



“Oberoi Realty  
Q1 FY2023 Earnings Conference Call”

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

**Moderator:** Ladies and gentlemen, good day and welcome to Oberoi Realty Q1 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 call all participant lines will be in the listen-only mode and the conference will be 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. Mr. Vikas 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 you have logged in and welcome to the conference call of Q1 FY2023 results and business update. Thank you all for taking time out for this call. We are happy to see business back as usual and hope to have a great year across all our portfolios be it residential, retail, commercial and hospitality. Despite various dynamics at play in the economy such as inflation, rising costs in supply chain, we at Oberoi Realty have started off with a good year with a strong booking and strong bottomline.

Before we begin, I would like to share with you few business updates. I am happy to announce that we have received Occupation Certificate for 360 West and are looking forward to its robust sale. We have also crossed 5000 Crores in consolidated sales in our Sky City project with a healthy sales velocity. As is evident, we are witnessing a turnaround in hospitality, we are maintaining our margins in the residential segment and steady recovery in retail projects. With this, I would like to open the floor for question and answer. Saumil and I will both be very happy to answer your questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Kunal Lakkhan from CLSA. Please go ahead.

- Kunal Lakkhan:** Hi! Thanks. My first question was on when can we expect the 1000 or 1100 odd Crores from Worli to come in our books and secondly considering that you have sold your inventory about 2600 Crores and we have always had a waterfall structure in terms of sharing the receivables how do you think the future sales gets split into between us and the partners going ahead, that is my first question on Worli?
- Saumil Daru:** Kunal, quickly jumping in before Mr. Oberoi responds , just to clarify the total booking value in 360 West is about 2684 Crores and the amount collected is already some 2519 Crores, so there is about 150 odd Crores to be collected and not 1000 odd Crores..
- Kunal Lakkhan:** Sure, thanks for correcting and in terms of incremental cash flows from Worli now how would that get split?
- Vikas Oberoi:** Firstly, very excited that 360 West has got Occupation Certificate, we have close to 70 apartments that are sold, a lot of them have done their interiors while they move in. What is important for you guys to notice that this came in a day before our RERA deadline, so we are within the timelines, number one. Number two, as far as the split goes, our document talks of 80% of the money comes to ORL until ORL receives all the investment that they have done in the project and 20% continue to go to the partner and once we have recovered there is a catch up on the 20% that the partner has taken and from then on there is a split basis the agreement.
- Kunal Lakkhan:** My second question was on the cash flows that you have shared in your presentation. Your investing cash flow is showing about 1078 odd Crores negative could you just help in understand what is that?
- Saumil Daru:** Basically, the investing cash flows take care of two things-one is they reflect the treasury activity, so they represent the mutual fund investments, and the second bit is the investment, which goes into the capital assets, so which is the construction of Commerz III and basically what we can say the Sky City Mall, so that is what this represents.
- Kunal Lakkhan:** We have not seen much of increase in the CWIP or gross block as such so would it be fair to assume.
- Saumil Daru:** Predominantly it is treasury and if you also see the short-term investments below it shows about 932 Crores in that same cash flow.
- Kunal Lakkhan:** Yes.
- Saumil Daru:** So, 932 is a component of that 1078.

- Kunal Lakkhan:** Understood, thank you so much. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.
- Puneet:** Thank you so much and congratulations on good momentum on the sales side. Can you talk a bit about what is the progress on Thane, Peddar Road and also share broad economic interest and cost and realization estimates?
- Vikas Oberoi:** Thane, like I said that we are planning to launch in the festive seasons, we are ready with our show apartment, and we believe that the Thane is a good market, we have mapped sales of some of the prominent developers and they look very, very encouraging. Peddar Road again is work in progress, a little too early for us to get into exact numbers. We are still on the drawing board; once we have clarity, we will come back to you maybe in a quarter or two.
- Puneet:** Any payment for Kolshet Road and Peddar Road has not been done so far right?
- Vikas Oberoi:** Yes, payments have been done for both, whatever was our component to be paid has been paid. One tranche for Kolshet has been paid and the entire amount for Peddar Road has been paid and these are both either revenue share or area share and no input on cost from the landowners. It is a very refined and a unique joint venture, we personally feel very happy and proud of that. That is, it, so once we have more clarity, we will be able to tell you. We do have some numbers on Kolshet, but again like I said that is a little too premature, we are still on the drawing board, what we did as a business plan when we purchased or rather when we got into this transaction was one, but we want to come to the market with a filtered version with something much closer to what you will see it play out then very early business assumptions.
- Puneet:** Revenue share and area share are still to be frozen in some sense?
- Vikas Oberoi:** No, they are all frozen, but like I said that they are all a percentage of the gross area that we will generate, there are percentages of the gross revenue we will generate, so we are still working on it, we are still trying to get to the accurate numbers and then we would rather tell you. We have a conservative number, but that really does not help, we want to be sure.
- Puneet:** Any progress on the Glaxo Worli land? what is the plan now? last time we talked about still trying to think about commercial space, have you frozen anything on that?
- Vikas Oberoi:** Correct, so like I said that even in the last time, that we were all set to do a commercial before COVID broke but then we realized that no, residential is a better bet because all

across residential segment did better. Eventually even the mall business and commercial is back, we do get a higher FAR when we build commercial, but a lower realization in terms of per square foot revenue and in residential we get higher realization over lower FAR, so we are still contemplating. Both our plans are ready, but we have not been able to take a call, we still continue to contemplate. And we were also waiting, now that Worli one is built and being sold this clearly would not be a competition because, even if let us say one were to do residential, this would be three to four years at the least into making. Again, we are spoilt for choice and that is the only reason we are not able to kind of decide but we should do that soon.

**Puneet:** In the current numbers, you are also seeing a quite nice uptake on your realization do you expect this realization growth to continue into the end of this year as well?

**Vikas Oberoi:** I genuinely feel that this should continue because whatever was ready in the market has pretty much been absorbed. There is very little that is under construction and even if there is, there is a huge issue of acceptability from the buyer's point of view such as the brand name, the ability to deliver quality, deliver on time. Forget both actually just deliver. Given all the uncertainties and under construction and commodity cycle hitting an all-time high, even though there is a little bit of a correction, still continuing to go high, I see it is imperative for developers to increase price because their input costs are going to go up and so I feel that you will always see realization go up and even for the ready product and if they do not then they will fall into their own trap of not being able to deliver to their commitment.

**Puneet:** My last one is any plans for another phase launch in Goregaon?

**Vikas Oberoi:** Goregaon, we have launched two buildings, work is on for four and we have seen tremendous velocity. We were pleasantly surprised when we started the second one; it did 3,- 4x of what we wanted. The good news here is that we do not have pretty much a single square foot that is ready and for sale, maybe one-off flat literally and given that it is become a favorite destination at least for people to stay we see no reason why we would not launch more phases in the coming quarters. It may not be the immediate next could be the one after that but yes, really Goregaon is our cash cow, which we can literally turn the tap on anytime we like.

**Puneet:** Should we look forward to another launch sometime this fiscal?

**Vikas Oberoi:** Why not?

**Puneet:** Understood, that is very helpful. Thank you so much and all the best.

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

**Sameer Baisewala:** Thank you very much and good evening, everyone. A quick question is on the demand scenario. Vikas, I copy your initial statement, but given what is going on in the market, the volatility, inflation and now the rising mortgage rate are you seeing any sort of slowdown in terms of footfalls or visits, etc.

**Vikas Oberoi:** Frankly, I am not seeing any slowdown and probably one of the stronger reasons for this is a clear shift from these buyers towards better quality developers, so I clearly see our numbers continue to increase. I would like to believe what you are saying is true, but this must have been true for developers who do not have a good brand name, who have not delivered quality and in time they are losing customers. Even if, let us say the overall market is shrinking, our share in the market continues to increase. If what you are saying is true, this is the only logic I can apply because we do not see any drop in demand. We continue to see huge momentum. In fact for me I feel that construction cost is bound to go up so whoever will not book today and not book it with a reputed developer, who is known to deliver as promised will probably lose out because it is not going to be easy for people to continue to hold the prices even if there is a slowdown in demand because you cannot be selling at a loss.

**Sameer Baisewala:** Thanks for this and Vikas, the second question is on pricing and especially for Mulund and Borivali have you taken any price increase over the last three to four quarters and your thoughts on this?

**Vikas Oberoi:** We have only removed certain things. Like what we did was we were giving developer subvention, bank subvention and some of these were at a higher price, so we have just changed the category and whatever was at a lower price pushed into a higher price, so on and so forth. We have done a little bit of tweaking, price increase by 5%, 7%, 10% nothing more than that, nothing substantial and it is all, it is real money for us but it is optic for the world. We have been able to play around with the price by 5%, 10% which looks optical for the world but it is actual real money for us, and in a very, very simple interesting way.

**Sameer Baisewala:** This contrast versus what you have done in say Worli or Goregaon but you have taken the headline rates up and quite meaningful.

**Vikas Oberoi:** Correct and with no resistance, that is the most amazing part.

**Sameer Baisiwala:** Wonderful and that is very clear and final question is just a broader one now that there has been a change in the Maharashtra State Government, so anything that we can expect on the regulatory side or any implication for the sector or the company?

**Vikas Oberoi:** You know we stay away from this with a barge pole literally and we are completely agnostic to who is running the government and I am sure everybody means well. Having said that I feel one thing for sure, that the center-state alignment will help the state. We love the fact that now bullet train will become a reality very much sooner than what would have happened earlier, so huge positives for the state to be simply aligned with the central government and so this is one. I feel going by our past track record we see that this government also is going to come up with very positive pro people policy and I think the state is bound to do that I think it is really bound to do that and we are literally two-and-a-half years in and another two-and-a-half years to go, so I think any political party would like to really keep these two-and-a-half years and especially because these guys have got only two-and-a-half, they will want to work as if for the five-year term they will go all out. Even something like the Versova-Virar sea link I was reading that the central government is ready to do if state government wants it to do it. Earlier it would be that I would not share my credit with this central government and so on and so forth, so I would say that in all I think you are much better off so it is a positive.

**Sameer Baisiwala:** Okay thank you very much.

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

**Parikshit Kandpal:** Hi! Vikas, congratulations on the very good quarter. My first question is on 360 West, so if you can just highlight how much price increase, we have taken here, how is the prospect pipeline looking because as per our channel check looks towards north of 20 apartments so if you can just touch upon these two things first?

**Vikas Oberoi:** 360 West, actually if you see the entire area and then probably, we have the best product in the city. I do not want to sound **pompous** probably the best product in the country and among the best in the world. If you see buildings that are not even at par with us are selling at anywhere between Rs.100000, Rs.110000 on carpet. We do not believe that we should be in a little higher than that ballpark. Anywhere between 100000 and 120000 on carpet is what we would love to aim at and fingers crossed. One other thing I want to tell everybody is that we have got our entire building approved under the 2034 DCR; this means that all the free area that we had taken, the decks, they are all taken in FSI and the Occupation Certificate is as per the 34 DCR. It is like huge not that anything wrong with the earlier one

but today our RERA carpet area also has gone up big time. So, all this really helps us - market the product better and get a better realization and then at the back of all this and with what is happening in the vicinity we tend to believe that we could get something like this.

**Parikshit Kandpal:** Okay great Sir. Any news on the challenges, which your partner is facing in this project?

**Vikas Oberoi:** Not really, nothing, this is a separate project, really no.

**Parikshit Kandpal:** Second question on the business development, we have been talking so many quarters now on the non-MMR story and even in the last call you highlighted when you are actively looking at setting up like offices and malls within non-MMR so any update, are we looking to play this year potentially, if you can highlight anything we can hear from you on this in the second half and any substantial numbers?

**Vikas Oberoi:** I am very, very keen. I am continuing to be doing that. I want to get in the right project, at the right time, at the right price. For me, it is not about ticking the box. At the end of the day, we have put a dot on 100 years ahead for the company, we want to focus on the right things. For us, these basic things are very important; a project outside Mumbai is a byproduct of all this, hence I would wait for the right project and only then probably go about doing things.

**Parikshit Kandpal:** Anything likely getting closed in this financial year?

**Vikas Oberoi:** I would say, yes, but again like I said that I take these calls very seriously and I take my commitments really very seriously, hence I am a little skeptical in just committing a date, but I must tell you that we very rigorously continue to go after it and as and when we get it, we will be there.

**Parikshit Kandpal:** Thank you, those were my questions.

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

**Parvez Akhtar Qazi:** Hi! Vikas, good afternoon and congratulations for a good set of numbers. Two questions largely from my side. First, what would be the completion timelines for the Borivali Mall and Commerz III and second when can we expect some inventory release in the Sky City project? Thank you.

**Vikas Oberoi:** Both these projects should be ready by next year March for fit outs. I think the mall should start its commercial activity pretty much in the next year, maybe towards the festive



seasons, our target is to get ready before next Diwali and same is with the Commerz III. We should be ready with Commerz III for fit out by March of next year and rent commencement within a year after that and that is our commitment also to our tenants and we are pretty much on time. The third phase of Borivali also it is there in the reckoning. Again like Goregaon, Borivali also happens to be literally our cash cow and whatever gets opened gets sold very, very quickly and yes so that is where we are.

**Parvez Akhtar Qazi:** Something to come up this fiscal?

**Vikas Oberoi:** Sure, why not, we could do that. Again, if you see Borivali like I said that we have crossed 5000 Crores of sales and continuing to do with great velocity. We do hope, in fact, we have done some fresh reconfiguration and I believe that the markets will love it. These are slightly bigger area apartments and we see there is a huge push towards a larger area luxury and we are trying to bring that there now and with much higher realization, so huge positive I would say, and we are looking at launching this within this financial year for sure.

**Parvez Akhtar Qazi:** Great to hear, congratulations and all the best for future.

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

**Pritesh Sheth:** Hi! Thanks for taking my question and congrats on finally getting the OC for 360 West. My first question is on similar lines with what Sameer had asked earlier on the impact of mortgage rates. So we see a drop in sales velocity both in Sky City and Maxima to an extent as well, I am not trying to be very critical but particularly I would assume that these would be the projects where your mortgage mix would be comparatively higher versus the other projects so anything to read into this dropping sales velocity because of maybe some increase in mortgage rates if you can highlight.

**Vikas Oberoi:** Can I tell you; you will be very happy to know that we hardly have anything to sell in Maxima, so that is point number one, there is no drop really, it is like a clean sweep there. On Sky City also, the earlier question asked was when are you going to launch. We are left with probably 15% or 10% of the inventory that we had launched, so obviously either these are very higher floors or something like that and that is why you see, but even there you really see numbers they are not like a drop in velocity and they are more to do with what is available and I have a huge backlog of people wanting to buy the next phase when I launch, so a lot of people are holding back. And then, now you also know that Sky City is virtually near completion and we should be giving possession soon. People are waiting to pay all of it and take possession instead of being into a project. So absolutely no drop in velocity as

far as we are concerned and for us. You will be surprised that we have been tracking people who buy our apartments - most of them take a 10-year loan, repay it in three years and so cost of money in India is anyway very high and we hardly have any standard deduction for the interest at one pace to buy a house. Most people even if they are taking loan, it is a stop-gap arrangement, so effective cost for them, if it is a three-year loan, does not really work out to be much and these are things that one really needs to know. If our borrowing cost was way too low then one would understand that increase in cost could hurt you in sales but with the interest cost anyway being high so people do not really want to borrow for too long. And I have seen that if I give an attractive price to people where they have to pay construction-linked plan versus a bank subvention or a developer subvention, they are happy paying developers with good reputes upfront money as and when you build. They do not want to pay for the credit because it is anyway high so a few hundred basis point also of 50, 75, but few hundred basis point also I do not see affect. Yes, the press speaks and makes a lot about it because the government wants why do they increase interest because they want to actually control inflation and they then want to send these signals in the market so emotionally yes probably a few people get a little rattled when interest rates go up, but by and large we have not seen any impact on sales, not at least to our sales.

**Pritesh Sheth:**

Got it that is very helpful and I would agree to your point. Second question is on your existing vacancies in your Commerz I and Commerz II particularly Commerz I we have seen at least now 10, 11 quarters since vacancy has remained high and even there was a drop in occupancy for Commerz II as well so any comments on them when we should be able to lease that out again fully?

**Vikas Oberoi:**

Frankly, both Commerz I and II were never literally our absolute focus. We realized that with Commerz III we will have a large portfolio of close to five plus million square feet of leasable area and hence we now have business head with an entire team looking after that and it has just been a few months. You would have seen in social media that we have started doing revisits of all the IPCs, we have a very customer centric approach here and we see very good traction here. And you will see that we have already started closing deals. And in the coming months our internal target is that we will reach 100% occupancy within I and II in this financial year itself. Again, we have set these targets, we have a team now, a completely focused team, we had a very small team earlier, it was like business by the way for us, now this is serious business for us, and we will make sure that we not only get the occupancies at the high 90s, but also push and become the first preferred destination for any customer.

**Pritesh Sheth:**

Got it, thanks, that is very helpful. Thank you and all the best.

**Moderator:** Thank you very much. Ladies and gentlemen, we will take that as a last question. I will now hand the conference over to Mr. Vikas Oberoi for closing comments.

**Vikas Oberoi:** Thank you all for taking time out for this call. We look forward to hearing from you on a regular basis. If you have any queries, please feel free to speak with our CFO or my Investor Relation team and we will be more than happy to answer all your questions. Thank you once again and have a great week ahead. Thank you.

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

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