



“Oberoi Realty's Earnings Conference Call for the Q4  
FY 2018 & Full Year FY 2018”

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**Moderator:** Ladies and gentlemen, good evening and welcome to Oberoi Realty's Earnings Conference Call for the quarter four financial year 2018 and full year FY 2018. We have with us today from the management, Mr. Oberoi – the Chairman and Managing Director 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 is being recorded and 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 '\*' and '0' on the 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 maybe 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 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 over the conference call to Mr. Oberoi – Chairman and Managing Director of the company. Thank you and over to you, sir.

**Vikas Oberoi:** Good Morning, Good Afternoon and 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 fourth quarter and full financial year of 2018, results and business updates. Thank you all for taking this time.

A quick update, we are happy to announce that we have received occupation certificate for our project Esquire and we have completed this project in time and well before the date that we had mentioned in our RERA submission. We have also leased four floors of Commerz-II to WeWork and we continue to see excellent inquiry and we are very hopeful that the rest of the building will also be leased quickly. You are also aware that we have launched a new marketing scheme for our completed projects, which are Esquire and Exquisite, and we are very happy to inform you that we have received a phenomenal response for that.

I will now hand over the call to Saumil Daru to take you through the numbers. And again, both of us will be more than happy to answer individual questions. Thank you.

**Saumil Daru:** Thank you, Mr. Oberoi. I guess most of you would have received the presentation from the IR team and if not, the same is also available on the website along with the results which have been filed with the exchanges. To come to the numbers:

In terms of consolidated financials, the total consolidated revenue for Q4 FY18 was 352 crores. This was as against 302 crores for Q4 FY17 and for the full year FY18, the total consolidated revenue was 1,292 crores as against 1,161 crores for FY17. The consolidated PBT for Q4 FY18

was 178 crores. This is as against 151 crores for Q4 FY17 and the consolidated PBT for the full year FY18 was 649 crores as against 565 crores for FY17. The consolidated PAT for the quarter was at 142 crores as against 101 crores for the same quarter last year and the consolidated PAT for the full year FY18 stood at 458 crores as against 378 crores for FY17.

Moving on to the asset level performance and with the investment properties:

Oberoi Mall which is a retail asset contributed about 29 crores to the operating revenue for this quarter as against 25 crores for the Q4 FY17. For FY18, the operating revenue was 110 crores as against 100 crores for FY17. The EBITDA margins in this vertical is about 94%.

Commerz, our office space asset, contributed about 11 crores to the operating revenue for this quarter as against about 12 crores for the same quarter last year. For FY18, the operating revenue was at about 45 crores as against 48 crores for FY17. The EBITDA margins in this vertical continue to be in excess of 99%.

Commerz-II Phase-I contributed about 12 crores for this quarter as against 8 crores for Q4 FY17. For FY18, the operating revenue was 48 crores as against 22 crores for FY17. The EBITDA margins in this vertical stand at about 84%.

The Westin Mumbai Garden City contributed about 34 crores to the operating revenue for Q4 FY18. This is as against 33 crores for Q4 FY17. And for FY18, the operating revenue was 128 crores as against 126 crores for FY17. The EBITDA margins in this vertical continue to be in excess of 30%.

Moving onto the development properties:

For Esquire, of the total project of 21.22 lakh sq. ft., we booked a little over 42,000 sq. ft. in Q4 FY18. Till date, we have booked about 13.34 lakh sq. ft. which is about 63% of the inventory. The total booking value for Q4 FY18 is Rs. 92 crores as against Rs. 38 crores in Q4 FY17 and the cumulative booking value till date is 2,011 crores. The total revenue recognized for this project in Q4 FY18 is 184 crores and the cumulative revenue recognition till date is about 1,879 crores.

For Exquisite of the total project of 15.47 lakh sq. ft., we have booked about a little over 3,600 sq. ft. in this quarter, till date about 14.02 lakh sq. ft. which is more than 91% of the inventory in this project. The total booking value for Q4 FY18 is Rs. 8 crores as against Rs. 16 crores in Q4 FY17. The cumulative booking value till date is about 2,294 crores. And the total revenue recognized for this project in this quarter is 8 crores and the cumulative revenue recognition till date is again 2,294 crores on account of 100% project completion.

For Prisma, Of the total project of 2.68 lakh sq. ft., we have booked about 8,778 sq. ft. in this quarter. Till date about 2.09 lakh sq. ft. which is about 78% of the inventory in this project. The total booking value for Q4 FY18 is Rs. 16 crores as against Rs. 22 crores in Q4 FY17. Cumulative booking value till date is about 364 crores and the total revenue recognized for this project in this quarter is 43 crores and cumulative revenue recognition till date is about 301 crores.

For Mulund, Eternia Q4 FY18 we booked about 6,900 sq. ft. So, till date about 5.09 lakh sq. ft. The total booking value in this quarter was 10 crores as against 20 crores in the same quarter last year. Cumulative booking value till date is about 747 crores. For Mulund Enigma, in Q4 FY18 we booked about 5,360 sq. ft., till date we have booked about 3.54 lakh sq. ft. And the total booking value for Q4 FY18 is Rs. 8 crores as against Rs. 16 crores for Q4 FY17. Cumulative booking value till date is about 521 crores.

Moving on to Sky City, we have booked a little over 54,500 sq. ft. in Q4 FY18, till date we have booked 13.37 lakh sq. ft. The total booking value for this quarter was 84 crores as against 43 crores for Q4 FY17. And till date, the booking value is about 2,137 crores.

For Worli Oasis, we have booked 9,500 sq. ft. in this quarter. Till date, we have booked about 4.42 lakh sq. ft. Total booking value for this quarter was about 43 crores and the total booking value till date is at about 1,759 crores.

Coming back to some key financial parameters:

Our EBITDA margins for this quarter was 53% and for FY18 was also at 53%. PAT margins were at 40% for this quarter and over 35% for FY18. EBITDA margins for mall and Commerz are as usual much higher than the averages as mentioned before. And excluding them, the margins for our pure residential business stands at a little more than 48% for the full year.

With this, we would like to open the floor for any questions that you all may have. Thank you.

**Moderator:** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

**Atul Tiwari:** Sir, can you throw some light on any plans for the Thane land, any color in terms of when we could see some launch from that parcel and the configuration of the project and the total saleable area?

**Saumil Daru:** Hi Atul, Saumil here. We are still in the process of closing out the transaction and what we are looking at now, is from an architectural perspective, we have started work on the design of the project, we are working with a whole bunch of architects in terms of the concept and all of those. One thing which we are very clear about in terms of the launch is, that the launch would

definitely be in this financial year in all probability. So, if you look at it, we have always said that the festive season is something that we could be looking at for the launch for this project. So maybe about September-October of this year in all probability, is the launch. In terms of configuration, it is still pretty dynamic. We are also at our end studying the market, seeing what all is there, what is it that we could come up with. Obviously if you look at the way the Thane market is, we will end up doing some bit of midsize apartments and some other bits, but I think we would want to discuss that in far greater detail as we get closer to the launch and as we get more clarity on how things are working out from an architecture and design and market perspective. So that is the limited bit we have right now. We have always maintained that once we close out everything, once all things are done, then we will come out and give more color around how we want to go ahead with that project.

- Atul Tiwari:** And sir any comment on the saleable area that we could get from the total land parcel?
- Saumil Daru:** Again, once we finish the entire acquisition, I think it would be better for us to comment on the entire potential at that point of time rather than say something now and either end up looking very conservative or end up looking very over aggressive.
- Moderator:** Thank you. The next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.
- Abhishek Bhandari:** I actually had two questions. First question, Vikas you mentioned in the opening comment that you have seen a good response to this discount scheme. Can you throw some more light over there? And do you expect this scheme to significantly increase your sales velocity in those two projects?
- Vikas Oberoi:** I can easily answer your second question because it is not quantifying something. These are all market sensitive information, but like I said that the response is phenomenal and we are very excited and motivated to do similar schemes at other projects and, for other inventory that we have and stuff like that. Again, it will be project specific and again it will be to boost sales in certain projects and we are currently working on it and hopefully will come up with something.
- Saumil Daru:** And in terms of velocity from our perspective, I think maybe we will wait for the June numbers to come out and I think it will then be easy for you guys also to see the impact that this has had on the offtake and the velocity.
- Abhishek Bhandari:** And the second question is around this accounting. This quarter we had some deferred tax creation which led to overall tax rate coming down. So, could you explain what is it regarding and on a sustainable basis what is the effective tax rate?

- Saumil Daru:** No change on effective tax rate on a sustainable basis. These are just some true-up adjustments which we typically end up making at the end of the year, so I wouldn't want to read anything more into this, than the fact that it's a true-up adjustment at the end of the year.
- Moderator:** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Just continuing on the same deferred tax thing, what really led to this creation?
- Saumil Daru:** It is not a deferred tax creation or anything, it's just a tax adjustment which we have done. As I said, this is the end of the year adjustment. These are tax related matters, so I typically don't get into more details on that one as it is sufficing to say what I mentioned earlier that it is a one-time tax adjustment.
- Puneet Gulati:** Broadly on this leasing side, four more floors getting leased, when does the rent start kicking in and where does it take you in terms of occupancy?
- Saumil Daru:** In terms of occupancy, I guess, we would land up at close to about 60% or thereabout. Again, as Vikas also mentioned, when we began the call that in addition to this, what we are seeing is also a very healthy pipeline in terms of inquiry. So that also gives us a lot of confidence in terms of how it would go. As far as this particular transaction is concerned if I am not mistaken, the rent commencement is with effect from July, so it will be with effect from the next quarter.
- Puneet Gulati:** How are the terms of trade here? Is it similar to what you have done for the previous 48% or is it different?
- Saumil Daru:** It is pretty similar. Everything is in the same ballpark now.
- Puneet Gulati:** So, there is no revenue sharing kind of thing here, right? So flat rental you that you will earn irrespective of how they do?
- Saumil Daru:** Correct. That's typically an office space concept. The revenue share is more what we are seeing in the mall rather than in the office space asset.
- Puneet Gulati:** Okay. And then there was also a bit of price discrepancy between Esquire and Exquisite. Has it gone completely now?
- Saumil Daru:** Yes. More or less, it's gone. The way it has been priced at now, both are almost similarly priced.
- Puneet Gulati:** So on per square feet basis from a buyer's perspective, it will not make any difference whether you are buying Esquire or Exquisite?
- Saumil Daru:** Except for the size of the apartment, other than that, nothing else.

- Puneet Gulati:** So on per square feet is it same realization?
- Saumil Daru:** Yes. It is more or less similar.
- Puneet Gulati:** In a way Esquire realization would have gone up. Is that fair to assume?
- Saumil Daru:** In a way, yes. But for example, the reason Exquisite always ends up being on the higher side is because the inventory as far as Exquisite is concerned is now all on the higher floors 45 and above. So, when that gets sold, it comes with corresponding aspects of floor rise and as far as Esquire is concerned, we have inventories kind of spread a little over all the floors. So there the average realization ends up being a little lower.
- Puneet Gulati:** So, what is the base rate right now?
- Saumil Daru:** It is close to about 17000 bucks a sq. ft. in terms of a base rate.
- Puneet Gulati:** And for Exquisite?
- Saumil Daru:** Again similar.
- Puneet Gulati:** It's similar? So, 15,000 has gone up to 17,000 in a way. Lastly, any progress on the mall which was supposed to come in Worli and Borivali?
- Saumil Daru:** So, in terms of work internally, there is more than a fair amount of work which is happening internally in terms of site preparation. At both the sites, we have started our site preparation activity and once we freeze out the plans and get all the approvals, that would be the time to come back to you all in terms of what are the exact areas and all of those.
- Puneet Gulati:** Has the construction contract been given out already?
- Saumil Daru:** Yes, for both.
- Puneet Gulati:** And in terms of the third phase in Goregaon, any comments to share? How are you thinking about that now?
- Vikas Oberoi:** That contract has also been issued, in fact very interesting data that comes out is after we are done with Esquire, we from our own account will not have a single ready apartment left to sell. Everything that will come will come after 3.5 or 4 years when the third phase comes into play. So there again work order has been issued to L&T, so site preparatory work is on, excavation is on, we want to finish this scheme bit, we want to get the right numbers in place and we then probably might launch that also instantly. This will be a non-competing product because this will only get ready in next 3.5-4 years.

- Puneet Gulati:** So, should we look at launching this also around September-October?
- Vikas Oberoi:** Yes, in festive season and we want to start the work, get the momentum onsite, so people know that the work has started and it is progressing well and stuff like that.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.
- Adhidev Chattopadhyay:** First question is with this Mumbai development plan which has just come out today, do you see some delay in any approvals coming in now in the year? I know you have already purchased a lot of TDR and other stuff for your Goregaon and Worli projects. Do you envisage any delays there?
- Vikas Oberoi:** In fact, Adhidev, this is a positive because the delays were because this plan was not coming out., Now that the plan is out, there is clarity and certainty. So, things will only get better.
- Adhidev Chattopadhyay:** But do you need to rework any of your plans or do you see because of that...
- Vikas Oberoi:** No, I again want to tell you that there is really no surprise built in because the government had in piece meal got a lot of it in play already like FSI in certain road width had gone up. So, all these were either already declared or the intentions were clear, so there is really no surprise element in this at all. We had already planned for this, and all the developers, I would say to their credit they would have planned because this information was very easily available.
- Adhidev Chattopadhyay:** Do you envisage FSI going up anywhere on account of this?
- Vikas Oberoi:** Well, whatever little I read, again, it's not going up in, it's pretty much generalization of FSI. They want to give boost to commercial so they are pushing commercial FSI in city and so on and so forth, but nothing other than that.
- Adhidev Chattopadhyay:** And second question is now, this is for Saumil, on the revenue recognition for both Mulund and Borivali, so when do you expect in which quarter around, the first half or second half this year. Any clarity on that?
- Saumil Daru:** I think as far as Borivali is concerned, the first half of the year is very much on. As far as Mulund is concerned also, Eternia should be pretty much again the first half. As far as Enigma is concerned, we just have to ensure that we hit that 25% sale mark and then if that happens, then that is also the first half of the year.
- Adhidev Chattopadhyay:** Last question. Any activation plan similarly for Mulund because as I understand like Goregaon was a lot of competitive inventories. But again Mulund, we are just a third of the way in terms of construction. So, any specific plans to do any activation to boost the sales rate there?



- Saumil Daru:** I think we will see as we go along, we are also keeping a track of what we are selling and how much we are selling. So as and when things work out it will happen, but yes, we have clearly got an eye out on what our go to market strategy is in the coming year. I think you have already seen the first roll out of that happening in terms of Exquisite and Esquire. Let's wait and see how it kind of rolls out further.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.
- Kunal Lakhan:** Just on Worli, this quarter we saw a big drop in terms of sales traction versus what we saw last quarter. Is this more of a timing issue to close the transaction or basically how should we look at the run rate going ahead?
- Vikas Oberoi:** No, absolutely correct. We have our internal processes which capture complete closure of a transaction. It's just one of that, nothing other than that. The demands are fantastic. In fact, if you see collections from there also have been very good, so absolutely on track and in order.
- Kunal Lakhan:** This is for Saumil, have we now clarity on what will be the overall land outlay at Thane including the approval cost, the fees and the conversion cost?
- Saumil Daru:** I think I have mentioned even before this, that we are still in the process of closing out that whole thing. So, give us maybe a quarter or so more, and I think we should be able to come back to you all with full clarity on that one. We have our own internal handle on it, but let us just finish the whole process and then it will be far easier to come back to you all with more accurate numbers.
- Kunal Lakhan:** Sure. And lastly you have taken approval for fund raise of Rs 2,000 crores of equity. How likely will that be this year?
- Saumil Daru:** You have seen us doing this enabling resolution for the last 4 years. See from a typical perspective, if there is a transaction in the physical market where there is a land acquisition opportunity, you try to do anything around those times and getting shareholder approval and all is a typical 30-day process for the whole thing. So, from our perspective if you see, this is what we have been doing for the last 4 years. We have taken enabling resolution and we wait. As I was discussing with somebody else also earlier today, just because I have loaded the gun doesn't mean I will fire it, but it also means that it's easier to press the trigger when required.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** Sir just couple of questions. Firstly, on the Esquire project, we did have, I think, the OC received in January, but the sales surge wasn't that high and you have launched this new scheme now. So, on the underlying market what is your reading now?

- Vikas Oberoi:** We just thought that if you want to create velocity, we will have to do something different and this is exactly what we have done. We preempted the market and just went and did that and like I said we received phenomenal response and are very excited about it. There is no point in retaining that inventory and holding on for 3 years or 2 years. If I continue with that velocity, I will take 3, 4, 5 years to sell the rest of the stuff, so I didn't want that lag to happen and this is why we really tested the depth of the market by doing this and like I said that we have received an excellent response.
- Abhinav Sinha:** And just on the scheme itself, so how do your cash flows work here?
- Vikas Oberoi:** People pay us 25% upfront and we give them a credit to pay the rest of the 75%, which they do in the 1st year, 2nd year and 3rd year. And just so that we are sure of the money that we should receive, we make sure that these guys are all bank loan approved and we simply go and discount that money and take it today. So, the bank takes the payment risk from the customer directly. All the customer needs to do is either refinance it after 1<sup>st</sup>, 2<sup>nd</sup>, 3rd year installment or go and pay to the bank, because we have already discounted that money and received it.
- Abhinav Sinha:** So roughly the net realization should not vary too much, right. I think that is what Saumil was saying earlier?
- Vikas Oberoi:** Yes
- Abhinav Sinha:** Secondly, beyond the 3rd phase in Goregaon, what are the launch pipelines that we can expect for FY19?
- Vikas Oberoi:** Thane property is one. Again, we have got Borivali, next phase we got Borivali mall, we have got Worli mall. So, all these are there, enough work.
- Moderator:** Thank you. The next question is from the line of Chintan Modi from Motilal Oswal Securities. Please go ahead.
- Chintan Modi:** Just one thing, first of all on the collection part, this quarter we have seen pretty strong collections of Rs 546 crores. I just wanted to know that you have mentioned in quarter 2 that there are some collections being postponed. So, is that an effect because of that?
- Saumil Daru:** Yes. If you recollect consequent to RERA coming in, we had to work out all the agreements under RERA. So, consequent to that, there was a little bit of a pile up on collection. One aspect that you are seeing is the unwinding of that and as far as the other aspect is also concerned, you would have seen that we have started handing over possession in Esquire. So, the demands for that also were raised, so even that is so to say contributing to the cash flow.

- Chintan Modi:** Sure that is now, what had been piled up, is now recovered or we will continue to see in further quarter also?
- Saumil Daru:** No. More or less, I think if you would see in most of the cases whatever was the billing to be done until then has been done. It's simply a question of the money is coming in now over the next quarter or so. So now the lag effect is, so to say, over.
- Chintan Modi:** In your launch pipeline, do you also have Commerz-III to be launched in FY19?
- Saumil Daru:** Yes. So that is also something that we would look at now that Commerz-II has done well. We are already, as I mentioned earlier, at about 60%, a few more transactions and we should be up into 80%, that would give us very good support and a lot of confidence for going ahead with Commerz-III.
- Chintan Modi:** So, I am just coming to that. If you can just highlight how the market is behaving in terms of commercial overall, specifically if I look at Goregaon area. There are few more launches also being planned by some other peers like Nesco which has a new commercial office coming up by December.
- Saumil Daru:** From our perspective, as far as Oberoi Garden City is concerned, we believe that it's a fantastic location in terms of being an integrated development. There is residential around it, there is a mall around it, there is a hotel around it. So, the entire support system for the office also is pretty strong around this area. And then if you look at the metro connectivity, so again as far as this one is concerned, we have metro station right outside the complex. So that also, of course the metro connects everybody on the highway, t from our perspective it just adds that much more to us. If you look at it, if it genuinely becomes a commercial hub, it's a nice thing for the whole area to develop. If you look at BKC, again it's not dominated by one building or one developer. It's a huge cluster of development. So, we are very happy if the whole area develops as an office location. And, it in a way also helps us with our residential market because people working close by would want to come and stay close by.
- Chintan Modi:** Right. Just one data point like for 360 West, how much we would have spent till now?
- Saumil Daru:** It would have been close to about Rs 2,000 crores spent.
- Chintan Modi:** This includes Ritz-Carlton or Ritz-Carlton is separate?
- Saumil Daru:** It does.
- Chintan Modi:** And Thane if you can mention like where we do stand in terms of approvals and how much we would have spent till now?

- Saumil Daru:** As far as Thane is concerned, as I mentioned earlier also, give us a quarter or so, we can come back to you with all the numbers including what all has been spent and everything. So just give us a quarter. Let us close that out and come back to you.
- Moderator:** Thank you. The next question is from the line of Manish Gandhi. He is an individual investor. Please go ahead.
- Manish Gandhi:** My first question, will you be able to share detail about our new Tardeo project, for which we have recently awarded construction contract.
- Saumil Daru:** Again, not a very large project Manish. The total area there would be anywhere between 3.5 to 4 lakhs sq. ft. Other than that, let us get to a situation where all the approvals and everything is in place and then again, we will come back to the markets with more information about that.
- Manish Gandhi:** One more thing just to add on that resolution, so surprisingly you have upped the limit from Rs 750 crores to say Rs 2,000 crores for the QIP. Now we are sitting on Rs 3,500 crores limit. I am sure it's not for Thane. I understand what is the technicality, but are you sensing that you have a great opportunity in hand or something on table that you can close this year apart from Thane or you are looking for something like that?
- Saumil Daru:** See from our perspective, we have always said that courtesy RERA and courtesy everything, there are going to be a lot of opportunities that are going to get thrown up. Some of them would involve a joint venture or something like that which would be a little more capital efficient and some of them could also give us opportunities in terms of outright buying out the lands from the developers and that kind of transaction that you saw as far as the Thane land was concerned. So, from our perspective, again as I mentioned in my earlier answer also we always like to be ready. This is an enabling provision that we have always had since the last 4 years. The quantum that we were looking at that point of time would have been based around the market value of the company at that point of time. Today if you look at the market cap of the company that has also changed substantially. So, I would only read that much and not more. So, from our perspective it has always been kind of a Boy scout's motto "Be Prepared", so if there is an opportunity which comes we do not want to be spending 30-40 days in terms of getting shareholder approvals and all of those.
- Manish Gandhi:** Definitely. Just to squeeze one last one. So, regarding Phase-III of Goregaon, so it is almost 65 plus storied 5 towers. So, as per our old presentation, we have 1.6 million resi. So this is of course going to be much bigger than that. So, can you quantify that?
- Saumil Daru:** Again, I think our responses to almost all these questions are that we always like to come back to the markets with more color once all approvals and everything are in place. That just helps avoid unnecessary estimations or as I said earlier also, you do not want to be over cautious and

you do not want to be over aggressive. So, we are happy to get a full clarity and full confidence about what the total potential is and then come back.

**Moderator:** Thank you. The next question is from the line of Archana Menon from Morgan Stanley. Please go ahead.

**Sameer:** This is Sameer here. Quick question Vikas to you is on your discount scheme, does it show that you mis-read the market in terms of the pricing and the real price is actually 10%-15% lower and that is what your discounts scheme achieves?

**Vikas Oberoi:** Firstly, the velocity which we want to achieve probably would not have been achieved had we not come up with this sort of scheme and again these schemes also give a lot of emotional value more than merely price. If you see the prices of both Exquisite and Esquire are not less, I mean they are at least 30% or 40% higher than its closest development. So, I would not read as much on price. It is more like the product is ready. We want the volume and we can afford to do this and I thought it appealed to the emotional sentiment of the buyer and this is what we have really gone for.

**Sameer:** When you say Vikas that you are going to try to do something like this in other projects as well. Well, the big difference between this and the others is this is now complete and ready inventory and others my guess is even a revenue recognition has not started. So, why would you want to do this sort of a thing in other projects?

**Vikas Oberoi:** We feel that as a company we want to increase our market share when it comes to volumes and we also believe that doing more work, we can make more money for all our stakeholders. We as a company have evolved and so we are in a position to build a lot more and with as good or even better quality. I feel we want to gain market share, we want to scale up and if this is the game one has to play, then so be it. But we really want to test the depth of the market and we want to go for it. And I am really hoping that we are on a right strategy. If there is anything that you must tell me which is different from what we think or are doing, I am very happy for advice also.

**Sameer:** No, I think clearly the sales velocity shows Vikas, that the pricing had gone ahead of the market may be by 2-3 years and developers were sort of keeping the time value with themselves and that is the reason why we are saddled with so much of unsold inventory. But just moving on Vikas, my guess here is that I do not know how many units you sell that you can call success, may be out of 350 unsold maybe you sell 150 to 200 whatever, but the point here is that if you get Rs 1,000 crores or Rs 1,500 crores or whatever upfront within maybe a quarter or two, what is your thought process of deploying this capital and I guess that is the whole reason why you are doing this?

**Vikas Oberoi:** We obviously believe that we want to buy land and this will be the best way to do that. Again, like I said that we have changed our philosophy. We want to build a lot more, we want to sell a

lot more and thereby make a lot more money than rather sitting on inventory and waiting for it to appreciate. So, if I were to say that yes, we do not see prices appreciating going forward but as a company we have enough to build and make money out of considering today's land price and construction cost and then selling it. So, we feel that we going to play that game.

**Sameer:** So, you have deals on the table at the moment that you can deploy this capital?

**Vikas Oberoi:** We genuinely process 2,000 land proposals every year and literally end up buying one because we go for the best and the best and the best one only. But again, we see a lot of deals that are available, we let them go for multiple reasons, but yes, we could look at them as well.

**Sameer:** See, on capital deployment once you have got your Borivali mall, Worli and Commerz-II Phase-II, all 3 of them sort of upfront capital and no concomitant in source. So, what is the total capital outlay between these 3 over next 2 to 3-year time period? And how do you plan to fund it?

**Vikas Oberoi:** No, well I mean, we will obviously be taking construction finance and we will fund it through that. We are still working out the numbers, but again for our mall we have so much demand for both Borivali and Worli that I can pre-lease it in the next one single quarter if I want to, I mean if I was not very price sensitive on the rent, I have that kind of demand today. So, this is exactly what we are doing. And then once if these are already spaces that are leased out, they pay back for themselves. So, construction loan will probably go away in 2 years or 3 years of its rent.

**Sameer:** And how do you total up the full outlay for these 3 projects?

**Vikas Oberoi:** We are still working because we were waiting for these new policies to come. We want to understand what part of that area we will need to buy from the government, what part of that area will be available on a premium and what part will be coming in by way of TDR. There is a metro TOD scheme that is going to come in and all that transit-oriented development scheme where the government will sell that FSI to fund the entire TOD and all that. So, we just want to finally have that number in hand and then come and tell you exactly what will it be.

**Sameer:** The plot which is adjacent I think the Crompton Greaves plot has been bought by Oberoi. Is that true?

**Vikas Oberoi:** No, that is not true. I wish it were true but it is not true.

**Moderator:** Thank you. The next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

**Samar Sarda:** Just a couple of questions. One, on your Mumbai central project, would not want the numbers but just understanding the size, see mostly we have been developing larger layouts. So, what is the thought process of getting into a smaller project? It can be a little high value but 400,000

square feet plus minus and if you are getting into one such project, are there plans to replicate this across different markets of Bombay?

**Vikas Oberoi:** We have always been open to projects that are smaller. Yes, as a strategy we like large land parcels but this is a good deal. Like Saumil said that once we get all our approvals in place, we will explain the entire transaction. You will be very happy and proud of the fact that we did this and it is a beautiful location overlooking the Willingdon club. So, very beautifully located and we were very tempted to do it because of the location itself.

**Samar Sarda:** And one question on Thane, of course I would not trouble you on the numbers. Just on the payment front since the ready reckoner has not gone up. The payments which have to go to the government like because it is a big quantum, will they happen in FY19 by the end of the fiscal or you are thinking of pushing it to like next fiscal?

**Vikas Oberoi:** No, it will happen within this year itself because if we are planning to launch it, then obviously we will have to make sure that everything is done and we are in control of the entire land parcel and all.

**Samar Sarda:** And one last question was on the absolute debt. It would be a number around Rs 1,900 crores by the end of March?

**Saumil Daru:** It would be close to about Rs 1,600 crores.

**Samar Sarda:** So, just a question on there like again it is the best balance sheet in the industry right now but from an absolute debt perspective, what is the comfortable number for the management like is it Rs 2,000 crores-Rs 2,500 crores to what level can you take this debt to?

**Vikas Oberoi:** Ideally, we would not want to increase our debt and we want to keep the ship tight. And we may not even need it as such with the way we are now planning to sell or whatever, but like I said that it is all opportunity driven and we take this very seriously. Have not had a number in our head, but certainly is conservative very clearly.

**Saumil Daru:** And if you look at the sector, I mean if you really look at it, I mean where has all the aggressive leveraging by all other developers got them towards. So, you can expect us to continue to follow prudence. Again, if you look at the revenue recognition coming up in terms of Mulund, Borivali, that cranks up your net worth also. So, again your debt to equity ratio starts looking very different. So, it will all be relative at all points of time, Samar.

**Moderator:** Thank you. The next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

**Mohit Agrawal:** Just one question. So, there is an increasing trend among Mumbai developers of cutting the apartment sizes in order to reduce the overall ticket size and make it more affordable. What is

your thought on the same and do we plan to do something like that going forward in our new launches or we continue with 3 beds in a typical 3 bed configuration that we do?

**Vikas Oberoi:** If everyone is doing one and two bed room, there will obviously be huge over supply in that segment. And having said that, we have a good brand reputation and we are able to build quality and sell these larger apartments much more than anyone else would. So, obviously our focus is going to do this and in some markets, may be like Thane and all, we might come up with the apartment sizes that are smaller. So, we will play within this for now.

**Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

**Saurabh Kumar:** Sir, the first question is essentially on the accounting of this scheme. So, basically whatever you sell, the balance money which comes sits as debtor on your balance sheet so it is on the receivable side and against that you have a securitized debt on the liability side?

**Saumil Daru:** No, because once we have collected the money, we will not be reflecting it as debt.

**Saurabh Kumar:** So, this will just be off balance sheet?

**Saumil Daru:** It is not off-balance sheet also as far as the banks are concerned, the loan is to the customer. So, there is no off-balance sheet also as far as this is concerned.

**Vikas Oberoi:** And we will net off the interest cost that we will have to incur and take it, so we will only get net what we are supposed to get, our obligation is done. We do not have to repay to the bank. The customer has to repay them. So, in our books, it will never look like a debt. It is not even a debt really. Technically also, it is not a debt.

**Saurabh Kumar:** No, it is not a debt but okay so there is no receivable and okay and fine.

**Vikas Oberoi:** Nothing like that.

**Saurabh Kumar:** And the second question Saumil you just referred to this market capitalization of the firm, so I mean, so we obviously get a boost in profits in fiscal 2019 because you have whatever 3 projects and hopefully Worli if it comes but F20 onwards if somebody has to look at, can this profit sustain and I was just looking at your presales is it kind of stuck at that Rs 1,300 crores-Rs 1,700 crores range, I mean we have just broken out once but we are in broadly there for about 4-5 years. So, I mean do you think you can get to something like Rs 2,300 crores-Rs 2,500 crores for you to sustain profits beyond fiscal 19 beyond the bump up you get next year?

**Saumil Daru:** Yes, so again if you look at it the bump ups coming just from the first phase of both Borivali and Mulund. We have the second phase left as far as both are concerned. If you look at Thane,



so may be by the time period you are talking about even Thane starts coming into revenue recognition and all of those. Then we have the Phase-III of Goregaon which is going to come in. So, these are all large meaningful projects which will all contribute very well as far as the P&L is concerned. I do not see so much of a problem as far as the sustainability is concerned because just look at everything that we have right now that itself is good enough to sustain plus whatever additions come along as we move down the line also.

**Saurabh Kumar:** Eventually for that you will have to like go to about Rs 2,000 crores plus number that is the number I was getting to.

**Saumil Daru:** Correct. So, Worli starts coming into the recognition and Worli would then continue to kind of over the next couple of years after that also contribute meaningfully to the overall. So, as far as things till 22-23 are concerned, I think we have a fair amount of clarity as to how this pans out.

**Saurabh Kumar:** And second is essentially on this Worli thing. So, Vikas obviously mentioned that you do not want to be stuck with inventory post completion and that is heartening to hear but that will be the likely situation in Worli because it will get complete hopefully over the next 12 months and you will have almost whatever the way you are calculating, you have between Rs 5,000 crores- Rs 5,500 crores to come from that. So, I mean if you sell everything would you want to figure out some activation around that maybe today just to get that thing in as quickly as possible?

**Vikas Oberoi:** Well, all these schemes will be literally like horses for courses. We cannot generalize everything at one go as someone earlier mentioned then these are inventory, this is ready, others are under construction we still have a lot of time and when it comes to Worli, we will see how the velocity is and again today I genuinely feel that Worli is underpriced compared to the product that is ready and available. Today, Beaumonde is available for Rs. 100,000 - Rs. 125,000 a square foot on carpet and we are still at 60,000-70,000. Beaumonde is not a Samsung built or KPF designed or such a sophisticated building as ours is. It is a good building but it was good in its time. This building is far superior. So, we feel that once our entrance lobby is ready, our club floors are ready, it is a product Mumbai has not seen. And we know for a fact that there are lot of people who are fence sitters waiting for the building to get ready. They do not have any compelling reasons. One it is not even ready that they can pay and move in. So, they are waiting for reasons for them to come in and buy and one being that the minute it is ready and people start moving in you will see momentum. So, I do not think in Worli one will ever even require discounting. It is a beautiful product and we hardly have anything to sell beyond this.

**Saurabh Kumar:** And just on this your RentCo assets, so when does this Borivali and Worli mall complete and when does Ritz-Carlton commission?

**Saumil Daru:** So, Ritz-Carlton would be about September – October next year. So, put it as Q3 next year and as far as the other 2 are concerned give it about anywhere between 2 - 2.5 years kind of a timeline.

- Saurabh Kumar:** So, Q3 F20 you are talking about, not September.
- Saumil Daru:** Q3 F20, yes.
- Saurabh Kumar:** So, basically our rental grows in F19 basis the leasing you achieve in Commerz-II and then the growth then a substantially F21 weighted.
- Saumil Daru:** Yes.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC securities. Please go ahead.
- Parikshit Kandpal:** So, Vikas I had a question for you, I mean it is heartening to know that you said that you are now focusing on sales velocity and getting volumes and higher market share. Pertaining to that I mean are we looking out for anything at all? Earlier we were planning to diversify outside Mumbai. So, is that plan on since you are focusing on volumes?
- Vikas Oberoi:** Well, we continue to look at property outside Mumbai and a start that we want should be with a land owner who is willing to do a JV with us and who has a good local connect. We have not been able to get one. The minute we do that, we will obviously be at it. Once we are able to set up an office there, then we will look at buying land parcels also. And again, we are in no hurry. It could happen in the next 1, 2, 3, 4, 5 years, there is no real urgency. We want this company to last 100 years. We are doing enough work in Mumbai, so we want to go with the right partner for a right cause with the right reason and all that. So that is where we are.
- Parikshit Kandpal:** Regards to this new DP, so will this be FSI neutral for our portfolio in Mumbai?
- Vikas Oberoi:** I still have to study it. It is a positive for the whole of Mumbai really. So, I see more positive than neutral but I have to still study the entire impact then come back.
- Parikshit Kandpal:** And there are I think around 4,000 hectares of land opening up. So, which is like 8% or 9% of total land in Mumbai. So, will it impact, I mean obviously it will open up lot of land opportunities, but in terms of supply will it restrict further, I mean pricing appreciation?
- Vikas Oberoi:** It is music to my ears because this is the raw material I need for my product and we are able to build well and we have a good reputation. If the market size increases, it is only a huge positive for us. And like I said we have changed strategy, we have changed gears and we are getting ready to build more and earn more money out of building more. So, price is not something that we are really concerned if land prices get rational. Our profits are more out of processing land into ready product and we will continue to do that.
- Parikshit Kandpal:** But we will stay around the similar band of margins right which is 48%-50% in the resi business.

- Vikas Oberoi:** That again like I said that we want to focus more on quantity of money earned rather than the margin.
- Parikshit Kandpal:** And just lastly if I can squeeze in, last time in the call you had mentioned that there is one big corporate office you get shifted to Commerz-II, so has it happened or still awaiting?
- Vikas Oberoi:** So, this is what we were saying there, -WeWork was the international company we were talking about.
- Moderator:** Thank you. The next question is from the line of Dhruvesh Sanghvi from ProsperoTree. Please go ahead.
- Dhruvesh Sanghvi:** Just one question, can you just give us some background about the Juhu property, what actually happened in a nut shell and where are we heading and by when can we have some resolution there?
- Vikas Oberoi:** Sorry, which Juhu property are you talking about?
- Dhruvesh Sanghvi:** The Tulip Star.
- Vikas Oberoi:** Okay, so there is no progress there. The matter is in court, we are seeking what you call specific performance of the agreement that we have entered with them, but nothings really moving there as yet.
- Dhruvesh Sanghvi:** Any ray of light that we can have from there?
- Vikas Oberoi:** Well, we keep talking to each other offline but nothing really, nothing is happening as yet.
- Dhruvesh Sanghvi:** And sir the last one, within Esquire in the current scheme, are we also having a similar possibility for the larger priced penthouses and the duplexes that we have there and is it the similar form of demand coming in there as well?
- Vikas Oberoi:** Yes, absolutely. The demand is overall. Like I said, we are appealing more to the emotion of the buyer than anything else. It gives him that confidence, he comes in with less money and the rest of it is staggered. So, this is a huge positive for them.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to the management for closing comments.
- Vikas Oberoi:** Thank you all for taking time for this conference call. We like receiving feedback from you all. It only helps us think better, deeper and improve our performance. Please continue to give us your views and input and continue to help us deliver better. Thank you again.



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