"Oberoi Realty Q1 FY15 Earnings Conference Call"

July 21, 2014

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

Moderator

Ladies and gentlemen, good day and welcome to Oberoi Realty's Earnings Conference Call for the Quarter 1 FY2015 that ended on June 30, 2014. We have Mr. Vikas Oberoi – the Chairman and Managing Director of the company and Mr. Saumil Daru – the Director 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 call all participant lines will be in the listen-only mode and this conference is being recorded and the transcript for the same may be put up on the company website.

After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during this conference call they may signal the operator by pressing * and then 0 on their touchtone telephone.

Before I hand the conference over to the management I will like to remind you that certain statements made during the course of this call may not be based on historic information or facts and may be forward-looking statements including those relating to general business statements, plans and strategy of the company, its future financial condition and growth prospects. These forward looking statements are based on expectations and projections and may involve a number or risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I now pass the conference over to Mr. Oberoi – the Chairman & Managing Director of the company. Thank you and over to you sir.

Vikas Oberoi

Thank you. Good morning, good afternoon and good evening depending on the time zone that you have logged in. I want to welcome you all for the first quarter of 2015 results for Oberoi Realty.

A quick update – we have paid full consideration for land value of Tata Steel at Borivali. Our retail business in Oberoi Mall continues to do well. We are near 100% occupancy. On the commercial offices front we all know that the new government has just taken over and I feel that while the government has taken some sort of a runner's pose, it has not started running as yet. However they have created an excitement around, created a positive vibe and we are now hopeful that the companies which had put expansion in a go-slow mode will probably come out. Even internationally we feel that there is great interest. We continue to get inquiries for our commercial building but we are yet to close any transaction. Residential also likewise has seen a positive move. We see a lot of inquiries. So people per se are excited given the budget also but again all these things will probably take a quarter or two to kind of start giving you actual results. Hotel also has done very well. We have seen an increase in occupancy, increase in revenue, and we hope to see that continue. I will hand over this to our Group CFO Saumil Daru who also is our Director on Board to take you through the specifics of the result and then we are open for any questions. Thank you.

Saumil Daru Thank you Mr. Oberoi. I guess most of you would have received the IR presentation by now. If not, the same is available on our website. You all can please look at it over the course of the next few minutes in case you have any questions.

Quickly to move towards the financials:

In terms of consolidated financials we achieved a total revenue of Rs. 181 crores for the first quarter. This is as against Rs. 228 crores for the immediately preceding quarter. The PBT numbers for the quarter was Rs. 93 crores as against Rs. 126 crores for the immediately preceding quarter and the consolidated PAT was about Rs. 64 crores as against Rs. 77 crores for the immediately preceding quarter. For the asset level performances firstly the three investment properties: mall, the Commerz office building, and the Westin Mumbai. In terms of mall the total contribution to the top-line was Rs. 22 crores for this quarter. This is against Rs. 21 crores for Q4 FY14. The EBITDA margins in this vertical are as usual around 95%. For Commerz our office space asset, this contributed Rs. 12 crores to the operating revenue for this quarter as against a similar number for the earlier quarter. The EBITDA margins again continue to be in excess of 95%. The Westin Mumbai Garden City contributed Rs. 27 crores to the operating revenue for this quarter as against Rs. 30 crores for the earlier quarter. The EBITDA margins for Q1 FY15 were 13%. This is primarily due to a one-time adjustment of property tax provision on account of the change in method of computation of property tax by the BMC. This we expect is a one-time adjustment so from the next quarter we would ideally see things springing back.

To move onto our development property, for Oberoi Esquire we booked a little in excess of 44,000 sq. ft. in Q1 2015 which takes it to 10.3 lakh sq. ft. till date. The total booking value for this quarter was Rs. 79 crores and the cumulative booking value is about Rs. 1392 crores. There has been no revenue recognition so far as the project is yet to reach the threshold level of construction completion. For Exquisite, again similar project size as Esquire, and for this out of the 15.4 lakh sq. ft., we have booked about 23,000 sq. ft. this quarter which takes it to 10.59 lakh sq. ft. till date - which is about 69% of the inventory. For Exquisite, the total booking value for Q1

FY15 was Rs. 56 crores, cumulative booking value till date is Rs. 1471 crores. Total revenue recognized for this project in Q1 2015 is Rs. 95 crores and the cumulative recognition comes to about Rs. 1417 crores. This is on account of about 96% project completion. As far as Oasis is concerned the work continues at a good pace.

Coming back to some key financial parameters, our EBITDA margins for Q1 FY15 were about 56%. PAT margins were about 35% for the quarter. For mall and Commerz as usual our EBITDA margins remain higher than the average as has been the case and excluding them the margins for the pure residential business is about 55% for Q1 FY15. With this we would be happy to take questions that you may have.

Moderator Thank you very much Mr. Daru and Mr. Oberoi. We will now begin the question and answer session. Our first question is from Aashiesh Agarwal of Edelweiss. Please go ahead.

Aashiesh Agarwal I had two questions. The first one was with respect to the Worli project. We spent about Rs. 1000 crores so far. So just wanted to understand I mean how much would be on the hotel component and what percentage of work you would have completed in residential of the total spend.

Saumil Daru In terms of the hotel component, that number is not a very material number right now because even if you look at the site itself the Tower B, which is the main residential tower, that is where you see the maximum progress. So the Tower A which is the hotel one, we have recommenced work about four months back after we reconfigured that building from being commercial and a hotel building to now being a hotel and residential building. So out of the 1000-odd crores, the total spend on the hotel so far at max would be in the region of a little over 100 crores. So a majority of it has gone into the residential component. In terms of total spend which we would have incurred on the residential component, we believe that would be at roughly about 50% of the total cost which we are likely to incur for the residential portion.

Aashiesh Agarwal So basically you would expect another Rs. 900 crores to be spent on the residential in the next 3 years?

Saumil Daru Less than that, 2 years.

Aashiesh Agarwal And on the launch, I mean is there a formal launch plan for this Worli project and the other pipeline of projects? Could you throw some light on that as well?

Vikas Oberoi We intend to launch Worli as soon as possible. We are creating collaterals for sales and stuff like that. We are also getting ready with our show-flat. The construction at Worli is on the 50th floor today as we speak. So having waited for so long we thought that we will be able to show people exactly what we are making in terms of a product. While I continue to do sales that are generated through self-inquiries we are awaiting collateral. As far as other projects go you know in Mulund, government has filed a review petition and it has kind of delayed things by a month or two, not more than that. We at our end are using that we use this time continuously to get ready and hope that within this quarter Supreme Court will decide on that and things will be back to normal. Apart from that we have two residential buildings in our JVLR which is the Prisma and the Maxima. We started work at Prisma. So that is one bit. Tata Steel also as you know that we paid 100% of the money and we are hoping that we will get all our approvals before end of this financial year which is between January and March and then subsequently launch that project, whether it is in end of this financial year or probably first quarter of next year. So this is where we are. Have I missed anything?

Aashiesh Agarwal So sir you mentioned about Prisma and Maxima, so just wanted to understand Prisma would be a residential project as has been reconfigured? Is that correct?

Vikas Oberoi Correct. Prisma is a residential project reconfigured. We have already got approvals. We have started work on that. And we should be starting sales pretty soon on that as well.

Aashiesh Agarwal Sure. And in terms of your Goregaon project on Esquire and Phase III, any thoughts on those sir that you would like to share?

Vikas Oberoi Esquire went through the new DCR regime and we have got all the approvals. The work again there had started and it is doing well. If you want to ask a specific with regards to revenue recognition we hope that may be by quarter three or after is when we will be able to recognize revenue there as well.

Aashiesh Agarwal No my question was with respect to Goregaon Phase III, any thoughts around that?

Vikas Oberoi Goregaon-Phase III again we are in the planning stage. We have a lot on our plate in terms of starting Mulund, starting our Tata land also and we already have some inventory as far as Exquisite is concerned. We have got some stuff on Esquire as well to be sold. So we do not want to kind of compete with our own product and start Phase III. We would rather add value or rather add revenue out of areas such as

Worli, Mulund and Borivali which are almost non-competing with Goregaon. So this other phase we are hoping will probably be starting either first or second quarter of next year.

Moderator Our next question is from Punit Jain of Goldman Sachs. Please go ahead.

Punit Jain My question is with respect to the pricing in Goregaon East. So now the pricing has remained at a stagnant level over the course of last three quarters and they did see some improvement in pre-sales over the course of last three quarters. So do you intend to hold onto these prices or do you think that there is need for some price increases given the fact that both these projects are moving forward?

Vikas Oberoi We do not intend to increase price in the short run because of two things – one, even the input cost per se has not gone up materially and two is that we have reasonable inventory in our existing projects. We have got lands at other places also. So we want to continue and increase the run-rate before we even start thinking of increasing prices. So we do not intend to increase prices in Goregaon East for now.

Punit Jain And just for Borivali what could be the key bottlenecks for approval and what could lead to some delay in launches?

Vikas Oberoi Borivali fortunately is a clean land. One does not need anything in terms of government approvals. We need corporation level approvals, which are pretty routine. So we do not really see any surprises there as such, unless government comes out with some new rules. Present rules do not bother us or there is no sort of headwind there. It is a procedural approval and we will pretty much get it.

Moderator Our next question is from Anand Agarwal of Jeffries. Please go ahead.

Anand Agarwal I have a couple of questions. Firstly, on the launches that you mentioned what did you mention on the Prisma launch?

Vikas Oberoi Like I said Prisma we already got approvals. We started work onsite and we should be launching that project pretty soon now because we have approvals in place and we are continuing to construct.

Anand Agarwal So this quarter you would start selling, is it?

Vikas Oberoi Either this quarter or probably next quarter but within this timeline.

Anand Agarwal And Mulund also I mean from the earlier Q2 launch now should we expect in Q3?

Vikas Oberoi Like I said that the government of Maharashtra went in for an appeal, rather they went for a review petition in Supreme Court and we are hoping that it should get decided by August and we should be in a position to probably launch in the third quarter. You are probably right, yes.

Anand Agarwal So once the decision on that comes favorable, you still have to go to the environmental committee?

Vikas Oberoi No, we do not have to go. That bit is already done. So this is more on the earlier issue.

Anand Agarwal And on the Worli project, this 1.78 mn sq. ft. of residential that we have, what would be the split between both the towers, I mean residential tower and the hotel cum residential?

Vikas Oberoi So as of now this entire is on the Tower B itself which is the residential tower. We were hoping that we will get additional area which probably then can get loaded onto the hotel building. But since we do not have approvals as yet, we are holding onto announcing it to the people. So this area is all residential, is all on Tower B, is approved and the work is in progress.

Anand Agarwal Since we are planning quite a few launches this year, any estimate on how much we intend to spend on either TDR or fungible FSI this year?

Vikas Oberoi See most of the TDR as far as Goregaon is concerned is all taken. We may need TDR in other places but we have a base FSI anyway. So one need not go into buying TDR today itself. We can probably take TDR even in the next year or a year after that and we have our own base FSI that need to first get consumed.

Moderator Our next question is from Punit Gulati of HSBC. Please go ahead.

Punit Gulati What I want to understand here is that at this point of time a little bit technicality into the Esquire project. You seem to have booked in 20 units but the number of units that have gone down is only by 15. So is there something that we should read into this?

Saumil Daru No Punit. I think this is the issue which people have on gross of cancellation or net of cancellation. Out of the 5 cancellations this quarter 50% can be attributed to customers cancelling on account of shifting to US and reasons like that, while the other 50% would be where have had to cancel due to continuous default of the customer. So I do not want to read anything much into that trend. I think we have had this in the earlier quarter also.

Punit Gulati Yes, last three quarters this has been the similar case. I am having trouble reconciling the numbers there.

Saumil Daru Yes, so what happens is if you were to look at the earlier quarters before this is; were you selling 30-40 flats in a quarter then some of these cancellations would not get highlighted but with about 20 flats you start to feel that there are some cancellations. But this is nothing out of the ordinary very frankly.

Punit Gulati But sir the second quarter had 8 and third quarter 4, fourth quarter had 2. So is it all cancellations or are there any transfers to it also probably which you alluded to?

Saumil Daru There can be some transfers also.

Punit Gulati Is it possible to get that breakup?

Saumil Daru Okay, I think we can discuss that offline. We can share that data with you.

Punit Gulati And lastly would you have some thoughts on REIT and where do you think you are right now in terms of any projected timeliness or what kind of more clarifications would you need on REIT?

Vikas Oberoi Government has clearly shown that they are committed into getting REIT into India. We are on our part pretty excited because we have a mall. We have got our office building, our hotel, the new office building that we have already built and another one in the pipeline. So if everything goes well we could have a product that gives a yield of anywhere close to 400-500 crores in the next 2 years. And this is a sizeable amount of revenue that any REIT per se would be interested in. So we are very happy. We are looking at both ends. One is create a REIT, unlock the value and deploy the cash into the company while other is to get more land such that one does not end up getting into a debt scenario or ends up returning the surplus cash to the investors. So whichever way I mean, we are pretty open and we look forward to looking at various ways in how we can utilize this REIT bit and hence better utilize this money that is lying in assets. In the absence of REIT, these assets of course give us a steady flow but if there are ways in which we can make this money more efficient we will be very happy to look at it.

Punit Gulati But in what time-frame would you think you can actually implement this REIT?

Vikas Oberoi So again, there are two things to this. One is how quickly can the government really put this up. Even today it is just a scheme, you have to yet come down with so many taxation, clarifications and all that. That would be one aspect and second is how the REIT would be shaped up? Would they allow us to bring in assets that are still under development or may be those that do not have tenants in place. So what sort of risks would these REITs be ready to take up. It all depends on that. And what sort of opportunities are available, what is competition doing, so many more things. So we know we want to use this but do not have complete clarity.

Moderator Our next question is from Amit Agarwal of SBI Cap Securities. Please go ahead.

Amit Agarwal My first question relates to your revenue recognition and profit recognition in the next one or two quarters specially your launches are still to be done, so going forward with Exquisite nearly finished in terms of possible revenue recognition would it be possible that you could be seeing a decline in your P&L before you start moving up again?

Saumil Daru Two things. One, while we finish our recognition in Exquisite and you rightly pointed that out, the point remains that we have about 200-odd units which are still left for sale. This is roughly worth about Rs. 1000 crores. This 1000 odd crores of top line will come in with about 60-65% EBITDA or a little in excess of that because these are all now higher floors. For me any apartment in Exquisite that I sell today I can immediately do a 96-97% revenue recognition today based on as much as I have completed till June. So for me the impetus on the P&L is going to come from two aspects, one is very clearly on Exquisite and then the second is on Esquire. As soon as Esquire hits revenue recognitions you will start seeing that also coming into the financials. So I would not want to say that where the profit numbers are headed or I would not want to really worry about that. I mean if I will look at it on a year on year basis I am more than sure that we should be able to kind of cross the numbers of last year.

Amit Agarwal Sure. And just on Exquisite itself, can you give some ballpark number on the cost of goods sold which is lying in inventory which will go into expense when you recognize the amount which has been or whatever?

Saumil Daru As I said we run through on EBITDA at about 65% margin, so our cost of goods sold is about 35%.

Moderator Our next question is from Samir Baisiwala of Morgan Stanley. Please go ahead.

Samir Baisiwala I was just wondering, you have got 15% every three year escalation cost for rental assets?

Saumil Daru True.

Samir Baisiwala But if we see the rentals per sq. ft. for Commerz-I and for first quarter fiscal 2013 and now first quarter fiscal 2015 they seem to be pretty flat at 130. Even though for the mall we have seen it has gone up from 125-odd to 140.

Vikas Oberoi In a market like this we have been lucky to retain them and that too at these numbers. So I do not think we had an option to even push or exercise the 15%. Wherever the lease were not expiring we have still managed to get 15% because we know even they are invested in the office but wherever the lease are over they obviously have an alternate and they renegotiate with us. And prudently we have been able to renegotiate and retain these guys and continue to have them. 130 is a very decent rent that we are getting in Goregaon I would say.

Samir Baisiwala And for Commerz-II Phase 1 because you gave some early commentary but specifically what are the expectations as to when do we see the first leasing getting signed?

Vikas Oberoi I am as eager as you are to make sure that we are able to lease it. There are many companies who have come and the good part is that it is not like they have gone and done deals elsewhere. They either simply scrapped it or they have reconfigured themselves, worked things out and kind of decided to not go ahead. Now with the new government in place, with all the growth trajectory, with India again becoming the flavor of the world, we hope that this sort of attention will probably reflect in conversions going forward. The other positive part is that when people want an office, the timeframe to put such an office is about 3 years. And it is not going to be easy for people to put that sort of inventory when demand comes into place. So today very honestly we are only hopeful that all the noise that the government is making does converge into some sort of demand and we are able to lease this out. So we are as curious as you are or we are awaiting for these things to happen.

Samir Baisiwala So over the next 6 months do you see first lease getting signed based on your discussions that you are having right now?

Vikas Oberoi I would love to say it could be even in the next 3 months. It is like that close. In fact there were deals that we had actually signed and we had done LOIs but the head office just came and said that you know what, we do not want to expand, we do not want to do this and so on and so forth. So while like I said that the 130 which you see in Commerz-1 is also because there have been some people who actually walked out of Commerz-1 who were 170-180, not even willing to put 130 but luckily we got them replaced by new tenants. So there is clearly a movement in the market. It is only a matter of time when deals start happening. So to answer your question straight I am even hoping that we could do it in the next 3 months but surely we do want to close this as well. And even today like whatever rents we get we do not want to get into a long term arrangement with anybody. We would be happy leasing this out for the next 3 years or so because we know that when the markets come back we can then get the advantage of higher rentals.

Samir Baisiwala One final question from my side. This is for Borivali land, what could be the possible TDR fungible FSI cost to get through the FSI I think you have measured 4 to 4.5 million sq. ft. So what could be the possible cost even if it is not immediate, even if it is over a period of time?

Saumil Daru Between the two I just want to cross-check that number and come back to you Samir but I do not think it will be in excess of about 300 odd crores.

Samir Baisiwala My ballpark number suggests it could be anywhere from 500 to 700 if it is a 1 million sq. ft. TDR, if it is a 0.75 million sq. ft. at 60% of ready reckoner.

Vikas Oberoi No, the thing is that in the 1 TDR you are allowed to buy 0.33 from the government which they give it a lot cheaper. Then you have RG & PG TDR that you can load which today is available at less than Rs. 1500 sq. ft. So that bit and 35% fungible on that. So it is not as much. And the ready reckoner rates in Borivali are not as high as elsewhere in the city.

Samir Baisiwala It would be 9000 and then you pay 60% of that. Would that be the right number?

Vikas Oberoi No, no, Rs. 9000/sq. meter you are saying, right?

Samir Baisiwala No, per sq. ft. I was saying.

Vikas Oberoi You know Samir, let us come back to you because our math does say somewhere around 300, if you are only talking about TDR.

Samir Baisiwala No, both, TDR and fungible FSI.

Vikas Oberoi So let us do that math and come back to you.

Samir Baisiwala And it would be not the same amount but quite close amount for Mulund as well, that is 18 acre land parcel comprising of two plots of almost equal sizes.

Saumil Daru So the fungible is about 190 odd crores and the TDR cost altogether is about a little over 150 crores. So it is about 350 crores.

Moderator Our next question is from Prakash Agarwal of CIMB. Please go ahead.

Parkash Agarwal On Esquire just wanted to get some color on the margins. I did hear Saumil talking that Exquisite margins are at higher level since the floors are higher. Would Esquire given the change in the DCR norms would be at company level margins of 55%?

Saumil Daru Yes, see on a project level we started selling Esquire at about Rs. 9000/sq. ft. odd. I think Esquire our overall average right now is Rs. 13,500/sq. ft. That is the average realization. So in Exquisite my average realization today is in the region of Rs. 23,000-24,000 / sq. ft. because they are higher floors. So obviously if I assume that construction cost and everything else is more or less even stevens obviously there will be a little depression in the margins in the initial stage once we recognize Esquire. However as the latter sales start kicking in, like today if you look at our average realization in Esquire it is at about Rs. 18,000. the margins will start going up. So you will have to interpret it in that context when I said that in Exquisite my margins are going to be higher because it is upper floors. In Esquire also you will see that but you will have to wait for the revenue recognition to hit in. The thing is that in Exquisite whenever I am selling a higher floor depending on the mix in the quarter you are seeing the margins fluctuate accordingly. In Esquire when in the initial stages the recognition will come in it will represent the entire gamut of sales from about Rs. 9000 odd per sq. ft. till the present one. So that is where the margins will be slightly depressed from where it is on Exquisite.

Parkash Agarwal And just wanted to get some management thought on some improvement seen sequentially on the sales specially on the two projects Esquire with approvals coming in, work getting started and Exquisite with projects nearing completion. So is this the function of the one that I just said or it is function of improved visibility and improved sentiments as well and what is the kind of run-rate we are expecting for the next 3 to 6 months?

Vikas Oberoi I think it is a mix of both. Obviously there has to be something internal in terms of our product, which then attracts a customer. But even the external environment is equally important. We cannot blame the external environment and not do much within and vice versa. All we know is that if the external environment is not great, the likelihood of one's success gets lower. So it is a combination of both. Our expectation is that we want to get done with the inventory from exquisite in the next 18 to 24 months. So we are clearly looking at these 200 flats from Exquisite being sold in the next 18 to 24 months. And of course I think Esquire will also move once people start moving in and start staying in Exquisite as obviously the rub off the people who visit them will look at Esquire as a future potential and probably we would look at doing that. So I cannot give you exact numbers because that would be speculating a bit too much but these are our targets internally.

Parkash Agarwal And lastly just one clarification on the depreciation. So what I understand is this is the new base of 100 million and we would as and when it will go on, or is it a one time kind of?

Saumil Daru No, you are right Prakash this kind of becomes the new base because if you look at it the entire basis of calculation under Schedule 2 has now moved to the useful life of the assets and in most cases if you will compare it to the rates of the earlier Companies Act, most of them are now very highly accelerated depreciation rates. These are completely in tune with what the reality is and it is a correction in the right area. So obviously for example even earlier if I am not mistaken office equipments were depreciated at about 4.75%. Now that same thing has gone up to 20% straightaway because they are saying useful life is 5 years. So you are going to see this. I think I have seen this phenomenon virtually in every set of results which I have seen till now and you are likely to see this impacting Corporate India for almost everybody and I would say that this may be slightly more so for manufacturing companies and people who are more asset intensive with plant and machinery and stuff like that.

Moderator Our next question is from Saurabh Kumar of JP Morgan. Please go ahead.

Saurabh Kumar First is basically the timeline which you guys are suggesting for liquidation of Exquisite and probably Worli as well if you can throw some light. The only issue we seem to have is you do not have any inventory which is below 5 crore right now.

Hopefully they will get corrected when you launch Mulund and Borivali but as of now I do not seem to have anything. So is 18-24 months a realistic timeline considering the current level of sales you have? So that is point #1. Point #2 is basically on this Mulund launch so from whatever we understand Mulund in the context of Bombay is a very-very weak market. It is heavily over-supplied and a lot of launches which have been done there have not actually gone well. So could you probably throw some light as to what gives you confidence that they are launched there by you or this is a good brand but why should it do well? And just one last question on the depreciation policy is there a change in the norms for buildings as well? I mean is the useful life till 30 years or has it got changed?

Saumil Daru 60 years. Saurabh, I will take the last one first. For concrete building it remains at 60 years so there is not a very material change. Under the old act it was something like 1.63% which now becomes 1.67% or something like that. So that is not a very material change.

Vikas Oberoi Again your question on Exquisite --

Saurabh Kumar Worli as well Vikas, I mean I am sorry to interrupt you.

Vikas Oberoi No worries, I will come to that. So firstly when you look at Exquisite we are talking about this inventory getting sold when the apartments are fully ready and you are right about it that the value of the apartment is high and that is the only reason when people want to buy such an expensive apartment they want to make sure that it is ready because most of them are funded out of their existing apartment with ofcourse some bit of loan component in it. So the value itself clearly indicates the speed at which it will get sold and once the apartments are ready then we do not see much of a problem. Yes, it is slightly ambitious, but it is still within the realistic zone. I do not see much of a problem. Again when you look at Worli these are expensive apartments. People want to buy them. We have the affluence in the city. We are a financial capital and we are actually meeting anywhere between 15 and 20 prospective buyers every month. So we know that there is a critical mass who wants to buy it. Now this building is 2016-2017 completion. Nobody wants to put in this kind of money and wait for 2 years for it to get ready. Obviously the closer one gets to the product being ready people start buying these things. So I do not see any problem. Now the third question is on Mulund. I must tell you that you need to correct yourselves. There are no launches in Mulund. Mulund is a starved market for a simple reason that there was this forest thing happening. I have over 200 people who have made a request telling us to let them know when we launch this project. So that is the kind of demand I am seeing in Mulund. I do not know how much you are aware of the Eastern Corridor Freeway that got built. Today people are traveling within 20 and 25 minutes right into the city because they are using the Eastern Freeway. So in fact that is an area which is like really sorted out and we do not have a problem and I do not know whether it was your question or your statement but you are absolutely correct that we are looking at Borivali and Mulund to be a smaller ticket size entry and the reason being that we not only want to have products which do not compete with our own product from area point of view but also from the budget point of view. Today we have positioned Goregaon in such a way that a 3-bedroom apartment is selling at 5 crores. We are almost getting a price that exists in Lower Parel. So we want to actually price Borivali in such a way that we do not end up competing and we do not want to reduce the ticket size in Goregaon and probably confuse our existing buyer or our future buyers. So this has become a premium area and we want to continue to hold it that way. And it is today competing with a Powai or Andheri-Lokhandwala area and pretty much so it deserves it since it has got all the basic infrastructure and the amenities. And these two products that you are talking about in Mulund and Borivali will come at a lower price. So it would not compete with our existing product both in the price and in the location zone.

Saurabh Kumar Thank you Vikas. Just one final clarification, for Worli what is the realistic time-band for liquidation of this 180-off apartments?

Vikas Oberoi My team tells me that we will be able to finish this building in 2016 and if I ask my people an internal target as to when you can sell this, I mean even if let us say we were to be super pessimistic and realistic both ways we are looking at 2019. So from today within 5 years we would have sold all our stuff, liquidated our profits and got that into the company. It would not be bad considering you just put the math and you will see that what sort of profit are awaited in the next 5 years if we are able to do what we are saying. And 5 years is not bad because it is 3 years after it is complete.

Moderator Our next question is from Punit Jain of Goldman Sachs. Please go ahead.

Punit Jain My question is with respect to Worli. So what is the kind of EBITDA margin you are looking at Worli given the fact that based on some range to revenue share which you will have from this project? So what is the exact structure which you will get from this project?

Saumil Daru Just to recalibrate the way the Worli transaction works is its gross revenues less construction cost and then the balance is split between us and our partners. So basically if you look at it from a P&L perspective the gross revenues have to be split in the ratio of share and the gross costs have to be split in the ratio of share between the partners. Now obviously there is no land cost over here and to keep numbers very simple, if for example, the sale rate is Rs. 45,000 and my cost is say for rounded numbers Rs. 9000 then my EBITDA margin is 80%. So that is how it will roll as far as Worli is concerned.

Punit Jain How much will you get out of this?

Saumil Daru At an average about 30% of the net revenues will come to us.

Vikas Oberoi So 45 minus 9 which is 36 and we will get 30% of that. We will get about Rs. 12,000/sq. ft.

Punit Jain And there were a lot of advances which were given for this project for further approvals as well as initial construction cost being borne by you.

Vikas Oberoi So those will also come back in addition.

Punit Jain Okay. And what will that amount be?

Vikas Oberoi The total deposits were about Rs. 500 odd plus the construction cost which we have funded.

Moderator Our next question is from Prakash Agarwal of CIMB. Please go ahead.

Prakash Agarwal Just wanted to get a sense on the launch prices for Mulund and I know early for Borivali but just an indicative price ranges for us to have a sense on the model?

Vikas Oberoi So let me just tell you on Borivali if we sell at Rs. 12,000 plus floor rise and if the buildings are 60 storey then the floor rise at 1% takes my price to 15,000 if I add all other things because we do not charge for car parks and other things separately the overall gross revenue that I am able to generate per sq. ft. is about Rs. 16,000, considering that my base price is Rs. 12,000 sq. ft. And in that area without a premium people are currently selling at these prices. Like even an ordinary developer in Borivali sells anywhere around Rs. 12,000 / sq. ft. and same is the case in Mulund. If you look at Mulund ready apartments, half decent apartments are selling anywhere between 15,000 and 16,000 which is a decent price. If we get Rs. 12,000 / sq. ft. the same math applies there. One can clearly look at a revenue of 16,000 at today's pricing. So if you are looking at selling this over the next 5 years you can build in a model where your escalation or whatever kicks in and stuff like that. And our experience has been that whatever is your launch price, by the time you finish your sales you end up getting 50% extra. I mean that is what has happened in Goregaon and all that. So even if let us say you discount that, you still get some upside on that as well.

Prakash Agarwal Borivali example was very good but Mulund you are saying a semi ordinary builder at 15,000, so I mean would it not be very conservative to say that you are doing math at 12,000 and floor rise?

Vikas Oberoi No, I am just saying that these are ready apartments which are selling at 15,000 and 16,000 and just to give comfort we are not saying that we will launch it today at that price. I am just saying if it is a conservative estimate it still is giving you 12,000 plus floor rise plus all the rest put together it still gives you 16,000 / sq. ft. as a start rate inclusive of floor rise today.

Prakash Agarwal And lastly one question on REIT, so I mean I am sure that you had a chance to go through the tax pass through but my sense was that it is a half hearted effort because it still tags at the hands of the recipients. This would not help in launching REIT in the near domain when it has to go through various iterations. What are your thoughts?

Vikas Oberoi Prakash I totally agree with you. Though it is just an exciting thought it still needs to be very much at par with any income instrument. You cannot treat REIT any differently. So one will have to bring in all the advantages of a pass through if the government wants this to be successful which I know they do want it to be. So obviously they also have a learning curve to go through and they also want to see what is in it for the developer, what is in it for the REIT investor, what is in it for the government also. I mean there are many things they will have to come up with like the new stamp duty implications because if you are going to collect all these assets into one then how will that get treated. So there are many unanswered questions and this is why I tell people that these statements or these policies are mere intentions of the government. They have taken a runner's pose. They have not yet started running. It is an interim budget and it is been done within the first 6 weeks of the government or 8 weeks of the government coming into play. So appreciable but one needs more and we obviously are looking for more to happen.

Moderator We will take our last question from Saurabh Mishra of Barclays. Please go ahead.

Saurabh Mishra Most of them have been answered. Just a quick one. If I look at your balance sheet, your short term loans and advances have increased. Anything specifically to be led there?

Saumil Daru Nothing major over here. What happens is for the debentures which we issued to fund the Tata transaction there is about 150 crores which is due for payment next year. So that basically moves from long term borrowings to short term borrowings because it is repayable within less than a year. So that is the only reason for the change.

Saurabh Mishra No, no I am talking about short term loans and advances, not short term borrowings.

Saumil Daru Which exact part of the presentation you are looking at?

Saurabh Mishra Slide #7, basically asset classification.

Saumil Daru So the entire advance which is given to Tata that gets factored in over here. So once the transaction is concluded it will move into inventory.

Moderator Thank you. I now hand floor over to the Chairman and Managing Director, Mr. Oberoi for closing comments.

Vikas Oberoi I would like to thank everyone for taking time out and getting into this conference call. We thank you all again and continue to hope that we get feedback from you and look forward to being in touch with you otherwise. Thank you again.

Saumil Daru Thank you everybody.

Moderator Thank you. Ladies & gentlemen with this we conclude the conference call. Thank you for joining us and you may now disconnect your lines.