



“Oberoi Realty Limited Q3 FY-19 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty Q3 FY19 Earnings Conference Call. We have Mr. Oberoi the Chairman & 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 60 minutes and for the duration of this conference call all participant lines will be in the listen-only mode. And this conference call is being recorded and the transcript for the same may be put up on the website of the company.

After the management 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 expectation and projection and may involve a number of risks and uncertainties and other factors that could be caused actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I would now like to hand the conference over to Mr. Oberoi, the Chairman and Managing Director of the company. Thank you and over to you, sir.

Vikas Oberoi: Good morning, good afternoon and good evening to all of you as per the time zones from which you have logged in. And welcome to the conference call of third quarter financial year 2019 results and business updates.

Thank you for taking time to attend this call. Before we begin I would like to tell you that we are glad that we have achieved our highest ever topline in the financial year, ever. Secondly, we have also crossed 1,000 units sales at our Borivali project, Sky City. We have also started our booking in the fifth tower at Borivali. Of course, I am here to take any and more questions from you. I now handover the call to Saumil to take you through the details of the numbers and look forward to talking to you.

Saumil Daru: Thank you, Mr. Oberoi. I guess most of you would have gone through the presentation which has already been put up and if not the same is available on the website along with the results which have been filed with the exchanges.

In terms of consolidated financials, we achieved a consolidated revenue of Rs. 548 crores for this quarter. This is as against Rs. 619 crores for the Q2 FY19 and Rs. 360 crores for Q3 FY18. The consolidated PBT was at about Rs. 195 crores for Q3 FY19 as against Rs. 307 crores for Q2

FY19 and about Rs. 183 crores for Q3 FY18. And the consolidated PAT for this quarter was at Rs. 137 crores as against Rs. 213 crores for the immediately preceding quarter and Rs. 120 crores for the same quarter last year.

Moving to the asset level performance and beginning with the investment properties, the investment properties continued their steady and strong performance. Oberoi Mall which is our retail asset it contributed about Rs. 38 crores to the operating revenue for this quarter as against Rs. 37 crores for the last quarter and Rs. 27 crores for the same quarter last year. The EBITDA margin in this case is in excess of 95%.

Commerz, our office space asset contributed about Rs. 10 crores to the operating revenue for this quarter. This is as against Rs. 10 crores for the last quarter and Rs. 11 crores for the same quarter last year. The EBITDA margins again continue to be in excess of 95%.

In Commerz-II Phase-I, this contributed about Rs. 22 crores for this quarter as against Rs. 18 crores for Q2 FY19 and Rs. 11 crores for the same quarter last year. Lastly, the Westin Mumbai, this contributed about Rs. 36 crores to the operating revenue for this quarter as against Rs. 32 crores for Q2 FY19 and Rs. 35 crores for the same quarter last year. The EBITDA margins in this vertical continue to be in excess of 33%.

Moving on to the development properties beginning with Goregaon, Esquire out of the total project of 21.22 lakhs square feet we have booked nearly 30,000 square feet in this quarter. Till date about 15.45 lakhs square feet which is about 72% of the inventory. The total booking value for this quarter is about Rs. 66 crores as against Rs. 110 crores in Q2 FY19 and Rs. 48 crores for Q3 FY18. The cumulative booking value till date is about Rs. 2,456 crores and the total revenue recognized for this project in this quarter was Rs. 66 crores and the cumulative revenue recognition till date is Rs. 2,456 crores on account of 100% of project completion.

For Exquisite of the total project of 15.47 lakhs square feet we have booked 1,690 square feet, this was the one last three bedroom in Exquisite in Q3 FY19, and till date we have booked about 14.25 lakhs square feet which is 92% of the inventory in this project. The total booking value in this quarter was Rs. 4 crores as against Rs. 39 crores in Q2 FY19 and Rs. 41 crores for Q3 FY18 and the cumulative booking value till date is about Rs. 2,351 crores. The total revenue recognized for this project is in this quarter was Rs. 4 crores and the cumulative revenue recognition till date stands at the entire Rs. 2,351 crores on account of 100% of project completion.

For Prisma, out of the total project of 2.68 lakhs square feet till date we have booked about 2.31 lakhs square feet which is about 86% of the inventory in the project. The cumulative booking value till date is Rs. 407 crores and cumulative revenue recognition till date is also Rs. 407 crores on account of 100% project completion.

For Mulund moving to Eternia in this quarter we booked about close to 22,000 square feet. Till date we have booked about 5.86 lakhs square feet. The total booking value this quarter was Rs. 32 crores as against Rs. 34 crores for the last quarter and Rs. 10 crores for the same quarter last year. And the cumulative booking value till date is about Rs. 856 crores. The total revenue recognized for this project in this quarter was Rs. 57 crores and cumulative recognition till date is about Rs. 292 crores.

For Mulund Enigma, this quarter we booked close to 21,000 square feet and till date 3.96 lakhs square feet. The total booking value in this quarter was Rs. 32 crores as against Rs. 10 crores for Q2 FY19 and the cumulative booking value till date is about Rs. 584 crores. The total revenue recognized for this project in this quarter is Rs. 18 crores and cumulative revenue recognition till date is about Rs. 104 crores.

Lastly from Sky City we booked over 75,000 square feet in this quarter. Till date about 15.47 lakhs square feet. The total booking value in this quarter was Rs. 119 crores as against Rs. 130 crores for Q2 FY19 and Rs. 76 crores for Q3 FY18. And till date the booking value is about Rs. 2,476 crores. The total revenue recognized for this project in this quarter was Rs. 246 crores and cumulative revenue recognition till date is about Rs. 988 crores.

For Oasis Three West we have till date sold about 5.27 lakhs square feet and the booking value is about Rs. 2,135 crores till date.

Coming back to some key financial parameters, our adjusted EBITDA margins for Q3 FY19 was 42%. PAT margins were 25% for Q3 FY19 and the EBITDA margin from Mall and Commerz as usual are much higher than average as before and excluding them the margins from our pure residential business stand at about 33%.

Thank you very much and with that we are happy to take questions that you all could have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Thanks for the opportunity. So, could you just give us clarity on what is now on the expected launch time for Goregaon Phase-III and what is the approval status for the Thane project?

Vikas Oberoi: So, Goregaon Phase-III work has already commenced, and as far as Thane goes, I think this quarter we should be in a position to close all the documentation.

Adhidev Chattopadhyay: Okay, so we will expect something may be in first half of next financial year means in the April to June quarter or?

- Vikas Oberoi:** For the approval?
- Adhidev Chattopadhyay:** No, I am saying sir when is the launch planned??
- Vikas Oberoi:** Launch plan for Phase-III of Goregaon, right?
- Adhidev Chattopadhyay:** Yes.
- Vikas Oberoi:** So, most likely in the second quarter or probably even you know more like September is when we want to launch.
- Adhidev Chattopadhyay:** Okay and Thane will also have a similar timeline?
- Vikas Oberoi:** Thane will also have similar timeline. Because that is the festive season, we want to begin well, immediately after May like as in June you have rains. We do not want to get into that, it will be more around August-September is when we will start looking at our launch. But by then a lot of work would have also been done and it is always nice to go to the market with work in full swing and so confidence is different.
- Adhidev Chattopadhyay:** Okay, then continuing that, how do we intend to like to prop up our sales volume now in the next six months then if the other launches we are keeping on hold for some time?
- Vikas Oberoi:** We have a lot to sell, I mean that is the least of our problems. We have Esquire still to be sold, we have got Sky City, we have got Mulund, we may in between launch Maxima which is on JVLR, so we will have one or the other launch, but we have enough to sell.
- Moderator:** Thank you. We take the next question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Just a little more trying to understand here on the launch. I thought the original plan was to launch in fourth quarter of this fiscal year because you wanted to create an inventory of a completely freshly launched project. Why has the thinking changed now?
- Vikas Oberoi:** It is not changed as such. We are also looking into the election month coming March, so I do not think you know the mood is all that set. I would say let this play out, let the election bit play out and then we will have more clarity and even people per se like that. It is a budget month and so we do not want to really kind of do that. And March end our experience has also been that you know that is the time when liquidity is at its low, people have to pay their taxes and all their expenses have to be met. So, we just thought we will either take it into the first quarter or the second quarter of next year. But then we thought it is better we do it around the festive time which is more like August-September.

Puneet Gulati: But all this was known, or do you think that the NBFC issues also is hurting a bit on the demand side from your projects?

Vikas Oberoi: You know not really. I would say because if you see how Borivali has done so well, in fact this quarter Borivali also is among the highest sales. So, it has not really affected us. In fact, even Mulund if you see we have in fact bounced back in many of our projects. I do not see that as a problem. Again of course, in a way if I would say that it has been a huge positive, because very few people will today be credible enough to get money.

So, in a market like this, I think this squeeze of course is a squeeze, but it is the least of the squeeze for us. And if this is like literally decimating the market, it is the only that much more room for us. So, we are not really worried. And we almost read it because we could not stack up the math the way most of these NBFCs were giving monies to developers. I really could not understand how this is going to finally play out.

Puneet Gulati: So, are you seeing some better opportunities now than earlier?

Vikas Oberoi: So, we have been seeing better opportunities for the past six to nine months even before the NBFCs because before NBFC started acting, they started squeezing their loans are out and they put pressure. Only once these guys failed and it became public did it really get to the market, but we could clearly see that lot of these developers are under lot of pressure having borrowed money. So, yes, going forward we will see even better opportunities I would say.

Puneet Gulati: Okay. And there is some news on relaxations of CRZ norms. Are you expected to see any extra lands becoming available or FSIs becoming available for any of your projects?

Vikas Oberoi: Actually, it is not relaxation, it is only streamlining all the rules and regulations were there, but you know the processes were bigger and a little more stringent. So, what basically they are saying is that they will literally get an approval from CRZ point of view for the entire development plan. Once it is approved in the development plan, then one need not go to CRZ for special permission and that is about it. So, there is no real change as such.

Puneet Gulati: Is it likely to impact you at all in any way or?

Vikas Oberoi: Not really, not at all. I mean not at all actually. It will not even impact anybody as such either positively or negatively. The only thing is yes, in the ease of business this might get a little better. One will not have to go to CRZ for specific approval. Once the DP is approved, the government has decided that they will get the entire DP approved under the CRZ so then they do not have for the CRZ portion to specially go to MOEF.

Puneet Gulati: Okay. Lastly on the Commerz-II, the occupancy is still 65%. When should we see that reaching a higher number? I thought you had a higher committed occupancy?

- Vikas Oberoi:** So, Puneet, 100% literally I mean I will say barring one floor 100% of the entire building is already leased. The rent begins. You know we have got the rent-free period, and in fact even agreements done. All signed, seal and delivered. We are only waiting for rents to commence probably some of them start in February, some of them.
- Management:** But all of them by March?
- Vikas Oberoi:** All of them within this quarter, so the next quarter you will see 100% occupied. It is all done.
- Moderator:** Thank you. We take the next question from the line of Kunal Lakhan from Axis Capital. Please go ahead.
- Kunal Lakhan:** On Goregaon clearly the demand has slowed down since our activation in Q1. How should we look at this going ahead? Will we look at say altering our payment strategy or pricing strategy for that matter going ahead just to give that little extra push for the sales?
- Vikas Oberoi:** You know Kunal last year we had done in fact less than 60 apartments in total. When we came up with the scheme we thought that we would do anywhere between 100 and 120 in a year. We thought that if we can double it, we will be very happy. You will be happy to know that we started this in April of last year and it has been three quarters and we have already done 102 apartments. So, I think the scheme has really worked very well for us. Of course, and if you note in the scheme, we had not changed the payment date irrespective of whether you book in April or if you book in December, you still get three years from April.
- So, that means the people who are coming now, get almost two years and three months to pay the rest of the money. So, like we want to play this year out and then we might take a call whether one wants to re-launch the scheme with the three-year payment term so that we can then give actual three years to people or maybe we will reduce it to 2.5 or something like that. But this scheme has done exceptionally well like I said that we have sold 2x the apartment compared to what we sold the last year. So, it has been positive for us.
- Kunal Lakhan:** Sure. On Worli we are expecting the OC later this year some time. How should we look at sales going ahead, because say for example like after OC, the GST will be out and those apartments which are Rs. 40 crores plus, would be a lot cheaper in terms of absolute amount. So, do we expect the sales to remain muted till we get OC?
- Vikas Oberoi:** You know not really. I mean I would hope at least we do not see that scenario. Having said that, anywhere after this March which is like literally two months from now, we will start giving possession to people to do their fit outs. That does not mean the building will be complete. We will also be doing our work and finishing it, but we will have now physically got third party as in like people involved, and we would have given possession to them.

So, in the next nine months or so, when they finish their interiors, they can move in. I think that will give a very big boost to our sales. People are now waiting for them to get possession. I think that will really play well and we will also be applying for OC let us say within the March or June of this year and once we get OC of course GST will drop, and people will benefit out of that. We hope that people do not wait but if they do then the wait will only be the next three to six months, so it is not really that big.

Kunal Lakhan: Sure. And one last one from my side. Saumil, in terms of your cash flows right, the investing cash flow those outflow of about Rs. 666 crores, how do you reconcile this with the balance sheet because your investments have not gone up by that much, and your CAPEX does not seem to be going up either significantly so how should we look at it?

Saumil Daru: The predominant movement of it was from bank deposits to what you can say mutual funds, so that is what predominantly qualifies under the investing cash flows. And some part of it would be you know investment into joint ventures and other things. So, that is what it comes down to in the end.

Kunal Lakhan: And if you have to just like break it up into let us say CAPEX done in this quarter, how much that would be?

Saumil Daru: Pure CAPEX done so far is predominantly for Borivali Mall. So, it would be about say Rs. 40 crores or Rs. 50 crores out of this.

Kunal Lakhan: And investment in JV roughly?

Saumil Daru: Can I come back to you on that one, because I will just need to go through the numbers in detail that is all?

Kunal Lakhan: Sure. No worries, thanks so much guys.

Moderator: Thank you. Next question is from the line of Chintan Modi from Motilal Oswal Securities. Please go ahead.

Chintan Modi: So, basically on 360 West, we clearly, I understand we lag in terms of collection compared to the booking value. But considering that by March we will be giving out for possessions. When do we plan to build for the rest of the amount and should we kind of assume that next year we will be able to recover the full gap of Rs. 1,000 crores?

Saumil Daru: Hi Chintan, Saumil. The payment schedule is with the customers are all milestone linked. So, now that RERA is in place, I think all of us know what all the milestones are. So, as soon as we hit each of these milestones over the coming quarter or by June whenever the OC is in, you will see us collecting 100% of the amounts which are due.

- Chintan Modi:** And can you update us in terms of Ritz Carlton, where are we?
- Saumil Daru:** Well, so there also work goes on. We are looking at a launch date for that hotel within the calendar year 2019. Most probably towards the end of 2019 and beginning of 2020. So, that is where it is work goes on at full pace for hotels God lies in the details, because these are finished fully, every single room is fitted out. So, they take their time but yes, basis what we have discussed always with people, we are on line with what we have discussed earlier.
- Chintan Modi:** Sure, and lastly if you can give us a broad range of how much we intend to spend in terms of construction during the next year?
- Saumil Daru:** If we can discuss that separately, because there are things at our end also which we are just reworking because once Thane comes through then that is also something that we add in and all of that. So, we are still working through all of those numbers. Give us a month or two and I think we should be able to come back to you in terms of where our plans are. The more predictable part obviously, if you look at Mulund work will go on, if you look at Sky City the work will go on. So, there you will continue to burn what we have been doing this year or maybe in all probability it is only pick up from there. And then more likely the next one would be Goregaon that would commence.
- Moderator:** Thank you. Next question is from the line of Niraj Mansingka from Goldman Sachs. Please go ahead.
- Niraj Mansingka:** Few questions. On 360 West, how much construction was remaining for that apartments block?
- Vikas Oberoi:** Hardly, I mean we are, one slab on the top away. And glazing work and then we are not doing any interiors. And only like the lobby is being done as we speak. The entire common area is being done as we speak, so very little, hardly anything left.
- Niraj Mansingka:** Okay. So, you plan to collect how much, by when the 100% payment like by March or is it still?
- Vikas Oberoi:** Between March and June we will get 100% of the payment.
- Niraj Mansingka:** And why would not customers delay a purchase right, because why should somebody pay 10% higher cost for GST as a customer?
- Vikas Oberoi:** You know I want to explain this to you first and to in fact any and everyone who is on the phone. Lot of people have this myth that once the building is complete, there will be no GST. Of course, there will be no GST, but I will also not be able to recover all the input credit of GST, so that means whatever I am going to sell, I am going to. We have done this in all our projects. We make it into an inclusive price. It is a price inclusive of GST. So, because I am not going to get input credit, that becomes my cost.

If I recover it from you, I will get to recover it from the government. If I do not recover it from you, which is after OC I am not entitled to, I do not even get to recover from that. Either this works as a discount, or I increase the price. Of course, the power to increase the price is not there with the developer today. But at the same time, I mean like what we have done, is we have moved on from price plus GST to an all-inclusive price. So, the price will not change. Irrespective of whether you buy today or later, the GST effect is not going to change on me and to the customer.

Niraj Mansingka: Yes, Vikas I understand. But you know the input tax credit is quite a low percentage of revenues that you get from the customer?

Vikas Oberoi: No, but we are passing on 100% of the benefit so when the customer pays, he pays net-net. So, he is only paying me the net GST. We are anyway passing on today also. So, let us say I am only charging him as much as like you know the loss in input credit is what I get.

Niraj Mansingka: Okay. If the construction cost is say Rs. 10,000 a square foot and you are charging Rs. 50,000 square feet so you are collecting 12% of Rs. 50,000 right and this is more than even the construction cost. So, my point is that input tax credit has a limited usage till the percentage sale is being done, like so beyond that you will not have any input tax credit to offset and so you will have to deposit that money to the government?

Saumil Daru: Input tax credit is also proportionate you know?

Niraj Mansingka: Okay, got it. The other question is on the cash you are holding. Any thoughts on that now that there are lot of opportunities and have you targeted few of them or you are still waiting for some or larger opportunities to come?

Vikas Oberoi: You know like see, evaluating property is business as usual, and we continue to evaluate, and you know we will take a very prudent call. I do not think from land prices anything is going to really change. We are really looking into the election in 2019 both state and central elections. So, I do not see a lot of activity happening. So, we will clearly be looking at a wait and watch unless we get like a very compelling transaction or a deal where we will probably jump in.

Niraj Mansingka: And your view on the crisis situation, do you think it will go down gradually or it will be lot of defaults of small developers will be there?

Vikas Oberoi: Well I mean I see problems at two ends both at NBFC as well as some of these developers who are over leveraged. So, it is not going to be just one, I mean it could really affect the NBFCs also. I mean it is affecting the NBFCs.

Niraj Mansingka: And some time back you had done I think MoU with Sahara Group land in Goregaon West. And will you not get a benefit of that CRZ clause that comes in?

- Vikas Oberoi:** We have not done any transaction with Sahara. We do not even know, absolutely nothing. This is really like news to me also.
- Niraj Mansingka:** No, I think that Oshiwara land that we had?
- Vikas Oberoi:** No, nothing with Sahara.
- Niraj Mansingka:** Okay, maybe by Jijabai Trust but I am not aware that?
- Vikas Oberoi:** Nothing of that sort.
- Niraj Mansingka:** Okay, and the last question, what is the rent of the Commerz-II that you have leased out of 100% occupancy and what is the status of Commerce I now in terms of occupancy?
- Vikas Oberoi:** Commerce II we are getting I think Rs. 141, and in Commerz-I it is about Rs. 140.
- Saumil Daru:** Rupees per square feet per month Niraj.
- Niraj Mansingka:** Got that. And in terms of Commerz-I do you still have some occupancy to be?
- Saumil Daru:** Again, there we are close to about 78% occupancy but there also again we are in talks with people, so hopefully that also starts culminating into transactions.
- Moderator:** Thank you. We take the next question from the line of Abhishek Bhandari from Macquarie. Please go ahead.
- Abhishek Bhandari:** Actually, I am looking through your slide numbers 17 where you have given some photos of your investment property is ongoing, you know both Borivali and Worli, where you have spelt out the area also. So, if you could probably give some more details about the expected size of the malls and hotels if you have that, and what is the total investment you are looking in these two projects with some kind of you know spread over the next two years will be helpful?
- Vikas Oberoi:** So, see Borivali Mall will be anywhere between 1 million square feet to 1.2 million square feet and we will use another probably 300,000 odd square feet, of hotel. We also are looking at a small office component there. So, the balance area will probably end up being an office and in Worli we have about 1.7 million square feet of leasable area out of which probably close to 9 lakhs square feet or 10 lakhs square feet is the mall and the rest is an office building with a small component of a hotel also. But it will be like an 80-90 room hotel just as a signature hotel.
- Abhishek Bhandari:** Okay. And what is the expected spend over these two assets?
- Vikas Oberoi:** So, on the Worli front, I think we should spend about Rs. 800 odd crores and for Borivali also similar numbers is what we are expecting.

Abhishek Bhandari: Okay. So, Vikas, in the Worli project if I remember correctly, you have 50% stake in your personal capacity and 50% remains with the listed company. So, is it fair to assume that you will want to stick to your stake or will you want to sell it out to I mean either party sells to the other one, the reason being I want to know whether this 800 will be split between the two guys in terms of spending or how should we think about it?

Vikas Oberoi: You know I personally also want to find a very elegant way of getting out of this investment. We are internally thinking on how do we do it and we do it in such a way that it is very transparent at arm's length. we are absolutely mindful of the conflict of interest that I will have if I do anything otherwise.

So, we are really evaluating ways of ensuring that that does not happen like you know any conflict of interest or anything like that. It will be done in a most elegant way now I really do not know whether let us say circumstances might require me to sell it to third party. It could be one of the sovereign funds or something like that who would partner ORL, so it is clean. I am only selling my share.

ORL gets a partner in return who is a third party and prudent partner, brings in its value or whatever or something like that. We will find some way like I said that you know it has to be absolutely transparent, arm's length, very acceptable to the market, because we are very conscious. We built this reputation with a lot of effort. We will not want to lose it for something like this. It is a very mindful and we will take a very prudent call on that.

Abhishek Bhandari: But Vikas I just want to understand the logic of this doing another 80-90 room hotel in Worli when you have a new upcoming one Ritz-Carlton hardly a few 100 meters away from it. So, is it because you get some FSI benefit because of doing the hotel or what would be the logic behind doing two competing assets next to each other?

Vikas Oberoi: Well, I mean firstly it is a very small hotel it will be 80-90 rooms and we also feel that it adds that glamour quotient, it adds that wow factor. Internationally also if you see, like they always have hotels like Hong Kong has a Ritz Carlton and an office building below. Then they have a W next door. They have a mall below it. So, you know these hotels or whatever like even like you know the Westin also is in an office hotel building. It gives you that glamour quotient. In fact, Commerz-III also we are planning. We are doing so well in Westin that we want to plan another hotel in Goregaon also.

Abhishek Bhandari: Okay so actually that was my second question. If you could help us with the update on Commerz-III where are we in terms of planning? I remember last quarter you said probably by next few quarters you will be able to share more details?

Vikas Oberoi: So, you know again continue to plan, we have hired KPF who have done our Worli project, who also have done Commerz-II. We are very happy with them. We have appointed them to do the

design and we have done a few iterations and once we are ready, we will get rolling and I think it will be not later than you know probably a quarter or so.

Abhishek Bhandari: Okay. So, Vikas if I take a little top down view, it looks like whatever big free cash you are likely to generate for Worli you are trying to funnel it back into for growth especially around CAPEX projects. Is it the right way to understand or you think the surpluses would be meaningfully higher than the CAPEX what you have planned?

Vikas Oberoi: So, you know one thought is that we do not shy away in leveraging our company to build these capital-intensive assets that we are intending to hold. So, that also is our strategy because if you see what rentals one will get, it will be really literally our pay back will be probably two years or three years of rental we will pay back the entire loan. So, that is where we are.

So, we might conserve cash that we generate out of sales. We may or may not deploy that into the mall, we may leverage it, so there are many things that are going on in our head right now. Like I said that we want to think what is best for investor. We also have been discussing how do we position this? Should you know REIT will come, how REIT ready should we be? How should the company view all these assets once they are stabilized?

So, we are constantly thinking about it, how to you know get clarity in valuation, how to get optimization in valuation, how to have a structure of a company which is clean and very predictable for our investors and stakeholders? So, these are questions that keep, so we do not want to answer anything in isolation. We may take a holistic view and then come up with what is best. We have been engaging with the best minds. We have hired external consultants to tell us how we should position them.

We have investment bankers who are advising us on how we should position these, you know how markets perceive it, how they appreciate this, so all these questions are going on in our mind and we will really do something amazing to unlock the value for our investors.

Moderator: Thank you. We take the next question from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: My first query is on Sky City. So basically, we had taken a price hike in that project and the project Tower E was launched in December. So, how was the response in general and do you think that this 51 is a base case? This is the run rate we should be able to maintain going forward? Basically, just trying to understand whether the price hike was absorbed by the market or not?

Vikas Oberoi: So, the price hike was I would not call it significant, it was only Rs. 500 a square foot and the markets absorbed it very nicely, very quickly. In fact, there were a lot of trend-setters who took these decisions quickly and kind of concluded. So, in a way it got absorbed very well, it was not anything big. So, that is where we are.

Abhishek Anand: Sure. Secondly Vikas could you tell us in Thane have we made any payments during the quarter for the conversion and the pending payment for regulatory approvals or it is going to happen in the coming quarter?

Vikas Oberoi: No, we have not made any payments. Like I said you know we want to get done with this and only then speak about it. So, we just do not want to comment until we are done with it. Just allow us a little more time, one more quarter. I promise you we should be through with it.

Abhishek Anand: Sure. And just talking about your strategy of land acquisition, so historically we have always been or most of the time we have been buyers of from a corporate entity through an auction process or through MoU basis. We have not actually gone ahead and bought land from a developer per se. So, how comfortable are you at this point of time to go ahead and buy developer land, do you see any issues there? How should we think about the strategy of the group on that side?

Vikas Oberoi: So, you know there are two reasons why we buy land from corporates. One, we love the process it is transparent, it is seamless, it is non-emotional, it is basically driven by market and you know these guys are they are prudent people. Whereas when we deal with developers they tend to get very emotional about their property and their expectations are way above what market wants to pay them.

So, I have always seen that it is longer and more cumbersome to deal with these developers. Going forward, if we do not want to color our mind with whatever our past experience has been, we will be happy to look at a land transaction where developer is a seller, so long as he fits into the parameters that the sale has to be full cheque and it has to be in a good location, it has to be clear. They should not have any legacy issues, be it with approvals or with customers.

A lot of these developers whoever are in trouble, have actually started booking and have not cleared them. So, the liability of those customers will come on to me if I take these things of the developers. So, there is obviously some amount of nervousness when we deal with them because of the way they behave. But again, like you know, we will give it a fair chance and ensure that we are not are biased about due to our past experiences

Abhishek Anand: Sure. And finally, on Goregaon, this run rate of 12 flats in Esquire Ideally, we should be seeing similar numbers in the fourth quarter because that scheme still continues, and the customers have to make the payment by 31st, so unless you revise some terms there I believe the demand should remain in similar lines, right?

Vikas Oberoi: As I said you know in the earlier question that we had originally envisaged anywhere between 100 and 120, we would be most excited. So, if I do that many numbers, I will be very happy. I am already 102, another 18 to go to be at my best, but we are thinking what to do with it and

how to go about it. We continue to you know deliberate it internally. **Abhishek Anand:**
Because we still have 230 units of inventory?

Vikas Oberoi: Correct, absolutely correct, we are very mindful of that and this is also one reason we did not want to kind of start Phase-III and put pressure on Phase-II, so we said that let us phase this out. Really you know let us give it maybe six more months. And today what has happened is I would say that lot of people have now moved in and so everybody has a friend who they invite. They look at this project and they kind of get impressed and they come back, and they want to buy. So, Goregaon is really selling very strongly on referrals which is you know very heartening that people who buy are referring us very aggressively, and they end up buying apartments from us. So, I hope that you know we still have enough steam left, and we can push this.

Abhishek Anand: And then finally any timelines for the deployment of QIP funds, anything you are targeting internally?

Vikas Oberoi: You know we have never set ourselves a timeline target to deploy monies. We always set ourselves a qualitative opportunity to deploy that. And I will surely be putting my money where my mouth is. I absolutely want it.

Abhishek Anand: Yes, because you will be getting a look at the deals which are currently available, do you? There might be some idea you will have at this point of time, clear visibility of deployment?

Vikas Oberoi: It will still be speculative.

Abhishek Anand: No, I understand but yes.

Vikas Oberoi: We are not ready to comment on something we have closed at Thane. Imagine me telling you about something that is like just being considered?

Abhishek Anand: True.

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

Sameer Baisiwala: Vikas, how do you think about the upcoming two or three very large infrastructure development in Mumbai which is all metro, coastal road, hopefully Panvel Airport? Could this mean anything for you? Does it open up new pockets of areas to go?

Vikas Oberoi: Well, you know firstly look at the Metro. My Borivali property is bang on the Metro station. Our Goregaon development is bang on Metro station, our Worli is bang on Metro station, Mulund

also is bang on Metro station. Of course, I mean there is nothing big because there is a Metro station every kilometer. That is how they have designed it, but I mean our existing land parcel becomes so much more premium because these are the Metro corridors. So, obviously we are very excited, the Sea-link also will open the North South transportation. We are at Worli which is the only link that is ready.

So, imagine now Worli will either open up into the city or open up into the suburbs, so again that also is a huge plus. We have not aggressively looked at Navi Mumbai or Panvel, but I think now the way things are going, it does demand our attention. We are talking to people. We have looked at but not really put our money there. But yes, you are absolutely right. It is a great time to be in Mumbai to see so much of infrastructure development happening. I mean if really you put everything together, we are looking at over \$20 billion being invested in Mumbai to bring this up.

So, it is really huge this sort of commitment by the government is really going to be like a boom to the city. Plus, you know we all do not know that lot of green spaces are being planned in and around all these developments. which is a huge drive. I think the city needed this boost and it will be good for the entire city.

Sameer Baisiwala: Okay great. And just following up on your 50% stake in Worli Mall, are you considering or is this from the option to swap it with the entity level shares?

Vikas Oberoi: Like I said you know see for me there is a lot more to gain if I am able to give an elegant solution, than gain by doing something where I make a little more money, because you know markets, look at the promoter's behavior, and we are very mindful of this, and I do not even mind being vocal about it. And it is the right way the investors perceive you.

So, we are mindful of that. We are more interested in an elegant solution than something that is beneficial to me. You know if I get a sub optimal deal also, I am fine so long as it is at arm's length, it is fair, and it is explainable or rather it can be understood by the investor. So, that they will appreciate much more than anything else and we are very, very mindful of that.

Sameer Baisiwala: Yes, sure but do you think that the swapping at entity level does not meet these criteria?

Vikas Oberoi: Again, like I said you know we have the best of the brains advising us from every angle, from legal, commercial, investment bankers, all these guys are advising us, and we will take a call keeping everything in mind. Whatever is best for the company and whatever looks absolutely above board is what we will do.

Sameer Baisiwala: Any timeline in mind for this?

Vikas Oberoi: Sooner than later you know when we are ready, we would rather have it done earlier.

Sameer Baisiwala: Okay. And just thinking about the future liability in terms of what could be the pending FSI cost for Goregaon, Borivali and Mulund all the ongoing projects?

Vikas Oberoi: In fact, you know good question that you are asking me. I want to use your good offices to explain to people that most of our projects, the land cost is already considered in the first phase. So, what is left in the second phase is the TDR and all. So, if you were to average the FSI cost, in Borivili, it will actually come down.

So, our margins in the latter towers will end up looking more because most of the land cost is already taken into account building the first phase, the first five towers consist of 1.5 FSI from which one FSI comes out of land and the 0.5 FSI comes out of government FSI. So, the rest of it is all TDR that will get loaded today at you know we buy TDR anywhere between 40% -42% of the ready reckoner rate.

That means my balance FSI is going to cost me like Rs. 4,000 and less. So, you know and if you spread that my margins only end up increasing. But on a specific call and how much money that Saumil can take you separately offline and tell you. We obviously have to buy the rest of the area, but it only brings our cost down and our margins higher.

Sameer Baisiwala: Fair enough, my question was more from the cash outflow point of view?

Vikas Oberoi: Correct, that is what I said that Saumil will take you offline and explain to you each and every detail. There is no rocket science, it is very simple. But we will take you through that separately.

Sameer Baisiwala: Sure, but Saumil, as a ballpark it is at least a couple of thousand crores, is the number?

Vikas Oberoi: No, it is not that high, not at all that high.

Sameer Baisiwala: Okay fine. I will take it offline with you, and then just one final question. What are timelines for profit recognition in Enigma and also when does Worli come up for recognition in accounts?

Saumil Daru: Both would be in the next financial year, Sameer.

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

Parikshit Kandpal: So, you spoke about the activation which prop the sales almost 2x in Goregaon. So, in Mulund we have already done I think 63 units put together both the projects versus 32 last year. So, what would be your number here for the full year?

Vikas Oberoi: Well, again it is a pleasant surprise in a way. We are very happy the way Mulund has finally started shaping up, but you will also see that the progress on site has been

fantastic. The buildings have shaped up the way we like. Today if you see the building we have already started applying external putty and windows etc. Very soon in fact in the next three or four months, we will be moving into a show apartment inside the building. That also gives a lot of confidence to people. So, I guess if we can end this year with probably 80, we would be happy and then going forward, after three four months when we have all this ready we will again be able to push a lot out. And I think then our numbers can increase.

Parikshit Kandpal: And then Saumil on these margins for this quarter I mean EBITDA margin is around 35% so any particular reason why the margin has fallen down so much?

Saumil Daru: Yes Parikshit. If you go to our slide on Page 8, that is the 9-month EBITDA margin. If you look at it 9 months FY18 is about 54%, 9 months FY19 is about 53.6%. So, if you look at the 9 months margin, it is even Stevens. A lot of things are coming in on account of this new 115 thing. So, if you recollect, before we hit the threshold under the new 115, we will recognize revenues which are equal to cost, and it is only after the threshold recognition that you will have even the margins of that coming in.

So, when you do the first recognition, the margins come in quite lumpy. The first quarter of this year we had recognition from Borivali, so that made it a little lumpy. Second quarter was Mulund Eternia which came in, so that made it a little lumpy. And then you know margins have also to do with the mix. So, in the first two quarters Goregaon was contributing a lot more to the turnover compared to Borivali and Goregaon is a higher margin than Borivali. It does not have any interest cost loaded in it. Borivali has also got the interest cost for the bond that we raised on that one. So, that is about it.

You know we expect that it will take about if you allow these 115 things to play out over some time, then that is what works out. Again, as Vikas explained in one of the earlier questions about how land costs get treated, you know we typically load the entire land cost on the first FSI which gets loaded into the project, so again the initial phase ends up looking as coming in with maybe a lower margin and in the future phases which get loaded with TDR, they end up showing a higher margin. So, it is more a question of accounting niceties rather than any business practicalities changing.

Parikshit Kandpal: So, this interest which you have capitalized you are booking above the EBITDA now?

Saumil Daru: Yes, and then it comes through as a recognition on a percentage completion basis.

Parikshit Kandpal: Okay, so any particular reason why Worli project has still not hit the revenue recognition because we have not reached the 25, because I think we have already sold down 23%. Because other projects have come in at least I mean I understand that it should have reached at least revenue and cost recognition though profit recognition would not have happened but any reason why still it is not?

- Saumil Daru:** So, Worli we are doing the revenue recognition equal to cost. The only thing is Worli we follow the equity method for consolidation, so you do not see it coming as a part of the topline. But as far as Worli is concerned, we have incurred more than 25% of the cost so that threshold has been met. It is only the sales threshold which needs to be met and then we are done. So, we will then be able to commence even the revenue and the margin recognition.
- Parikshit Kandpal:** Because we saw some profit from associates coming in in this quarter so?
- Saumil Daru:** Yes, that is marginal
- Parikshit Kandpal:** Coming from Worli project only?
- Saumil Daru:** I will have to check that but some bit of it from Worli, and some bit from others.
- Parikshit Kandpal:** Sure okay. Sir when are you launching the Commerz-III I mean the actual construction has started or?
- Vikas Oberoi:** So, construction has not started. We will be starting construction soon and we are already talking to one of the large anchor tenants. In fact, we are incorporating their input as far as what they want, and once we get that we will probably be signing. This will be the first commercial project that we would have pre-leased which normally we end up doing only after we have built, but this will be a large corporate which is pre-leasing from us.
- Parikshit Kandpal:** And what will be the percentage like of pre-leasing?
- Vikas Oberoi:** Well, if the deal goes through it could be about 20% of the entire area. It is a large one.
- Parikshit Kandpal:** This is 1.7 million right how much?
- Vikas Oberoi:** Correct, so this is almost 3.5 lakhs square feet.
- Parikshit Kandpal:** And a similar rate like current Rs. 140 or?
- Vikas Oberoi:** Yes.
- Parikshit Kandpal:** And sir lastly just on the Bluestar land any updates?
- Vikas Oberoi:** Nothing I mean it is just a market rumor and unfortunately people are taking it too, nothing more than that.
- Moderator:** Thank you. Next question is from the line of Tanuj Makhija from Bank of America. Please go ahead.

Tanuj Makhija: My first question, I have two questions. My first question is on Eternia and Enigma. We have seen that despite the launch of flexible payment scheme, the sales over here have been weak given the level of inventory you have. So, do you plan to launch a new, more attractive activation scheme for these projects in FY20?

Vikas Oberoi: Tanuj, we are only asking for 10%. I do not know how much more attractive I need to be to get people to buy this. Well having said that it has doubled. So, you know it is not a bad beginning. Plus like I said earlier, that the project is shaping up now and shaping up well and people are liking what they see, and I see a huge increase in site visits A lot of people in Mulund area have shied away from buying under construction because if you remember, we had that all of us I mean the entire Mulund had this forest issue

So, they are literally start with what happened earlier and lot of people come and say that I am willing to pay more when it is ready, than you know now. So, this is their view, but like again because we are asking only 10% and 15% these guys are coming ahead and booking. So, they are kind of taking that punt. But as the project goes up and comes closer to completion, you will see the demand pick up. And let us say the market requires something then we will not shy away to do that.

Tanuj Makhija: Okay and just as a follow up question on this, as a strategy, would you think it would be better to maybe offer a price discount of 5%, 10% from these levels that could push volumes?

Vikas Oberoi: Well, you know like discounts have never moved volumes I mean, so that is why we come up with the innovative payment plans because people have issues of paying on time or like that date, they are not that concerned about absolute discount is what our marketing people tell us and all the marketing gurus tell us that they are better off giving schemes than giving upfront discount.

Tanuj Makhija: Got it. My second question was on your margin mix. Could you please help us understand your margins in let us say Goregaon and Borivali and how should we look at your sustainable EBITDA margins going forward as the mix of Goregaon got reduced and the mix of other different projects go up?

Saumil Daru: So, Tanuj, hi Saumil here. As far as Goregaon is concerned, our EBIT in Goregaon is you know well in excess of 60%. As far as Borivali is concerned, while it is averaging in excess of about 36%-37% now, obviously the higher floors of Borivali are yet to come in. So, you can only expect that to improve and again in one of the earlier questions both Vikas and I have answered you know how about the accounting of the FSI cost goes.

So, the entire land cost which contributes about one FSI gets loaded in the first phase of the Borivali development. The subsequent phases which will be done with the TDR will incorporate the TDR costs in those developments. So, there the margins will be way higher.

So, that is where we are. I think we have consistently been clear about the fact that of course Goregaon will also have higher margins because of the fact that it is a historical land cost and things like that. But going forward, if we look at an average EBIT margin in Borivali between the first and second phase average of about 40%-45% odd, that is what it would likely be even for some of the newer projects or whatever whichever way one would like to look at it.

Moderator: Thank you. Well ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Oberoi for his closing comments. Over to you, sir.

Vikas Oberoi: Thank you for taking time out for this call. We like receiving feedbacks from all of you and it will only help us to think harder and perform better. Please continue to share your views and inputs and help us in delivering better. Thank you once again.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Oberoi Realty, we conclude today's conference. Thank you all for joining us. You may disconnect your lines now.