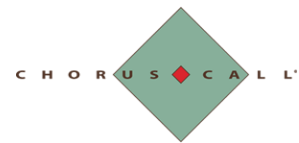




“Oberoi Realty Limited
Q1FY24 Earnings Conference Call”

August 01, 2023



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

Moderator:

Ladies and gentlemen, good day, and welcome to the Oberoi Realty Q1FY24 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.

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 over to Mr. Oberoi, the Chairman and Managing Director of the company. Thank you, and over to you, sir.

Vikas Oberoi:

Thank you. 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 the first quarter financial year 2024 results and business updates. Thank you all for taking time out for this call.

Friends, despite international volatility, the Indian economy continues to maintain its upward momentum on account of increased demand and infrastructure creation. All verticals in the real estate industry have also been a huge beneficiary of this economic growth, especially the demand for premium housing. On the back of this rising customer demand, coupled with upcoming festive period, we are confident that the demand for quality housing by recruited brands having a proven track record will continue to sustain.

Before I begin, I'd like to share with you a few quick business updates. We have received occupation certificate for our Maxima residential project. We -- as I had told you, we've also received Part Occupation Certificate for our building Commerz III, and we have also handed over the area which is already being leased for fit out to our anchor tenant.

We've entered into an MOU to acquire additional land parcel of 6.4 acres in Thane, which was contiguous to our erstwhile land. This kind of completes the entire land package from all ends, north, south, east, west. And this gives us a large chunk, chunk big enough probably even more potential than the one in Goregaon, which we will now be starting our development soon.

With this, I want to open the floor for question and answer. And both Saumil and I will be happy to take your questions. Thank you.

Moderator: Thank you very much. The first question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Vikas, congratulations on a decent quarter. My first question is -- go back a little bit, in Q2 FY '22, we had guided or I think you had said that we will foray outside MMR and you've also spoken about short-cycle redevelopment projects significantly ramping up business development been 7 quarters now. So we have seen some of the older projects like Thane now getting stabilized and maybe potentially getting launched.

But from new business development point of view, so you had said -- also said that you have set a separate team for looking at redevelopment opportunities. So in this journey, where are we being like 7 quarters now. So we have seen some of your peers doing some amazing business development activities in MMR, some are coming into MMR. But where are we in this journey can help us understand from a strategy point of view?

Vikas Oberoi: So firstly, I appreciate the fact that others are doing well. One, you know that we have ongoing deal in Gurgaon, which we are continuing to be in a closing mode and all that. So that's 1 big deal we are working. We've done 1 redevelopment. We've signed LOI, awaiting to sign the development agreement, and we are looking at multiple land parcels. It is just that, I mean, we are yet to bring it to a stage where we can announce it to you all. But robust activity as far as BD is concerned, and you will see some good announcement hopefully in the next quarter.

Parikshit Kandpal: And what is the cumulative value of all the business development turning advanced stage?

Vikas Oberoi: Let them happen, you will be pleasantly surprised. We're really excited and looking forward.

Parikshit Kandpal: Okay. And just my last question is on 360 West. So you kind of seeing some kind of a large setting in this project. So there was a euphoria last year. We've seen various things happening there. The world's last product, best product probably in Mumbai, but still given the luxury demand has been all-time high, but still this project is not moving. So can you help us understand what's your plan here to monetize this because a huge chunk, almost INR5,000 crores plus of inventory utilized for it. How do you intend to monetize it?

Vikas Oberoi: So 2 things. One, you know that our partner did a fire sale and exited in March, and there's a huge amount of sales that he did. So obviously, there was a bit of an overhang in the first quarter, which was pretty much what we had expected. We have done 5 transactions after that. Unfortunately, we haven't received enough money to say that it's a part of that quarter. So you will see this happening this quarter. So again, no surprises as far as 360 West also is concerned. I mean you will read them in the paper very soon, and you'll be very happy to see what numbers we've got.

Moderator: The next question is from the line of Puneet from HSBC.

Puneet: Congrats on good numbers. Can you talk a bit about your plan for Thane. When should we expect a launch this quarter, also for Glaxo? And what kind of area are you looking for the Oberoi Mall in Borivali, and the status of Elysian?

Vikas Oberoi: Let me tell you about both the projects. We have Kolshet, where we have 5 towers. Contracts awarded to L&T. They have started actual work at site. As far as -- and then we've done RERA registration there. We are now in the process of awarding our contract for Pokhran Road. Here, we will start our first phase with 3 towers. We'll start construction on 5 towers, but start our -- the launch will be for 3 towers.

We are envisaging the launch to be in the festive season around October, which will probably to be more specific in the third or the fourth week of October is when we are planning to do our launch. You will start seeing our advertising buildup for Pokhran Road probably in somewhere around September. And the last 45, 60 days is then we will do that. We have projects which are -- I mean these apartments are 3 bedroom. All our show apartments are ready, experience centres fully ready and ready to be open to the public now.

Puneet: And Glaxo?

Vikas Oberoi: Okay. That's Pokhran Road. Glaxo is Pokhran Road. Are you talking about the Thane Glaxo?

Puneet: The Worli one, yes.

Vikas Oberoi: Okay. So Worli, we are yet continuing to wait and watch. I don't know whether you all know this bit, but a part of our land was temporarily given to the Metro for them to do their work. We've just got that back. We -- like I said, that we are most likely to go in for resi, and we will plan and come out soon on that.

Puneet: And on the Oberoi Mall in Borivali, what is the leasing status and how big is it likely to be ultimately?

Vikas Oberoi: Great. So you guys will be happy to know the entire civil work of our mall is now complete. We are doing our part of the fit out. And we will -- we are looking at probably our internal target to give fit-out, is somewhere around February and March, because we've got like an anchor would probably take a little longer. So we are looking at more like probably next year, pre-Diwali launch. I mean that we'll have a good 3, 4 months before we get into the Diwali mood. But that's about it. This is where we are.

Puneet: And leasing status. I'm sure you would have leased a chunk of it. Can you give some number around that? And what kind of rentals are you seeing?

Vikas Oberoi: So I'll just tell you that, of course, rentals have really caught up. In the sense, we are seeing tremendous demand in Goregaon. And we will pitch it similar to this though that mall is much bigger. The catchment is equally good or even better for that matter. So I feel -- I mean, at least internal targets are to be in and around our Goregaon Mall numbers. Of course, this is a mature mall, but they will pretty much be in that ballpark.

Puneet: Right. That's -- and size?

Vikas Oberoi: Size, I think we have a carpet leasable area of a little over 760,000 square feet. So it's almost 2x of the Goregaon Mall. Leasable is about 11 lakh square feet, 1.1 million or something.

Puneet: Understood. That's very helpful. And lastly, your thoughts on the Mumbai market. Do you see further room for pricing growth given that there is a charter of a lot more supply coming, how do you read that?

Vikas Oberoi: See, firstly, I'm not a big fan of increasing prices. I'd rather say that there should be constant supply of land at a decent price, and we as developers should treat this as like a processing industry, build good quality product and sell them, and that's about it. So -- and then literally, people who want to consume real estate should buy. And I want to say that consumption for person -- per square foot has gone up, and that really is the delta one is playing with. Today, a family of 4 want to buy a much bigger house.

And so that's really where our demand is coming out from. So again, I mean, I said that it's appreciating faster than what I think, but I don't really want to get into that speculative bit. I'd rather focus on what we are good at and continue with that.

Increase in prices are byproduct, both of how well you build, how well you pick your location and so on and so forth. So I don't want to dwell much into it or rather go into it.

Puneet: And in terms of your strategy, you would rather focus on selling as much as you can, as soon as you launch rather than in a staggered way to fit the benefit of prices.

Vikas Oberoi: So frankly, I tell you, we know pretty much what individual markets are capable of absorbing. We make sure that we first test the market, and then basis that we continue to play our launches, and that's about it. So obviously, like we also don't want to overbuild because building also cost money. And at the same time, we don't want to play a game where you restrict supply and increase price. For us, that's never the agenda. And we followed that in Borivali. You could clearly see that we've always at the back of the demand, continue to launch and not go so much on price.

Moderator: The next question is from the line of Pritesh Sheth from Motilal Oswal Financial Services.

Pritesh Sheth: Thanks for the question. First question is, Saumil, if you can help me reconcile the leasing segment revenue for this quarter. It was around INR140 crores versus our usual run rate is INR80 crores, INR90 crores given occupancy and rentals have remained same. So what's the moving part there?

Saumil Daru: So basically, as Mr. Oberoi mentioned at the beginning of the call that we have handed over the area to the anchor tenant for the fit-out in Commerz III. So from the Ind AS perspective, once the fit-out period starts, then you start your straight lining of revenue. So that differential which you see is on account of the accounting treatment of the straight lining of revenue.

Pritesh Sheth: Okay. So INR50 crores a quarter is the revenue, right?

Saumil Daru: That's correct. Roughly that is the number which will come in every quarter.

Pritesh Sheth: Okay. Got it. And second, on Elysian, if I see a sharp price increase again this quarter, probably, if I understand it correctly, it should be because of the sales of higher floor units?

- Saumil Daru:** Yes, you're absolutely correct. So as you recollect, firstly is also the fact that in October, we had increased the prices. And -- so that is a bit. We have always told you all every year, every time that the average for every quarter depends upon the total floor mix which is happening. We now have virtually got only the higher floors as far as Goregaon is concerned. So most of the inventory on the lower floors is exhausted. So that's what you're seeing.
- Pritesh Sheth:** Sure. And then coming to my next question on same project. So we have a tower launch coming, I mean, in this quarter for Elysian, Goregaon?
- Vikas Oberoi:** Like I said, that work is going on for all the towers. We will take a strategic call and then launch. We still have inventory in the first 2 towers that we launched, and we have some more absorption for us to do, and then we'll make this announcement as well. But like I said, that because our construction is on, that the day we sell, we'll instantly be able to. It won't really have any lead time with regards to revenue recognition or anything of that sort.
- Pritesh Sheth:** Okay. So can we expect that any time this year? Or it should be next year?
- Vikas Oberoi:** No, no. 100% this year -- 101% this year. It's just that whether it's this quarter. These days what we are doing is a little more cautious. We normally end up being ambitious and say that we'll launch in the next quarter and then sometimes it slips to the quarter after that. I think we should just keep our cushions. It's either in this quarter or next quarter. But then it will be like that, yes.
- Moderator:** The next question is from the line of Saurabh Kumar from JP Morgan.
- Saurabh Kumar:** I have 2 questions. One is on the 360 West, what are you thinking now for the time it should take to sell the balance units? And is that 1 lakh pricing really a headwind. The second is on this margin. So residential or development business margins have gone to about 45-odd percent and even last year, they were at those levels. So fair to say that the business are now reset to a higher level? Or -- should we come back to that mid-30s level over time?
- Vikas Oberoi:** Frankly, let me just tell you that the margin that you see, I think these are the minimum margins most developers should work on because our capital cycle is such that it continues to be stuck for much longer. So you know, I think these are reasonable margins, there's nothing high about it. So they don't see that they should not be dropping and our business development also is based on these margins. We make sure that we get land where we at least get this margin because the end effect of this margin, the return you get is still not that great. So there is no -- I would say, plan or idea that we need to drop our margins. What was your earlier question?
- Saurabh Kumar:** On the Worli piece, is that pricing a headwind for sales now? Or how should we think about your -- the 360 West sales?
- Vikas Oberoi:** What about 360 West?
- Saurabh Kumar:** Under what time frame do you think this will sell? This is the basic question. And I think that's not impacting sales.

- Vikas Oberoi:** 360 West according to me is a cult project. It's probably -- I'm very, I would say, humbled and pleased and honoured to have built that project. But I feel it's probably the best project in the city or the country or whatever one can say. So it's got a momentum of its own. And so we're not really unduly worried about it. Like I told you that there's enough and more demand. And like I said, it's deciding a journey of its own.
- Saurabh Kumar:** Okay. So is there an order book which is not closing or...
- Vikas Oberoi:** Sorry?
- Saurabh Kumar:** My question is, is there an order book that you have in 360 West?
- Vikas Oberoi:** You will start seeing in papers because these things don't remain hidden. I'd rather let my work speak than me tell you anything about it.
- Moderator:** We have the next question from the line of Kunal Lakhan from CLSA.
- Kunal Lakhan:** On Mulund, right, I mean, you received the Part OC some time back. But in terms of volumes, it still remains lower than what one would expect. How should we look at...
- Vikas Oberoi:** Sorry, sorry. Can you repeat your question, please?
- Kunal Lakhan:** On Mulund, right, we received the Part OC a while back, but volumes are still kind of lagging, I would say. So when can we expect like a sharp revival here considering the project is almost ready now?
- Vikas Oberoi:** So again, like I said, that I see Mulund as a market which probably picks up once the product is ready. Now product is ready. We've delivered. We've got feedback, both positive and negative. Wherever it's negative, we are working on it and sorting them out. We -- and I feel that from our end, at least, the project has really, really turned out very well. The common areas are -- like they could be compared to anywhere in the world. They are like that good.
- So I feel that I think give it another quarter and you will see a sharp rise. I have -- I think that at some point in time, it will probably go at par or even beat Borivali numbers. So I'm very, very hopeful and optimistic about it. And if you really see, we have inventory worth a little -- around INR4,000 crores between the 2 apartments -- 2 buildings to sell. So -- and again, almost fully built, all expenses done. This is like literally cash flow to -- the top line is literally our bottom line here.
- Kunal Lakhan:** Sure, sure. I mean the only concern is that in almost 800 unsold inventory and then like we are clocking a little less than 50 units a quarter.
- Vikas Oberoi:** But just if you see Esquire, very similar. We had a large inventory. Once the building was ready, it ramps up big time, because a lot of people today believe in a ready product and they buy around then. So I think that's what is unique about that market, I would say.
- Kunal Lakhan:** Sure, sure. And my second question was on our pricing strategy, right? I mean we're seeing that happening both in Goregaon as well as Worli. Goregaon prices have appreciated quite a lot.

Even Worli, we are hearing 120,000 per square feet. So how should we look at our pricing strategy? Is it like really, really opportunistic in nature? Or the focus is here is to like get out of the project and then move on to the next one. How should we look at the strategy?

Vikas Oberoi:

No, frankly, it's neither. It's not that. I mean basically, all our pricing is based on the cost and -- cost, replacement costs. Many things are factored in. Well, a lot of people feel that, just because I've demand, I'm increasing the price. Not really. If you see in Goregaon, we don't have a single square inch that is ready and yet to be sold, including all the penthouses of the world. All are sold.

And if you see -- if you really track the secondary market in Goregaon, ready apartments today are selling at INR45,000 a square foot plus, plus. We are still in -- booking at INR30,000 per square foot. So if you will do a net present value of what you're buying ready versus what I'm going to give you in a few years, we are still a lot cheaper this way.

And obviously, like I'm not -- the product being built is great, but what we are building is it's like the next gen today, even better. So if you really look at the price arbitrage, it's still a steal, not even a deal, actually, when you buy an apartment in Goregaon. So -- and that's the way we look at pricing. We don't really look at, today there's demand, let's push the price up. We are happy sellers if you really look at how we priced Borivali, you will come to a similar conclusion.

I mean look at Borivali, we launched -- we've launched 7 towers, one after the other. And all of them have been humongous successes. And yet we've only incrementally increased prices, not exponentially increased at all. So in fact, the secondary market is selling at a premium, we still sell at our same price, because we understand that somebody may want an apartment which is next to him or whatever that reason being, it being in the towers that are now literally ready for it to be delivered and that's why pricing and all that. So we understand that there is a premium which people are paying for something that's ready, and we are under construction. But we still don't get carried away or push prices up and all that.

Kunal Lakhan:

Sure. Sure. Lastly, can you give some more color on Thane project? Like you mentioned 3 towers, but like -- in all 3 beds, but like how many number of units in Phase 1? And any indication on the ticket sizes, etcetera?

Vikas Oberoi:

So I'll give you a number, 1 second. Just it's still the back of the envelope, I mean, because I wasn't expected to speak so much about it. Typically, I'd say -- so we will launch -- I mean, at least start work as far as Pokhran Road is concerned, we will be starting work at probably 1,800 apartments. And we will ideally like to launch 1 tower at a time. We start work at all 5, so is at this Kolshet as well.

Kunal Lakhan:

Sure. And ticket sizes and especially in Pokhran?

Vikas Oberoi:

It's a little too early. You know the good part is there is price discovery done in and around our area. We are literally -- I would say probably nowhere in terms of location when it comes to the competitive landscape there. Pokhran Road too is probably among the best location in Thane. And Kolshet is also a beautiful plot, large land parcel, 5 towers planned. So you know the competitive landscape, what Raymond is selling at, what Tatas are selling at in Pokhran Road

and all that. So we'll be competitive. We have enough to sell. And yes, we'll be a very good deal for the buyers.

Moderator: The next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: Just continuing on Thane, I'm not clear. So you're saying pre-Diwali, you'll launch the Kolshet Road project. And Pokhran will be -- along with that or Pokhran would be subsequent. So when would Pokhran be launched?

Vikas Oberoi: So many thanks for asking this question. It's the other way around. We will launch Pokhran Road first, and then we will launch Kolshet, though Kolshet work has started before Pokhran, the show apartment in Pokhran are totally ready. The experience centre is ready. And we will be wanting to launch that first and then this one. In fact, even here, we are at the final stages of awarding that contract.

Pulkit Patni: Okay that's helpful because...

Vikas Oberoi: Pokhran will come first and then will be Kolshet.

Pulkit Patni: Okay. Our understanding was that you launched Kolshet, used that to discover pricing and then launch Pokhran. Okay. This is clear. And then Kolshet would be around the same time or it would be subsequent?

Vikas Oberoi: It could be a quarter later and all that, but all within this year. I mean, you will really see us bulking up at the end, and that's about it. But very excited. Like I said that we've not wasted any time in ensuring that the work is started, like I said, that in Kolshet, we have L&T as our principal contractor. And here also, we are talking to like some of the top contractors and that's about it.

Pulkit Patni: Understood. And Vikas, can you talk about some of the other potential projects, which are being talked about, Peddar Road, Tardeo, etcetera? Any color on timing etcetera, that you can speak about?

Vikas Oberoi: Thanks, Pulkit you know all this. We try and keep all this until they are ready for the investor to know or rather by you guys to know. We kind of keep it wrapped because a lot of these redevelopment projects, one cannot have a set time line. There is a tenant or 2. We'd rather have them cleared and then launch. But since you asked, yes, we have a project on Peddar Road which, obviously, it's registered in the company's name. We are down to the last 1 or 2 tenants. Once that gets done, we'll obviously be launching a luxury product. And yes, so that's one.

Similar is Tardeo. Again, we've done the rehab building. We'll start giving possession for the rehab building probably maybe late this year or early next year. When you say next year as in next calendar year. And yes, we have a very large potential there also. And there are a few in similar range. But like I said, that let us come to a stage and then we'll -- we have a huge pipeline. It's just that we are not -- we don't put the cart before the horse. And that's our style and we would love to be that way.

Moderator: Ladies and gentlemen, that will be our last question for today. I would now like to hand the conference over to Mr. Oberoi for closing comments. Over to you, sir.

Vikas Oberoi: Thank you all for taking time out for this call. We really look forward to hearing from you on an ongoing basis. Please feel free to reach out to our Investor Relations team. Saumil and I are also always available. I look forward to being in touch with you. Thank you again. See you all. Bye.

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