

"Oberoi Realty Limited Q1FY 2019 Earnings Conference Call"

July 31, 2018

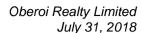




MANAGEMENT: Mr. VIKAS OBEROI – CHAIRMAN AND MANAGING

DIRECTOR, OBEROI REALTY LIMITED

MR. SAUMIL DARU - CFO, OBEROI REALTY LIMITED





Moderator:

Good evening, Ladies and Gentlemen, and a very warm welcome to Oberoi Realty's Earnings Conference Call for the Q1 Financial Year 2019 that ended on June 30th, 2018. We have with us today on the call Mr. Oberoi, the Chairman and Managing Director of the Company and Mr. Saumil Daru, the Director Finance.

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. 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's discussion, there will be an opportunity for you to ask questions. Should you need assistance during this conference call, you may signal an operator by pressing '*' and then '0' on your touchtone telephone.

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

I am now glad 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:

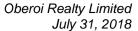
Good morning, Good afternoon, Good evening to all of you as per the time zone from which you have logged in and welcome to the conference call of our quarter one financial year 2019 results and business updates. Thank you all for taking time to attend this call.

Let me give you a quick update. We have successfully completed an issuance of 24 million equity shares to qualified institutional buyers, raising an aggregate amount of Rs. 1,200 crores. This reflects the faith our investors have in us.

Our subvention schemes both in Goregaon and Mulund have received great response, which is very heartening. You will hear more about this in detail in the presentation from Saumil.

We are also happy to announce that we have received occupation certificate for our project, Prisma. This takes our last six-month tally to having delivered 23 lakh square feet, which includes Esquire project also.

With this I want to hand over the call to Saumil so that he can take you through the details of the numbers. And as usual, I will be more than happy to address any of your individual questions and queries once we begin our Q&A.





Saumil Daru:

Thank you, Mr. Oberoi. I guess most of you must have gone through the presentation. And if not, the same is also available on our website along with the results which have been filed with the exchanges. We will keep it short and sweet as usual to keep enough time for Q&A.

In terms of consolidated financials:

The total consolidated revenue for this quarter stood at around Rs. 895 crores, this is as against Rs. 352 crores for Q4 FY18 and Rs. 270 crores for the same quarter of last year. The consolidated PBT was Rs. 454 crores for this quarter as against Rs. 178 crores for Q4 FY18 and Rs. 131 crores for the same quarter of last year. And the consolidated PAT stood at Rs. 309 crores for this quarter as against Rs. 142 crores for Q4 FY18 and Rs. 91 crores for the same quarter of last year.

To move to the asset level performances:

Beginning with the investment properties. Oberoi Mall, which is the retail asset, contributed a total topline of Rs. 35 crores to the operating revenue for this quarter as against Rs. 29 crores for the last quarter and about Rs. 26 crores for the same quarter of last year. The EBITDA margin in this vertical stand at about 94%.

Commerz, which is our office space asset contributed Rs. 10 crores, a little over Rs. 10 crores actually, to the operating revenue for Q1 FY19 as against around Rs. 11 crores for Q4 FY18 and about Rs. 12 crores for the same quarter of last year. EBITDA margins in this vertical continue to be in excess of 98%.

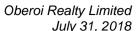
In Commerz-II Phase-I this contributed about Rs. 16 crores for Q1 FY19 as against Rs. 12 crores for Q4 FY18, and about Rs. 11 crores for Q1 FY18.

The Westin Mumbai Garden City contributed about Rs. 30 crores to the operating revenue for this quarter as against Rs. 34 crores for Q4 FY18 and Rs. 30 crores for Q1 FY18. The EBITDA margins in this vertical, again, continue to be in excess of 34%.

Now to move on to the development properties:

For Esquire, out of the total project of 21.22 lakh square feet we booked about 1.29 lakh square feet in this quarter, till date we have booked 14.63 lakh square feet which is about 68% of the inventory. The total booking value for this quarter is about Rs. 267 crores as against Rs. 92 crores in Q4 FY18 and Rs. 26 crores in the same quarter of last year. The cumulative booking value till date is about Rs. 2,279 crores and the total revenue recognized for this project in this quarter is Rs. 400 crores and the cumulative revenue recognition till date is about Rs. 2,279 crores on account of 100% project completion.

For Exquisite, of the total project of 15.47 lakh square feet we have booked about 5,070 square feet in this quarter. Till date we have booked about 14.07 lakh square feet which is about 91%





of the inventory in this project. The total booking value for this quarter is Rs. 12 crores as against Rs. 8 crores in the preceding quarter and Rs. 33 crores for the same quarter of last year. Cumulative booking value till date is Rs. 2,306 crores and all of this has been recognized on account of 100% project completion. The total revenue recognized for this project in this quarter stands at Rs. 12 crores.

Moving on to Prisma:

Of the total project size of about 2.68 lakh square feet we have booked another 14,600-odd square feet in this quarter, till date totally 2.23 lakh square feet which is about 83% of the inventory in this project. The total booking value for this quarter is Rs. 26 crores as against Rs. 16 crores in Q4 FY18 and about Rs. 5 crores in the same quarter of last year. And the cumulative booking value till date is about Rs. 390 crores. The total revenue recognized for this project in this quarter stands at Rs. 89 crores and the cumulative revenue recognition till date is Rs. 390 crores, again, on account of 100% project completion.

For Mulund, Eternia and Enigma,

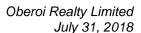
Beginning with Eternia,

In this quarter we booked over 30,000 square feet, till date totally about 5.4 lakh square feet. The total booking value for this quarter is Rs. 42 crores as against Rs. 10 crores in Q4 FY18 and about Rs. 4 crores for the same quarter of last year. And the cumulative booking value till date is about Rs. 790 crores. The total revenue recognized for this project in this quarter is Rs. 23 crores and cumulative revenue recognition till date stands at Rs. 113 crores. In this case, this impact is due to the new IndAS 115.

For Mulund Enigma, again, Q1 FY19 we have booked 14,005 square feet. Till date we have booked 3.68 lakh square feet. The total booking value is Rs. 19 crores as against Rs. 8 crores for the preceding quarter and Rs. 3 crores for the same quarter of last year. The cumulative booking value till date is about Rs. 541 crores and the total revenue recognized for this project in Q1 FY19 is Rs. 14 crores and cumulative revenue recognition till date stands at Rs. 67 crores.

Coming to Sky City,

we have booked close to about 58,000 square feet in this quarter, till date about 13.95 lakh square feet. The total booking value for Q1FY19 was Rs. 89 crores as against Rs. 84 crores for Q4FY18 and Rs. 52 crores for the same quarter of last year. And till date the booking value stands at Rs. 2,226 crores. The total revenue recognized for this project is Rs. 228 crores and cumulative revenue recognition till date is about Rs. 580 crores.





In Worli, Oasis, we booked a little over 35,300 square feet in this quarter, till date we have booked about 4.77 lakh square feet. Total booking value in this quarter was 166 and till date the booking value stands at Rs. 1,925 crores.

Coming back to some key financial parameters, Our EBITDA margins for Q1 FY19 were 52% and the PAT margins were 34% for this quarter. EBITDA margins for mall and Commerz are much higher than average as mentioned before. Excluding them the margins for our pure residential business is over 50% for this quarter.

With this, we can move on to questions that you all have. Thank you so much for a patient hearing.

Moderator:

Thank you very much, Mr. Oberoi and Mr. Daru. Ladies & gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati:

Thank you for taking my question and congratulations on a great set of numbers. Just if you can help me understand how is the IndAS 115 impacting you here? You have started recognizing revenues from Eternia and Enigma, and is there any change in any other project which you have recognized?

Saumil Daru:

Very clearly IndAS 115 is applicable for all accounting periods from April 1. As you are aware the revenues earlier were recognized following the method which was laid down by ICAI under the guidance note for revenue recognition by real-estate companies. As you would also be aware, the institute also, subsequent to the introduction of IndAS 115, withdrew the guidance note. Under IndAS 115 basically your determination for whether you are supposed to follow the percentage completion method, or the project completion method is now going to be determined by the IndAS rather than by the guidance note. There are tests which are laid down under the IndAS 115 and based on an analysis of those tests we had earlier also confirmed, and we reconfirm that we will continue to follow the percentage completion method. What we have done is, obviously for the sake of continuity for our existing projects we are looking at continuing with the thresholds that we have used earlier. But obviously our position on this is going to evolve once there is more guidance which will come out from ICAI, from what practices other players in the industry are going to adopt, and even as the overall regulatory environment evolves. Because if you look at some of the tests in IndAS 115 those also throw you back to how the regulatory environment is.

Coming to your question, there are two aspects which are changing, the first aspect is what IndAS says is that till you achieve a level of certainty, in those cases basically for us that level of certainty was in a way a threshold, so, till you achieve a level of certainty you should recognize revenues to the extent of cost incurred. So, you will not bring in the margin impact, you will only bring in revenues to the extent of cost, which is what you are seeing coming through for Mulund. And the second thing that we have done is as far as the percentage completion is



concerned where earlier the percentage completion was considered including the land cost, we believe that in cities like Mumbai, including land cost as a part of percentage completion results in very aggressive revenue recognition, and that may not be necessarily have been backed up by cash collection. And hence we exclude the land cost while arriving at the parentage completion method. This is something that we used to also do pre-2011 before the guidance note of the institute came out.

And the way the transition impact works is, for example, as of March 31st, 2018, for Sky City and for Mulund, in both cases we should have recognized revenues to the extent of cost. So, that is what we have done, and we have recognized revenues to the extent of cost as far as Sky City and Mulund are concerned, and made that adjustment in the opening reserves. And what we have done is we have transferred some part of revenues and we have transferred some part of costs to the retained earnings. The net impact on retained earnings coming forward is nil. And as far as Sky City is concerned, because we have crossed the threshold and we are commencing revenue recognition, what you are seeing this quarter is revenue recognition including the margins. But as far as Mulund is concerned, the revenues have been reported and they are only equal to the cost, so there is no margin which has so far been recognized from Mulund.

Puneet Gulati: So, when do you recognize margins for Mulund?

Saumil Daru: That will happen in the quarter in which you will cross the thresholds.

Puneet Gulati: And the entire previous few quarters margins will be recognized at one shot?

Saumil Daru: Correct. Currently you are recognizing the entire previous quarters worth of top-line. Also, under the earlier method you used to recognize the entire revenues including margins, now the position

that is being adopted is that till you achieve that threshold you will continue to recognize revenues to the extent of cost and the margin gets deferred to the period in which the certainty

is achieved.

Puneet Gulati: So, basically on the very first quarter when you will recognize the margin that will also not be

the quarter which will be truly reflective of the actual margin of the project?

Saumil Daru: Yes. So, basically, as I would look at it, everybody will have to wait for a few quarters to settle

down for the impact of IndAS 115 to run through, at least as far as real-estate is concerned. Whether you are following percentage completion or project completion, both are having their

own ramifications.

Puneet Gulati: Secondly, more on the operational side, if you can give color on why is there a divergence of

performance between Enigma and Eternia? One seems to be doing well with the new scheme

but the other is still lagging?



Vikas Oberoi:

Eternia are smaller apartments and they seem to be doing better than Enigma because Enigma has bigger sized apartments. What is happening is that Esquire once complete has done very well under the subvention scheme. So, what we are really coming to is that whatever one can sell during construction one will go about selling them. But as the product gets ready, the buyer base increases because people want to now move into ready apartments. This is how we look at it. And just to answer your question, it is just the size of the apartment and in the stage where the construction is today, maybe people who have appetite for a smaller apartment are coming forth first, bigger apartments are more expensive, people like to buy them when they are more ready and want to move in. I am just assuming the logic.

Puneet Gulati:

Similarly for Exquisite also, was there no scheme for Exquisite?

Vikas Oberoi:

No, so Exquisite also had a scheme but Exquisite is competing with its own Esquire, now that both of them are ready. Exquisite has very few apartments left to sell. Either they are on a higher floor or maybe some of these apartments may not have the view people like or whatever, but the choices here are limited and the choices in Esquire are plenty and hence Esquire is doing much better.

Puneet Gulati:

Sorry, jumping back on Eternia and Enigma again, if you look at the average price it used to be around 16,000 plus, in FY16 it has come down to almost 14,000 now despite I thought the understanding was the lower floors get sold first and then the higher floors get sold, and consequently realization should actually improve.

Vikas Oberoi:

No, so what really happened is in the first stage the best views will get sold. When we came up with this scheme, yes, we saw probably people wanted lower floor apartments, and these were apartments which probably may not have that great a view or whatever, which kind of gets sold first.

Puneet Gulati:

Lastly, if you can give some color on which all projects will be accounted for revenue or profit from this year, do you expect to recognize Mulund this year or next year?

Vikas Oberoi:

Since you are asking a question which is pretty much an obvious, we will say that they all will get recognized this year itself, though we do not want to give forward-looking statements, but they are so close. And this data is anyway available, so we will end up recognizing both of them this year.

Puneet Gulati:

And lastly just on accounting perspective, there was some investing cash flow of Rs. 800-odd crores for this quarter, what is that related to?

Saumil Daru:

This is basically investments which go into mutual fund and all. These are treasury impacts. So, out of the funds you would have seen in investing cash flows, you would have seen that we had raised those monies. It is just deployment of that cash.



Moderator: Thank you. Our next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, again, just to harp a little bit more on this percentage of completion method, I am asking this

question because a couple of other real-estate companies who have reported so far, larger companies like L&T etc, they have kind of chosen to go with project completion method. So, if you could throw some light how are your contracts with your customers different which kind of

make the company eligible for still sticking to the percentage completion method?

Saumil Daru: See, it is very simple, for whichever companies have declared their results you can get their

contracts downloaded from the RERA website. Today, all of us as a part of the registration process under RERA have to compulsorily upload our document drafts on the RERA website, you can pretty much download their documents and our documents. Essentially, if one looks at it, the test is what is an ability for someone to terminate voluntarily. And as far as from what I have understood, as far as developers in the south are concerned and maybe a few developers in the north, they would be having clauses in the agreement wherein there would be an option for the customer to terminate voluntarily. So, if there is that situation then the transaction becomes reversible, and in the case of reversibility of a transaction the standard recommends that in that case revenue has only to be recognized at the very end. If you will look at almost all the Mumbai developers, there are no such clauses as far as the agreements are concerned. And

correspondingly, the transaction is then permitted to be recognized under the percentage

completion method.

Atul Tiwari: So, as long as under the contract the transaction is irreversible you can go ahead with the

percentage completion?

Saumil Daru: Absolutely.

Vikas Oberoi: Atul, our contracts, our documents are a binding contract on both parties, the developer and the

buyer. So, the buyer cannot simply come and tell me that now I do not want to go ahead, you terminate my contract and you can forfeit 10% and pay me the rest of the money back. I am under no obligation to cancel and repay him back. He can very well stop paying me, I can either forfeit and repay him the money or I can continue to hold his payment till I find a new buyer. And until I find a new buyer I can continue to charge him interest on the outstanding amount. So, ours is a very well-balanced document from both ends, developer and the buyer included, it is not buyer centric or developer centric per se. And luckily, the RERA does not require you to get into an agreement with a buyer where he has an option to terminate at his will without you

having gone through any default or anything of that sort.

Atul Tiwari: And sir just one more question on the Oberoi Mall, so we have seen some pretty strong

performance numbers in revenue and EBITDA on a year-on-year basis. So, what is driving that

very strong growth, because obviously the area is not growing?



Vikas Oberoi:

So, when we started the mall the leases that we were done with the larger anchor tenants were at historical prices. The mall has done exceptionally well, these retailers have done very well, and they have all come under renewal, we finished 10 years of our mall and most of these contracts were either nine years or ten years. So, they wanted to continue and we have allowed them to do that. And we have renegotiated and reset the numbers basis today's market price, and that is why you see this bump up.

Moderator:

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

Niraj Mansingka:

Just wanted to know a few things. After you have launched this scheme of 25% you have seen a bump up in the sales. So, how has been sales in the last one month? Just want to understand is that a consistent thing or is it just a one-off jump in the sales that you are seeing?

Vikas Oberoi:

Two things, one, where there is a apartment which is ready we continue to see demand. And wherever we had the regular scheme we need to continue to back it up with advertisements and stuff like that, which we will continue to do. We see a steady state right now, it is too early for us to comment either or. But like I said, we continue to see a steady state. If we see a change then we will change our strategy. We have got a few things lined up so that we can continue with the momentum. The idea is that we want to grow, and we want to be prudent about how we understand and address what the market needs. We will do that, so, yes, we are ready.

Niraj Mansingka:

Two more questions, one, on the Exquisite you have seen a slight fall in prices and realization from I think last quarter, but how much would have been the impact of the total cost in rupees per square feet of the scheme that you have launched?

Vikas Oberoi:

So, the impact on the scheme per se is negligible because we have increased the price also. And it is more of a convenience that people get to pay within the three years. My idea is that if somebody is already living in a house which is let's say 60% or 70% of the value of the house, he wants to buy, it is not easy for him to time the sale of his apartment, time the purchase of his apartment, continue to do his work, children are going to school, and multiple things. So, with this scheme the person who has this 25% down payment comes in and buys the apartment he gets one year, two years or three years to sell his apartment. He is pretty confident that I can sell my apartment and take that cash and pay me or pay the banks through which he wants to deal with and stuff like that. So, this has really been the motive behind how we have structured it.

Niraj Mansingka:

And the last question is on the occupancy of Commerz II. For some time, you have been talking about constructive discussion with people to rent out the place, but we have just inched up to 63%, when do you see a possibility of leasing out 90%?

Vikas Oberoi:

So, we feel that within this financial year it will be 100% or 90% plus leased out. WeWork has already started operations here, and for us they have been like a catalyst and worked very well for us. So, after that also we have done some transactions which do not reflect right now in this



quarter because they are on an LOI or the rentals have not commenced. But we are very confident that within this year we should be pretty much done with Commerz II and we will start Commerz III instantly.

Niraj Mansingka: And what rates?

Vikas Oberoi: Similar rates, the rates have not changed, it has been pretty steady.

Moderator: Thank you. Our next question is from the line of Adhidev Chattopadhyay from ICICI Securities.

Please go ahead.

Adhidev Chattopadhyay: Sir, I am referring to your corporate presentation which you had uploaded in second half of May.

So, specifically for Borivali and the Glaxo Worli the areas seem to have gone up, especially for the malls. And in Borivali I believe there is a Sky City extension. So, could you just help us understand why the areas have gone up and has there been some increased spend for FSI or for

land purchase for this?

Vikas Oberoi: Not really, so the areas have not gone up per say. We were always planning for 3 FSI and the

composition of that 3 FSI has changed. Earlier it used to be 2 FSI as base area, one FSI from public parking. Now it will be 2.5 FSI as base area because the government changed the rule. So, overall it does not change. Again, we also follow a norm where how much ever approval comes into play we want to put that. And if you see the RERA website which was uploaded one year ago also mentions similar numbers. So, there is no change just in May of this year, it is being done last year and it is being done in the RERA website also, because RERA wants us to project whatever is approved and whatever can be approved in the near future. And that is why we thought that we will bring parity between what we have applied at RERA and almost what we are now projecting to investors. So, earlier we were only updating investors of the area that got approved, so we were following a conservative approach when it came to giving data to investors. But once it is available on our RERA website, might as well even investors have it, so

they know what we are aiming for.

Adhidev Chattopadhyay: Sir, the reason I asked because the slide for Borivali says there is an acquisition under process

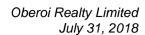
and a development agreement has been executed.

Vikas Oberoi: So, that also forms a part of RERA, if you see. There was a small slum redevelopment, we are

not good at convincing people to do slum with us, but in this case looking at the brand reputation the committee themselves have come in and said that we want you to build it for us, that kind of gives us an additional area. It is being going on for like a year plus, and today we now had the development approval from committee and stuff like that and we have made applications to SRA

and so on and so forth.

Adhidev Chattopadhyay: So, there is no incremental spend, just wanted to clarify?





Vikas Oberoi: No incremental spend.

Adhidev Chattopadhyay: And the area of mall now is 1.56 mn sq ft, so what we are building will be the same area or it

will be lesser, will it be in phases now in Borivali?

Vikas Oberoi: No, not really, it will be in one phase.

Adhidev Chattopadhyay: Sir, one entire mall you are building of 1.56 million square feet, is it the right way to look at it?

Vikas Oberoi: Yes, about that much.

Adhidev Chattopadhyay: And similarly in our Glaxo now we have got over 1 million square feet of mall space and a hotel

of 0.68. So, what is the thought process here, are we going to build a luxury mall, if I recollect earlier, so have the plans changed or do you want to build such a large mall just for luxury?

Vikas Oberoi: We absolutely want to build a luxury mall there, there is a dearth of good malls in Mumbai. We

have done well building the Goregaon mall and we are getting really good traction for our Borivali mall. We want to build one in the city as well, city has just one mall, I think it will compete and complement that mall. It is already running full occupancy, almost. So, we feel that we, in fact, have a much better location, and we will be bang on the metro station. So, if you

look at everything things are really well stacked up for us to do a very good luxury mall.

Adhidev Chattopadhyay: Sure. Sir and just following on this Thane and Goregaon Phase-III, when do we expect the

launches? And Thane have we made all the payments for FSI and other approvals which we

require?

Vikas Oberoi: So, Phase-III, the work has already started, we want to let the dust settle on our new schemes

that we launched for Esquire & Exquisite, then we want to strategize how we will go about doing the next phase. But like I said, the work has started, the contracts have been issued and all that is in place, we are just waiting for how the rest of it pans out. And thane, again, we continue to have status quo, though a lot of work is being done, but we will want to first finish the process

and then only want to talk about it.

Adhidev Chattopadhyay: So, Goregaon Phase-III definitely we should see a launch sometime in FY19, and Thane also

you are reasonably confident should happen or it may spill over?

Vikas Oberoi: Thane I do not want to comment till we do a few things. But certainly, Goregaon Phase-III will

be launched this year itself. And we will also launch another residential project that we have in JVLR, we have got that last building to be built, that will also be launched in this financial year.

Moderator: Thank you. Our next question is from the line of Chintan Modi from Motilal Oswal Securities.

Please go ahead.



Chintan Modi: First question is, if you look at the gross margins they have kind of come off in the quarter. So,

wanted to understand like was there an impact of IndAS or there were some other reasons to it?

Saumil Daru: So, various reasons, obviously IndAS is also contributing because, again, as I mentioned earlier,

for Mulund for example we have recognized the revenues over there but those are only equal to cost, so basically there is no margin coming in from Mulund. So, that is contributing to the top-line but not contributing to the bottom-line, and hence the margin impact of that. The other angle is also that historically our margins on Goregaon have been higher, so wherever Goregaon has contributed to a larger proportion of the total revenue you would have seen the residential margins at a higher number. When it will come to the newer projects and recognitions from the newer land acquisitions that we will do, which will be Borivali, and Borivali is also contributing meaningfully now to the top-line, in those cases the margins are obviously way less than what Goregaon is at. So, the average impact of that you will see the margins come off slightly. But

yes, it will all depend on what is the mix of numbers coming through.

Chintan Modi: And in context of IndAS 115, if I have understood it correctly, it will get normalized in next

quarter whenever you reach the threshold and recognize the revenue?

Saumil Daru: Correct, so you will see the spike in the quarter in which there is a margin recognition. But once

that goes away then regular service resumes.

Chintan Modi: Secondly on Oberoi mall, we have seen some occupancy coming down, a little bit of it. So, if

you can tell me the reason?

Saumil Daru: That is just a temporary occupancy which would have been there at the end of the quarter or

something, nothing very major frankly.

Chintan Modi: And one is on your Tardeo project, if you can update us? And second, in the past you have

spoken of exploring new models like DM, JV, so if some progress on those fronts you can help

us understand?

Vikas Oberoi: So, Tardeo is a redevelopment where we have to do some development for the tenants before

we start the pre-sale of the building. The tenant component has started, the free sale building has been designed. And once the tenant building is reasonably up and ready these guys will move in

and we will be able to start the free sale. And what was your next one?

Chintan Modi: In the past you have spoken on exploring new models.

Vikas Oberoi: So, we continue to explore the DM business and we want to do DM at terms which we feel will

be fair to both of course, and beneficial to our company. We want the returns to be commensurate to the risks that one takes when you do a project. See, for us, I feel our biggest input is our own brand franchise and we do not want to jeopardize that. So, the terms and condition that we look

for or the status of the project that we look for is not very easy for us to find, because most of



them have either got a lot of debt and either some developers have already launched their project. So, I do not want either the institution to take him to NCLT or take them into RERA and then complicate issues, and then on top of that we also get in. So, we are continuing to look at clean land parcels, if we get we will do. But like I said, we will not do it at the cost of our franchise.

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

Abhinav Sinha: Just to begin with on the fund raising that we saw, so what are the expected timelines and where

should we expect these funds to be deployed?

Vikas Oberoi: So, basically the funds we are looking at obviously land acquisition, when we get good land

parcels which we continue to get we will use and deploy this to bring in more land.

Abhinav Sinha: And the mall capex and possibly the next building of commence which will progress, is that also

part of the deployment or that should be funded organically?

Vikas Oberoi: Not really, so there will be a lot of internal accruals, probably for these rental business models

we will probably take some debt also. And because you generate rent and they can be self paying, so they do not really stress or stretch the balance sheet as such, they are backed by their own

income and they can be repaid. So, we do not have that issue on rent yielding assets.

Abhinav Sinha: So, we should not ideally expect the current debt to be paid down anytime soon, right?

Vikas Oberoi: No, we want to grow, the idea is to grow, we have not raised the money to repay debt, this is

growth capital and we will use it for growth.

Abhinav Sinha: I had a few questions on IndAS. First one, on Borivali did we see margins catch up this quarter?

Saumil Daru: Yes. There was some part which was recognized as a part of the retained earnings, and

correspondingly because the threshold was crossed in this quarter you are seeing the margins

catch up in this quarter.

Abhinav Sinha: And theoretically if I were to launch a new project today, so for example you have RERA

approval for the JVLR one, does the clock on revenue tick from day one?

Saumil Daru: So, that will depend on the thresholds that would have to be set. Historically if you looked at it

from a sale perspective it was 25% of sales done. And within that 10% of revenues collected under each of those contracts. So, it will all depend. Now, basically these were all the thresholds which were laid down in the guidance note. As I mentioned earlier, the guidance note stands withdrawn, so obviously one part of the opinion which is moving around within the accounting fraternity is that companies are free to set their own thresholds. And that is why, again at the

they used to look at it in terms of construction, it was 25% of construction cost incurred and

beginning of the call if you recollect I had said that these positions are all evolving, and we will have to continue to wait and watch. Obviously, we have not seen any announcement from the



institute itself after the IndAS 115 was issued, except what they clarified a couple of weeks back saying that percentage of completion method will continue to be available for real-estate. Hopefully, whether it is the institute, or whichever are the set of practices that emerge in the sector, we will have to see how this thing goes ahead in the future and evolves and what should be the threshold, if at all there should be any threshold. I think these are all things we will have to take a call on as we keep moving ahead.

Vikas Oberoi:

And Abhinay, we feel that this is a great opportunity to kind of set practices that can be so transparent and allow the real-estate industry to not have these lumpy profits declared only once you have built 25%. So, basically what the accounting guidelines are saying is that the minute you feel you have certainty whether it is the certainty of building or certainty on cost, you can continue and declare profits basis that. What you really have to do is you have to marry accounting and the other regulations, like say RERA. RERA does not permit you to sell an apartment until and unless you have got all approvals in place. Once you have got all your approvals in place, your title is clear, all you need to do is execute that project. And in our case, let's say we have already hired a contractor and given that contract, there is very little left in terms of suspense. So, I personally fancy a very transparent accounting and every quarter we will show you exactly how much money one is making, so we will literally become like a manufacturing industry. And you will have no lumpiness, no surprises. See, today you guys already know that if I book revenue this quarter and if I can do that then my profit will be so much. But by and large people do not get it. So, we want to stream line it, no surprises, every quarter will come with that incremental increase, it will be very steady. So, I feel that this is an opportunity where one can take it to that level and create a fantastic form where complete transparency is available.

Abhinav Sinha:

Finally on the Worli project, we are yet to see revenue recognition, how does it go from here?

Vikas Oberoi:

Again, there like Saumil said, we continue to use our old traditional internally guided thresholds, we are continuing to use that on Worli also. But like I said, we are thinking progressively, with Mulund and with both Mulund projects almost near revenue recognition we will bring that in. And after that we ideally also, again, we are in an exploratory stage, but we want to start recognizing revenue from the day you sell the first apartment. So, whatever we sell will straight away reflect into our P&L account also. And if we start doing that we might even do Worli, that way is near revenue, we will be on those thresholds. So, we will not be left with any historic baggage, and when we will start afresh we will start afresh which will be clean. So, that is where we are on Worli also, pretty much where Mulund is.

Moderator:

Thank you. Our next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati:

Just wanted to understand, has the pricing changed post your OC in Esquire?

Vikas Oberoi:

Obviously, pre-OC we were selling at a price plus GST, this is what we have been trying to explain to all the buyers that once OC comes into play we do not get the benefit of input credit



of all the purchases that one has made. So, the gross price reflects the cost inclusive of GST and that is why they are higher. So, it does not make a difference, a lot of buyers believe that if I buy after OC I will get it cheaper, I do not have to pay GST. But if developers are fancying that idea they are actually giving the discount of GST which they would have got as an input credit and would give it away to the buyer. But if they want to recover that GST cost which is now not available, they will have to add it to the cost and give it to the buyer in all fairness. So, we have basically just done that. So, we are even-steven as far as whether we get input credit and pass it on to the buyer or we do not get input credit, so we have to recover it in the price itself.

Puneet Gulati: But since the land cost anyways is quite a large component here, has that been the extra 12%

which will be profit margin now?

Vikas Oberoi: Not really, we are not profiting at all. All we are saying is that whatever input credit I was getting

earlier and I was passing it on, I was never charging the buyer 12%. In fact, in case of Goregaon we were passing on almost 6% to the buyer. So, now the prices go up by 6% because now I cannot pass that 6% to you. So, prices have gone up only to cover my cost, I am not profiting at

all.

Puneet Gulati: So, MRP has remained same here?

Vikas Oberoi: Yes.

Puneet Gulati: Lastly, in terms of your subvention scheme, how do you book the cost impact there?

Saumil Daru: So, the cost impact there is obviously it goes in proportion to the revenue recognized. So,

whatever be the cost if there is a revenue recognition in this quarter then correspondingly there

would be a cost recognition of that scheme also to that extent.

Puneet Gulati: And lastly on the Worli project, you seem to have given almost Rs. 1800 crores – Rs. 1900 crores

of advances, while I presume your share is much lesser. How will you get paid back once you

start recognizing profits?

Saumil Daru: Basically, the Worli waterfall is very clear as far as receipts from customers are concerned, there

is a small percentage which goes to the JV partner and a majority of that amount comes to us. So, in the initial stages those amounts will go towards filling up the construction cost bucket and then subsequently once all those monies that have been invested by us are returned then all the

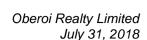
profit share and everything starts coming in.

Puneet Gulati: So, basically once the project is complete will the entire share of construction cost come back to

vou?

Saumil Daru: Yes, and that comes back to us on a priority.

Puneet Gulati: And only then you start sharing the profit?





Saumil Daru: Absolutely.

Puneet Gulati: So, there is one element of construction cost, there is one element of extra capital contribution

that you have done, that also comes back?

Vikas Oberoi: All comes back in priority.

Moderator: Thank you. Our next question is from the line of Abhishek Anand from JM Financial. Please go

ahead.

Abhishek Anand: Just one clarification, Saumil, on the 360 West basically although that is a JV and it would be

booking the revenues on top-line, but the opening reserve accounting is followed in 360 West

as well, right?

Saumil Daru: Yes.

Abhishek Anand: So, although we have not shown in the presentation, it will be there?

Saumil Daru: Yes, it will be there.

Abhishek Anand: Because I think one of the queries you responded to that you are not recognizing revenues.

Saumil Daru: Because there in terms of consolidation method it is a single line item, basically it is a equity

method of accounting so it is a share of profit from JV.

Abhishek Anand: That I understand, but the top-line and the cost will have some component there?

Saumil Daru: Yes.

Abhishek Anand: And if you could help us, how much spend is remaining and what is the timeline of Worli project

now, just the residential part?

Vikas Oberoi: Of course, whatever dates we have given in RERA are the dates we want to publically commit.

But we are scheduled to finishing the project by next year March. So, in the next nine months you will see the building complete and we will start handing over possession to people to start doing their interior. As far as the hotel is concerned, even there we have given all packages for interior fit out and other stuff. So, we are looking at a soft launch somewhere around September next year and by December we should probably be in a position to also formally start the hotel as well. So, all in all, if everything goes well, we will be done and dusted with the entire project

by the end of next year.

Abhishek Anand: And construction spend?

Vikas Oberoi: You can take that offline with Saumil.



Abhishek Anand: And finally, this 1 lakh square feet with Inox in Borivali Mall, any tentative rentals from that,

how much we would have signed it on?

Vikas Oberoi: So, there is an NDA, we are not supposed to divulge all these details. But it is a win-win for both

of us, they get access into a market where they did not have presence and into a mall which is going to be probably a super A-grade mall, we will get good partners. And I think it is a good

partnership, we are really proud of it and very happy and looking forward to it.

Abhishek Anand: And construction of both the malls have commenced, the contract I guess has been given?

Vikas Oberoi: Yes, both have commenced, the work has started, all of it is done.

Moderator: Thank you very much. Due to time constraints, that was the last question. I now hand the

conference over to the Chairman and Managing Director, Mr. Oberoi, for closing comments.

Vikas Oberoi: Thank you, everybody, for taking out your precious time. We like to receive your feedback, we

really value that, it helps us think harder and perform better. I would request you to continue to participate in our calls and continue to give us feedback. And thank you once again, look forward

to speaking with you all again next quarter.

Moderator: Thank you very much. With this we conclude today's conference call. Thank you for joining us.

You may now disconnect your lines.