



“Oberoi Realty's Q4 FY14 Earnings Conference Call”

May 12, 2014



MANAGEMENT:

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MR. SAUMIL DARU – DIRECTOR - FINANCE, OBEROI REALTY

Moderator

Ladies and gentlemen, good evening and welcome to Oberoi Realty's Earnings Conference Call for the Quarter Four 2014 and financial year 2014 that ended on March 31st, 2014. We have Mr. 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 conference call all participant lines will be in the listen-only mode and this call is being recorded. The transcript for the same may be put 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 this conference call they may signal the operator by pressing * then 0 on their touchtone telephone. Before I hand the conference over to the management I would like to remind 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, its future financial condition and growth prospects. These forward-looking statements are based on expectations 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 would now pass 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 you all as per the time zone from where you have logged in and welcome to the conference call Q4 of 2014 and the entire financial year of 2014 results and business updates. I would like to thank you all for taking out the time for this call.

At the cost of being repetitive I would like to mention that our company was declared a successful bidder for the Tata Steel land at Borivali and we have paid Rs. 1155 crores for the same. We have also appointed our hospitality partner for our Worli project, the Oasis Realty Project. As you all know it is

with Ritz-Carlton and they will not only be operating the hotel but will also be managing the residential component or providing service for the residential component. You are also aware that the Supreme Court has cleared the Mulund property and we are doing our minor changes on design and we should be ready to go.

I will give you a segment update. We are in retail through our Oberoi Mall. We enjoy close to 100% occupancy and it is one of the best performing malls in our city today. We also see a huge positive movement as far as the commercial property goes. We all know we are awaiting results for election and the markets have already given a thumbs-up. We are waiting for the industry captains to start putting their expansion plans into play and probably create demand for offices. The residential run-rate has not been that great in the past year but again with the changing political scenario we clearly feel that this one segment is sentimentally driven. If things do well in the economic sector people come out and spend. We are a growing economy and I am very confident that once there is political stability on the top we will see this segment also start performing.

Westin Hotel is doing very well; in fact this is probably the best year. The Revenue surpassed Rs. 100crores mark and in fact it was about Rs. 112 odd crores. Saumil will take you through the details.

Before I hand over the conference call to Saumil I want to tell you all that our Board has appointed Saumil Daru officially as a Director on the Board. This is also Oberoi Realty's endeavor to bring professionals on the management level and take more charge, more responsibility, not that he wasn't but nevertheless we just want to let the outside world also know.

So I will hand over the call to Saumil Daru and he will take you from there. Thank you.

Saumil Daru

Thank you Vikas. I guess most of you must have received the presentation by email from the IR Team. If not, as we speak it is there on the website and you all can access it online. Just move quickly to the numbers.

In terms of consolidated financials our consolidated revenue for Q4 FY14 for Rs. 228 crores as against Rs. 186 crores for the immediately preceding quarter. For the full year FY14 we achieved consolidated revenue of Rs. 856 crores. This is as against Rs. 1147 crores for FY13. Same numbers for PBT – Rs. 126 crores for Q4 FY14 as against Rs. 98 crores for immediately preceding quarter. For the whole year FY14, the consolidated PBT stands at Rs. 464 crores, this is against Rs. 683 crores for FY13. Consolidated PAT was about Rs. 77 crores for Q4 FY14 against Rs. 68 crores for the immediately preceding quarter. For the full year the consolidated PAT was Rs. 311 crores, this is against Rs. 504 crores of the same number for FY13.

Very quickly now to our investment properties – as Mr. Oberoi mentioned Oberoi Mall continues to be one of the best performing malls in the city. This asset contributed about Rs. 22 crores to the operating revenue for Q4 FY14 and a similar number roughly for Q3 FY14. The number for the entire year was about Rs. 87 crores as against Rs. 79 crores for FY13. The EBITDA margins in this vertical always are in the region of about 95% odd considering the way we structure our deals. Commerz, our office based asset, this contributed Rs. 12 crores to the operating revenue for Q4 FY14 pretty much the same as what it did in Q3 FY14. Operating revenue for the full year was Rs. 48 crores as against Rs. 46 crores for FY13. Again like the mall in this vertical also our EBITDA is in excess of 95%. The Westin Mumbai Garden City continues to do well, contributed Rs. 30 crores to the operating revenue for Q4 FY14 against a similar number for earlier quarter. Again the operating revenue for the entire year 2014 was Rs. 113 crores. This is the highest turnover that the hotel has achieved in a financial year since its inception. This is as against Rs. 96 crores for FY13. For the hospitality sector our EBITDA margins hover in the region of about 30%.

Quickly to the development properties – for Exquisite, out of the total project area of 15.4 lakh sq. ft., we have booked more than 10 lakh sq. ft. which is more than 67% of the inventory of the project. Total booking value for Q4 FY14 is Rs. 35 crores and cumulative booking value till date is about Rs. 1414 crores. Out of the Rs. 1414 odd crores we have recognized about Rs. 1321 crores till date. What we recognized in the last quarter was Rs. 107 odd crores. This is on account of about close to 93% project completion. For Exquisite as well as Esquire we have seen a very marked improvement in volumes compared to what it was in the immediately preceding quarter. So in Esquire we have booked about close to 27,000 sq. ft. in Q4 FY14, cumulative booking till date is 9.97 lakh sq. ft. Total booking value for the quarter was Rs. 43 crores, cumulative booking value is about Rs. 1328 crores. As you all know there has been no revenue recognition in this project as it has yet to reach the threshold completion for us to commence recognition. For Worli Oasis as Mr. Oberoi informed you we have Ritz-Carlton on board as the hospitality partner for the mixed use development. The construction on the site continues at good pace.

To summarize quickly some key financial parameters – EBITDA margins for Q4 FY14 were 58% and 57% for FY14. PAT margins 33% for Q4 and 36% for the full year. EBITDA margins for mall and Commerz are much higher than average as I mentioned earlier. But excluding these, in our pure residential business the EBITDA margins are at about 49% for the full year 2014. With this we would now like to open the floor for a Q&A. Thank you.

Moderator

Thank you very much sir. Ladies & gentlemen, we will now begin the question and answer session. Anyone who has a question may press * and 1. We will take our first question from Akshay Rao of Edelweiss. Please go ahead.

Aashiesh Agarwal

I had two questions – the first one was with context to the Ritz-Carlton agreement that you had. If you could take us through your broad contours of the agreement in terms of the hotel operator agreement and in terms of

any royalty that would have to go to Ritz-Carlton at the start of our real estate revenues.

Saumil Daru Firstly the detailed commercial arrangement as far as Ritz-Carlton and ourselves is concerned, it is obviously a matter of contract and is subject to confidentiality. So I cannot share all the details with you. The only thing I can tell you is that this is a typical hotel operating arrangement of the style you will see anywhere. To that extent as far as we are concerned it is very similar in structure to what we have done with Westin itself so if that gives you any guidance in terms of how you have to calculate your numbers that will be it.

Aashiesh Agarwaal And the residential component?

Saumil Daru The residential component is going to be managed by them. So all these are part of an inclusive arrangement as far as the hotel is concerned. As far as we ourselves are concerned or the developer Oasis is concerned there is no payment by Oasis to Ritz-Carlton for this.

Aashiesh Agarwaal So there would not be any royalty payment that will go to Ritz-Carlton

Saumil Daru So that is why I said it is all a part of the overall hotel arrangement. So once you factor that in then there is no need to factor in anything separately as far as the residential are concerned.

Vikas Oberoi So just to answer your question straight, there is no payment Oberoi Realty or Oasis has to make to Ritz-Carlton or Marriott Group for the services they provide for the residential component. So there is no royalty per se. They will be charging a direct amount to every flat holder on an annual basis which is very miniscule for managing it and additionally whatever services they take, it will be almost on an À la carte basis and we are not paying anything at all. So it is a very sweet deal for us.

Aashiesh Agarwaal In terms of marketing of this property when do we see us completing each tower and what is the sales momentum that we envisage because obviously there is a fair bit of money that has been put in the ground over there?

Vikas Oberoi We are currently on probably the 45th floor and from the work point of view there is now enough scale that one can show. The way the market for residential is, is that whatever is ready gets sold very easily and you would have seen that happening. If there is a flat at Samudra Mahal or if there is an apartment availability in NCPA or Maker Towers, there are 10 suitors for one apartment. But the whole idea is that people want to kind of move in into a building which is almost ready or ready. Obviously we are in a position where we can provide them an attractive price and lure them and attract them to come into buying an apartment here. We also believe that none of these building that are on offer have KPF as a design architect or have a Ritz-Carlton managing the building. So we obviously feel that these are positives and this will help us prepare or rather market ourselves better than what some of these buildings would. Having said that we feel we are now in the process of getting our collaterals ready and so may be in the next 3 months you will see a bigger marketing campaign moving in. In fact just the press release itself got us a lot of people calling us and so on and so forth. But at our end, we are now proactively building our collateral, we are doing our mock up flat on site which will actually give you the style and the scale with which this project is being built and then we will be in the market to sell.

Aashiesh Agarwaal My other question was with respect to Exquisite. Sir I see that you have a fair bit of inventory left in Exquisite and there is hardly any work left to go. So if I could just broadly understand what is the incremental money that you would have to spend over here? What is the sale value of the balance and how quickly do you think you can monetize now?

Saumil Daru In terms of an incremental revenue from Exquisite I have the final 4% which is yet left to come from the Rs. 1400 odd crores of sales which we have

recognized. So that should give us about Rs. 50 odd crores. This should more than cover up for the entire balance construction cost which we have yet to incur. The residual inventory which will be left, will be about 200 odd apartments which at current selling prices will help us realize value that would be well over Rs. 1100 odd crores. That is where we are. This is all based on current selling prices. And that incremental cash flow is fully available for us to use.

Aashiesh Agarwaal

And how soon do you think we will be able to sell this? I mean in the past obviously we have been able to sell much less.

Saumil Daru

The past was more a factor of sentiment prevailing throughout Mumbai as far as sales volumes are concerned. Now if you would have looked at the building also recently it looks completely ready from the outside. We should also be shortly in a position to hand over things. So once people start seeing that your project is kind of ready to move in then the speed at which the conversions happen obviously increases. We believe that anywhere between a year and maximum 15 months we should be able to sell the entire inventory. The other thing is also compared to overall project average margins of about 60% odd which we average for Exquisite we now only have the higher floors which implies that the margins can only improve hereon. So if you would see our quarterly results then in Exquisite we end up somewhere with about 64-65%. So for me everything which we sell from now onwards in Exquisite, firstly from a cash-flow perspective it is 100% incremental and from a P&L perspective I can virtually recognize the entire sale and book the entire profits on this. So if you look at what we have in inventory and if I am able to monetize this entire thing in the next one year my EBITDA from this will almost be equal to my EBITDA this year of the entire company.

Aashiesh Agarwaal

So basically we are looking at about 12 to 15 apartments being sold a month? You would be comfortable with that kind of a number.

Vikas Oberoi The other thing like I said that the sentiments towards an apartment which is ready is very different from what is under construction. Today even though God is kind, we enjoy a good brand name yet people are skeptical when it comes to booking an apartment. If you really see even at Splendor, whatever we had as inventory got completely wiped out very quickly once we got occupation certificate. We are hoping that there will be a repeat of a similar sort here and like Saumil said this entire inventory is just cash sitting on site which needs to be encashed and brought in. And this actually is equal to almost the profit for the entire company this year if one were to really evaluate or equate.

Moderator Our next question is from Atul Tiwari of Citigroup. Please go ahead.

Atul Tiwari Sir my first question is on the Borivali land, could you throw some light on how much would be roughly the saleable area and what are the pending payments for any FSI or any approvals? And what are the timelines for approvals?

Vikas Oberoi We paid for the entire land and as per current norms we should be in a position to get about 4.5 million sq. ft. That is what we have calculated and worked for. We hope that we will get all our permissions probably in the next 6 to 8 months and once we have permissions we will immediately start work. We have already started designing on this. Like I said that we have already paid 100% of the money and we are in the process of getting all our approvals. Anything else you want to ask me?

Atul Tiwari Yeah. Any pending payments for FSI? Any approval etc.

Vikas Oberoi Well there are obviously fungible FSI premiums, some TDR needs to be purchased and so on and so forth. So we are yet dotting the "i"s and crossing the "t"s on that but we can separately take you through the overall contours if you want.

Atul Tiwari And 4.5 million sq. ft. is the saleable area that you roughly calculated?

- Vikas Oberoi** Exactly.
- Atul Tiwari** And sir since the payment has already been done, has this been funded entirely from internal cash flows, etc. because I believe the transaction would have completed after 31st March. So how much is the debt component or how much is the total debt on balance sheet as of date, whatever you could share?
- Saumil Daru** What we have informed the exchanges also is that we had got a rating for about Rs. 750 crores. This is what we have borrowed and so a part of the 1155 was financed through this borrowing of Rs. 750 crores. So the borrowing for this specific project as it stands today is about Rs. 750 crores.
- Atul Tiwari** Sir my last question is on the Esquire realization – so they seem to have dipped quarter on quarter by around 15-17% and even year on year they are down slightly. So is it a mix issue or is it some kind of discount?
- Saumil Daru** Yeah, it is completely a mix issue because again this quarter we were only looking at the lower floors getting sold. Hence that is where you see the average realizations going down.
- Moderator** Our next question is from Puneet Gulati of HSBC. Please go ahead.
- Puneet Gulati** I have two questions. #1 rests again to the Borivali project. Is there any risk that if you do not get any of the permissions then that money would be forfeited or will the Tata guys give you full refund?
- Vikas Oberoi** Again the MOU between Tata and us is confidential. We cannot discuss details on that. All I can tell you is that we have made the payment and we are in the process of taking approvals.
- Puneet Gulati** Okay. And which are these approvals if you can help us identify a few bigger ones?

- Vikas Oberoi** Like I said the document is confidential, we are not in a position to go out in the open and say.
- Saumil Daru** Typically these are all the regulatory parts where you need certain approvals from various parts of the government for various things, so that is about it.
- Puneet Gulati** But I think one important approval here would be conversion of land from industrial use to residential use. Is that already in or we are yet to get that?
- Vikas Oberoi** No, so that is not the condition per se which will hold or stall the deal or something like that.
- Puneet Gulati** Okay. Secondly, if you can shed some more light on the Mulund project, we have been waiting for it. You have already intimated on Worli project. When do you intend to launch this Mulund project?
- Vikas Oberoi** In our last quarter we said that we will be in a position to launch Mulund probably in our second quarter 2015. So we are probably within that range itself. We are clearly looking at anywhere between June and September quarter. We are still on that. We are doing our minor tweaking on the plan, getting amended approvals and hopefully we should be good to go on that.
- Puneet Gulati** In terms of environmental approvals, are we all clear or are there still some pending approvals?
- Vikas Oberoi** We already had an environment approval for the original scheme. Obviously we are required to update it. We will be updating that very shortly and then we will start work.
- Puneet Gulati** How confident would you be on this June-September launch? Is there a risk of delay here?
- Vikas Oberoi** If you put me on a spot I will say that we are very confident and if I have to put my life on it may be I would say that it probably might get pushed by

another quarter. But obviously nothing is going to stop us at least as of now to probably even do it even in the June to September quarter.

Puneet Gulati Lastly on finance, when should we expect revenue recognition to start for Esquire project?

Saumil Daru Esquire depending on how the work goes, of course one also needs to factor the monsoon and keeping that in mind how much work we will be able to carry out through that period. But in this year for sure, it could either be September or the December quarter.

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

Punit Jain I have got a couple of questions. My first question is actually with respect to Esquire. I see that in this quarter you have received some money from Esquire. So is it that the approvals have started coming through and therefore you have raised fresh calls for customers?

Vikas Oberoi Approvals had come a long time ago. We were in the process of getting our agreements and all fine tuned in line with the new regulations etc. Having got that in place, we have obviously announced it and we have started asking people to go ahead and get into agreements. So it is a mix of both. Approvals being in place, we have informed them, they are paying us. Some people do not want to do to an agreement for obvious reasons of not paying stamp duty which we are okay with because it is their obligation. And the rest are doing their document and going ahead with it. So we have just raised our bills and that is why you see money having started coming in.

Punit Jain Also, just a broader question on pricing. Given a fact that you have reasonable amount of inventory and given the fact that sentiment is pretty uneven right now -currently it is not great but it may turn around very fast as well, so do you have any milestones in mind wherein you will change pricing?

Vikas Oberoi

No Punit, my milestones are more on the status of the project. Again I want to tell you that I genuinely do not see any resistance when it comes to buying an apartment because we have Oberoi Woods next door and there there is a humungous demand. I mean today our ready apartment there is available at Rs. 25,000/sq. ft. Now one can understand that there are not many to be resold or whatever, but still it is Rs. 25,000/sq. ft. against that that are under construction and selling at Rs. 17,500/sq. ft. So this is almost a 30% or even more discount whereas these buildings are far more superior in terms of quality, finish. They are today's day-and-age buildings and yet they are selling at a discount. So I would say that it is not about the price, it is about the state or stage at which the project is. Today Exquisite has again suddenly started selling. We have now started allowing people to go and physically see their apartments, look at the views, have a feel of what the building is. So that actually builds in a lot of confidence. Unfortunately our industry has faltered in probably either delivering or delivering in time and we ourselves also are to be blamed for that. But having said that now with the stage at which the building is, it has really started moving on. So to answer your question straight, price is not a problem. It is just the assurance of delivery and what quality will they finally get and stuff like that.

Punit Jain

So let us suppose you sell 100,000 sq. ft. more, will you raise pricing then?

Vikas Oberoi

Again I said that it all depends on the input cost. Again this is a very interesting question that you said. Look at all the developers, I am not even saying exclude me or include me. All of us have been saddled with additional cost of fungible FSI, then increase in cost due to the dollar because a lot of it is imported, like we all import elevators, aluminum windows so on and so forth. There is reasonable amount of import happening and as such the labor cost has gone up and all of that. But all these additions of cost have yet not been passed onto any customer. The first window that anyone will feel, in fact today when you are buying an apartment at a current price it is already discounted for as far as a developer goes, because he is getting a lot less than what he would have got

had he not got these costs in. So there is already a discount built in it, it is not optically visible but there is already a discount. So any given opportunity, forget me, any other developer also will want to gain some ground because it is already lost due to this addition in cost and all that. So I cannot say that I will increase price or not increase price. It will all be depending on how the sentiments will be and how the things will be. Nobody would like to leave profit on the table. And I can clearly tell you that with whatever knowledge I have, I do not see prices coming down because how will developers afford it, the input cost has not come down, in fact it has only gone up.

Punit Jain Just one final question, your Esquire price seems to have gone below your basic price for this quarter.

Vikas Oberoi No, no, what you are comparing it with is, is not a base price, it is an average price for last quarter versus average price for this quarter. So the base price continues to remain constant. It is the floor at which the apartment gets sold gets averaged with the floor rise and that is how you say that. We have not reduced prices. If in any quarter we sell lower floor apartments, they just look like they are sold cheaper.

Saumil Daru Punit, average realization is about 16,372. The base price is 15,000 plus floor rise. We are not below that price.

Vikas Oberoi Exquisite is 17,500 and this one is 15,000.

Moderator Our next question is from Adhidev Chattopadhyay of HDFC Securities. Please go ahead.

Adhidev Chattopadhyay I have a few questions. Firstly, if you could share some details on the NCD issue which you have been doing where you have raised the debt, the indicative coupon at which we have raised it and what has been the security provider? Have we provided the cash flows from the residential project as the security or is it more in form of lease rental discounting?

Saumil Daru The security is in the form of cash flows from one of the residential projects. The coupon we have is 10.85%.

Adhidev Chattopadhyay And this debt what is it like, over a couple of years, means we intend to again become net cash from that intent ?

Saumil Daru Yeah, so while we have taken a pretty flexible route or rather the way we have structured it is there is some part payable after one year, there is part redemption after 2 years and part after 3 years, so the average maturity is a little over 2 years. I also have an option to call if there is an accelerated cash flow from the project which we believe there will be. So yeah, I would believe, I would want to believe sooner rather than later you should see us get back to our zero debt position as far as this project is concerned.

Adhidev Chattopadhyay And I have got another couple of questions on the Worli project, firstly on the hotel, from what we have read it is the estimated cost for the 238-room hotel and the cost is said to be around Rs. 750 crores. So even excluding land it is coming up to more than Rs. 3 crores per room. If you compare to a hotel like Westin if I am not wrong it was around Rs. 1 crore per key. So could you just give us a perspective on what is the sort of the product built at Westin and what you will be building here and why there is such a huge difference in cost, obviously adjusting for the time factor as well?

Saumil Daru Very quickly a few things. One as far as Westin is concerned the building in which it has come up is only a 32-storyed structure. The building in which this hotel is going to come up is a lot taller than that. Secondly when we were building Westin, steel at that time we had purchased for about Rs. 15,000 to Rs. 16,000 per ton, today you are purchasing the same steel at about Rs. 50,000 per ton. Also when we did Westin, dollar was between Rs. 38 to Rs. 40 and today dollar is well over Rs. 60. So when you consider it from all these perspectives, the kind of premiums which we were paying based on ready reckoner rates for Goregaon are very different from the kind of premiums and things which we will be paying in Worli based on the rates

there and obviously between the ready reckoner rates prevailing in 2005, 2006 and what is prevailing today in 2015. So if you will add all these factors in you will find that almost every single cost has gone up right from your daily wages which at that time would have been Rs. 60-70 per person per day to now which is nearly 3 to 4x that amount. So those are all the increases in costs. The other thing is that between a Westin and a Ritz-Carlton there is a huge difference in specs itself. So there is an additional cost which you are going to incur even on the interiors. So this is where it is. When we have said Rs. 750 crores we have made certain assumptions on inflation, we have made certain assumptions on where the rupee-dollar rates go. If some of those things do not go there, things will work out well and within control and then in the end we should land up with may be a lot lesser than Rs. 750 crores but this is just something which we have put as a ballpark figure right now that this is not what it will end up costing.

Vikas Oberoi We rather pleasantly surprise you with a lower cost than show you something which has gone up.

Adhidev Chattopadhyay Another question, you have mentioned in your presentation that you have availed a Rs. 300 crores loan for the Worli project and also in investing cash flow I see that there is a positive investing cash flow of Rs. 109 crores. So do we assume there is any link between those two or are these two separate transactions?

Saumil Daru No, they are separate transactions. I can discuss it with you offline how the accounting treatment in Worli works. So I can take you through that.

Adhidev Chattopadhyay Okay. And if you can just like tell what was the intent behind taking the debt of Rs. 300 crores?

Saumil Daru As far as Worli is concerned we just felt that it made sense for us to replace the monies which we are investing with a bank loan and that is about it. It is just more useful use of capital. That is it.

- Moderator** Our next question is from Swagato Ghosh of Jefferies. Please go ahead.
- Anand** First question, we now turned a net debt company with the Borivali land acquisition, just wanted to get what the comfort level of management is on a net debt-to-equity ratio because we need to now pay a lot of money towards the fungible FSI and TDR at Mulund, for the Prisma launch and also now for Borivali and all of that. So we will need a lot of cash flows. So what is the comfort level we will have on net debt-to-equity?
- Vikas Oberoi** Again, a lot has been made out of we being zero debt to now we getting some debt. If you really look back, though we were not public then, we had a good amount of debt even in 2005 and 2007. So we as a company are very used to situations like that. Yes, we want to make sure that our cash comes in quickly. We want to pay off the debt and that is what we will do. So it is absolutely calculated and worked through. So if you just ask me there is no pressure, no stress on that.
- Anand** No it is not a question of pressure, it is just a question of what is the debt equity ratio that management is comfortable with? Is it 1:1, is it 2:1? I mean where is it that you would start drawing a line?
- Saumil Daru** See if you just look at our financials we have about a Rs. 4500 book net worth as we speak. This book net worth does not take into account the value of what we are doing at Worli because for us in Worli there is no land cost. So if you still look at the net worth it and compare this new debt which we have taken on board at Rs. 750 crores, I am not even at 0.25. I am may be at about 0.2 or somewhere thereabouts. So from our perspective I am very comfortable with that. Obviously the need for debt in the company will depend upon the need of the business for cash. If there are going to be any newer acquisition opportunities for which we feel it will make sense for us to borrow, we are free to explore. Again from what we did with the NCD issuance at about at 10.85% coupon, this is one of the best rates available in the sector right now for anybody to borrow at. So we are very confident that we will do it. We will always ensure that we remain prudent about it.

We will always ensure that there is an asset which is available which will be able to service that debt and that there is no stress on the company. Life should go on as usual. So within that context we will manage it. Very clearly I do not see any debt equity ratio of 2:1 or anything like that. 1:1 is also far for me to reach. To reach 1:1 I will have to borrow another Rs. 3000 crores. So there is a long-long way to go. It is a good question that you asked but I would believe that it is a little premature right now. We will keep looking at things as it takes and as we explained to you earlier, it is not that we are nervous about debt or we have not handled debt before. We have handled our share of debt between 2004 and 2007 and so we are comfortable with that and we will see how it goes.

Anand

Just on that, I know you expect the environment to improve both on the commercial side and the residential side and as the project is near completion you expect the demand also to improve. But given a choice over let us say leasing at a lower price, selling residential at a lower price versus borrowing at let us 10.85% or 11%, what would you eventually choose if things do not play out the way you imagine to?

Vikas Oberoi

We would surely choose to sell, there is no question. At the end of the day one should sell, because that is the reality of market and life. Why should you challenge that? Like I said that if the markets are not good we will sell and we will also buy a lot of land. For us our inventory is in the form of land which will always keep us in the hunt. If the markets go up then we will always be having enough land to capitalize on. Why are you forgetting 2008? In fact at that point we did not have debt but we still went out and kind of adjusted the price to what the markets were and we moved on. So if it is just a question then this really is the answer for that. But having said that I just want to tell you that there is so much input cost that has gone up, I would be very surprised if any developer will be in a position to sell it cheaper.

Anand Last question, firstly we have been spending Rs. 100 odd crores at the moment on a quarterly basis, so now with the work on the hotel to start, do we expect this run-rate to pickup significantly? And second part to that is we have taken this 300 crores of working capital loan, so have we reached a stage in this project where Oberoi will not have to start or will not have to fund anymore to this project? I mean are we looking to borrow more or do it from the project cash flows itself from here on?

Saumil Daru Very quickly, now that the announcement of the partner has been made, once we have a formal launch taking place, even as we speak today in terms of the percentage completion of what I would have to bill out the customer it would be about 54-55%. So on every incremental sale may be 55% of the sale value kind of becomes due immediately. We have sale interest of about Rs. 600 crore odd worth of stuff till today. So from our perspective as far as the residential component is concerned it is already on a going forward basis and it should be self-funding. More importantly there will be additional receipts also which we expect to come from the sale of this, which can go towards funding the hotel component. So may be in a quarter from now you will start seeing that this project is pretty much a self-financing baby and there is no further support coming from Oberoi Realty on this.

Anand And do you expect the construction spend to go up significantly from here on?

Saumil Daru The hotel will go out at may be another Rs. 20-30 crores odd more, so that is there but not something which worries us at all.

Vikas Oberoi And again the hotel building is already under construction so it is just that we had not announced the partner. As you will see that the spending that we have done in the earlier quarters has not only gone to residential building, but has gone into both, the residential and the hotel building. When the foundation was being done it was done for the whole thing and

the hotel also is up now. So if you really see the last quarter it actually includes the structure of the building where the hotel is.

Moderator We will take our next question from Prakash Agarwal of CIMB. Please go ahead.

Prakash Agarwal Question is on the unit size or say the pricing, is it kind of affordable luxury or “luxury” luxury. You have now Mulund and Borivali, so what kind of pricing and unit size you are looking at? Basically the question is towards ticket sizes, what kind of ticket sizes you are looking at in Mulund and Borivali given the fact that in Exquisite and Esquire higher floors are seeing some headwinds in terms of sales. So are you addressing that issue? You are going higher or what is your strategy there?

Vikas Oberoi Let me answer Borivali first. Borivali will be a completely non-competing product when it compares to Goregaon. We are looking at a ticket size of about Rs. 2 crores in Borivali. In Mulund we have done some market survey which says that Mulund in central suburb is equivalent to what a Goregaon is for us in Western Suburb. We might not do 4-bedroom and 5-bedroom apartment there but we might still end up doing a 3-bedroom hall kind of a scenario because a lot of people there have gone in and built 2 bedrooms and we see that there is clear demand for 3-bedroom hall. So between Borivali and Mulund there will be two different strategies and two different ticket sizes.

Prakash Agarwal In Mulund the ticket size would be?

Vikas Oberoi Again there we are hoping to on a base price of about Rs. (+12000/sq. ft.), so the ticket size there would be a little bigger. We are yet to firm upon what sort of configuration we want to go for in Mulund. It might be a bit of a mixed bag. So anywhere around Rs. 3 crores will be Mulund. Rs. 2 crores or less will be Borivali.

- Prakash Agarwal** And so in terms of sizes you mean Mulund would be around (+1500) sq. ft. and Borivali would be around (+1200) sq. ft.
- Vikas Oberoi** No Borivali will be about anywhere between 1000 and 1500 and Mulund could be anywhere between 1500 and 1800.
- Prakash Agarwal** And the second question is on this 4.5 million sq. ft. you spoke about Borivali, can you walk us through? I mean if we do 25 acres what kind of FSI are we looking at, not getting the numbers right?
- Vikas Oberoi** So 25 acres will give you about 10 lakh sq. ft. and you add another 10 lakh sq. ft. of TDR and then you add another 5 lakh sq. ft. of your parking FSI to which you also add fungible of 35% on 25 lakh sq. ft. And then there is some area that you get again by paying certain premium which you can sell to the market. So this stacks up to about 45 lakh sq. ft.
- Prakash Agarwal** And what is the development timeframe we are looking at, I mean if you launch starting next year?
- Vikas Oberoi** This could be a big project for us. Internally we want to give it like anywhere around 5 years. So hopefully we should be able to finish that in 5 years.
- Prakash Agarwal** And this would be a mixed use kind of development?
- Vikas Oberoi** No, this will be all residential.
- Moderator** Our next question is from Tejas Seth from Emkay Global. Please go ahead.
- Tejas Seth** Sir just wanted to have some clarity on the NCR land deal which you had spoken about in the media recently.
- Saumil Daru** As far as the deal is concerned it was just a passing reference. There is an initial MOU in place. However there are still quite a few, if I can call that CPs or CS or whatever has to be done to get the land into a stage which is fit for

development. Once that happens we will be in a position to shed more light on it and bring it into the public domain.

Tejas Seth Any clarity on will it be a JD or it will be an outright purchase?

Vikas Oberoi No, it is a JD and like I said we are very eager to take credit for what we have done but there has to be the right stage. We do not want to overshoot. Let things happen and we will be very excited to share our thoughts or information on that.

Tejas Seth So in Mulund how we are going to do the whole project at one go, will we be doing the same thing in Borivali?

Vikas Oberoi We will be doing that in Borivali as well.

Tejas Seth And what will be the construction cost in this kind of market?

Saumil Daru Rs. 4200/sq. ft.

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

Sameer Baisiwala I was just thinking this year you would be requiring some important approvals for Mulund as well as Borivali to get the projects to the market and the state goes for assembly elections towards the 4Q. So do you think will that have an impact on your approval process?

Vikas Oberoi Not really, in fact these are decisions taken at a bureaucratic level. One does not have to go to any political party or ministry or even like a mayor or anybody. So there is nothing that stops us.

Sameer Baisiwala Bureaucracy gets slower if we around the election time and that is the reason why I am asking this.

Vikas Oberoi I always thought it is the other way round, but I would leave this to some personal comments. But there is no problem in that. Government efficiency is actually at its best when they are being tested.

Sameer Baisiwala Second question, because I am seeing that as far as the Exquisite's ready inventory is concerned, inventory which is getting almost ready, generally cite ready examples but if I were to compare Splendor was at that point time may be Rs. 2 crore ticket size which someone has to pay upfront all of it to buy versus Exquisite that someone now need to pay Rs. 4-5 crores all of it upfront. But do you not think that this is going to impede the sales as and when you hand over the project?

Vikas Oberoi I have seen that different segments have different paying capacities. So it is like when you buy Maruti or when you buy a Hyundai or anything like that you pay upfront. When you buy a Mercedes also you pay upfront. So I guess we are looking at not the same people but we are looking at different segment of people and so obviously their cash positions are different and better and that is what we feel. So we are looking at a completely different segment per se. And when these guys show up they just show up with this kind of money. So I am not unduly worried about that at all. And again and again I keep telling people that from whatever I gather today Goregaon has hit a tipping point with a mall doing so well, a five-star hotel in place. The school today has 1300 kids driving from all over Mumbai virtually because of the quality of the school. So a lot of these parents want to move closer because they find this area nicer, greener. We have got 2200 acres of Aarey Milk Colony next door and so on and so forth. So I think the stage is different today and the location has really come up on its own. We do not see much of a problem. Like we have seen people buy even duplex of Rs. 10 crores each so I am not unduly worried at all.

Sameer Baisiwala And because it is on Garden City for the phases which come after Esquire do you think you would continue to take this specs higher and above and better and the next phases would continue to be at a more premium versus

what has been delivered earlier say Woods, etc., versus I am just questioning, and correct me if I am wrong that as the land parcel gets more and more crowded with more and more number of buildings it may actually go the other way round.

Vikas Oberoi

No, not at all, in fact the entire Garden City had been originally planned with let us say if you put Woods also for about 14 residential towers. The space has been beautifully planned and hence not a reason of worry. I would love to use this opportunity to in fact invite any one of you who wants to come and look at the site and see how ready Exquisite is and you will get a feel of how beautifully it has been built. So in fact when you will see all the towers come up you will be happy. Today if you look on your left there is an under construction site. Esquire is coming up and all of that. Today you will have more labor on site than the number of people that will come to stay finally. So when it gets built, it will of course look a lot better and so to answer your question that we would love to continue to take the spec higher. What this also means is that the quality of people, rather the paying capacity of people who will come later will also be a lot more. This means more revenue and more profit for the company and we certainly would want to try and go in that direction. Now of course I cannot do it in isolation. I have done my bit, created a location and all that but the other bit will also come from the economy, when the economy does well. Let's look at what are we competing with when it comes to Goregaon. Today Bandra and all have gone up at Rs. 70,000-80,000/sq. ft. or whatever, so compared to that one is still a lot more reasonable. Of course I am not saying that this is Bandra, but it is not even in Bandra pricing. Today it is one-third the Bandra price if one were to look at it. So our endeavor will be to give you quality of life, which would be better in any suburb of Mumbai and if we can do that and convince people who have deeper pockets to come here then their capacity to pay is also a lot more. So this is our strategy but one would never just take a strategy and fix it. We are very agile, we continue to look at how things are, who all are coming in, where they stand financially or socially and we want to build our phases around that. So today when we look at

Esquire we only have one wing where we have got a 4-bedroom hall but the way it is we have no 4-bedroom hall to sell at all. I really wish that we had made two wings of 4-bedroom hall or three wings of 4-bedroom hall. But that did not happen. So one only learns out of execution one does.

Moderator

Ladies & gentlemen due to time constraints we will be able to take one last question, that is from Amit Agarwal of SBI Cap Securities. Please go ahead.

Amit Agarwal

My question relates to the cash flows expected in FY15 and may be FY16, if you could just throw some more light that in case situation in residential sales does not improve then how do you plan to manage the cash flows given that we have taken up bit of debt also now and the construction cost which is always going to be there? So how do you plan to manage the cash flows? Is there a possibility that you could be selling any of the commercial assets and a commercial could be hotel or commercial anything of that type?

Saumil Daru

Obviously if I have to look at this from a cash flow perspective rather than a P&L perspective and I am going to use some very rounded numbers for the sake of explanation, if a customer buys something at Rs. 16,000/sq. ft. and construction cost is in the region of about Rs. 4000/sq. ft. Within a month of purchasing from us he pays us up about 40% of the consideration, Rs. 6400. I spend that Rs. 4000/sq. ft. over three years. He pays me Rs. 6400/sq. ft. all at once upfront. So once you have got your land, until and unless you go somewhere grievously wrong, the funding of construction genuinely should not be a problem at all. So in the end much as I would love the sector and for us to be able to price the way we want, in the end it is the markets which determine what kind of pricing will be there of the final product. We are all hostage to the overall market factors. If things go up very good, we sell high and likewise we should be able to sell at a lower price if things do not look good also. So that is the situation. For all these lands which you mentioned about whether it is Borivali or Mulund or Worli, in all of those cases land has been paid for. So now the only thing which we have to look

at is from a sales velocity, if am I selling enough to at least fund my construction cost of the building which if you will look at it in most of the projects our breakeven sale is between 25% to 30%. So once we have achieved those sales, construction of those projects is more or less given. And if you look at historically Woods, Springs, even if you look at Exquisite and Esquire now that is not a problem at all. So it has worked well. I do not see any challenge for the next two years in terms of any of these factors and I think may be in another five days from now we should all be in a far better position to be able to know what is going to happen in the next two years.

Moderator I would now like to hand floor back to the Chairman and Managing Director, Mr. Oberoi for closing comments.

Vikas Oberoi I would firstly like to thank you all for participating in this conference. We continue to receive a lot of feedback from you, very constructive. I would encourage you to do that and like I said that I am more than happy to take people around including your investors to the site and give you all an actual update on what and how things are. Thank you again. Look forward to meeting you all in the coming future. Take care.

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