



“Oberoi Realty Limited Q3 FY18 Earnings Conference
Call”

January 31, 2018



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

Moderator: Good evening ladies and gentlemen and welcome to Oberoi Realty's Earnings Conference Call for the quarter three, financial year 2018 that ended on December 31, 2017. We have with us Mr. Vikas Oberoi – Chairman and Managing Director of the company and Mr. Saumil Daru – Director -Finance of the company on the call today.

Please note, that this conference call will be for 60 minutes and for the duration of this call all participant lines will be in the listen-only mode. This call is being recorded and the transcript for the same may be uploaded on the website of the company.

After the management discussion there will be an opportunity for you to ask questions. Should you need assistance during this conference call, you may signal the operator by pressing '*' and '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 maybe forward-looking statements including those relating to the general business statements, plans and strategy of the company, the future financial condition and growth prospects. These forward-looking statements are based on expectations and projections and may involve number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I will now hand the conference over to Mr. Oberoi – 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 in and welcome to the Conference Call Q3 FY18 Results and Business Updates. Thank you for taking the time to attend this call.

A quick update, we have applied for the occupation certificate for our Project Esquire and I am happy to announce that as of 29th Jan, i.e. the day before yesterday we received the part occupation certificate for the same. What is noteworthy is that we have been able to give possession absolutely on time. Booking value for our project Borivali Sky City has crossed Rs. 2000 crores. We are also happy to let you know that the construction progress at Borivali is going as per plan and so it is with all our other under construction projects. With this now I will hand over the call to Saumil who will take you through the details. I will be most happy to answer any of your questions individually. Thank you.

Saumil Daru: Thank you Mr. Oberoi. I guess most of you must have received the presentation by email from the IR team and if not, the same is available on our website along with the results filed with the exchanges. We will keep things short and sweet to help us get adequate time for Q&A.

In terms of consolidated financials:

We achieved a consolidated revenue of over Rs. 360 crores for Q3 FY18. This is as against over Rs. 308 crores for Q2 FY18 and nearly Rs. 265 crores for Q3 FY17. The consolidated PBT was nearly Rs. 184 crores for this quarter as against over Rs. 155 crores for Q2 FY18 and about Rs. 125 crores for Q3 FY17. The consolidated PAT was at about Rs. 120 crores for this quarter as against Rs. 104 crores for Q2 FY18 and Rs. 84 crores for Q3 FY17.

Moving to the asset level performances and beginning with the investment properties:

Oberoi Mall which is a retail asset contributed about Rs. 27 crores to the operating revenue for this quarter as against Rs. 26 crores for the preceding quarter and Rs. 25 crores for the same quarter last year. The EBITDA margins in this vertical are at about 95%. Commerz which is our office space asset contributed about Rs. 11 crores to the operating revenue for this quarter as against similar numbers for Q2 FY18 and Q3 FY17. The EBITDA margins in this vertical continue to be in excess of 98%. For Commerz 2 phase 1, this contributed Rs. 11 crores for this quarter as against Rs. 11 crores for the preceding quarter and Rs. 7 crores for the same quarter last year. The Westin Mumbai Garden City contributed about Rs. 35 crores to the operating revenue for this quarter as against Rs. 29 crores for Q2 FY18 and Rs. 34 crores for Q3 FY17. The EBITDA margin in this vertical comes in at about 36%.

Moving onto the development properties:

Beginning with Goregaon, Esquire out of the total project of 21.22 lakh sq. ft. we have booked over 24,400 sq. ft. in this quarter. Till date, total booking is at about 12.9 lakh sq. ft. which is over 61% of the inventory. The total booking value for this quarter is Rs. 48 crores as against Rs. 103 crores in Q2 FY18 and Rs. 53 crores for Q3 FY17. Cumulative booking value till date is Rs. 1,919 crores. The total revenue recognized for this project in this quarter is Rs. 156 crores and the cumulative revenue recognition till date is Rs. 1,694 crores. For Exquisite out of the total project of 15.47 lakh sq. ft. we have booked 17,550 sq. ft. in this quarter, till date totally 13.98 lakh sq. ft. which is about 90% of the inventory in this project. The total booking value for this quarter was Rs. 41 crores as against Rs. 12 crores in the preceding quarter and Rs. 4 crores for the same quarter last year. Cumulative booking value till date is about Rs. 2,285 crores. The total revenue recognized for this project is about Rs. 41 crores and the cumulative revenue recognition till date is at about Rs. 2,285 crores on account of 100% project completion.

Moving to Prisma, the total project is 2.68 lakh sq. ft. We have booked about 8,600 sq. ft. in Q3 FY18. Till date we have booked about 2 lakh sq. ft. which is over 75% of the inventory in this project. Total booking value for the quarter is Rs. 15 crores as against Rs. 16 crores in the preceding quarter and about Rs. 4 crores for the same quarter last year. Cumulative booking value till date is about Rs. 348 crores and the total revenue recognized for this project in this quarter is about Rs. 51 crores and the cumulative revenue recognition till date is at about Rs. 257 crores.

For Mulund, in Eternia in Q3 FY18 we booked 6,680 sq. ft. Till date we have booked about 5.02 lakh sq. ft. The total booking value for this quarter is about Rs. 10 crores as against Rs. 32 crores in Q3 FY18 and Rs. 9 crores for Q3 FY17. Cumulative booking value till date is Rs. 737 crores.

For Sky City we have booked over 47,000 sq. ft. in this quarter, till date about 12.82 lakh sq. ft. Total booking value for this quarter is Rs. 76 crores as against Rs. 88 crores in the preceding quarter and Rs. 58 crores for the same quarter last year. Till date the booking value is about Rs. 2,052 crores.

For Three Sixty West in Worli we have booked nearly 47,500 sq. ft. in this quarter. Till date we have booked about 4.32 lakh sq. ft. Total booking value for Q3 FY18 was Rs. 214 crores and till date the booking value is Rs. 1,716 crores.

Coming back to some key financial parameters:

Our EBITDA margins for this quarter were at 54.61% and for Q3 FY17 was at 52.41%. PAT margins were 33.35% for this quarter and 32.01% for Q3 FY17. EBITDA margins for mall and Commerz are much higher than average, as we just discussed. Excluding them the margins for our pure residential business is 50% for this quarter. With this we would now like to open the floor for any questions that you all may have. Thank you.

Moderator Thank you very much sir. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: Vikas, I had two questions. One, can you share some more update on the GSK land parcel in Thane? Have you signed a deal with them and have you paid any money to them?

Saumil Daru: On the Thane land transaction in view of our arrangement which we have with Glaxo, we do not want to discuss anything about this transaction at this point of time. We will come back to you as and when there is an update

Abhishek Bhandari: I know, the reason for asking is that this company has gone ahead already filed these exchanges saying that -

Saumil Daru: Yes but, the only thing is we would want to wait for everything to get concluded before we come back and tell you everything. So, while it is in process we would just want to concentrate on getting that process completed. That is all, nothing else.

Abhishek Bhandari: The second question is on your Worli project, both the residential and the hotel. What is the progress on the hotel and what is the spending on both these parts of the project, residential and hotel?

- Saumil Daru:** Firstly, in terms of physical status, the building if you look at it, we have Tower A and Tower B. Tower A is the building with the hotel and the residential. Tower B is a fully residential building. As far as Tower A is concerned, which is the hotel building, all slabs have been cast, which are the slabs of the hotel as well as the residential. So, we have basically topped out that building as far as construction is concerned. It will now be only interiors to go. As far as Tower B is concerned, we have about 4 to 5 or thereabouts in terms of slabs to go.
- Moderator:** The next question is from the line of Tanuj Mukhija from Bank of America Merrill Lynch. Please go ahead.
- Tanuj Mukhija:** My first question is regarding the demand at your Esquire project in Goregaon and your Mulund project continues to remain I think pretty weak. Can you please comment on the inquiry levels at these two locations?
- Vikas Oberoi:** See, in fact Esquire is not that bad. We believe that there is enough demand and there is demand in the pipeline. We ourselves are a little concerned about Mulund as such. I mean Mulund has been a little slow for us and we are trying to see whether an oversupply or what the real reason for that is. So, we are focusing a little on Mulund to see how things pan out there and that is a cause of concern for us also. Esquire we are not really worried. We have seen uptake happen here.
- Tanuj Mukhija:** Follow-up question on that, so can you please comment on the launch pipeline for the next phase at Goregaon and Borivali?
- Vikas Oberoi:** Goregaon we have five more residential towers to go. We have started work there. We have also received commencement certificates, but we have not started booking. And we do not feel that at any point this will cannibalize our existing supply because the stage of construction is very different. People who want to book for the next 4 or 5 years do not buy ready. So that customer segment is completely different. Borivali we have started construction on 5 buildings but launched only 4. So, the fifth one is ready for us to sell but again because we are doing well in the four towers, we continue to sell that. And again, everyone has preferences of either a particular side or a lower floor, so by opening inventory there I do not know whether we will end up increasing the sale. Here in this case at least we are able to sell the entire inventory that is open. So we want to continue to focus on that and we are seeing good numbers so we do not see any reason why we should open another tower.
- Tanuj Mukhija:** Understood, so summarizing, most likely Oberoi will launch next phase in Goregaon perhaps early FY19 and Borivali could be late.
- Vikas Oberoi:** . Actually, it could be both. I mean we could launch both in first quarter or second quarter, either of the two.

- Tanuj Mukhija:** Understood, and could you give us the timelines for your retail malls at Borivali and Worli? Would the Borivali mall be in sync with the completion of your housing project at Borivali?
- Vikas Oberoi:** In fact, it probably might be a little before that. The government is committed to finish the Metro by 2019, so we ideally want to complete by 2019 or early 2020. We want to time it in a way where Metro is ready, and our mall is ready for both Borivali and Worli. Work has started at both ends.
- Tanuj Mukhija:** One last question from my end, I have several questions, but I will stick to one last. If I look at the sequential pricing per sq. ft. at Esquire and 360 West, it has declined over the course of last 9 months. What is the reason for decline in pricing per sq. ft.?
- Vikas Oberoi:** Actually, we have neither increased our price, actually in fact we have marginally increased our price in Esquire and we have kept Worli pricing the same. Whenever there is a lower floor sold you see per sq. ft. realization come down. Whenever there is a higher floor selling, you see per sq. ft. realization going higher because of the floor rise component but otherwise like I said we have marginally increased the price of Esquire. So there is no reason other than what I told you to see that difference.
- Saumil Daru:** And for Esquire Tanuj if you will look at it then the 9 months FY18 average is about 20,473 versus 9-month FY17 which is 20,275, so actually it has gone up by Rs. 200. So there is no fall per se but again as Vikas just pointed out it is all got to do with the floor mix. I think this has been a question we have always addressed in the context of Exquisite, Esquire and virtually all the projects. It all depends on the floor mix in that particular quarter.
- Moderator:** The next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Firstly, just want to understand why is the operating cash flow negative this time?
- Saumil Daru:** This would typically be because of working capital adjustments rather than anything else so if there are some advances which are made then for that particular reason you will see that, for us everything is a working capital change. So if there are any FSI premiums or any of those related costs which happen, so though it ends up being as a part of the inventory but in the quarter in which that gets incurred, it lands up converting into a negative operating cash.
- Puneet Gulati:** Right because the collections are quite good this time, so I was thinking why it could go negative. Is there some speeding up of work somewhere?
- Saumil Daru:** Speeding up of work is going on. Also, there are some advances which are going to contractors and all of that, various buildings are at various stages. So that is the only reason, nothing else.

- Puneet Gulati:** And also, the borrowings have gone from Rs. 750 crores odd long term to Rs. 1,430 crores. So, is that in preparation for this Glaxo thing?
- Vikas Oberoi:** Yes.
- Puneet Gulati:** Secondly if you can also update in terms of revenue recognition, would you recognise the Worli project as one or two separate, Tower A & Tower B?
- Saumil Daru:** We are presently proposing to recognise them as one.
- Puneet Gulati:** And lastly if you can give some color on what is happening on the leasing side for Commerz Phase 2 prelaunch side?
- Saumil Daru:** So, during the quarter we had one more floor which got concluded, I think you will see that coming into the rental streams shortly. We are also on the verge of, so to say a few transactions which are coming through. So, may be by March of this year, may be in a couple of months you will likely see that again the occupancy would kind of crank up to anywhere about 65-70%, that is what we are targeting.
- Puneet Gulati:** And in terms of rentals are they broadly in the same range?
- Saumil Daru:** Yes, they are roughly in the same range.
- Puneet Gulati:** And what types of clients are these?
- Saumil Daru:** Again these could be either multinationals or very leading companies. So, people wanting to use this as a corporate headquarter.
- Moderator:** The next question is from the line of Chintan Modi from Motilal Oswal Securities Limited. Please go ahead.
- Chintan Modi:** Two questions from my end. One is on the 360 West collection which has been quite low compared to the booking value that we have done in the quarter. So what are the reasons for the same and how do you look at it going ahead? Second is again on 360 West, considering that we are planning for possession in March 2019 and we have close to 200 units and we have sold 46 units till now. Once the possession is given, a lot of operation cost will start coming in. Of course, you have to switch on the amenity, the security cost comes in, lot of things get into it. So, wanted to understand how large the quantum of this expenditure could be and how do we bear it and what is the way ahead?
- Saumil Daru:** Two things Chintan, firstly on the collections bit, if you will see typically what happens in transactions of this magnitude is that customers prefer to do a more detailed diligence compared

to our turnaround in places like say either Goregaon or Borivali or Mulund where typically people just walk in and they collect the agreement and then they sign off. Here typically it goes through a far more detailed diligence and a far more detailed discussion on the agreements. And subsequent to that payments all get linked into timelines or to milestones. So, I would say that maybe again from March quarter with the way we are seeing things getting lined up, I think you will start seeing the cash flows which we are looking at starting to come through. That would be the first one. The second one I do not think, frankly, is a material number in the overall context of the size of that project and everything. Plus, if you will also note what happens in Worli is that we are selling bare shell apartments, so even once we hand over the possession, by the time people will fit out and move in it will take some time. So obviously the usage of those facilities will also begin only once people come in. But having said all that it is not such a material number.

Chintan Modi: Going back to the first questions, you mean that agreements would be in place for the five units that we have sold?

Saumil Daru: Basically, these are preliminary things which are in place, so allotments are in place. Agreements, typically even under RERA only once you collect 10% and more then comes the requirement of agreements and all that stuff. So that is where as I had mentioned to you if there is a diligence process going on then until and unless that is over the agreements do not get done.

Chintan Modi: And regarding the height restriction issue, I think we were looking for an approval in 360 West, any progress on those lines?

Vikas Oberoi: We have topped up as far as Tower A, which is our hotel and residential on top, is concerned. We have also topped up with the Tower B at 66 floors. So, we are not going ahead which is actually good and bad both. Good as in we are now in a position to give, we will be finishing our building at the end of 2018 and so we will prepone everything from that point of view. And since we have no FSI costs we do not have really any loss per se and that is what we are doing. We are not waiting for height clearance any more.

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

Sameer Baisiwala: Saumil, if you can just tell us on the timelines for recognition for Borivali, Mulund and Worli 360 West?

Saumil Daru: So, in sequence Borivali in all probability Q1 of FY19 so this would be in April to June. As far as Mulund is concerned Eternia should in all probabilities be H1, so in all probabilities may be Q2 and Enigma could be the third quarter. And as far as Worli is concerned again first quarter or second quarter. If you will note as far as Worli is concerned, the percentage completion for construction we have already way passed that threshold of 25%, so it is only a question of hitting the volumes and then beginning recognition. As far as the others are concerned it will be more

trying to reach the construction milestone rather than the sales milestone. Borivali we are already above 50% in terms of sales.

Sameer Baisiwala: But for Worli in terms of sales you have done 46 units, when do you need to hit it for recognition, 60 or 65?

Saumil Daru: It is more on the basis of area so if you look at it, out of nearly maybe about 24 lakh sq. ft. what we have sold so far is about 4,30,000. So, we need to sell 25% of 24 lakhs, so 6 lakhs.

Sameer Baisiwala: And Vikas did you say there are 5 towers that you would be launching more in Goregaon?

Vikas Oberoi: Correct.

Sameer Baisiwala: And what would these towers total up to?

Vikas Oberoi: We are doing the internal math and will actually be sharing this with people. So just wait for us to tell you what the exact quantity is because we are working out what sort of reservations we will hand over and how much FSI we will get from here and what sort of additional area we will be required to buy. So, we are actually doing the internal math and will shortly come out with those numbers.

Sameer Baisiwala: And this is quite different from your earlier disclosures of what Exquisite 3 was going to be.

Vikas Oberoi: There are two things. The third phase when we were talking about launching, we were talking about either 2 or 3 building but there were always 11 towers in Goregaon and one commercial building left to be built. So if I may tell you that there are 5 more residential buildings, one office building and one hospital for us to build and we have some more areas for an education complex. So we have another property which needs to be built.

Saumil Daru: So on launch we would have said maybe out of the 5 we would launch 2 or 3 but this was always the total potential for a long time.

Sameer Baisiwala: And any thoughts on how input costs have moved for you over the last six months or in nine months? What is the right timeframe both material and labor?

Vikas Oberoi: Honestly, we did our Mulund contract and then we did our Borivali contract which was probably 6 to 9 months apart. We have been able to get the same price. We have like recently negotiated, we have yet to finally shake hands. We have been able to get contractors to agree for our five towers in Goregaon at pretty much the same price. So we do not see any increase in cost from that point of view. And contractor availability has been reasonably good for us because I feel others are slowing down or what I do not know.

- Sameer Baisiwala:** And contracts, how do they capture the cost inflation for the contractor?
- Vikas Oberoi:** So material cost like steel and cement are fixed at a price and if there is any increase in that we obviously pay for that. As far as labor is concerned it is already absorbed. It is within the time. We do not have to pay any increase. But historically we have seen over the last 20 years they are not very significant.
- Sameer Baisiwala:** One final questions. Vikas, what is your outlook for Mumbai property market and more so for your locations and do you think that you have leeway to increase prices anytime soon?
- Vikas Oberoi:** So let me tell you about the Mumbai market then I will tell you the segments that I am in or rather the suburbs that I am in and then I will answer your last question. See Mumbai has always been a supply constrained market. Having said that the order of the High Court which was challenged in Supreme Court, that dumping ground issue that has not helped increase supply per se. Whatever you are seeing are all old approvals that are continuing to be built. We have been on the lucky side where we had permissions in all our projects so not even a single project of ours is stuck because of that order. So having said that there is certainly a slowdown in the supply. In the last 2 years after that order no new IOD or CC has been issued, so we do not see much of a rush in BMC to get approvals because high court has restricted them. This in turn will certainly create a shortage going forward, this is our belief. Now when it comes to our suburbs we are pretty much present in most of the prominent suburbs be it Borivali, Goregaon, Mulund, now with this in Thane as well, JVLRL again and Worli let us say if it was to be the city. Barring Mulund, I think Mulund has a little bit of an oversupply, barring Mulund I do not see there being any issue in any of our other projects. Worli again there is supply but they are not of the product that we are building or the quality or the price point that we are looking at. So again we get the best pick of the people wanting to buy a house in that area as in they first want to come to us and only if we do not fit into their budget or if they want to buy a smaller house will they go to someone else, so this is it. What was your third question?
- Sameer Baisiwala:** On the price increase.
- Vikas Oberoi:** So on the price increase, even though I said that Mumbai is a supply constrained market we have no issues elsewhere, the normal sentiment is such that we are not able to push our price up. Everyone would love to but the way things stack up, I do not see we are having enough reasons to go out to the world and say that hey we want to increase our price. That is where we are. So prices may continue to be the same for some time to come but like I said that there will certainly be an absolute supply crunch going forward in the next 2 years because you cannot catch up to the demand instantly. All these things take time for it to build and all that. So today there is a standstill as far as new projects go. And this is why we are able to negotiate a better price with a lot of contractors.
- Moderator:** The next question is from the line of Saurabh from JP Morgan. Please go ahead.

- Saurabh:** Sir my first question is on Worli, what is the total debt in the asset and what is the cost to complete this now?
- Saumil Daru:** The total debt on this asset right now is about Rs. 125 crores, so nothing very meaningful left. And our total to completion for this should come in at about cost to Rs. 3,000 crores excluding the hotel.
- Saurabh:** Yes, so you already spent Rs. 2,300 crores on this, so total
- Saumil Daru:** But that is including the hotel.
- Saurabh:** So, sir just on the economics you will first recover, so what will be the hotel cost?
- Saumil Daru:** So, the hotel cost should clock in at anywhere about Rs. 800 crores odd or upwards but yes in terms of the cash flow the first thing that comes out is the cost of construction, and then comes out the allocable share of profits to the partners.
- Saurabh:** And that Rs. 350 crore deposit also?
- Saumil Daru:** Yes, correct.
- Saurabh:** So basically Rs 2,600 crores recovery before you start the distribution amongst the partners, takes precedence before the profit distribution, right?
- Saumil Daru:** Yes.
- Saurabh:** And second Esquire has got OC now, so post OC now since GST is not applicable would you expect an acceleration in presales in Esquire? And as a follow up question Worli if I am not wrong you guys said March 2019 is the completion, so can we then think that March 2019 onwards is when it is likely to start selling because the current GST will be approximately Rs. 5-6 crores on that.
- Vikas Oberoi:** As far as GST goes, as a company what we have done is now we have come up with a MRP kind of price. So, whatever you buy is inclusive of GST irrespective of whether the building is pre-completion or post-completion. For the buyer it does not make a difference. Like if you were to buy Esquire we were charging, I am just saying hypothetically, Rs. 16,500 you will continue to pay Rs. 16,500 today. Our logic here is that if you were buying pre-OC I was getting input credit. Post OC I do not get any input credit. So, for me whether I sell it before or after it does not make any difference and we are in fact telling all developers to move to this. So at least we are not disincentivizing the customers or incentivizing the customers to buy post OC or pre-OC whichever the case maybe. So, this is what we are in fact suggesting everyone should do and we have been

very successful in doing this. We have one ticket price, whether you buy one day before OC or whether you buy one day after OC it does not make any difference.

- Saurabh:** But in project like Worli the input credit would not be like significant given the sale price.
- Vikas Oberoi:** Yes, but I mean I said that for us it is that is much more important to ensure that the customer comes in first and that is why we one ticket price, irrespective of whether you come before OC or after OC you will pay the same price. Now the breakup can be agreement value and GST or the breakup can be all agreement value. But what you write out of your book is the entire amount.
- Saurabh:** So effectively the net realization to us should improve hopefully.
- Saumil Daru:** Correct, but there is no margin impact on account of that. So, the margin remain the same.
- Vikas Oberoi:** So, neither loss nor gain.
- Saurabh:** Okay, fair point. And second is like if I just look at Exquisite, Esquire and Prisma, like your near completion projects you have close to about, depending upon how you calculate it, almost about Rs. 2,200 crores of near finished or almost finished inventory lying on your book and you obviously now have some debt, thanks to that Thane acquisition. So just as a cost of capital thing, is there anything you can do to accelerate the sales?
- Vikas Oberoi:** We are doing everything to accelerate sales. We ourselves are interested in doing that, given a scenario where we are not increasing price, but we cannot reduce price because for the past 4 years we have done sales and unlike the stock market the flat purchaser is very sensitive that he bought it at X and later on somebody goes and says it is cheaper it is not taken well. So we do not want to start that trend. And I see with the way things are now like I said there is clearly a constraint in supply due to that High Court order and RERA coming in and all that. I think going forward there will be some push to the sales as well. And these customers will get concentrated to fewer developers.
- Moderator:** The next question is from the line of Abhishek Anand from JMFL. Please go ahead.
- Abhishek Anand:** As you were mentioning about the supply constraint, so how is the company looking at the business development side. We understand Thane of course is a work in progress. But are we looking at maybe some other geographies or within Mumbai how active we are at and also tying in with the increase in debt we have had over the last 2-3 quarters. What is the comfortable position that we will be happy to leverage up to in order to go ahead with the business development part?
- Vikas Oberoi:** We very actively continue to look at new land parcels. We have multiple options going there. There are a lot of these private equity guys who want to partner with us, so that is one route. And

like I said that we have never been shy of taking debt, but you have to be prudent about it. We are concerned about the cost at which we borrow. We also want to ensure that they are timed with the repayment. Now somebody just said that we have Rs. 2,000-2,200 crores worth ready inventory and let us say with whatever pace one puts it, it will at least get sold in the next year, 2 years or at best 3 years. So we are clearly looking at cash flows getting generated out of these projects which are complete without having to put even in a single rupee. So one can easily look at leveraging that. We also have our rental incomes one can discount that receivable and go and buy. So there are a lot of legs left in the company as far as buying new assets are concerned. We have really no stress on that and when we are very proactive we prefer Mumbai market first and like I said that we are happy to go outside but we want to do a JV and we do not want to block a lot of our capital when we do business outside Mumbai.

Abhishek Anand: And in terms of Vikas, have you seen valuations improving especially post RERA, GST or it is pretty much the same as what we have seen over the last 2 years?

Vikas Oberoi: No, certainly I would say that the so-called worth effect of RERA and demonetization is gone. We obviously believe that it was a huge positive, which had a negative impact for a while. It was a surgery needed and the entire post-surgery recovery for the economy is now done. With budget tomorrow, I am sure that things will only look up and we as an economy will continue to do very well and within that economy we will also do well.

Abhishek Anand: Sine you are mentioning budget, we have a fair bit of completed inventory and 360 West is also like due to be completed over the next 1.5 years, the deemed rental clause, how will it impact our company? Will it be a material impact? How should we look at it?

Vikas Oberoi: Not really, we have timed our OC in such a way that it would not really have an effect on that. Like even in Esquire we have obtained OC for apartments that are sold. So the rest of it we will obviously want to take it to the next financial year and time it such that we get more time to sell also.

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

Abhinav Sinha: Just going back a bit to the pricing question, we will now have Esquire also completed next to Exquisite, but I think the pricing gap is still pretty much there. So, any thoughts on closing that out?

Vikas Oberoi: We will be doing that. It has been on top of our mind. We will actually be pushing Esquire to Exquisite pricing.

Abhinav Sinha: Okay, so that is say effective 1st April or something?

- Vikas Oberoi:** Again, it is just a matter of time we are actually on the finishing stage and obviously this is a newer project being completed 2 years later. The feel, finish, fit of this building will obviously be better, I mean it has to be. Old buildings have their own charm. The charm which Exquisite has is now, I mean you know from our own inventory it is like 90% plus sold and everyone living there. So, some people want to, whoever has an apartment in that building want to continue to stay in that building and stuff like that. So whatever little inventory we have we know that it will get sold. But we will surely be bringing this price up and it could be effective 1st April, it could be earlier but certainly that is on the cards for sure.
- Abhinav Sinha:** Secondly, I have noticed that the mall was doing much better this quarter, so it is just effective jump, or you would now have like a reset to Rs. 170 as base rent here?
- Vikas Oberoi:** No, in fact the real reset is yet to come. We have been able to renegotiate, rather not renegotiate, all the earlier terms that we had with let us say PVR and Lifestyle and all these big anchors are getting over in April. So, coming April you will see a much bigger jump because we have been able to renegotiate at today's market price which is much higher than what we had given them.
- Abhinav Sinha:** And today for the plain vanilla it is what, is it like 200 or something like that?
- Vikas Oberoi:** Like for the plain vanilla we go as high as Rs. 400 on leasable area, Rs. 600 on carpet.
- Abhinav Sinha:** Okay, so I think in one-two years we will get to see a very good number. So thanks for that. Saumil, I just had a clarification on that Worli construction cost. So Rs. 3,000 crores you said this includes the hotel, or the total is 3,000 plus 800?
- Saumil Daru:** Excludes the hotel.
- Abhinav Sinha:** So Rs. 3000 plus Rs. 800 is the total?
- Saumil Daru:** Yes.
- Moderator:** The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.
- Kunal Lakhan:** Quickly on Mulund, is the traction there slow because of our product being little on the expensive side because typically Mulund is like Rs. 1.5-2 crores market and our product is closer to about Rs. 3 crores. Also, if you can throw some light in terms of how is the competition doing over there?
- Vikas Oberoi:** You are right that Mulund is at Rs. 2 crores. Actually, everyone is targeting only that segment and we have three products. One of them is like 2.40 crores and all that. Then we have something which is closer to Rs. 3 crores which is like a bulk of our supply and then we have something which is Rs. 4 crores and Rs. 5 crores. And you will be surprised that the Rs. 2.40 crores is not

selling as much as the Rs. 3 crores and Rs. 4 crores that is selling. So in a way it is always nicer to not be a part of the herd and do the same things that others are doing. People know that we do a better job and we get a premium and whoever wants a better-quality product is willing to pay us and come to us.

Kunal Lakhan: But anything on the strategic front that we are thinking that could help us revive the momentum here?

Vikas Oberoi: We are really putting our thoughts together on how to do it. One other challenge is that we are not able to mitigate is that Mulund is a cash market where 90% of the developers are selling in cash. We obviously do not and cannot do it and that is genuinely an issue for us. And there are people who come and say that take cash which we cannot. So that is the only challenge I feel in Mulund, in fact even I do not see that there are no customers also. But luckily now we see these NBFCs are willing to fund people who cannot show their capability to pay and are willing to fund these guys at a higher margin and all that and with a secured developer. So we are hopeful that people who do not have incoming cheque and all that can go to these NBFCs and still buy our house which they very much want to but they do not have the cheque or whatever wherewithal. So that has been a challenge here but that is a market challenge which we genuinely do not have an answer for.

Kunal Lakhan: Secondly on the Mumbai and new DP front, any update on that side, like when it is expected?

Vikas Oberoi: So Mumbai's new DP is pretty much out if I may say so because all the rules that they were to bring on, you know whether it was the FSI on road width or many other things, they have just got that because there was a delay and there were mistakes and things like that. So the new DP from what little that I know is going to be pretty much similar to the old DP. There are few clarifications. The government is internally committed to bring that out within the first two quarters of the calendar year, so before June they want to come out with it. It could be even before March. But again, these are moving targets and there are many things that are fluid. So one cannot guarantee that lap in but there is nothing much in the DP for it to happen now.

Kunal Lakhan: Another question on the same line is we keep hearing about the CRZ norms being relaxed, the center being very keen to do that. Is there any truth to it and what kind of timelines are we looking at if it is true?

Vikas Oberoi: Like we Mumbai developers have now learnt how to live within the CRZ regime and there is nothing that is holding us as such. So even if it happens it is a non-event now.

Kunal Lakhan: But the talks are still on, right?

- Vikas Oberoi:** It has been on forever but again like I said that one does not know what they will come out with and what will finally happen. But like I said it does not make a difference. There is nothing that is holding any development, one off building here and there but that is about it.
- Moderator:** The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** My question has been answered.
- Moderator:** Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** On 8th January there was a notification from the UDD Maharashtra on proposal for increasing FSI for the island city to 1.83 and suburbs 1.5. So, in terms of our own sellable area are we maxed out already in terms of FSI or there is still scope as this thing is implemented in terms of further increasing the sellable area?
- Vikas Oberoi:** I do not know. I think it was just in the form of clarification that FSI for city and suburb is 2.5 and what they really did was they just gave a clarification some portion of FSI that you bring by way of TDR. The rest of the portion you have to buy from the government. We have the same rule in the suburbs. It is 2.5 and the same rule in the city which is 2.5. So, there is really no change. Even I thought that it looked like as if there is an additional FSI being made available in the city but that is not true.
- Parikshit Kandpal:** You have highlighted your concerns about over supply in the Mulund market and working around the strategy to prop up sales but going a little ahead in close proximities Thane market, so what is your view about the Thane market because it aligns with your near future launch there. So how do you look at it?
- Vikas Oberoi:** Thane is a good market. We have a fantastic location, so I would say that probably this is by far the best location that any developer could have asked for. So we are banking on our good brand name, our good track record, location, so one is not really worried. And we are internally going to do a global competition. We can come up with a great design and we are very sure that this will be very well received and appreciated by the buyers.
- Parikshit Kandpal:** Because I was coming from the point that there is a big format township going from Kalpatru, Lodhas in the close proximities.
- Vikas Oberoi:** No, not really. This is a very different market. That is a developing location. This is an already developed location that we are on. So, it is in Thane of course but this is much better, I mean this is our belief. It is way superior.
- Parikshit Kandpal:** So, I think the kind of challenges we are facing in Mulund may now really –

Vikas Oberoi: No, Mulund is a micro market. We cannot compare Mulund to Thane. Thane is like Mumbai and Mulund is a part of Mumbai whereas our suburb of Thane is probably 5-7 kms away from the two projects that you are talking about. And this is like as good as it can get in terms of location in Thane.

Parikshit Kandpal: Any thoughts about the affordable side, I mean government has –

Vikas Oberoi: Again, all sorts of thoughts are running in our mind. Just allow us sometime and we will come back to you with a definite plan on what we are doing.

Parikshit Kandpal: Because we have always focused on like premium segments.

Vikas Oberoi: We are mindful of the tax benefits that the government is giving and the push that the government wants us to get into affordable housing. So, we are strongly considering it.

Parikshit Kandpal: But this will be in the existing land parcel or like it will be out of –

Vikas Oberoi: It could be in Thane, it could be in these places, existing land parcels. And again, here in Mumbai the restricted area is only 30 sq. mt. whereas if you go to Thane and all it is 60 sq. mt. So, when you do a 60 sq. mt. home it is a decent two-bedroom, hall and all that. And that is where we would want to ideally start with.

Parikshit Kandpal: Probably that could be product strategy which you may look at the Thane parcel.

Vikas Oberoi: Correct.

Moderator: The next question is from the line of Niraj M from Goldman Sachs. Please go ahead.

Niraj M: I just have a question on the commercial market, leasing in the commercial, I know you have been talking about negotiations it has reasonably not picked up though you have leased out one parcel this quarter. Can you give some color on how you see that happening and how the negotiations are happening and is there a price issue or is there a quality of tenants which are not coming enough so can you give some color on the market?

Vikas Oberoi: We have always wanted to sell Goregaon as a head office location and not as a back-office location and we have been trying to do that. We have been successful, and I again say because we were able to bring in a Teva Pharma here, we were able to bring Samsung here and we have got O&M here as their headquarters, this actually helps us with our mall business. It helps us with our residential also. And the other day somebody was giving a presentation to another company and when they wanted to say that you should look at Goregaon, they were saying no, no we are going to look at BKC and we want to look at Worli, they were able to give names of companies like Samsung and this that and the other. If these companies can have headquarters

here which are like multibillion dollar MNCs, why can't you look at it? And that kind of cut a lot of ice and they said that yes, in a way it is a good idea because we have our own staff living in the suburbs and the deeper suburbs so why should we not move our office here instead of the MD driving only 5 km and the rest of the office going 20, it could be the other way round where everyone else travels only 5 and the MD has to travel for 20 kms. So, in fact we are very close to closing out a very nice deal hopefully it should happen in the next week or 10 days. If it happens you are going to read about it in the paper also. So once that happens you will know that this is a place where people want to be and all that.

Neeraj M: Anything on the color on the overall Mumbai market in terms of absorption and if it has picked up?

Vikas Oberoi: There is no supply. BKC cannot get any new supply. Worli also has one off building here and there but like I said that there has been no new construction in the last 2 years. We all are going to see the effect of this in the next 1 or 2 years. When there is already under-construction inventory will be done you will have that lull for the next 1-1.5-2 years even if somebody were to speed up and try and catch up. There is a huge lull.

Moderator: Thank you. Ladies and gentlemen, due to time constraints this was the last question. I now hand over the conference back to the management for their closing comments. Over to you sir.

Vikas Oberoi: Thank you for taking time to attend this call. We like receiving your feedback and this really helps us think harder and perform better. Please continue to do so. Apart from this conference call we are also available. Otherwise you can connect with our IR Team, so they are always there to give you details. Please continue to do so. Thank you once again.

Saumil Daru: Thank you everybody.

Moderator: Thank you very much sir. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.