



“Oberoi Realty Limited Q2 FY 2021 Earnings  
Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Oberoi Realty Q2 FY '21 Earnings Conference Call. We have Mr. Oberoi – the Chairman and Managing Director of the Company and Mr. Saumil Daru – Director 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 the transcript for the same may be put up on the website of the company. After the management's discussion, there will be an opportunity for you to ask questions.

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

Before I hand the conference call over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts, and may be forward-looking statements, including those relating to general business statements, plans and strategy of the company, the future financial condition and growth prospect.

The forward-looking statements are based on expectation 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 all of you as per the time zone from which you have logged on. And welcome to the conference call of Q2 FY 2021 results and business updates. I want to firstly thank you all for taking this time. I also hope that your family and you are doing well and keeping yourself safe, and none of your near and dear ones are affected by COVID.

Before I begin, I want to share a quick update with you. I am very happy to tell you that we have crossed the Rs. 3,000 crores booking value mark for our Borivali project. And we are now gearing up to deliver Borivali to our customers ahead of our committed schedule. We have also raised Rs. 700 crores of NCDs. And this capital helps us extend our existing debt maturity, and makes us even more financially solid.

With this, I want to hand over the call to Saumil for the details of numbers. I will be happy to address your individual questions once we begin the question and answer session. Thank you.

**Saumil Daru:** Thank you, Mr. Oberoi. I guess, most of you must have seen the presentation uploaded by the IR team. And if not, the same is available even right now on the website along with the results filed with the exchanges. Keeping these things short and sweet so that you get more time for Q&A.

In terms of consolidated financials:

Our consolidated revenue for this quarter was Rs. 325 crores for Q2 FY '21 as against Rs. 126 crores for the preceding quarter; and about Rs. 505 crores for the same quarter last year. The consolidated PBT was Rs. 168 crores for this quarter as against Rs. 39 crores for the preceding quarter; and about Rs. 192 crores for the same quarter last year. And the consolidated PAT was at Rs. 138 crores for this quarter as against Rs. 29 crores for Q1 FY '21; and about Rs. 138 crores for Q2 FY '20.

Moving quickly to the asset level performance and beginning with the investment properties.

The Mall contributed about Rs. 35 crores to the operating revenue in this quarter as against Rs. 1 crore in the preceding quarter; and about Rs. 40 crores for Q2 FY '20. The EBITDA margin in this vertical stand at about 94%.

Commerz; which is the office space asset contributed about Rs. 5 crores to the operating revenue for this quarter as against Rs. 4 crores for the preceding quarter; and about Rs. 10 crores for the same quarter last year. The EBITDA margins in this vertical is in excess of 88%. And Commerz II, which is the other office building, contributed about Rs. 32 crores for this quarter as against to the same number for the preceding quarter; and about Rs. 30 crores for the same quarter last year.

The Westin Mumbai Garden City contributed about Rs. 6 crores to the operating revenue for this quarter as against Rs. 2 crores for the first quarter; and about Rs. 31 crores for the same quarter last year.

Moving on to the development properties:

For Exquisite, this quarter we booked a little over 29,300 square feet, till date about 14.79 lakh square feet, which is about 95% of the total project. The total booking value for this quarter is Rs. 67 crores and the cumulative booking value till date is at about Rs. 2,467 crores and the total revenue recognized for this project, this quarter was, again, Rs. 67 crores, on account of 100% project completion.

For Esquire, out of the total project of little over 21 lakh square feet, we booked over 14,000 square feet this quarter. Till date we have booked about 17.43 lakh square feet, which is about 82% of the inventory. The total booking value for this quarter is about Rs. 30 crores as against Rs. 16 crores for the preceding quarter; and about Rs. 41 crores for the same quarter last year. And the cumulative booking value till date is Rs. 2,867 crores. And the total revenue recognized for this project in this quarter is Rs. 41 crores on account of, again, 100% project completion.

For Mulund, totally between Eternia and Enigma, this quarter we booked over 26,200 square feet. Till date over 11.62 lakh square feet. And the total booking value for this quarter is Rs. 42

crores as against Rs. 5 crores for the preceding quarter and Rs. 39 crores for the same quarter last year. The cumulative booking value till date is about Rs. 1,700 crores. And the total revenue recognized in this quarter stands at Rs. 29 crores and cumulative revenue recognition till date for Mulund stands at about Rs. 1,047 crores.

For Sky City in Borivali, this quarter saw bookings of over 36,000 square feet. Till date we have booked about 19.18 lakh square feet. The total booking value for this quarter was Rs. 60 crores as against Rs. 2 crores for the first quarter and Rs. 72 crores for the same quarter last year. And till date the booking value is about Rs. 3,057 crores. The total revenue recognized for this project in this quarter was Rs. 75 crores and cumulative revenue recognition till date has been at about Rs. 2,139 crores.

Coming to Three Sixty West, This quarter we booked over 24,600 square feet. Till date about 6.26 lakh square feet. And the total booking value in this quarter was at about Rs. 126 crores.

Coming back to some key financial parameters, Our adjusted EBITDA margins for this quarter was 55%, PAT margins was 42% for this quarter. The EBITDA margins for Mall and Commerz are much higher than average, as I mentioned earlier. And excluding them, the margins for our pure residential business is about 43% for this quarter.

With this, I will hand over the floor back to you all for any questions that you all will have. Thank you so much.

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

**Abhishek Bhandari:** Actually, I had three questions. First, on your Residential business. If you could share some updates on your launch pipeline, the timeline firstly around Thane and Goregaon phase III? And would you want to make use of the current lower stamp duty by the government to accelerate your launch plan here?

**Vikas Oberoi:** Very good question, I must say. In fact, very happy to answer. We are going to launch Borivali second phase. The reason is that it's just starting, does not compete with our existing inventory. This will also allow us to sell some lower floors. We are also starting our Goregaon launch. Again, here it does not compete with our existing inventory because this is a good three years away. These are the two projects that we will be starting. Thane, as you all know that the government is in the process of coming out with a unified DCR and we don't want to start with something where we know that the rules are going to change and then cut a sorry figure with our customer. So we want to be very sure on how the unified DCR plays out, and what sort of planning, permutation combination, restrictions that will bring in, what areas will be counted in FSI, what will be free of FSI. So we want to first see that and then probably launch Thane. We are fully ready with our plans. If the government were to come out with a unified DCR in the next two weeks, we could pretty much surprise the market and start Thane as well. But if not

immediately, then maybe as soon as these guys come up with the new DCR, a unified DCR. So that's where we are for the three projects.

**Abhishek Bhandari:** Okay. My second question is on your retail business on Slide 13, where you have booked the revenues for both Q1 and Q2 put together at Rs. 35-odd crores for this quarter. So if you could share what kind of restructuring of contracts or waivers you have offered to your tenants? That's one. And what is your timeline of opening of Borivali mall and what is the starting average rental you are looking at over there?

**Vikas Oberoi:** So we very simply went out to everybody and said that, look, this is not a win-win, this is a lose-lose situation, and both parties have to be ready in losing monies. So, we said that whoever does not opt to litigate and wants to instantly close, we offered them that we will charge you only 50% of the rent for the entire 2020-2021, that is April of 2020 to March of 2021 we will only charge 50% of the rent. And everybody was very happy. We did not go into this staggering base and all that. I said, listen, let's cut the losses to half and half, you bear half of the loss and we will bear half of the loss. And that's how we resolved this, and we have got fantastic response. What we also did was that we said that we will literally not count this year. So if your lease term was for three years, and this we literally treated as a blank year, we increased your lease by one year. So your lease technically is continuing to be three years, but this year does not get counted. So that way, we also have enough opportunity to earn that revenue from you, and we understand that this has literally been a dot year and we will take a hit of 50% and individual tenants were taking a hit of 50%.

And that has really gone down very, very well with everybody and that's why you see our mall has pretty much opened up, almost everybody, barring, of course, cinemas who haven't been yet permitted. And the footfalls are back, the sales are back. Of course, I mean, the festive season is going to help. But you can clearly see there is demand. I am seeing numbers of people whose sales I am noting, they are really back in a big way. So that's been a big, big relief.

And on the Borivali front, we continue to build the same way we believe in the project. And like I said that, there is an undersupply of retail in India, especially in Mumbai. And in the deeper suburbs of Borivali nobody is building a mall to the scale that we are building, or rather, there is no new mall that's coming up. So I think it will be well received. We have certain numbers and they are all different, so different floors have different rentals, different locations have different rentals, different size tenants have different this thing. So I can't just give you one number as such, but being very, very well received.

**Abhishek Bhandari:** Sure. And then last question is on your office portfolio. While Commerz, there is no incremental rise in vacancy, its stable at 33% odd. Is there any plan to jump back to a higher level? If at all yes, what kind of measures are you going to take? And in view of this work-from-home being spoken about in the companies, do you think there could be a need to drop your rentals here to attract tenants? And related question is, there is a minor drop in occupancy in Commerz II. Is it

just small tenant going away or do you have any more tenant who are likely to vacate, on Slide 14?

**Vikas Oberoi:** Did you say Commerz II or Commerz I?

**Abhishek Bhandari:** Commerz I is 33%, that I understand. But the Commerz II, 100% has come down to 97% odd?

**Vikas Oberoi:** No, no, there is no drop in any occupancy in Commerz II. In fact, let me tell you, here again I feel that, going forward, there is going to be a space crunch in a country like India. One, not many people are able to raise monies. So obviously, these capital assets require a lot of money that needs to be pumped in. Virtually very few developers are left with that sort of cash where we can go ahead and build new assets. I clearly see there will be a huge supply shortage, and demand will actually end up increasing I feel. And whoever will be able to build it in the next two years with all the constraints that are there in the market, financial constraints, labor issues, this, that and the other, will eventually be the winner. So we are really backing ourselves to build. You all know that we have done a very large transaction for Commerz III for our new project, literally 40% of the building is pre-leased, we are going ahead and building that. We are going ahead and building Worli as a commercial building. So we are betting big on this.

I also want to tell you that we had huge interest from a lot of investors who want to participate in our platform. They want do it right away. We are talking to people. Here again, literally, all our income-yielding assets are debt-free. So we don't really need the money. But what we are intending to do is, we will be making a kitty of these rent-yielding assets and bring an investor to crystalize the value of our portfolio. So this is what we intend to do. And if things go well, we will probably do this in the next two months. And this is for the commercial portfolio. And a similar thing we will do for the retail asset also. We already have one mall. We are building Borivali. And if there is a mall that we build in Worli, then we will have three assets which will be for retail, and we will have these four buildings which will be for offices. So this is how we are panning it out.

And if you really put numbers on the paper, you will realize that my annuity assets' net present value is bigger than the value of my company. So what we really want to do is we want to unlock the value of our so-called assets and bring in a partner, a very credible marquee investor who will put his money where his mouth is and literally crystallize the value for the rest of the investors. Again, like I said, we are not doing this for money. The amount of money the investor will bring in, we have more than the ability to discount our rental and take it, but it's just about crystalizing the value, and that's what we want to do.

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

**Puneet Gulati:** Just a little more clarity on the number on the retail side. So is the collection also in the order of revenue or there is still a lag in the collection of rentals from the mall?

- Vikas Oberoi:** So collections are coming. I mean, obviously, whoever have started is either paying or has started paying and they are pretty much there, that's not an issue. Again, all our retailers have a one year deposit with us and stuff like that. So that's not a worry at all.
- Puneet Gulati:** Okay. So the 50% rental negotiation should translate into as much revenue?
- Vikas Oberoi:** It is, in fact. Not should, it is. And people who have opened have agreed, and that's why they have opened. So it's not like they have not agreed to it. And I think we have given probably the sweetest deal to all the retailers. And I have individual people complimenting me on understanding the pain they are going through and really appreciating, obviously, some people just want it for free, they are saying, don't charge us anything, but they also understand that, that's completely unreasonable. Almost all my tenants have been very happy. I have got people genuinely complimenting reaching out to me and thanking me for the decision we took. And it has really worked well.
- Puneet Gulati:** So in terms of details, will it be fair to assume that the 50% discount is on minimum guarantee and, obviously, there will be no revenue shared this year? And secondly, is this applicable for cinemas as well?
- Vikas Oberoi:** So firstly, the minimum guarantee is the rental bit. If, let's say, they really do well, if they are able to really do very well, then my revenue share kicks in. And if my revenue share kicks in, I will get an upside over that also. Let's say hypothetically to what you are saying, if they were to cover the business that they would have done in one year, within six months or eight months, then I will actually end up getting 100% of the rentals. But it is wishful thinking, I wish it happens but one cannot really say that they will be able to do that. If they do, then our numbers will be back to that. But the minimum guarantee of 50% rental or the revenue share, whichever is higher, is always the case. And as far as cinemas are concerned, obviously, we have given a similar deal to everybody, and they should also fall in line.
- Puneet Gulati:** Okay. But they are yet to agree on that?
- Vikas Oberoi:** Correct. They are yet to agree on that.
- Puneet Gulati:** Okay. My second question is on your platform deal. You obviously have one of the best assets here and you are building a pretty nice portfolio. Are you putting all your under-construction assets also in the portfolio?
- Vikas Oberoi:** Correct. See, that is the only reason why we are going to an investor and not into a REIT. If these assets were ready or if the REIT would have permitted, then we would have obviously done a REIT. But because these are under construction and these are going to take two years and three years for us to build, we are going to an investor and doing this transaction.

**Puneet Gulati:** But why do it now, why not wait for a time when they are rented out, maybe you will get a better valuation? What is the hurry to share it with outside of the existing shareholders of Oberoi?

**Vikas Oberoi:** I just told you that if you really see the net present value of my annuity asset, the ones that I have built and I am building, is more than the market cap of my company. So if I were to do that, at least I will be able to tell the rest of the investors that I am worth this much more than what they are actually valuing me. So today, either the residential is free or the annuity asset is free at the price that it's being traded at. So basically, we are only unlocking the value, and in turn actually doing a greater service to my existing investor rather than harming them. I am not taking anything away from them, this actually will help them crystallize better value, unless you agree otherwise. Happy to hear from you.

**Puneet Gulati:** Yes. That's fine. Okay. And my third question is, the debt obviously has gone up. You alluded to the fact that you are trying to refinance for a longer tenure. Would you think you are also accumulating for some kind of acquisition which is around the corner or you think it's just...?

**Vikas Oberoi:** No, no. I mean everything put together. I mean, today, that's exactly why, whatever little money also comes in from this third-party investor on the platform will, again, go into growing that business. So obviously, we are getting ready for some business expansion of all sorts.

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

**Parikshit Kandpal:** Congratulations on a very good set of presales numbers, I think we all were positively surprised. So can you explain a little bit in detail so what went about achieving this? So is it the only the stamp duty part that was the key driver or what are the other things which could have driven this kind of numbers?

**Vikas Oberoi:** So I want to tell you that we were also pleasantly surprised. The minute the lockdown opened, we saw people coming. We were shocked that in the first week we had more than 200 people visiting our show apartment in a week, literally in a week we had 200 people. And obviously, given the pandemic, given the seriousness, these guys are not stepping out for an outing. They were serious buyers and conversions took place much faster than normally they would take place. And suddenly, I feel that people did realize the value of a house. When they were locked down for so long, they actually felt that they must stay in a better home and a safer home and so on and so forth. So a lot of that decision got taken. In fact, if you see, we were able to sell almost five or six penthouses in Exquisite, I mean I had built 18 of them and almost 50% of them got sold post this lockdown and stuff like that. So that is probably what has driven people.

Again, I want to also tell you that this quarter still does not tell the real story, because if you technically see, because of shradh and adhik maas we literally lost all of September. So technically, this is only July and August, not even September really playing out. And October also started as a bang, again, after this adhik maas got over and stuff like that. Again, I want to



not speak too much, but I feel as far as real-estate goes, we probably will be able to claw back and sell even more than what we sold in 2019 in the 2020 year. We will be able to catch up, and not only catch up, we would probably be able to beat that year also. Again, it's too early to say anything. But the way the trends are looking, we have huge confidence. And moreover, we are very lucky, Borivali will start going into possession next year, Mulund will start going into possession next year. I mean, we have time, I am just saying that it will either be possession or near possession by end of next year.

So all these projects are really looking ready. And we feel that given the slowdown in the industry, not many developers will be able to build it given the constraints, financial or otherwise. So we literally have a nose ahead, and I think we should capitalize on that. We are very well positioned to capitalize, and we should do that. Worli also is now almost over, we are giving possession for fit outs. And these are high-ticket items, people don't want to risk their money in an under-construction apartment. And more so, I mean, COVID has really taught people that beyond the uncertainties that you kind of imagine, there is something more which is not really even imaginable. So people are that much more risk averse. And luckily for us, if you see, in all our projects either we are completely ready, like Esquire, we give you literally your key in your hand; to Worli, we are like months away; to Borivali, we are like literally a year away; Mulund, we are a year away. So these are things that will really work in your company's favor, and I think we will be able to do a good job out of this.

**Parikshit Kandpal:**

Sounds great. Second question is on just getting the investor to the platform. So you had talked before that, I mean, are you looking to add some more like available FSI say in Mulund, maybe if you are looking at reconfiguring the hotel in Worli and adding commercial, so any thoughts on that? Plus, your own stake in the Worli mall, will it be streamlined before the deal happens? So your thoughts on that. That will be my last question.

**Vikas Oberoi:**

So again, I want to say that, firstly, we are only talking to them on the existing assets, we are not talking to them anything on the ones that we can convert or we will convert or we will not. I didn't want to add to the confusion. For us, as a company, Commerz I, Commerz II is ready. Commerz III is under construction. We are very clear. We already have a marquee tenant in place. And the Worli asset, the one that we have in hand, we are, again, going ahead and building that also as a commercial building. So these are things that we are ready with. We didn't want to put too many other assets in the basket. I mean, if there is value and if the investor agrees, all these will obviously come back into the same platform. We will commit, ideally we will like to commit to the incoming investor that we will do all our commercial office building under this platform only so that they have the confidence and they know that our interests are aligned. So this is how we want to play that out.

**Parikshit Kandpal:**

And regarding your stake in the Worli mall, any update on that?

- Vikas Oberoi:** Again, nothing done there. Whatever will be done, again, like I always said, it will be done at an arm's length. And now that much more, if suppose an investor comes in, you also have a third-party who kind of continues to monitor what is happening to the eventual stakeholders and all. So nothing done there. There are other challenges, more to do with the tax planning, and that's a BMC land so how do you manage that. Those things are a challenge, right, now to kind of me getting out of that. But having said that, like I said, I have always been very mindful. It's not only important for us to be correct, but it's equally important for us to even look correct. So given that thought, we will make sure that things happen properly.
- Parikshit Kandpal:** Okay. And the Three Sixty OC is expected when? And what will be the final number of units in the total number of residential units?
- Vikas Oberoi:** So, I will let Saumil give that number to you, exact number to you off-line. I mean, so 28 apartments in Tower A, and I think 170 in Tower B. So totally 198.
- Parikshit Kandpal:** Okay. And OC, when is OC effective?
- Vikas Oberoi:** So we have applied for OC. Again, maybe in the next 45 days or 60 days, we should get OC.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.
- Abhinav Sinha:** Just a few things. So one, on the sales that we have seen this quarter, it's good to see the jump up. And what do you expect the sales vector to be from here on? Because it does seem that the completed units were selling better in the current quarter.
- Vikas Oberoi:** I must say that this is just the beginning, and it will only continue to do better, for multiple reasons, I already gave that. I will just reiterate. One, not many developers are in a position where they are able to deliver their product. Us, is like way ahead, we are ready, in some places we are one year away. That's one. Two, the brand name, the quality that we have delivered, the assurance that we come with, this also plays a large role. Financial stability of the company, that plays a huge role. So given what is happening in the market, there is a silent consolidation amongst buyers. And we don't have to do anything extra. We are only doing what we were doing and what we were good at. And automatically, these customers are now coming and buying apartments from us. And I want to tell you all and use this platform that we have not given a single rupee discount, there is no discount, no COVID discount, nothing. We haven't lowered the price to increase the velocity, the velocity has gone up on its own basis the facts that I told you. And we continue to believe that we will only do better and consolidate more within the times to come now.
- Abhinav Sinha:** Sir, when you are hoping for the sales in the next year or let's say FY '21 to be better than FY '20, how much of that we can expect to come from the new launches? Are you like expecting, say, Borivali and Exquisite III to contribute significantly this year itself?

- Vikas Oberoi:** So Borivali, Exquisite III and Thane, all three will contribute a lot. And I genuinely feel that the FY '20-'21 will be even better than the 2019-2020.
- Abhinav Sinha:** Okay. Thane launch is still likely this year, right?
- Vikas Oberoi:** Yes, 100% this year because we believe that it's only a matter of days that these guys will come up with the unified DCR. Once they come up with a unified DCR, we know what to calculate, how to calculate, and what all should one give, because present DCR approves certain things are free, then in the new DCR certain things are free. So we don't want to get stuck in a wrong call there. That's why we are waiting. Otherwise, as I said, we are ready with the plan, we are ready with design, we are ready with everything.
- Abhinav Sinha:** Okay. And sir, just one last question. The revenues were still a bit sluggish, but what should be free in, let's say, 3Q and 4Q on execution rate?
- Vikas Oberoi:** Again, see, you are looking at the revenues which are technically only two months. I told you, even September per se was a washout because it had that shradh and adhik maas where people don't buy apartments and people are very finicky about these things. So we are only looking at two months. And even these two months have literally got us back to numbers which are better than the same quarter last year. So I am only telling you that, again, the way October's opened up also looks fantastic. So I don't see any problem at all, I think the numbers are going to continue to only improve.
- Abhinav Sinha:** And where we would be on labor count now?
- Vikas Oberoi:** We are back to pre-COVID. In fact, in some of our sites, even better than that. Because you have to also understand that not many developers have been able to start their sites, because you only don't need labor, labor needs money, and some of these guys are really struggling to fix their balance sheets. So given that, we have more than enough labor that we want now. I mean that labor will never be the reason why we were not able to deliver or work faster.
- Moderator:** Thank you. Next question is from the line of Alpesh Thacker from Motilal Oswal Financial Services. Please go ahead.
- Alpesh Thacker:** Congratulations for a very good set of numbers this time. Sir, my first question is on, we saw realization firming up for most of our projects, so just wanted to understand, is it because of the inventory mix seems like upper floor rise apartments were sold or anything that you see here?
- Vikas Oberoi:** You are spot on that wherever we are selling higher floors, they are sold with floor rise and hence the realization and the numbers are higher. You are absolutely correct.
- Alpesh Thacker:** Okay. And sir, just wanted to understand on the commercial side that Commerz I, when can we see the occupancy levels reaching back to pre-COVID levels, it used to have like around 70%, 77% kind of number?

**Vikas Oberoi:** No, so some of these are already leased out, the rent has not commenced. Once the rents start getting commenced, as they start paying us the rental, you will see the numbers claw back to pre-COVID .

**Alpesh Thacker:** Okay, fine. And sir, last one would be on our Worli project. So we were thinking of reconfiguring certain parts like hotels and stuff. So what is the final thought on that? So how much would be the commercial that we are planning and how much could be the retail part, sir?

**Vikas Oberoi:** So, unfortunately, even our thoughts travel, forget these speaking to anybody, but our thoughts also end up traveling. So there's no such plan of reconfiguring or anything like that. We did, at one point, think that given COVID should you downsize the hotel or not or anything of that sort. But we haven't done anything of that sort. If ever we do, which is very unlikely, but if ever we do, we will surely come back and tell everybody. Right now, it's business as usual, as planned, there is no change there.

**Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

**Pulkit Patni:** My first question is on Borivali. Given that we have in the first phase also something like 600 flats worth of inventory yet to be sold, which if I was to look at the pre-COVID run rate also is about 12 months' worth of inventory. Just wanted to understand what is the rationale behind looking at launching the second phase right now?

**Vikas Oberoi:** So Pulkit, we have now apartments only on higher floor. That's number one. Number two, there is also a configuration where we have a one-bedroom unit with a three bedroom units, which if a family buys it together, it becomes like a four bedroom. We have run out of all of that. It's surprising but true that these units have been very well received. So we want to start booking there. That's point one. The second aspect is that we have inventory only of higher floors. Higher floors, of course, are a premium and they give you a beautiful view and things like that. But one must also remember that they tend to become expensive. So we have people who want lower floors for whatever reason, and that's why we are starting this. And again, you just rightly said that we have one-year worth inventory, we are one year away from completion. So it's best that I start these projects today and balance that out. So there are people who don't want an apartment in a year, they may want an apartment in three years. So that's why I said that though we have inventory, they don't really compete with each other. And the new apartments actually come with the servant's toilet and servant's room also. So this is the COVID effect that people realize that if they have help at home, they need to provide them with an area where they can stay and stuff like that. Of course, if you don't have that, you can use that room as a store, you can use that room as a temple. So there has been some design change and I am sure that people will really receive this very well.

**Pulkit Patni:** Fair point. My second question is on Oberoi Mall. Sir, is this understanding right that next year we are going to reset the rent at normal levels? And if yes, do you think it will be feasible given

that tenant is used to 50% rent for one year, would it be easy to shift back to the normalized rents in case of Oberoi Mall?

**Vikas Oberoi:** So that's the normal, this is the reset. So that's how it is. And I mean, all these are well legally enforceable contracts. So it's not like, I mean, they get used to it and we give them that convenience or comfort that, yes, now since you are used to it you only pay us as much. That's not the way the world works. And they clearly know that we have been more than generous in accommodating them, and that is where we are.

**Pulkit Patni:** Sure. I am assuming there would be some tenants who finish this one year and decide to exit. Is there a possibility given that you have been generous giving them 50% right now, I am just worried about that occupancy in FY '21. Could we see some bit of fall the moment you move from 50% to 100%?

**Vikas Oberoi:** So if, let's say, I am just saying hypothetically they were to do that, they could even do it today. But then we will enforce the lock-in period contract, and you will have to pay me for the balance of the lock-in in any which way. Plus, we have one-year rent as our security and so on and so forth. So it's a very strong, legally enforceable document. So it's not so easy for anybody to dishonor it or walk away. So we are pretty secured on that account.

**Pulkit Patni:** Sure. And my last question is more of a bookkeeping question for Saumil. This operating margin analysis, when I look at the property management services, our margins have jumped up quite meaningfully at about 60%. Anything of note there?

**Saumil Daru:** No, not really because typically these are all supposed to be, what we can say, they net themselves out eventually. So this is slightly basically coming out, I will have to check it out, but it might be coming out of what has happened in the first quarter. But as normalcy comes in, you will see that typically they will come back to the normal number.

**Vikas Oberoi:** And we don't make any money out of this actually. They just pretty much pay the cost, and we run a pretty transparent book with people. So that's how it works.

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

**Sameer Baisiwala:** So, I made a hat-trick of dropping from this call, so I may have missed some part of it. But just a few questions. So one is on the platform. If you can tell us, I mean, it looks like it is a near-term thing that you were going to do. So still on the buy side we were looking at and I guess you were trying to get a private equity investor in, and how would you plan to be deploying that capital, is it for the construction financing for these commercial assets? If you can just share some light over here.

**Vikas Oberoi:** Okay. Excellent question, Sameer. What we really want to do is we want to use this money for growth capital. Right in the beginning, I had said that I want to expand my company. I have gone and spoken to investors individually that we want to literally 3x our company. How do we do that? We said residential is continuing to do well, but we realize that the office portfolio needs to increase and the retail needs to increase. So we literally pulled these out. And when we did our math, the assets that we have in hand and the ones that we are building, if you do the net present value of these, they are pretty much the value of the company that the stock market is paying us. So we said that if we will pull these out, or rather if we bring in an investor, we will crystallize the value. That's point one.

Two, obviously, whatever we will dilute, we will get in money, and we will use that money to springboard ahead. Financials for the development of these two assets are fully tied up. So for that, one does not need money and these investors also want to see growth, we also want to do growth. And we want to be a very serious office development player. And that's why we have taken this step. And this will propel us into doing that. Now we want to go ahead, identify and acquire land which can be built as an office asset. That is where we are.

**Sameer Baisiwala:** Okay. Great. So this would be used for new project acquisition?

**Vikas Oberoi:** Absolutely.

**Sameer Baisiwala:** Okay. Great. And Vicky, on the same breath, if you can update us on new project acquisition on the residential side, how are you thinking about it?

**Vikas Oberoi:** Again, see, we have for Borivali I have got three buildings to be made, I have five here. I have a little over 5 million square feet to build in Goregaon. So existing assets continue. But at the same time, we continue to look at new assets. You know what we like and how we like our land to be. Ideally, if it were to be a GSK or a Novartis or a Tata kind of company who is selling their land, we would love to buy something like that. We typically don't do these off-market land transactions because we prefer dealing with these so-called multinationals. But again, never say never, we are open to looking at land again. And if we get something, we are very happy to buy. There is nothing holding us really.

**Sameer Baisiwala:** And just on this point, how is the pipeline for these targets? I mean, did you get a handful, or you think it's going to take time?

**Vikas Oberoi:** Oh, yes, there are plenty. In fact, the good part is, not only there are plenty, and we have all the time in the world to decide. So it's not like, oh, you don't say yes and that guy will go and deal with someone else. That's not the scene anymore. We have very few of us left who can actually buy or build, whether it's a JV or any sort of understanding. We are very few developers who can actually do that. So if we really don't rush into anything, I think we can get fantastic deals going forward. And we are very, very clear that we will.

- Sameer Baisiwala:** Okay. One final question from my side. So the Rs. 700 crore NCD that you have mentioned, this is basically replacing the higher cost debt with the lower cost? That's one. And second, I saw it 5.85% for five years, is it fixed or is it variable?
- Vikas Oberoi:** So Saumil will be better telling you on this. Saumil, can you take over from here?
- Saumil Daru:** Yes, sir. Sameer, Saumil here. So the coupon is fixed, Sameer. So that's the first one. And the second one is, yes, the idea is, it's not just to work on the interest arbitrage. What we have been doing over a period of time is also to see where the debt maturities lie at. So this also, for example, if something was maturing two years down the line, if you saw that it's a five year paper, so it also pushes the debt maturity to five years down the line. So there are twin objectives being achieved here. One is, obviously, the extension of debt maturity, and coincidentally, along with that, there is an interest arbitrage which comes in.
- Vikas Oberoi:** And Sameer, both these are backed by assets that are ready, so whenever the liquidity takes place we have a right to prepay also. So technically, if we want to repay, we can repay faster, but we have the ability to take it to five years. So we got convenience of time, we have got the convenience of prepaying it and we got it at a cheaper price. So all three put together.
- Sameer Baisiwala:** Okay. And sir, with your permission, one final one from my side. Because, how are you thinking about Three Sixty Worli greater sales velocity? You did three units in the quarter, I mean, because of long sales cycle over here, was this a coincidence that three you booked in this quarter or is something else going on?
- Vikas Oberoi:** No. So in fact, I can only tell you that Three Sixty is a product that will sell once it's ready. In fact, we are very lucky that we have been able to sell so many of them. And the product, I would actually invite all of you, whoever wants to, please touch base with my office and I will be very happy to show you guys around. And you will realize that the product that we have made is unparalleled, it's probably one of the best in the city. I would love for you guys to have a look at it. Now that it's ready, it's attracting a lot of people. There is huge traction, number one. Number two, we have also not lowered the price. So these are two things that we have been very mindful of. And I see velocity will clearly go up once OC is in place, which we are probably less than 60 days away. And some very marquee names from the city about that. So that also is one. And these guys have all started doing their interiors and stuff like that. So that project, it gives us a very different sort of confidence. Very, very clear on that.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.
- Adhidev Chattopadhyay:** Yes. So my question was, now that we have sold 67 units in Worli, how does the revenue recognition work now, going ahead?

- Vikas Oberoi:** So technically, we are just about close to selling 25%. Once we cross that or once we get OC, we will have to recognize revenue, and that will be it.
- Adhidev Chattopadhyay:** Okay. So it is based on an area? Sorry to clarify.
- Vikas Oberoi:** It is based on the area. And see, when we say we have sold that many, we also need to collect an x amount of money. And if some of them have not paid us, so we don't count them as sales from the P&L point of view.
- Adhidev Chattopadhyay:** Okay. Sure. That is clear. Sir, next question is listed on the platform deal. The strategic investor, they would come in at the SPV level or you are looking to divest stake? Just wanted to clarify.
- Vikas Oberoi:** No, no, they will come at an SPV level.
- Adhidev Chattopadhyay:** Okay. Just like an indirect equity raise.
- Vikas Oberoi:** No, not an indirect equity raise, we are actually going to create a platform. This platform is what we are serious about. We want to grow this platform first and then we want to REIT that out, that's the strategy. And parallelly become a very serious commercial real-estate developer.
- Adhidev Chattopadhyay:** Sure. And just lastly on this, I have been recently reading in the media that now you have given proposals to construct, I think, sky bridges from the metro, both to your Goregaon and Borivali projects.
- Vikas Oberoi:** Yes.
- Adhidev Chattopadhyay:** So would you just illustrate, what is the idea over there, the metro I think is going to be operational fast maybe by beginning of next calendar year, so would you wait for that metro to start before you launch the new phases in Goregaon and Borivali?
- Vikas Oberoi:** No, no. See, people believe they are seeing the metro happen, a lot of people will want to benefit out of booking early, because they know that either they will not get what they want or the prices can go up or many things can happen. So, obviously, we would like for early movers to get that advantage, and that also gives us velocity. So it's a win-win for both. And what metro has done, they have simply followed what's happening in the west. And this will give commuters the convenience, because, see, at the end of the day, the metro is made for people. If people can conveniently reach that, metro business also grows up because they don't want, despite the metro people taking cars wherever they go they have to walk in this area, why would I do that and all. So it's a win-win for the customer, for the metro authority and for the developer. So it's a win-win for everybody, it's been done like very aggressively internationally. And that's what these guys are following.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.



- Kunal Lakhan:** So on collections, right, our sales seem to have revived but our collection still seems to be lagging. And considering that our labor strength is back to pre-COVID levels, do you see this traction increasing in collections in subsequent quarters?
- Vikas Oberoi:** Saumil, you have a point?
- Saumil Daru:** Kunal, as far as collections are concerned, if I really look at it, as far as Sky City and all are concerned, everything is working on target. The only thing is where you look at projects like Exquisite and Esquire, obviously, as people book today, 100% of the consideration is due. So typically, they get anywhere between 60 to 90 days to pay. So even if, for example, the booking has happened in the middle of the quarter, they typically end up taking up around 90 days over which the cash comes in. So that is not a issue. The other thing, most importantly, as far as projects like Borivali and Mulund are concerned, we have also been able to raise certain construction-linked demand during the course of the last quarter. And again, within that context, very happy to say that we have had a 100% collection rate as far as those demands are concerned. So it's all a question of credit period which has been given to customers for the new collections. That's about it. I don't read anything more than that.
- Kunal Lakhan:** So can we expect in the next three to six months going back to the Rs. 500 crores to Rs. 600 crores kind of collection run rate on a quarterly basis?
- Saumil Daru:** Oh, yes, yes.
- Kunal Lakhan:** That's very helpful. Also, considering like we have seen a lot of traction across the board, not just for us, in terms of like sales happening in the completed or the near competition bucket, how are we looking at the sales strategy or the payment strategy rather for the new launches that we are planning? Would we introduce some deferred payment schemes there to boost some traction in the initial period?
- Vikas Oberoi:** Saumil, you want to take that?
- Saumil Daru:** Sir, if you can take that, that's around sales strategy, so.
- Vikas Oberoi:** So by and large, again, like I said, that our strategy towards sale is going to continue, we are digitizing it firstly. We are now going to be using different methods of reaching out to people. And we continue to feel that it will only grow from hereon. And given the way, like I said in the past, that we will have very little competition, not for our own doing, but their own doing. And that probably will help us propel sales.
- Kunal Lakhan:** Sure. That's fair. But sir, just continuing on that point, considering our experience with the Goregaon and Mulund where sales has actually has really picked up once projects were nearing completion or rather complete. Here we are launching phases in, say, another phase in Goregaon

and then virgin territory like Thane. Do you think a deferred payment plan will be necessary, despite our digital strategy, will be necessary for increasing traction?

**Vikas Oberoi:**

I will just tell you. Look, at the end of the day, at least I can tell you all this because you all are financial guys and understand, that at the end of the day it's a price, there is a net present value. Whether I give you time to pay or whether I take money upfront, there is a cost to funding, somebody has to pay for it. And that's the real strategy behind marketing. I mean, even when you see that, oh, you are getting cars at zero down payment or where you are getting a refrigerator at monthly installments, somebody is adding up that interest and somewhere that cost gets loaded. Now, most customers don't mind paying it in a pretty clear way. And there are many reasons why they do that. So we don't have to look at it only from one lens and which is like the price lens. We have to look at it from the convenience lens also. If I am a buyer of a product where I already have an apartment and I want to sell it to buy a new apartment, suddenly, if the developer gives me time to pay, and even if he adds that cost, I don't mind that because I have that convenience now to sell my existing apartment and seamlessly move into this new house. Or Esquire we had this pay 25% and pay 15% over the next five years. There again, if somebody had a house and wants to move in to this house without having the stress that, oh, when will I be able to sell my house, he knows that within the next two years, one year, three years, he will be able to sell it. So this helps him prepone the decision. So if you see globally also, people have used financial tools to market their product. Nobody goes in at a loss and does it, I mean, this is a myth that people carry. But there is no loss here, it's all only financial engineering or restructuring or structuring in a way where all parties are happy. Makes sense?

**Kunal Lakhan:**

Yes. Sure. That's very helpful, Vikas. Just my last question on the platform deal. So if we were to divest stake in the annuity portfolio, what kind of stake will we continue to hold in the platform post such deal or do we intend to hold?

**Vikas Oberoi:**

No. We will always hold majority. And like I said that for us, the idea is not to kind of raise money. The idea is to crystallize the value, and that's about it. And we have a lot of criterias. The first is that, that investor has to be a marquee investor, we don't want any and everybody with us. So given those criterias, we will work around it and come back.

**Moderator:**

Thank you. Ladies and gentlemen, due to time constraint, we take the last question from the line of Manish Gandhi, an individual investor. Please go ahead.

**Manish Gandhi:**

So I just have one question and one clarification. So first the clarification. The platform is only for office rentals, right?

**Vikas Oberoi:**

Correct.

**Manish Gandhi:**

And you mean to say that, that platform value you are seeing more than the market value right now?

- Vikas Oberoi:** Absolutely.
- Manish Gandhi:** Right. Happy to hear that. Now a contra question. So in AGM, you said that you are looking at office buildings, independent office buildings and you are looking at IRR of high teens. So the question comes, I don't know how the platform changes the IRR, but as we have seen with you, your ability to create value, say, in mixed use developments like Goregaon, Borivali and I am sure in Thane, your IRR, if I use the word, is insane. So why would you go for high-teen IRRs?
- Vikas Oberoi:** No, no. So, I think I want to clarify. The difference is between margin and IRR. Our margins are great, you rightly said that we get 50%, 60% margin. I am now talking of IRRs, means, the return on the investment I make. And that's when I said that it's high teen. Even though our margins are higher, our IRRs are low, which we want to kind of correct and set them right. And that will happen when we work faster, and we churn things out faster. That is how we intend to do. And again, the reason why we will be able to do it here is because, unlike, let's say, a Blackstone or a Brookfield, we build our own assets. So as a company, there is a profit margin from raw material to finished product. And then you play the, what you call, you play the arbitrage for, what you call, your REIT gets a certain value and so on and so forth. So that's a separate game, again.
- Manish Gandhi:** Right. Yes. So you are right. I was not getting confused about margin and IRR, but I was thinking that your overall long-term IRR, say, from Borivali or Goregaon, it's a different example. But even if Borivali after, say, mall and all, it goes to more than 20%, 25%.
- Vikas Oberoi:** Correct. I agree with you. I agree with you.
- Manish Gandhi:** Right. So that's why I was thinking.
- Vikas Oberoi:** Okay.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Oberoi for closing comments.
- Vikas Oberoi:** Thank you for taking time out for this call. We like receiving feedback from you all, and it only helps us think harder and perform better. Please continue with all your questions and inputs. And like I said, I am very happy to let you guys visit any of our sites. There is nothing like feet on ground, and my office will be more than happy to arrange that. And if there are any follow-up questions, please feel free to connect with Mayank or Saumil, and we will all be very happy to answer them as well. Thank you. Have a great day ahead. And wish you all a very happy Diwali and a prosperous new year ahead, and a safe Diwali as well. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Oberoi Realty, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.
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