



“Oberoi Realty Limited
H1 FY2023 & Q2 FY2023 Earnings Conference
Call”

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**MANAGEMENT: MR. VIKAS OBEROI – CHAIRMAN & MANAGING
DIRECTOR - OBEROI REALTY LIMITED
MR. SAUMIL DARU – DIRECTOR OF FINANCE - OBEROI
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Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty's H1 FY2023 & Q2 FY2023 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 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 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 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 such statements. I now hand the conference over to Mr. Oberoi, the Chairman & Managing Director of the company. Thank you and over to you Sir!

Vikas Oberoi: Thank you. Good morning, good afternoon, good evening to all of you as per the time zones from which you have logged in, and welcome to the conference call of Q2 FY2023 and half year FY2023 results and business updates. Thank you all for taking time out for this call.

Before I begin, I would like to share with you a few quick business updates. I am happy to share that we have had a very good quarter with Worli sales post the receipt of Occupation Certificate in June 2022. You have noted the substantial appreciation in realization compared to the earlier sales also. There is a healthy increase in the residential topline and bottomline compared to H1 last year. This is despite the challenging macro economy locally as well as globally. Our residential business continues to outperform on account of robust demand and lack of credible suppliers. Consumption levels in the mall are more than back compared to pre-COVID level. The annuity assets business is also witnessing a healthy margin. With this upcoming festive season and our planned launches, we are optimistic that the consumption trends in residential and retail will continue. You all know that we will open this up for question and answer and happy to take it from there. Thank you. Both Saumil and I are present and happy to answer any of your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to

remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles, Reminder to the participants, anyone who wishes to ask a question may press * and 1 at this time. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Hi Vikas, congratulations on a very strong quarter on theme sales especially in 360 West, so eight units you have sold this quarter, so despite a huge 50% increase in pricing just wanted to understand how do you see the momentum for this project going ahead, do you think for the rest of the year you can replicate similar success in this project?

Vikas Oberoi: Thanks. I can only tell you that this project time has come. Whoever has visited the project, the only reason he does not buy or will not buy is because he does not have the budget, but otherwise it ticks all the boxes, and we have a fantastic pipeline and virtually no competition you know because there is nothing that is ready and available. There would be people launching something, which is probably two or three years away, here you have an Occupation Certificate in-place, lock-and key, you move-in instantly, and I want to tell you that if everything goes well with God's grace you will only be more and more pleasantly surprised going forward with every quarter.

Parikshit Kandpal: Just coming to the next question is on launches. Vikas, you have said that in Diwali you look forward to launch in Thane so I am not hearing anything on the ground there, so if you can update what is stopping us from launching this project and also if you can update on the opening of two towers in Borivali and Goregaon?

Vikas Oberoi: As far as Thane is concerned, we actually have the show apartment ready, where literally we have covered it and kept. I do not know how many of you know or remember having read an article about the new Eco Sensitive Zone that had cropped up in August, luckily that died in the previous quarter itself, Supreme Court then again intervened and clarified. Mumbai, Maharashtra had already defined its Zone and in another matter when the court was hearing I think it was not brought to the notice of the Honorable Judge and they passed an order saying that all the properties within x kilometers or something wherever there is a fault, that work stops. So literally there was a lull, but luckily the government moved quickly, the courts realized that they were not appraised, and they reversed it so we are back on the saddle, and I hope within this quarter we should be in a position to get going. The unfortunate issue was that nothing was happening when this court order was in place so that also is resolved and hopefully, again fingers crossed we should see within this quarter we start our launches both including Borivali. And even in Borivali was the same issue again, but now all of that is back and we are ready to go.

- Parikshit Kandpal:** So Kolshet, Pokhran and Borivali so all this may happen during this quarter?
- Vikas Oberoi:** Yes, Hopefully, yes.
- Parikshit Kandpal:** Just one last question Vikas, on the business development. I think last year 1Q FY2022 you spoke about adding smaller projects of redevelopment of 2000 Crores plus non-MMR some foray happening, till now we are waiting to hear from you so going ahead if you can just highlight your strategy how you will go about both the things because redevelopment is clearly picking up big time in Mumbai and we are not there and even MMR media reports do suggest you are looking for something but have anything crystallized, if you can touch upon these two things that is my last question?
- Vikas Oberoi:** As far as BD goes, we are very aggressive on BD whether it is redevelopment or whether it is anything else. I don't want to, we are close to some redevelopment projects, in some of them we have been awarded the contract as a preferred developer, but I do not want to talk about it right now. We unnecessarily end-up building pressure from next quarter, what happened there. All I want to say is that we are very committed, very aggressive when it comes to any sort of development, be it redevelopment or business development or for new land parcels, and yes, one positive is that we took up project next to our Borivali site, which was in a SRA redevelopment. 95% of the site is now cleared so this gives us a lot of heart that we being an organized developer were able to, rather the SRA was able to see value And we do not have any intermediary, we have directly gone to the slum developers, we have convinced them that we are a good option, and they have vacated, site is clean and we are starting construction soon, and this is next to Sky City, actually adjacent to Sky City so some more development potential here getting unlocked now.
- Parikshit Kandpal:** This is residential or commercial because I think you were doing commercial, planning to do 1 million square feet of commercial?
- Vikas Oberoi:** Correct. This is exactly commercial right now.
- Parikshit Kandpal:** Thank you. For one more question I will join the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.
- Puneet Gulati:** Thank you so much and congratulations on good sales. Can you also talk about what is the update on the Glaxo land parcel and how is the leasing for the balance Commerz III turning out to be?

Vikas Oberoi: Thanks Puneet, firstly on the Glaxo land parcels, now internally we have two choices, one is either we do residential, or we do commercial and a mall, so we need to take a call and it is high time we do that. Both numbers look equally good, and it is a choice one needs to make, what we need to go ahead with. We hope to now decide within this quarter and move on with that. As far as our Commerz III, we are looking at topping up our construction by March and then one more year for the finish and operation. We are talking to large occupiers and there is a very, very good steady flow of demand, people who want it. Again, we were amongst the only few who probably built something post-COVID. One we were anyway committed, so we went ahead, all this we defied this work-from-home concept, we did not have a choice frankly because we had committed, so we went ahead and build that. In hindsight today we feel that we are lucky, we went ahead and made this development so we literally have few years of lead from anybody who would want to start today. So yes, again no dearth of demand and we are now getting ready with some of the mockups, and we have done with it, IPCs have come, they have loved the way the whole floor plate and the way things have worked here from design point of view. It is absolutely top-class commercial building, it could be anywhere in the world that sort of product, little over 50 elevators and really not done in India almost as yet, that sort of product. So very confident, not worried about it at all.

Puneet Gulati: In the cash flow statement for the first half, there is 650 crores change in loans and advances, can you talk about what exactly it relates to?

Saumil Daru: The financing cash flows are only about 80 Crores.

Puneet Gulati: The change in working capital part.

Saumil Daru: Operating cash flows are at about 150 Crores, investing cash flows is about 913 Crores. Investing cash flows is the capex as well as some of those aspects, which are there so it's been pretty standard and there has been no unnatural movement.

Puneet Gulati: Alright. I will take it up separately. Thank you.

Saumil Daru: We are happy to take up with you offline, but the investing cash flows represents the investments made in the capital assets that is all.

Puneet Gulati: Understood. Thanks, great. All the best.

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

Pritesh Sheth: Hi, thanks for the opportunity. On cash flows Saumil if you can, operating cash flows were negative 164 Crores this quarter while collections we have seen it, they were strong on quarter-on-quarter basis I can guess there were some land or premium investments if I am not wrong so if you can highlight on what projects and how much was the quantum?

Saumil Daru: This represents both advances towards certain lands as well as for TDR. So once those transactions kind of culminate then I think we will be in a better position to discuss that with you Pritesh, but as you are aware and we have told you all earlier also that for us whenever we have these transactions related to land or related FSI, unfortunately for me since that becomes a part of my current asset it becomes a part of my working capital changes and hence it reflects that number, but if you were to take out the impact of that then this again is a very healthily positive number.

Pritesh Sheth: Sure, absolutely, clear on that front, and in terms of realization for 360 West this quarter we are seeing somewhere over 80000 kind of number, 80000 per square feet is it something like optically, taking it higher or that is the reference rate we can take it ahead because I think carpet rate is somewhere around 90000, 95000 for the transactions we have closed and have been reported in media so how should we look at the rate which on the saleable area that we see?

Vikas Oberoi: Now everybody has moved on to RERA carpet and these rates are RERA carpet rates. So one other thing I want to tell you is that there are some other sales that are done previously who have been living on allotment letters and things like that so you may see discrepancies in sale value, but these would be pertaining to some old documents being registered today only because now occupation has come, some of the people who are paying us will be on allotment letter and all that, but the new sales are at close to 100000 and 110000 on RERA carpet.

Pritesh Sheth: Sure, got it. Thanks for answering my question and all the best.

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

Saurabh Kumar: Two questions, one is on Worli, your recognized revenue is of 3,300 crores approx. so the margin corrects me if am wrong is just 18%, you recognised 100 Crores of JV income, right so effectively at the project level you would have recognized 300 Crores one third will be your share, right?

Saumil Daru: Correct. So basically, what happens over here is our share of profit, on the P&L side it is about 32.5% so that is what will kind of take and that is at the gross level. So then out of that you take out multiple things, expenses as well as taxes, this is not a full consolidation in all fairness. If you will see it is just a single line item, so this is a share of profit, net of taxes which flows into ORL.

Saurabh Kumar: I agree. My point is the net margin on the project will be about 10% because you have recognized 100 Crores; the project profit would have been something like 300 Crores on recognition of 3300 Crores?

Saumil Daru: So basically, what has happened is as far as the earlier ones are concerned, on the 3300 Crores we have already been recognizing revenues from the last year itself, so it is not the entire 3300 Crores, which comes into play now. In this quarter it is only the 600 Crores, which comes into play because again when I received the OC in June that is when I kind of trued up the financials and I had a share of profit till then and after that every quarter from here onwards what you will see is only revenue recognition and the corresponding profit element of that from that quarter.

Saurabh Kumar: So, the incremental margin will be how much, you were saying you have billed something like 60% odd?

Saumil Daru: I will have to work that out and then come back to you.

Saurabh Kumar: Okay, got it. Thank you.

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

Sameer Baisiwala: Thank you so much and good evening, everyone. Saumil, just on the previous question, this 100 Crore profit recognition that you have done for 360 West is it on the revenue recognition basis or collection basis because collection was 400 Crores and revenues were 600 Crores so just wanted that?

Saumil Daru: Revenue recognition basis, for all of our projects including Goregaon, Mulund, Borivali, our revenue recognition always proceeds on the basis of agreement values, and it has nothing to do with the billings or collections. So, accounting will work so at a corporate level on accrual basis, so we consider it on the basis of that, and not the cash collection.

Sameer Baisiwala: Second question is on the two rental assets Commerz III and Borivali Mall Can you just share with us how much capex is or construction spend is left to be done and how much has been done on both these projects?

Saumil Daru: So, for that I will have to get more deeper into some of these numbers, but I will take a stab at doing that and come back to you separately?

Sameer Baisiwala: Okay. Just broad level would have been okay.

Saumil Daru: About 400 Crores each.

Sameer Baisiwala: Is pending, is it?

Saumil Daru: Yes. Let me come back to you on that. I have some numbers over here, but you want to know the balance spend, right?

Sameer Baisiwala: Yes, that is right.

Saumil Daru: So, let me come back to you on that.

Sameer Baisiwala: Okay, and one final question. Vikas how are you thinking about the prices going forward and aside of 360 West did you take any price action in 2Q?

Vikas Oberoi: I wanted to tell you all that frankly input costs have gone up right from manpower to material to approval to all other costs have gone up, so we have to increase prices. Worli is already out there. We have increased prices in Goregaon, we have increased prices in Borivali and in Mulund, in fact across, and there is no option really and I really fear and wonder how other developers are going to deliver if they do not increase prices because costs have gone up and interest costs have gone up for developers also so there is a huge input cost. We had to take them up and we have done that everywhere.

Sameer Baisiwala: Vikas, you are talking about 2Q specific or going a little bit more further?

Vikas Oberoi: Going forward. We have taken a decision only a week ago and we now, like already passed it on to the new buyers now. Obviously, we do not increase prices for flats that are sold, but wherever we have not sold the inventory will have to go at a higher price. Really, we are doing the math and wonder how these guys are able to sell and deliver that will become a question mark and that actually worries us because then again developers get a bad name.

Sameer Baisiwala: Just to conclude on that, so this increase has been say roughly 1st October onwards and if you can just quantify is it roughly about 3% to 5% or is it what kind of price increase have you taken?

Vikas Oberoi: We increased this only a week ago so I would not say it from 1st October 2022, it is probably somewhere around 10th- 12th of October, and somewhere we have increased 5%, somewhere we have increased 10% and so on, so it is not like a standard increase, different projects have been given different treatment and also depending on different stages of the project we have gone out and done that, like Borivali we hardly have anything to sell today. In our Tower A and B if you have seen Goregaon we hardly have anything to sell, and if you look at the comparative product which is Exquisite and Esquire, they are selling at a particular price so what we have also done is we have been prudent, we have discounted the value of their existing apartment and we have given in the benefit of the pre-booking and all that and we have made an attractive proposition, but just to appreciate that the ready apartment is selling at an x price and this is discounted to that value today and that value is certainly higher because all the ready product is sold and it is selling today at 40000 and 50000 on carpet in Goregaon and there is no dearth of buyers there. You have seen how A and B tower have been sold-out. We hardly have anything in A and B, now obviously when we launch C, we will think of a price strategy and then do that and it is imperative for us to do it, frankly.

Sameer Baisiwala: Thank you so much.

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

Kunal Lakhan: Hi! Vikas and Saumil. Firstly, on the Thane project you still sounded a little apprehensive in terms of launch this quarter. I thought that issue is resolved as you said so what could happen that could make the launch spillover to next quarter?

Vikas Oberoi: Frankly, it is just sequencing, I do not know why you are you making it out to be apprehensive, one has learned to kind of build in some cushion just in case it does not happen then probably but there is really no apprehension, actually I did not even think but because you are asking me I am saying that maybe it is just become our second nature to be a little more cautious when we commit and like surprises like these just keep coming and that is it, but otherwise there is really nothing.

Kunal Lakhan: Sure. Thanks for clarifying, and secondly on Worli, right so we have around unsold inventory of about 150 units now?

- Vikas Oberoi:** No. We have sold about 77, out of totally close to about 200 so 125 odd.
- Kunal Lakhan:** So, what will be that monetization timeline that you will be looking at to, going by the current traction that you see in the pipeline of enquiries that are there, what kind of timeline you are looking at monetizing this project?
- Vikas Oberoi:** This surely will qualify as forward-looking statement and all I can tell you is we are committed to selling, and like I said that there is tremendous demand. We are probably the only one with pole position there and loving all the attention we are getting from the buyers, we respect that, love that and want to honor that also and want to continue to sell, do not want to become complacent, but like I said that there is no problem, I genuinely do not want to put in a timeline, but the product is ready, ready for people to enjoy and we certainly would not come in their way, we would be happy to sell.
- Kunal Lakhan:** In your opening comments you did mention that the only reason why people are not able to buy it is because they cannot afford it so how do you look at that with context of the price hikes that you have taken?
- Vikas Oberoi:** No, I did not say that they cannot afford it. The only reason they will not buy as in if somebody comes in it is so compelling as a product that he will want to buy it. I mean you do not buy it only because let us say the person who is coming in does not have the money barring that it ticks all the boxes that is what I meant and there are plenty of people. I want to tell you all that nobody seems to be buying just one apartment, people are buying one, two and three apartments, amalgamating them, joining them, making a duplex out of it and all that. Really it is like a splurge of real estate volume and people are buying 12000 and 14000 square feet and making, I am telling you I have been to people's homes, and it is such a delight to see them make their own version of the shell that I give them and live so beautifully. So really it is so amazing to see, and these are people with deep pockets, bringing their own set of designers, they have been there, seen the world, they bring the best of the world and put it in. So again, I must say that very, very fulfilling apart from the fact that it is making us money, it is very fulfilling to see that how people are adapting to what we have made. The entire outer living area, the inside apartment, no building has one floor plate which is 5500 or 7000 square feet at single level and when people make a duplex out of it, it is 15000, 12000, the effect is something else, beautiful, like, really, I must say that, really feel good about it.
- Kunal Lakhan:** Sure, and my last question was on, so if you exclude Worli this quarter, our overall sales excluding Worli were about 550 Crores odd, which was lower than what we sold last quarter or even in previous quarters, right, especially like projects like Borivali and

Goregaon where we usually sell well, were quite tepid this quarter how should we read this and what is the outlook there going forward?

Vikas Oberoi: So, you should read it very nicely and happily because there is really nothing to sell in Borivali and Goregaon, which means that we have to make a launch, here we have to launch our next phase and we have so much demand for the next phase I cannot tell you. I mean actually there are people who are telling me what, I do not care when you open, take my money, and I tell them, listen, I cannot do that, I need to follow a certain decorum and that is how I will do it. So, because we have not launched, we have not sold, whatever like the remaining apartments that got sold and now we have tremendous demand, people available for new purchases.

Kunal Lakhan: Elysian it shows that we have about 1 million square feet of unsold inventory?

Vikas Oberoi: That is like you are talking about the entire A, B, C, and D.

Kunal Lakhan: Yes, the launched inventory.

Saumil Daru: I think 25 lakh square feet, out of that, we have sold 15 lakh square feet there is 10 lakhs, but in all fairness this building is also going to get another four years to build so we have got that time period over which also we can sell the balance.

Vikas Oberoi: Yes, 60% is sold.

Kunal Lakhan: Sure. Alright. Thanks, and all the best.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you all for taking time out for this call. We look forward to hearing from you on an ongoing basis. Please feel free and reach out to us or our Investor Relations team for any other additional questions that you have. Thank you and Happy Diwali to everybody. Thank you again.

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