



“Oberoi Realty Limited
Q3 FY24 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Oberoi Realty Q3 FY24 Earnings Conference Call. We have Mr. Oberoi, the Chairman and Managing Director of the company; and Mr. Saumil Daru, Director of Finance of the company with us for the call.

Please note that this call will be for 30 minutes and for the duration of this conference call, all participant lines will be in the listen-only mode. And this conference call is being recorded and the transcript for the same may be put up on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call, you may signal the operator by pressing star and then zero 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 prospects.

The forward-looking statements are based on expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

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

Vikas Oberoi: Thank you, Zico. Good morning, good afternoon, good evening to all of you, as per the time zones, which you have logged in, and welcome to the conference call of third quarter FY 2024 results and business updates. Firstly, thank you all for taking time out to attend this call. I really appreciate that.

Before I begin, I would like to share some of the quick business updates. You all are aware that we have acquired 14.8 acres of land from Ireo Residences in Gurugram. We have also concluded a land parcel in Thane. This used to belong to NRB. With this, now our total land in Pokhran is close to 80 acres.

We have also launched Forestville, our first residential project in Kolshet, and we have received good response for that. You will also be happy to know that we have received occupation certificate for our Sky City Tower A to E and possessions have commenced. Again, a very good response from people who have taken possession. We also launched Tower C at Oberoi Garden City, Elysian project and even that has received a tremendous response.

With this, now I'll open the floor for questions and answers. And both Saumil and I will be more than happy to answer your questions. Thank you.

Moderator: The first question is from the line of Mr. Pritesh Sheth from Motilal Oswal. Please go ahead with your question. Mr Pritesh Sheth your line has been unmuted, please go ahead with your question.

Pritesh Sheth:

Thanks for the opportunity. First question is on the Kolshet Road launch, Forestville. And how would you consider this response -- I mean, in terms of other project launches that we have seen in past, we have obviously received little better response. So how would you consider this? And what were in general pushbacks in case, if any, in terms of pricing or your payment plans, etcetera, that you have got in that project? So first question on that.

Vikas Oberoi:

Okay. Hi Pritesh, Vikas here. See, frankly, we were very excited with getting Rs. 200 crores of sales in the first shot itself. This, you have to understand is a new market for us and it's a price-sensitive market, number one.

Number two, we didn't do anything different that we do in the Western suburbs. We wanted to be very sure that people who come in and buy are actual buyers. People see this with the kind of money. You know that we have started the project; L&T is our contractor there and given where we are, more than 40% of the payment is due. So a little over Rs. 200 crores sold, and this sort of money coming in the kitty, it already makes our project cash flow positive. And that's how we like to set all our projects up.

And I feel that it's only that market negotiates, that market has cash element and all that in it. We obviously don't do all that. We come out with our own sales strategy. So whatever we have, we have solid customers, these are real customers. And we are, frankly, very happy with the way we have come about it. It would have been very easy to lower your guard, make some very fancy payment terms and all that, and then realize that these are really not your customers, who are only speculating in the market, which we've never done.

So I think all-in-all, we are reasonably happy or very happy rather in the way we got our response, and it's only growing. By the way, let me also tell you that what little we learned about the Thane market that a customer takes multiple visits before he decides to buy. As a product, what we are building is something not seen in Thane. So I'm very confident that going forward, it will only be better.

Pritesh Sheth:

Sure. Got it. No, that's helpful. And congrats on entering Gurgaon with this big project, so what would be your strategy going ahead since we have your one project, probably which would be like maybe 9 months or 12 months away from launches. But currently, if we see that market, whatever is launched, gets sold off very quickly.

So definitely, you would have your plans in terms of how we can further deepen our presence there. So anything you look again in near term beyond this one project or for now, your focus would be on launching in this and then looking at new projects? Or how should be the strategy?

Vikas Oberoi:

No, you're absolutely correct. We want to be in the business for the next 100 years. So for us, any strategy has to be a long-term strategy. We are not going to just go out there and pick multiple projects. We want to make sure that we do a proper launch. We are not in any hurry. We don't want to run behind aggregating land.

I really want to tell you; execution is a huge challenge. I don't know how many of us will eventually end up delivering. We, as a company, want to be sure that whatever we take, we deliver. We genuinely have a huge shortage of good contractors, and then the last mile in our

business is not really ready. So -- and we, as a company, are committed to quality. So we want to be very, very careful. We're going into a new market. We want to make sure that whatever we commit, we deliver and only then we'll think of growth. For us, it's all about quality and delivery before any sort of speculation in growing and running around and all that.

Pritesh Sheth: Sure, sure. Got it. That's helpful. And those are the two questions for now I had. I'll just join back the queue in case it's not asked by any other participants. Thank you.

Vikas Oberoi: Thank you.

Moderator: Our next question is from the line of Saurabh Kumar from JPMorgan.

Saurabh Kumar: Just three questions. One is what will be the investment this quarter, Saumil, and basically both the Thane and the Gurgaon. I just want to get your cash flow. It seems that your debt has gone down by Rs. 190 crores. So how much was the land acquisition spend?

Saumil Daru: So Saurabh, two things. Firstly, as far as Thane is concerned, it's a revenue share arrangement with the landlord. So there was no investment in the land per se.

Saurabh Kumar: But no deposit also.

Saumil Daru: No, there was a very small deposit, which was given very frankly, Saurabh. But -- so right now, we are recouping the deposits. So there is no cash outflow as far as that bit is concerned. But essentially, the entire land payment will automatically get taken care of over the course of the project from the revenue realizations from customers. So that is how it would work as far as what we could say, Thane is concerned. The second one you said was about.

Saurabh Kumar: In Gurgaon, how much did you pay this quarter?

Saumil Daru: In Gurgaon, we would have paid close to about Rs. 100 crores this quarter. The balance is payable based on certain milestones as far as the agreement is concerned. So that should get paid out over the course of the next year or so.

Saurabh Kumar: Okay. So ex of land, you made about Rs. 290-odd crores, like ex -- I mean, Rs. 190 crores debt reduction and Rs. 100 crores for Gurgaon.

Saumil Daru: Yes.

Saurabh Kumar: Okay. Okay. Secondly, just on the Worli, this Three Sixty West West, you have 0.5 million square feet, which -- I mean your sales rate goes up -- works out about Rs. 7,000 crores of inventory, but the velocity has been all over the place. So I mean, how do you think about what's some realistic monetization timeline of this asset?

Vikas Oberoi: So Saurabh, you know, we obviously had a partner who was also in need of money. Now I can safely say that 100% of his stock is sold, or at least 99% of his stock is sold. And if you really consider velocity, you have to consider that he also sold his inventory. So if you really see, there has been tremendous demand. Of course, he unfortunately had to sell it a lot cheaper than what the markets would have or could have absorbed at.

Having seen that this inventory is over, we see a much better and a brighter future for us in monetizing our own assets. We have no pressure. So obviously, the question of dropping the prices doesn't come. We are also -- and this also helps us see when filter the right kind of people who should be coming in that building, that's about it. There's really no other strategy. It's very simple, and we are following that.

Saurabh Kumar: Yes. No, my question was essentially the Rs. 7,000 crores is literally cash for you. I mean, close as you can get to cash. So I just want to know the time frame?

Vikas Oberoi: I mean I'd be excited if it is done within the next 12 months. I mean I hope this gets done really fast. But if one were to see, it could be anywhere between 18 months and 2 years at best.

Saurabh Kumar: Okay. Okay. Good. One last question. For your three commercial assets, you have the mall, the hotel and the new office tower. What should we expect as the annuity run rate when this -- when all these three stabilize. I'm guessing this will take another 18 months to fully stabilize. Where should the annuity go to?

Saumil Ashwin Daru: So including the current annuity or excluding that? So if I'll keep all the others out.

Saurabh Kumar: Yes. So between the three, how much will these three add?

Vikas Oberoi: So see Com-III should give us anywhere between Rs. 600 crores and Rs. 700 crores. The mall will give us another Rs. 300 crores, Rs. 350 crores. And which is the third one, the hotel you are saying, is it?

Saurabh Kumar: Yes.

Vikas Oberoi: It should give you another Rs. 100 crores, I guess. So I would say Rs. 450 crores and Rs. 700 crores. About Rs. 1,250 crores or so.

Saurabh Kumar: Rs. 1,250 crores, okay. So your total annuity plus the Rs. 600-odd crores is...

Vikas Oberoi: It will add to that, yes.

Saurabh Kumar: Okay. So the total number should go to well above Rs. 1,700 crores, Rs. 1,800 crores then?

Saumil Daru: Yes. Correct.

Saurabh Kumar: Okay. Thank you.

Vikas Oberoi: And we are seeing excellent traction for our Com-III also. I mean, you will keep hearing now every quarter that deals are getting closed. We are delivering our project on time. We are done this March; we are done and April onwards our rent begins.

Saurabh Kumar: Okay, good. Thank you. Thanks.

Vikas Oberoi: Thanks Saurabh.

Moderator: Thank you. Our next question is from the line of Karan Khanna from Ambit Capital. Please go ahead with the question.

Karan Khanna: Thanks for the opportunity. Just firstly, on the much anticipated Pokhran Road launch, which is due for the next few months, how does the success or relatively muted response of Kolshet Road impact the pricing and launch strategy for Pokhran Road project? Also, any timelines that you would like to share for complete sale of the Forestville inventory?

Vikas Oberoi: So I think Forestville should take -- should give us anywhere between, give or take, Rs. 500 crores to Rs. 800 crores annually. Again, we've understood the market much better. We obviously have a strategy around Kolshet. The good part is Kolshet is a different location altogether. It's like comparing to suburbs of Thane. This is obviously way upmarket. And we have planned it accordingly. We'll sell it accordingly, and it will come at a much higher price. What people don't see is that Forestville has actually ended up repricing the entire market.

If you see the secondary sale in Thane, which was happening at much higher pricing, Hiranandani Gardens. Now all that has got rationalized because people are -- we can see the undercurrent. People are already talking about that. I'd rather buy in Forestville. We are a tall building. We are away from possessions. Those are the few things that are holding people back, but interest is tremendous. Product has been received very well. So really no issue on that account. And these are reasonably large apartments. They're not small by any standard. So that part done.

As far as Kolshet is concerned, we originally were thinking of launching in this quarter. But I feel, given the pipeline that we have, we now want to take it to the festive season of next year. It will be more like September of next year. And yes, so that's how we are really looking at it.

Again, like all our projects, we will be starting work first. We are ready with our experience center also. In this case, also, we will be starting to show people the experience center much before we launch the project because again, one other thing I want to tell you, Forestville also, we started showing the apartment to people even before our launch. And that is something very new that our industry has done.

We will follow similar practices on all our projects now. So we want to create further transparency in what we are building and how it's going to look for the customer. This helps us with almost fewer or almost no cancellations.

Karan Khanna: So just a clarification, by Kolshet, you mean the Pokhran Road launch, which you've now delayed to September of this year.

Vikas Oberoi: Correct. Correct. Pokhran is when -- we'll launch it in September of this year.

Karan Khanna: Sure. So any particular reason because I think it's been almost 4 years, roughly...

Vikas Oberoi: No, not really. No reason. Like I said, we will start work right away as we speak, but we will push the launch. We will have done some work progress, and we'll do that. And anyway, it

doesn't really matter. Like starting the work is more important because when you sell, you can anyway catch up to the revenue and all that, like.

Karan Khanna:

Sure. Secondly, if I look at the space for Eternia, Enigma and Sky City, these have largely remained flat over the last 2 or 3 quarters. So is it safe to assume, if I look at the average selling price for Eternia, Enigma and Sky City, this has largely remained flat over the last 2 or 3 quarters. So is it safe to assume we are now at the fag end of the pricing cycle? And if so, how should one think about future margins, especially considering potential rise in input costs?

Vikas Oberoi:

In fact, I don't know what you're reading. We have actually increased prices everywhere. We've increased prices in Goregaon. I increased them by 20%. Tower C launched at 20% higher than the previous pricing. There is nothing available in Tower A and B. In fact, it's selling at a premium, even though it's secondary sales. And we actually had a queue of people waiting to buy a Rs. 12 crores, Rs. 15 crores apartment. So that's one.

Sky City possessions are given. We've done more than 200 apartments have been handed over and that's a fantastic response. There's no reason. But for the project itself we get appreciated. I don't know how much you know, but resales are selling at anywhere between 15% and 20% over what we are selling on the counter.

Of course, our project, our apartments are under construction. We hardly have anything in the ready building. But the ready building is selling at 15% and 20% higher than what we are selling at. So there is still a lot of headroom for price increase.

Karan Khanna:

Sure. That's helpful. And lastly, any change to your timelines regarding delivery of the Ritz-Carlton hotel? Is it on track for completion by end of this year? And as a follow-up, at a time where the industry is reporting over 20% ARR and RevPAR growth, any reason why Westin Garden City ARR didn't witness similar growth despite being among the very few quality hotels in the micro market?

Vikas Oberoi:

Sorry, in fact, Westin has grown 20% over our previous ARR. I don't know what you are reading , number one. Number two, absolutely, Ritz-Carlton is on track, this year end is what we are really aiming at. And yes, absolutely good. Good to go.

Moderator:

Thank you. Our next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni:

Hi, thanks for taking my question. Actually, my question was also on Thane. If you could just highlight what would be -- one that you moved the timelines now to September. If you could just highlight what will be the phased launch for this project?

So are you want to get started with resi project initially, and then you move to other areas? Or if you could talk about it, given we are talking about an 80-acre land parcel, how should we phase this out in a model now given that Forestville itself is taking a little longer?

Vikas Oberoi:

So we'll start five towers to start with. That will be one contract. This is a separate land parcel within the 80 acres, and that literally completes the entire development of that parcel. And we

are looking at probably close to maybe 3.5 million or 4 million square feet of sales there, and we'll be starting the hotel.

We'll be starting the development for the school. So obviously, these two -- what we are building is a 5-star hotel, obviously, to brand the entire development, and we are starting an international school there. And yes, so these are the three developments that will start instantly.

And again, like I said, that we have only deferred our plans to sell, but our work starts immediately. And like I said that whatever revenues that need to be recognized in this coming financial year or rather this year itself, all that will happen instantly.

Pulkit Patni:

Sure. Vikas, my second question is on pricing in that micro market. I mean 5 years back, developers were stuck in selling at 10,000, 12,000 and then we had in the last sort of 24 months with Raymond and now you launching in the 18,000, 20,000 range. Do you think, at least in the near term, that there is scope for pricing to go up more in that micro market, given that we've already seen a pretty big uptick, say, over the last 2.5, 3 years?

Vikas Oberoi:

So very relevant question. Firstly, I want to tell you, look, we are -- there is a quality deficiency in Thane. People are not building or making that kind of quality. I think we are the first developer in Thane, who's got L&T as a contractor. So that's point number one. What we have proposed as a product is probably the best in Thane.

If you see some of the competitive internal Thane markets, we see a Hiranandani or that area, they are at 25,000 and 26,000. So like I said, that today when people see our product, they feel that it's worth getting in here than paying that kind of money. People who are smart are probably seeing the arbitrage and are willing to take Forestville.

Because see Forestville is very close to Hiranandani Gardens, in fact, much closer to the Thane City. And now given all the rest of the development around it, it's become a nice ecosystem. So -- and with good infrastructure in place, I don't see any problem. And I agree with you that there is enough headroom for price increase.

Moderator:

Thank you. Our next question is from the line of Akshay Malhotra from HSBC. Please go ahead.

Akshay Malhotra:

Hi, thanks for the opportunity. Just a quick question about the Gurugram project. I just wanted to ask if will we need to alter the revenue recognition policy for this project? I'm asking in terms of the current percentage completion method that is being used for the other projects to the project completion method for this market That's all.

Saumil Daru:

Hi, Akshay, Saumil here. So the decision of what to -- of what method to use is under the accounting standards, driven by your conditions in the contract. There are some technical aspects to it, but for various reasons, as far as Maharashtra is concerned, we satisfy all those contracts or at least as far as Mumbai is concerned and the way we have done our agreements with the customers, we end up satisfying the conditions laid out in Ind AS 115 for revenue recognition and following the percentage completion method. So we are able to do that.

As far as Gurugram is concerned, I do know of some developers who are looking at following the project completion method. And I do know of some developers who are looking at also following the percentage completion method. Once we actually get on to the ground over there, finalize the agreements and work out the clauses, then depending on that, we will finalize the accounting policy at that point of time. But yes, this optionality of whether it has to be the project completion method or the percentage completion method, is completely driven by your clauses of the agreement.

Moderator: Thank you. Our next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Yes, hi. Just wanted to understand what happens after 4, 5 years because now we'll -- we are at the fag end of the exhaustion in Borivali and Goregaon and such amazing name has been created in those two areas. Are there enough decent-sized land parcels available in those areas or surrounding where we'll get to participate for another 10, 15 years in the same vicinity?

Vikas Oberoi: Dhruvesh, thank you for asking this question. And I know I'm sure a lot of people have this in their mind. But I want to tell you that this is exactly what I used to ask my father 30 years ago that land in Mumbai is getting exhausted, what will we get?

As I remember, we used to build like literally 2,000 and 4,000 square meter projects. And I would tell him that I want to build a large township where I can do landscaping this way and that way and all that [inaudible] for land. And I promise you that we are at it. And maybe in the next financial year, you will see or you will hear from us that some large acquisitions are done.

Right now, I can only disclose this much. We are constantly looking at buying land. And so your question is valid, but fear is unfounded. So just trust us on this. We only know this business, and we'll find a way to get large land parcels, not let go of this brand that we all have created with so much hard work.

Dhruvesh Sanghvi: Yes sir. Thank you. And a small follow-up to that. I mean, to have our stage 2 in terms of Oberoi because, let's say, we are 6 to 8 projects at the point in time now. To really take our presales and the organization to double what we are today, I mean, when I said today in the next 2, 3 years, where we will be and doubling from there.

Won't we eventually require more number of sites ongoing, and therefore, the business development has to happen very soon than later now. I mean, is this way of thinking correct? I have been asking these kind of questions probably for the last 3, 5 years, but I am just trying to validate the point.

Vikas Oberoi: No, absolutely fair. And frankly, a lot of people do not realize that all our projects are very large projects. If you -- in fact, I have a problem when I hire people and I tell them you look after this project, they come and tell me that I was looking at 20 buildings and 22 buildings and now you are telling me to look at 5.

But if you calculate all the 20 buildings these people were looking at were not more than 5 or 7 lakh square feet put together. Whereas like our 5 projects are like 50 lakh square feet, 5 towers

are like 50 lakh square feet. So because we have such concentrated development, people don't understand what we are building and how big is what we are building. And hence, there is this confusion.

But having said that, you are absolutely right, we are going to receive a lot of cash and that cash has to go into -- I mean, there is only as much debt that we can repay, which we will repay. But other than that, all the surplus cash will go into buying new land, which we are open to and we will. And I just initially said that, as a company, we are mitigating execution challenges. It is not easy to build here. We can't let go of quality. We are systemizing. We are learning as a company. So in fact, I would say that we are absolutely ready for growth in multiple ways, not just business development, even execution for that matter. So all said and done, I think things are looking great.

Dhruvesh Sanghvi: Thank you. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session due to time constraints. I would now like to hand the conference over to Mr. Oberoi for closing comments.

Vikas Oberoi: Well, thank you all for taking time to attend this call. I really look forward to hearing from you on an ongoing basis. My team and I are all available for any questions that you have or any follow-on questions you have. I just want to end our call by telling you that with the clear stability in our political future looking so explicit, India is on a growth trajectory.

I have just come back from Boston and met several global leaders. India is absolutely on top of their mind. If they are not in India, they don't know what they are doing. And that's the emotion or feeling they have. So I think the growth trajectory going forward is very clear. And the elections are a foregone conclusion according to me at least. And so I think we are in a very stable environment. And going forward, things look really amazing. And this is where I want to end. Thank you all, and thank you once again.

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