakker: Yes. So given the union budget this time, there was a push for the affordable housing. So are we planning to increase the component there? Or we are still on the track what we guided till last quarter?

Vikas Oberoi: So like I said that there's a huge glut in that market as far as a particular size is concerned. So I thought that instead of fighting into that market, if one is able to push the product and not hire, and like I said, that instead of an i10 you sell an i20, and you can get the customer who's a little more quality conscious and all that. And there's a huge market at a very small premium. If we are able to give a very high-quality product, then we will be able to garner that market. So like I said that we are very strongly, like, consciously studying the market, and we'll take a call.

Moderator: Thank you. The next question is from the line of Parvez Aktar from Edelweiss. Please go ahead.

Parvez Aktar: Sir, a couple of questions. One, will it be possible to get the construction timelines for the I-Ven and the Borivali hotels? And second, as far as Goregaon is concerned, what is your thought process? I mean, do we want to build a second hotel there? Or are we happy with what do we have there currently?

Vikas Oberoi: So Commerz III is planned with a small hotel. Again, small means there's another 200-odd room hotel and because the area demands and the building kind of gets halo and stuff like that. But we have not firmed up, we are fluid on that. As far as Borivali is concerned, we will have a 4-star hotel, more like 4, 5-star hotel. And the work has started along with the mall because it sits on top of the mall, and it complements the mall. The way it's designed is that it literally flows into the mall. And Thane also, we are planning a hotel. Again, like I said, that our strategy is to park them in locations where we want hotels to trigger some sort of halo around those projects.

Parvez Aktar: So fair to assume that the hotel will probably come 6 months to 1 year after the mall?

Vikas Oberoi: Exactly. In fact, it'll get ready with the mall, but interiors and the launch will probably take another 6 to 9 months or, let's say, a year after that.

Moderator: Thank you. We'll be able to take one last question. Last question is from the line of Manish Gandhi, who is an individual investor. Please go ahead.

Manish Gandhi: Vikas, my first question is I would like to know your thought process for bidding Lavasa. Question is, per se, not about no economics of Lavasa, but how about opportunity cost? And how do you think opportunity in MMR for the new lands, like, correct me if I'm wrong or at least walk me through your thought process, why would this large project, if we get, will not restrict us from once in a lifetime or decadal opportunity to meaningfully increase our market share in MMR? For what you guys have created in the last 30 years in MMR and the opportunity we have in hand, I just was confused about it.

Vikas Oberoi: So Manish, the way this game works is that you have to first throw your hat in the ring and then probably think what you want to really do because by the time you firm up and study, you'd have probably missed the bus. So what we have really done is we have literally picked an option. And now basis, how this option plays out. In fact, credit and discredit us for only overthinking everything that we do. So you know for a fact that if we have thrown our hat in the ring, of course, it's cashless. We've not put any money, firstly. Number two, it gives us an opportunity to study your market. Not that we are committed, and we want to go ahead and do anything. So these are only options. I mean, tomorrow, you will give hear us bid for another project, which may like next week, you'll hear that, oh, why are you guys doing this? But please understand that these are options that you create for yourselves. And if things don't work, no is also an answer, and we'll very happily say no and walk away. And we are very mindful of what exactly you are saying, and we will make sure that we don't make any such mistake, if at all, that be. I mean I'm just saying like, okay, let's hear it hypothetically, if the banks come and tell us that, you know what, why don't you become development managers of this project and you market it? So all we have to do is do a nice layout, maybe create a small team of people who can market it as an educational hub and maybe some sort of IT, some hospitality, some health, like a destination. One can do that. We are certainly not working with our money in it and kind of giving it away. So these are options we bought. One shouldn't read too much into it. And trust

us that we will do the right thing. And again, I'm not taking anything away from you. You are a well wisher. And I'm very happy to hear that you are concerned and happy to clarify that you need not worry. We are thinking as well as you are that what will be the cost of opportunity lost if we give away our bandwidth there or how can we do that without giving away much of our bandwidth, both financially and manpower.

Manish Gandhi:

Okay. Sir, I'm not concerned at all. I have seen you closely on your capital allocation. So that was not my question, but your thought process? And the last question, see, what we have in our hand, including Thane and Goregaon III and in current opportunity and our balance sheet strength, say, our aspiration also to increase our market share in the next 2, 3 years, we can add few projects here and there in like Borivali or Thane. But thinking was to sell, say, 5,000 - 6,000 crores per year to finish all these projects in 10 years. What would be the key area, especially in sales that you would like to improve to realize the opportunity in hand? And how are you preparing organization for the same thing?

Vikas Oberoi:

So I want to tell you that organization challenges are not at all there. We are building the quantity that we can reach that sort of stage. You know that during launch and all, we've handled in a single day, Borivali we had 600, 700 apartments sold. So as far as managing volumes is concerned, we are there. And like I said that we are ourselves waiting for this entire concentration of customers happening at the hands of a few of us. And obviously, we already have raised our hands to service them, and we are fully geared and equipped. As far as construction goes, our strategy of outsourcing has worked. Today, if you see, we are building more than 20 million square feet. And without a fuss, we are building very high quality. I'm so personally happy with what has been built in Mulund and Borivali, you see the velocity. If you track us closely, we have casted almost 37 floors per year. That is like on a constant basis at all our projects, this sort of pace, which is great. I mean, less than 9 days a slab. And today, as a company, we have geared that a 60-storey building can be done in 30, 32 months. So from execution, from sales, we are there. I mean it's just about the market sentiments that need to improve, and which they are. It's just the beginning. And now I feel companies like us should be setting its own pace and not bothered about what the budget is doing and not bothered about what the other areas are restricting you or other regulations are restricting you. We now need to set pace ourselves, which we are gearing up. We will set ourselves in a way where we catch maximum wind and go for the customer. If the market is not there, we create a market and go after it. Whatever be the price, we do that price discovery and actually sell it because now we know land is going to be of easy supply. So that's how we want to run our company.

Manish Gandhi:

Nice to hear that. Sir, just a short question. If in say next 3 years, you get 3, 4 opportunities like Thane in Mumbai, would you be ready to take it?

Vikas Oberoi:

Of course, we will be ready to take it. And I told you, we'll be ready to take it because I know for a fact that there'll be very few developers.



Oberoi Realty
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Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the conference over to Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you all for taking time for this conference call. We like receiving your feedback, and this only helps us think better, harder and perform better as well. Please continue to share your thoughts. Whether on call or otherwise, my IR team is available, I'm available. Thank you again.

Saumil Daru: Thank you.

Moderator: Thank you very much. On behalf of Oberoi Realty, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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