



“Oberoi Realty Q3 FY22 Earnings Conference Call”

January 31, 2022



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

Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty Q3 FY22 Earnings Conference Call. We have Mr. Vikas 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 30 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 of the same maybe put up on the website of the Company.

After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, you may signal an operator by pressing ‘*’ and then ‘0’ on your touchtone telephone.

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

I now hand the conference over to Mr. Oberoi – the Chairman and Managing Director of the Company. Thank you and over to you, Sir.

Vikas Oberoi: Thank you. Good morning, good afternoon, good evening to you all as per the time zones from which you have logged in and welcome to the conference call of Q3 FY22 results and business updates. Thank you all for taking time for this call. I hope your family and you are doing well and keeping yourself safe.

Let me begin by wishing you all a very Happy New Year and I hope 2022 brings in a lot of good news for all of us.

Before I begin, I would like to share with you some quick business updates. I am very happy to let you know that we have delivered the best-ever gross booking value for the 9-month period of any financial year which stood at 3,150 crores.

As you are aware that we had launched the second tower in Elysian in October of 2022. This means that this was the second tower in the same financial year, and it is heartening to see an overwhelming response.

In fact, in just the quarter itself we crossed 1,000 crores of sales booking which is also a great thing. Other projects Sky City and Maxima reported strong numbers and delivered the highest booking values in any non-launch quarter.

With this, I want to open the floor for question and answer and both Saumil and I will be happy to take your questions and answer. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My first question is on the office space and the mall space. Any rethink in the strategy? Like earlier we were staying -away and being little cautious so any rethink on this that is my first question?

Vikas Oberoi: We are a residential centric developer we do commercial and we do shopping malls and we do them well. So, that is like our extended business. We obviously are an agile company. Looking at what we see as demand we probably will pivot towards that. Some land parcels are specific to its use, somewhere we have already made commitments. So, we obviously will continue. Like Borivali we continue to do that, we are building Commerz 3 which is close to 2.4 million square feet and still a little less than 50% is already leased. So, our commitment continue with both these projects and that is where we are.

Parikshit Kandpal: Any update on the non-MMR CEO and non-MMR foray and also if you can touch upon any re-development opportunities which was highlighted couple of quarters back?

Vikas Oberoi: Again, at both ends we have strong focus. We are awaiting certain things to happen so that we can share that good news with the market, but right now it is all under development. We are at final stages at some places we are probably a few months away in closing transactions so it is work in progress that is what I would say. Very strong focus and absolute clear drive and desire to do this.

Parikshit Kandpal: And just last question on the CAPEX so Saumil you can just touch upon what is the total pending CAPEX and what is the timeframe you are looking to deploy it?

Vikas Oberoi : So, can you take that offline I mean I can just tell you that our malls will be ready I mean at least the structure part of the mall will be ready by April this year and then we get down to doing our finishing. Our office building, the Commerz-3 building we are I think on the 17th level. More than 70% of the 2.4 million square feet is constructed, rest we are running on schedule as far as that building also goes, but deep numbers I am sure you guys can offline discuss with our finance team.

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

Sameer Baisiwala: So, first question is regarding the rentals at Commerz 2. It has been I think 12 quarters or a bit more since we have been stable at 140, so is the next escalation around the corner?

- Vikas Oberoi:** Sameer I feel whenever I peep out of my window, I see the metro trials going on. We are bang on the station; we are literally like in fact we are building a private connection from the metro into I would not say it is only our development, it is for the public also. So, you will literally be walking out of the metro and walking into your office very much like what happens at Hong Kong. We are obviously waiting for that to happen and I surely believe that it will completely rerate the entire area because of simple accessibility and really when you see the metro operational you feel that acceleration in your heart and you feel that really infrastructure is getting built in the city and around your development and I feel that probably should help increase both focus and rentals. I mean at least one can hope.
- Sameer Baisiwala:** I was referring to the contractual escalation that should be happening every three years 15% or so?
- Vikas Oberoi:** Yeah. That you know obviously like we were just coming out of COVID. Lot of people have reneged and increased their tenure and at some point either averaged the rates out or come in only for a marginal increase or probably let that go also. So, we have been very practical accommodating and that's about it. So, it is not like this was the time where one could push, wherever, whatever deals happened during the COVID times that obviously one could not trigger the 15% escalation, but anything now we will all start because people are back, offices are back everyone realized that work from home is not that great an idea. So, I guess now again with not much supply in office I actually see demand picking up also. In fact, as we speak we are talking to so many people for new office space. So, I think that probably will give us the confidence to go up there and then hold our prices or hold our terms.
- Sameer Baisiwala:** And the second question is on 360 West. So very good news to see it getting recognized, the profit that you have recognized 235 crores share of associate, what does it correspond to in terms of the overall sales done and cash collected roughly 2,500 crores in that project?
- Vikas Oberoi:** You know this is firstly only our share and I mean we have done historic sales. There are some sales that were transferred from our erstwhile project into this. So, they were really low. I would say close to 28 odd percent of the sales are done and the rest have to be done and like I said that this is just our share of profit.
- Sameer Baisiwala:** But it corresponds to all the sales cumulatively done so far and cash collected?
- Saumil Daru:** It follows the typical POCM method Sameer that we use in every single one of our projects. So, it will always be related to the percentage of work done and then as Mr. Oberoi pointed out corresponding to that in line with the JV agreement the share of profit that belongs to Oberoi that is what gets consolidated.
- Moderator:** Thank you. The next question is from the line of Punit from HSBC. Please go ahead.

Punit: My question is on your future portfolio strategy. You guys have been very cautious in buying land. Do you see prices of land going up now or do you still see enough opportunities to expand your portfolio for future?

Vikas Oberoi: I think everyone should be prudent in buying land. It is like buying raw material and that forms the basis of our profit that one makes so obviously we will continue to be prudent. We are very open in buying large land parcel and create value right from the beginning .s in we will first establish the location then make sure that prices go up and then we profit out of the rest of the development. Which is what our strategy has been if you see how we played Goregaon or Borivali or any other project, now Thane. So very similar strategy.

Punit: So, do you see pockets of these similar opportunities still available in the market?

Vikas Oberoi: I mean there are plenty. In fact I want to tell you all that today you can count the number of developers who can write a big cheque on your fingertips. So, the market is big, and it is just for all of us to play that out and each one to understand that buying land is not the only thing, we will have to build it, deliver it to the quality that we all are known for.. So, execution also is an equal challenge just buying land is not the only thing. But you are right, I mean we are continuing to focus on new land and if you will see our company and cash flows that we will generate. Look at the stock we will have in Mulund and Borivali and Worli, just the cash flow out of all these three projects need to be deployed and you know they are in large in number. I mean if you just do a back of the envelope you will realize that this money needs to go in buying land which we will of course do and we have always done that.

Punit: Technical question for Saumil. The Maxima saleable area seems to have gone down is there a revision in the plan or did something get excluded?

Saumil Daru: What has happened is as far as Maxima is concerned the original plans were moving on the basis of a slightly higher number of floors, We have now decided to cap off the building at about 29 floors, so whatever correction came in on account of that. Just as much, that is it.

Punit: So, this is the final number now?

Saumil Daru: Yes, this is the final number now.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: So, with this 360 West getting recognized firstly should we assume that OC is received and secondly would we now see restart in terms of sales in 360 West?

Vikas Oberoi: So, thanks for the question in fact very eager to answer that one first. We have got our entire project approved under 2034 DCR, that means we have all our decks, everything that was

originally taken free of FSI which was available in 1991 DCR, we paid premiums, we paid that cost and got that approved. We got that approved on 31st of December. We have now applied for OC and probably in the next, you know if everything goes well, next two to three weeks we will have our occupation. And you are absolutely right we will press the accelerator on sales and get going. The building is complete it has come out really well. We have like a pipeline of people waiting to buy and so this 2022 will be the year for 360 West.

Pritesh Sheth: And maybe another question you might be eager to answer is Thane launch when are we expecting that?

Vikas Oberoi: So, even Thane we have just paid. We were all lucky how government extended the payment to 31st Jan. We made all the premium payments and now getting our plans revised and then get started. We were waiting for a few things, now all of them have fallen in place. So, hoping to do it in this quarter, and really hoping, you know I always give you current information. Our strategy is to continue to hope that we have launched within this quarter failing which worst case scenario it will be first quarter next year, but our attempt is to do it this quarter.

Moderator: Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: On 360 West what is the stake on basis of which we have recognized the profits? I remember the stake range was in the range of 25% to 40% so this 245 crores is equivalent to what stake?

Saumil Daru: It is close to about 32%.

Vikas Oberoi: You know our agreement is a variable on price, as the price goes up one can even hope for a better realization.

Kunal Lakhan: In terms of again this was a related question what is the EBITDA margin that we are getting on the current realization?

Saumil Daru: Kunal, as Mr. Oberoi pointed out in one of the earlier answers the current top line is a mix of many things especially sales where we have transferred people from one of our earlier projects over here and also the sales which have happened over the years. So, in all fairness this EBITDA margin number is not necessarily indicative of what it will be once we start doing fresher sales and recognize on that basis. So, it would be more relevant to look at that number rather than the historical number because a lot of these sales as I mentioned earlier are done at different numbers. So, maybe once we get into a more what we can say regular basis of recognitions and the newer sales start contributing a lot more to the EBITDA it would be more relevant to look at it at that point of time.

Kunal Lakhan: Second question is on the premiums that we have paid. So how much premiums we have paid in the December quarter and also in Jan, as you guys indicated so far?

Vikas Oberoi: Can we do a math and come back, you know actually that was one thing I told our people to collate and come back.

Kunal Lakhan: On Thane launch what is the hold back there? Like it has been we were planning to launch it since a while now?

Vikas Oberoi: No hold back at all. You know we have tweaked our plan. We are so active on it. We added zoom meeting rooms, we added balconies, we added those large decks in front of it because look you know the way people live is changing so, we want to include certain lifestyle elements in the project which we had to amend and these days you have to get all approvals before you get your RERA permission and all that. So, we want to be sure that everything is in place and only then we do that otherwise you show a particular layout and then you want to amend, it is not possible. So, we have to be very sure of what we are doing in terms of everything around it which is what we have now frozen and we will get to starting it.

Kunal Lakhan: So, we had submitted the revised plans for approval?

Vikas Oberoi: Yes. because you are asking I can tell you we have paid a premium of close to 200 odd crores in Thane itself and so that is where we are. We paid premium for the 0.5 FSI, we paid premium for the ancillary FSI and we have close to 6 million square feet of FSI readily available today for us to shoot without going out and doing any TDR or anything of that sort.

Moderator: Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha: Just couple of things, so one, have we seen any impact of the third wave on sales and is there any change in momentum so that is one and secondly if you can also answer your outlook on pricing now?

Vikas Oberoi: Well, you know I feel every buyer is currently enjoying the pricing without the developer having factored in all the increase in input cost. So, it is great everyone wants to sell and I feel once the existing stocks start expiring and people realize that the input cost has gone up or of course they do which they will see when they start buying. I see a decent correction happening then. So I feel that is one part, and two I also see that we are forgetting that we virtually had almost one and half to two years of almost no construction happening. So, there will be a huge supply constraint that will hit the market between 2024-25. We are lucky we have Borivali getting completed, Mulund getting completed, Worli is of course complete, so we have stock there. So, we have a lot of material to sell, but by and large if you see many developers, they do not have enough inventory that is coming into 2022, 2023, 2024. So, these two things are going to play out parallelly and I really see there will be an increase in price. And if you want to buy a house, its now.

Abhinav Sinha: Second question was on the third wave impact?

Vikas Oberoi: Again, I feel I do not want to say too soon, but okay if I have to just tell you my opinion COVID is a passe. Most countries have recognized it as you know like a little more than a common cold. Of course, if you have comorbidity and all that there is an issue and this takes you probably 5 days to recover, but it is going to be business as usual. Most of Europe is saying no mask, India is also getting there. So, I feel there is not going to be anything like third wave. I hope. And I hope that I am right, but I do not see that. Just how quickly, look I mean we all bounced back with the second wave. And I was tracking other countries in Europe also cases are coming down big time. They are 40% down from what they were last month. So, I would say that, a) either people have started to live with it they have realized that it is not like you know as threatening as one thought one and half years ago for sure and we'll live around it. If you see it has not impacted anybody, people have learned to live around it and that is about it.

Abhinav Sinha: What are the expected delivery timelines for Sky City A to D and Eternia and Enigma now?

Vikas Oberoi: So, we obviously have enough time as far as our commitment to people through RERA is concerned, but we are putting all efforts to ensure that we complete these projects much before or at least in time for whatever commitment we have given in RERA. So, we will not delay that I do not want to make a statement here and misguide anybody. My timeline is RERA. I will do it either then or before that for sure, do it then for sure and before that is also a very big possibility. So, I do not want to kind of say and then get stuck that oh I committed that I will give it so that is how it is.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Two quick questions Vikas first one is on the launch pipeline on the residential space for us in next 12 months if you can highlight apart from Thane launch what other projects you are planning to launch?

Vikas Oberoi: So, we have Thane, we have Borivali last phase, Goregaon last phase, so these are projects then of course I mean we will not sit quietly. Obviously are acquiring new land and we will continue with that.

Rakesh Vyas: Just for clarity Vikas acquisition of land and launch will get pushed out more than 12 months to 18 months, so basically next 12 months is new towers in Borivali which is the last phase you indicated and maybe Goregaon another tower is it and Thane?

Vikas Oberoi: I have three more towers in Goregaon, I have two more towers in Borivali, I have a lot of inventory in Mulund. I have again like I said Thane will get launched and we have our entire Worli to sell. So, lot of activity and like you just saw that one does not need a launch to have a very good quarter, both Enigma and Sky City did a fantastic job, we have sold a lot and we will continue to do that.

Rakesh Vyas: I agree we have very strong inventory to sell and maybe strong pipeline and launch as well, that clarifies. Vikas second question is out of curiosity if I was looking at the residential operating margin this seems to have come down materially in this particular quarter compared to what our historical numbers suggest, so any comments around that as to why there should be the case and secondly in Exquisite the inventory that we sold is at a significant discount to the earlier prices as well as it is at comparable or discount to the new Elysian launch so just out of curiosity why prices should be lower?

Saumil Daru: So, on the margin bit firstly, so there are two things. If you look at the overall margin contribution is basis two parts. It also depends on the number of projects, the top line coming from each of the projects. So, if you were to look at the earlier periods when Exquisite and Esquire were substantial part of those revenues at that time in the earlier quarters Exquisite and Esquire both came in, they have been the highest margin of what we can say projects for us. So, when that component is higher you see a higher margin. If you look at the current quarter, in addition to Exquisite and Esquire you are seeing Eternia, Enigma all of these contributing to the top line. In fact, the proportionate share of Exquisite and Esquire within the top line this quarter is far-far lower ,it is virtually half of what it used to be, in other quarters. So, that is where you are seeing some of those numbers go off. The other thing is also that under our revenue recognition method till we commence profit recognition some of the projects in our top line, we recognize on the basis of just cost incurred so you will see the topline coming in, but you are not seeing the margin coming in over there and that is the reason again that numbers get a little depressed. But in all fairness once again the moment you will see the revenue recognition coming in from every single project you will see the margin going back to a normal number.

Rakesh Vyas: And any comment on exquisite realization this particular quarter?

Saumil Daru: In all fairness these are just the last two apartment left. I think after that there is just one more apartment left. So, I would be more interested in seeing what the Esquire numbers are rather than what the exquisite numbers are.

Vikas Oberoi: But you know all these by floors and things like that with this we are done with Exquisite totally 100% of Exquisite is sold and I mean like Saumil said these are last apartment, some of them may not have the best views, some of may have all those constraints. So, all in all done with that and this thing.

Rakesh Vyas: Just on this margin Vikas as you indicated the cost pressure is increasing, but industry is not able to take adequate price hikes as of yet. So, is it likely to impact our margins as well although they remain very healthy, but just in case if there is any thought process around that will help?

Vikas Oberoi: Frankly I want to tell you that it wont because somebody in the beginning somebody asked me a question that you have been prudent in buying land and that prudence is paying us, Number one. Number two we do not carry debt huge debt, we do not pay too much interest so all this

kind of helps us in regaining our margins and we will continue to do that. So, that per se looks after what we have already done and we are lucky we built a lot in that regime where the construction cost was low and obviously whatever new we will buy I think everybody in the industry will be raising prices and people will have to pay they will have no alternate, but to pay.

Vikas Oberoi: Just for everybody's knowledge you know there was a question how much premium we have paid and I want to ask Saumil just for everyone we both are in different locations and that is why I am asking. Saumil is the 1,381 crores that we have paid from August till today, does this include Thane or is it excluding Thane?

Saumil Daru: Excluding Thane.

Vikas Oberoi: So, if you include Thane as of today we have paid a little over close to 1,600 crores a little over 1,580 odd crores.

Saumil Daru: It includes Thane.

Vikas Oberoi: Just for everyone we paid about 1,381 odd crores as premium. This gives us a total FSI of about 8 million odd square feet and this is all monies paid.

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

Parvez Akhtar Qazi: Just one question from my side there was a news article regarding us buying a land parcel in I think LBS Road, Bhandup for about 115 odd. I just want to get your views on that?

Vikas Oberoi: Frankly I just want to tell you there was a DRT bid. We looked at the land it is where located, it is not very big, we would have preferred to have a larger piece of land, but this was what it was. It was at a decent price and we bought it, that is it. We really think much about it, this is our business, land is our raw material, it is in a good location, it is coming at a very good price, it is clean transaction because you buy through DRT, you get it clean and that is what we did.

Parvez Akhtar Qazi: So, when can we expect a potential launch here?

Vikas Oberoi: We have just got it maybe give us a quarter we will come back to with a lot of clarity.

Moderator: Thank you. Ladies and gentlemen we will 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 call. These interactions provide us with meaningful input and we take back a lot of value and feedback from you all. Our team is always available to interact and speak with you and if you have any further questions please feel free to connect with



*Oberoi Realty
January 31, 2022*

our IR or Mr. Saumil Daru – our CFO and me as well. I am very happy to answer any more questions. I think with that we can end our call. Thank you again.

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

This transcription of the Earnings Conference Call for Q4FY21 may contain certain discrepancies. Further, certain edits have been made to the transcription for the sake of brevity. We have made all the efforts to ensure that the intent and purpose of the wording remains intact. However, we would not be responsible, if any discrepancies or deviations are observed in the transcription