



“Oberoi Realty Limited Q4FY 2019 Earnings
Conference Call”

May 13, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty Q4 FY19 Earnings Conference Call. We have Mr. Oberoi – the Chairman and Managing Director of the Company and Mr. Saumil Daru – the Director of 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 conference call is being recorded and the transcript for the same may be put up on the website of the company. After the management's discussion, there will be an opportunity for you to ask questions.

Should anyone need assistance during this conference call, you may signal an operator by pressing '*' and then '0' on your touchtone telephone.

Before I hand the conference call over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts, and may be forward-looking statements, including those relating to general business statements, plans and strategy of the company, the future financial condition and growth prospects.

The forward-looking statements are based on expectation and projections and may involve a number of risks and uncertainties and other factors that could be caused actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I now hand the conference over to Mr. Oberoi. Thank you and over to you, sir.

Vikas Oberoi: Good morning, good afternoon, good evening to all of you as per the time zone from which you have logged in. And welcome to the Conference Call of our Fourth Quarter Financial Year 2019 Results and Business Updates. Thank for taking time out to attend this call.

Before I begin, I would like to share with you a few quick updates:

Firstly, we are glad to let you know that we have crossed Rs. 2,500 crores of top-line for the first time in any financial year, Oberoi Mall also continues to throw healthy numbers, and we have crossed Rs. 150 crores of operating revenue from the mall,

With this, now I will hand over the call to Saumil who will take you through the details of all the numbers.

I will be happy to answer any of your questions that you will have during the Conference Call.

Saumil Daru: Thank you Mr. Oberoi. I guess most of you must have gone through the Presentation by now, and if not, the same is also available on our website, and along with the results which have been filed with the Exchanges.

In terms of consolidated financials:

We achieved a total consolidated revenue of about Rs. 597 crores for this quarter as against Rs. 352 crores for Q4 FY18. For FY19 full year we achieved consolidated revenue of Rs. 2,661 crores as against Rs. 1,292 crores for the full year FY18. Consolidated PBT numbers, Rs. 222 crores for Q4 FY19 as against Rs. 178 crores for Q4 FY18, and for the full year FY19 consolidated PBT of Rs. 1,177 crores as against Rs. 649 crores for FY18. PAT numbers were at about Rs. 155 crores for this quarter as against Rs. 142 crores for Q4 FY18. And for FY19 our total consolidated PAT stood at Rs. 816 crores as against Rs. 458 crores for the full year FY18.

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

The investment properties beginning with the Oberoi Mall, which is the retail asset, contributed Rs. 38 crores to the operating revenue for this quarter as against Rs. 29 crores for Q4 FY18. For FY19, Oberoi Mall contributed Rs. 150 crores to the total operating revenue as against Rs. 110 crores for FY18. And the EBITDA margin in this vertical stand at about 95%.

Commerz, which is our office space asset, contributed Rs. 10 crores to the operating revenues as against Rs. 11 crores for Q4 FY18. For full year FY19 Commerz contributed Rs. 41 crores as against Rs. 45 crores for FY18. The EBITDA margins for this asset continue to be in excess of 95%. For Commerz-II Phase 1 this contributed Rs. 25 crores for Q4 FY19 as against Rs. 12 crores for Q4 FY18. For FY19 full year it contributed Rs. 83 crores to the operating revenue as against Rs. 48 crores for FY18. EBITDA margins in this asset are above 90%.

Lastly, the Westin Mumbai Garden City, that contributed about Rs. 37 crores to the operating revenue for this quarter as against Rs. 34 crores for Q4 FY18. For the full year FY19 the Westin Mumbai contributed about Rs. 137 crores to the operating revenue as against Rs. 128 crores for FY18. The EBITDA margins in this vertical continue to be in excess of about 33%.

Quickly, moving then to the development properties, beginning with Esquire. This quarter we booked about 46,700 square feet. Till date we have booked about close to 16 lakh square feet which is nearly 75% of the inventory. The total booking value in this quarter was Rs. 97 crores as against Rs. 92 crores for Q4 FY18. Cumulative booking value till date is Rs. 2,554 crores. The total revenue recognized for the project in this quarter is Rs. 97 crores and cumulative recognition till date is about the same as Rs. 2,554 crores on account of 100% project completion.

For Mulund; Eternia, till date, we have booked about close to 6 lakh square feet. The total booking value for this quarter was Rs. 14 crores as against Rs. 10 crores for Q4 FY18. Cumulative booking value till date is about Rs. 871 crores. Total revenue recognized for this project in this quarter was Rs. 77 crores and cumulative recognition till date is Rs. 369 crores.

For Enigma, till date, we have booked close to 4.1 lakh square feet. The total booking value in this quarter was Rs. 17 crores as against Rs. 8 crores in Q4 FY18. The cumulative booking value till date is Rs. 601 crores. The total revenue recognized for this project is Rs. 28 crores in this quarter, and cumulative recognition till date is about Rs. 133 crores. Thus, for Mulund totally,

till date, we have booked a little over 10 lakh square feet. The total booking value is 31 crores in this quarter and cumulative booking value in Mulund stands at Rs. 1,474 crores. And the cumulative revenue recognition till date is Rs. 502 crores.

Sky City, we booked nearly 51,500 square feet in this quarter, till date, about close to 16 lakh square feet. The total booking value for this quarter was Rs. 83 crores as against Rs. 84 crores for Q4 FY18 and till date, the booking value stands at Rs. 2,560 crores. The total revenue recognized for this project in this quarter is Rs. 233 crores and the cumulative revenue recognition till date is about Rs. 1,222 crores.

For Three Sixty West, this quarter we have booked about 24,420 square feet. Till date, we have booked about 5.5 lakh square feet. The total booking value in this quarter was Rs. 105 crores. And till date, the gross booking value stands at Rs. 2,240 crores.

Coming back to some key financial parameters:

Our adjusted EBITDA margins for this quarter was 43%. PAT margins stood at 26% for this quarter. EBITDA margins for mall and office business is much higher than average, as mentioned before. Excluding them the margins for our pure residential business stands at 34% for this quarter.

Thank you. And with this, we would hand over the floor for any questions that you will have.

Moderator: Sure. Thank you very much. The first question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: I had couple of questions, I will take them one by one. So, Vikas, last year same time you have spoken about some of your first-ever joint venture projects in South Mumbai, we haven't really heard much since then. So, if you could probably update on that. And have you restarted looking at some of these joint venture opportunities in the market with fresh eyes?

Vikas Oberoi: Well, we already are in the process of developing the rehab component of the South Mumbai property that we are talking about. We are still awaiting certain clearances for the free-sale component. Once we have that, we will announce it in the market. So, it's a beautiful location, very low on investment. But like I said, we have a small component of rehab to be done. Once that rehab gets completed, then we will do the free-sale component. This is redevelopment and not purely SRA or something like that. And this belonged to somebody who's done a JV with us.

And to answer your second question, are we open? Of course, we are open. And the present timeline doesn't really suggest anything because after all the NBFC mess, we only see very tainted properties or absolutely something that one can't touch. So, you have to tread very carefully.

Abhishek Bhandari: Sure. So, second question, Vikas, is on your new subvention scheme, if I can use that word, for Esquire. So, now it looks like 25, 25, 25, 25 has been extended to 25, and 15 into 5.

Vikas Oberoi: Correct.

Abhishek Bhandari: So, is it any indication of a slow movement in the ready inventory or have you raised the prices to probably account for the time value of the deferred payment that will come to you?

Vikas Oberoi: So, obviously a bit both. One is like as a company we are getting used to developing so much more. And if you look at us five years ago, the amount of construction we were doing was far lower than what we are doing. So, I can't have the same strategy to sell what I was selling then applied today. My production has gone up literally 5x. The good part is that literally only 10% of the developers are left as such.

On your third component, as far as prices go, what we have really done is we have added that cost onto the price, and not absolute, absolute, but most of it. And if you see from the customer's perspective, what he is really looking at is a finite cost and a finite time. We came up with this after discussing a lot with some of our customers. This also puts them into some sort of a discipline that they will pay off 15% every year. We also realized that a lot of people have apartments which they are staying in, they want to sell them and move into these apartments of ours. But they are not able to time their sale. So, this gives them a mental comfort that they can sell their existing apartment within the first one, two, three years and a lot of them change their mind that they don't want to sell it because they feel that they are able to generate this sort of money within the business and pay off.

So, as far we are concerned, we have inventory of already close to Rs. 1,000 crores left to be sold. I mean, if you look at apartments in numbers, they are less than 200, on a total Goregaon stock of close to (+2,500) apartments. So, less than 10% of the stock is left to be sold. The other good part is that there is no fresh inventory that comes into play for the next three years. My Phase-3 of five buildings will only be ready in the next three years. So, whoever really wants to move in into a ready apartment and wants to do it now, it's just these apartments. And so that's like how it is like.

Abhishek Bhandari: Sure. And Vikas, my last question would be on this enabling resolution, both on debt and equity side. It is a little surprising because we are looking at a scenario when our Worli project will start throwing positive cash, and hopefully that can meet most of the CAPEX requirement for our investment properties. So, why such a large Rs. 2,000 crore kind of at least equity enabling resolution, is it just an annual ritual what you do or is anything in your mind?

Vikas Oberoi: Basically, it's an annual ritual that we do. We make sure that whenever opportunity comes our way, we are ready. That is our first and foremost objective. We are mindful of the fact that yes, Worli will start giving us cash. But I cannot time the cash flow with the opportunity that we have within our rent-yielding asset that we are intending to create. So, we just want to be ready. I

mean, if you really look at the math, Borivali can actually almost fund its own construction also. But that means that three other towers need to come into the market. I don't want to create a situation where I have myself, like, created too much supply of the same product and defeated the original purpose by itself. So, what we really want to do is ensure that. And moreover, these rent-yielding-assets also give a flip to my property, because who does not want to stay within the convenience of what we are building, literally like a mini-township. So, we are just timing it in a way where we may need monies upfront for these rent-yielding-assets and we could do that. Here again, you have seen that we have not even touched our rent receivable discounting and stuff like that. So, we now have enough fuel for us to go about. It's just being prudent keeping our options open. Nothing indicates anything as such.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Please go ahead.

Puneet Gulati: Yes. Just to dwell upon this thought a bit more. Are you indicating that you will launch the commercial projects first and you postpone the second phase of Borivali?

Vikas Oberoi: Not really. So, just for your information, the construction work for the three additional towers has also started. And the mall work is also happening as we speak. So, there is no delay in starting the work. We could time the sale as such. Like, as far as the fifth tower goes, the minute we started this subvention scheme in Borivali, we got a fantastic response and we were back on to almost similar numbers that we were doing in its prime. So, those sorts of numbers are back. And so, what we really want to do is we have launched five towers and five towers are close to about 1,800-odd apartments. So, we don't want to now add another 1,200, we just want to pace them out, we want to make sure that these get taken. And our entire market is actual user market. I would say, 95%. So, that's a huge positive. And we just want to phase these out, nothing else, otherwise we have scattered sales at different buildings, people always want a view and those other apartments get left and then they get difficult to sell, all lower floors get sold first. So, there are many wheels within wheels that one has to strategize. Supply being just one, what kind of supply and so on and so forth. And then different buildings are at different progress level. Like if you see Borivali, some buildings are almost 70%, 80% super structure done. It's unfortunate that a lot of people would end up passing by that building, but when you see, you really see that magnanimous scale of work that's been happening there is a real delight. Even we haven't done work at that pace and that quality in the past. So, we are surprising ourselves also and really enjoying doing that.

Puneet Gulati: Okay. Secondly, can you give some sense of what kind of CAPEX do you have planned for your investment properties for this year and next?

Vikas Oberoi: Well, our endeavor is to finish the entire CAPEX for our commercial properties, as in the malls. We can take you off-line and give you the breakup. I mean, obviously, we need to invest in TDR, we need to invest in the construction. These are the two components where we need to put our monies in.

Puneet Gulati:

Okay. I also noticed that Commerz-II area has gone up 725,000 to 782,000 square feet.

Vikas Oberoi:

So, Commerz-II is now fully leased, literally, barring one floor where we have given some optionality to somebody. We are completely done with the entire building. And this also actually brings me to another point, which I had made long ago, and I will try to correlate it with the residential demand. There was a huge lull in the commercial market, and we saw that a lot of developers were converting their commercial building into residential buildings. And then there was a slowdown in the residential bit. But when these guys stopped building commercial buildings, today if you see BKC, there has not been a new building addition for the last five years. These are high CAPEX businesses and a lot of people refrain from building commercial buildings. But the demand has now caught up, and you saw that literally in two quarters we were able to lease almost 800,000 square feet of our building. You will be happy to know that we are now starting Commerz-III, which actually we have already started, this is 1.8 million square feet. So, that is the third addition that we will be doing.

And now I want to correlate this into the residential bit. See with all the NBFC meltdown, most developers are not able to raise money from banks. Banks are not easily giving monies to these guys. They also don't have a great reputation where they are able to presell this in the market. The third and the most important component is, they also don't have ready material like how we have. We have today Esquire, if we sell all of it we have Rs. 1,000 crores coming from Esquire. That itself can take care of a lot of our own construction for the residential buildings. And very soon, we will have similar stock in Borivali and Mulund, which will be ready with lock and key.

So, while we are strategizing and creating this marketing spiel of how to sell ready products, we are continuing to invest and build stock. Just fast forward yourself two years down the line with the kind of financial mess most developers are in, most of these buildings are not going to get completed. You will see a lot of them in and around my South Mumbai or in and around Goregaon, which have cranes hanging on top of that and nothing being done inside. So, obviously, buying a house is not going out of fashion. What this will in turn do is this will divert customers to good developers, and this will divert customers to developers who are in a position to deliver. And this is where we see both demand and price going up. I am very carefully avoiding it that prices will go up because supply will completely diminish. We all talk about inventory, I consider inventory of apartments that are like surely going to be built or more importantly, either they are already built. There is lot in the pipeline, but there's a huge clog in the pipeline, and nothing seems to be passing through. And this is when people will realize that at the other end of the pipeline whatever little is left will start getting appreciated and getting sold. So, I just want to tell you again, yes, it's a game of patience, but it's a very sure game of patience because unlike other products, our lead-to-market is a lot longer. And so, like today after I am done with these 200 apartments in Esquire, my next product will come only after three years. So, if somebody were to be buying next year or a year after that, it will not be available. So, this is my two bits on it.

- Puneet Gulati:** No, that's fine. So, what's the plan for the launch for the 3rd Phase of Goregaon, then?
- Vikas Oberoi:** So, the third phase of Goregaon, see, what we have done is we have really benchmarked Esquire. Today, if you do the math, Esquire basically at a base price works to about Rs. (+18,000) floor-rise is what the price of Esquire is. If you derive the net present value, you guys are all mathematicians, you can really do it. For a buyer it probably works give or take about Rs. (+15,000). What we are thinking is that we will be launching the third phase very soon once we are able to get another push in sales of a ready apartment, then these are noncompeting products, actually. One is ready, you pay the money and move in, the other one is under construction. And we will have a very attractive scheme. We internally have also thought that we are going to be a real-estate company with literally a marketing FMCG hat, with a financial solution hat, with the design hat, with many things. We want to be a real-estate company which actually uses IT so much that we would be called an IT company doing real-estate, we want to be an FMCG company doing real-estate. So, these are the new things that we are trying to inculcate within ourselves. And this is only at the back of opportunity, opportunity not literally created by market but created by competition, by their absence as such. So, this is a phase where ORL will look at gaining market share and pushing our brand forward and become the first choice of any buyer.
- Puneet Gulati:** Okay. So, I appreciate all the strategies, and I also appreciate your competition is pretty much becoming absent. But do you see momentum coming back on the sales pick-up side, in general? Or do you think that is still about a couple of years away, if it would come back?
- Vikas Oberoi:** So, I don't know whether it was your question or the one earlier, but nevertheless, the answer is relevant to what you are suggesting. We have sold more apartments in this financial year than we sold in the last financial year, almost like 2x and 3x. And in some of the projects, that one quarter has been better than the entire year put together. Now, there are multiple reasons to this. Again, if you really look back, until March end it has not been that great, we still had that entire confusion of GST, whether the government is going to charge 5%, going to charge 12%, what will it be to the customer X, Y, Z. Then, we are also having a huge overhang of elections. I mean, this is a large purchase, you are not buying popcorns or a movie ticket, this is serious money and people do get affected. They want to know what kind of government we are going to inherit going forward. So, once all this is in place even with all the factors that don't seem positive, there have been enough and more sales happening. And I told you that some quarters have been better than the year put together. Having said that, I feel going forward, with everything put to rest, we only are looking at a positive push to economy.
- Puneet Gulati:** Okay. Fair enough. Lastly, on Thane, if you want to comment.
- Vikas Oberoi:** Well, I mean, we are so close to closing. Give us just one more date, and we will come back to you with good news.
- Moderator:** Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: My first query will be, I was expecting you to actually talk about land acquisition for residential with this stress in the market. But to my surprise, you were leaning towards the rent-yielding-assets for the enabling resolution. So, just I am trying to understand from you, has the opportunity been lesser or the quality of opportunity been much inferior to what we usually target? So, just understanding the business development side of things.

Vikas Oberoi: Well, when I make a decision, I look at multiple indicators on the dashboard. One indicator is that what sort of land bank am I sitting on. If you really see, I have got Goregaon, I have got Worli, I have got Borivali, I have got Mulund, I have got JVL and now I have Thane. So, I have enough of my own land bank. If you really do the math, you will know that the amount of square feet I am building multiplied by the price that I am selling, and these are discovery of price very clearly done. And I am not talking about one or two apartments, these are 500 -1,000 apartments. So, the amount of revenue I am going to generate in the next four, five years.

Having said that, that still does not deter us from buying new land. It clearly depends on the quality of the land that's available. A lot of my friends thought that with this NBFC crisis, with this GST and with RERA a lot of these developers are going to die a slow death, which is absolutely true. But unfortunately, what has happened is that the land that they have got, that they are offering or what is available is so bad that you can't make business out of that. I can clearly see the NBFC and the developer both lose their shirt. And in this tug-off, we have to only wait and watch until this entire orchestra is over. Until and unless we let that stop, if we jump into this we also run the risk of losing our own shirt. So, I want this dust to completely settle between the developers and the NBFCs and the bank and some of these guys, because a lot of these guys have borrowed money from NBFCs and rigged themselves. So, all this has to come out, all the toxic that is there in the asset has to come out. Somebody has to take a hit. As we see today, nobody is willing to take the hit when we go.

And so, let this happen, we will be back in the market, we are very much looking at it. And we are very keen to buy, it is not like we are not keen to buy. Like I said that there are multiple, I don't have any pressing urgency. You just heard people asking me when am I starting Goregaon Phase-3. Goregaon Phase-3 is close to about 45 lakhs square feet saleable. I mean, 45 lakhs square feet saleable, and the price in this area, we are talking of Rs. 8,000 crores, Rs. 10,000 crores of sales. So, I have very serious business happening here. Similar to that I have got Borivali, I have got Mulund, Mulund is about 4 million square feet. Only 1 million of the 4 million square feet is sold. We have got Thane, Thane is big again. So, all this put together, and more land. I don't need to be desperate. Of course, I am seen in every transaction that gets sold, and we have a price where we would love to enter, come what may, and the state of the property. But if either of them is not met, then we are happy to let go of it.

Abhishek Anand: Makes sense. Secondly, coming to Mulund, of course, Esquire, we can launch a subvention scheme, and it has got its own USP of people shifting to that property. Mulund, I think it's still a couple of years away from completion. And sales velocity has been below par. So, what's the

plan of action on that side? And just a related one will be that realization at Enigma declined, is that a mix, because it's a material decline from 15,500 to 13,800. So, just trying to understand on that trend.

Vikas Oberoi:

So, two things. One is in FY18, we did 32 apartments. In FY19, we did 74. So, it's more than doubled. And here, again, if you see we started subvention in the last quarter of that year. And almost all of the sales are of that period. Going forward, you will see the velocity increase. And again, I would say that from what I read, there's a clear shift in the minds of the customer. And as developers, we are responsible for the shift. Today, the customer does not have enough faith that this developer will finish this project in time. I am not talking about a few of us because we have been able to deliver a few or our other developer friends have been able to deliver. But by and large, people have delayed deliveries. And a lot of people have got hurt because they borrow money, they pay their installments., and if their houses get delayed, the cost gets added.

So, going forward, I feel subvention is going to be the name of the game. I don't even call this as subvention. The customers say that if you are going to give me a product in that finite time, I am okay for you to add that interest cost and give me a fixed number. I don't want to be in a situation where I pay the bank interest, and you don't deliver me the product. And when we tell the buyer that, oh, this is our RERA date of completion, but my real date could be a little faster, but I am not willing to commit on that. I can only give you an indication. But the customer, in his mind, then wants to take the RERA date of completion, and he's right about it. If I want to build that aggression, I can build that aggression in price by telling the customer that, okay, I will give you a subvention scheme at this price, which will be more dated towards my internal date of completion. And if I did it, then I am getting hurt on that and not the customer, which is only fair, I would say. So, I just tell you that the markets are moving towards this sort of scenario, and I am telling you that very soon, everyone will have to do that.

Abhishek Anand:

Sure. And the decline in Enigma realization?

Saumil Daru:

More of a mix factor.

Vikas Oberoi:

So, we have got different pricing for different views. And what had happened was that in Enigma, I would not call it a premium view, but a better view, was not launched in the market because of certain approvals. We got those approvals. We started selling them. So, the lower floors of that wing have been sold, and that's why you see the decline. We have not reduced prices in any of the projects,

Abhishek Anand:

Sure. And finally, on GST status across projects, have adopted 12% for the ongoing projects or there are some projects that you have adopted 5%?

Vikas Oberoi:

So, wherever we are able to obtain 12%, if you recollect, we have actually passed on the benefit to people. So, for my buyers, effectively, they are paying me the same 5%, 5.5% only. And what we thought is that we do the shift, then we will lose out on all the input credit that one would

get. So, we just thought that we continue with the status quo and finish these projects this way. But from buyer's perspective, nothing changes. He buys it at the same price we have been able to communicate to them, convince them, and they are all very happy about it.

Moderator: Thank you. The next question is from the line of Neeraj B. from Goldman Sachs. Please go ahead.

Neeraj B.: So, question on Three Sixty West. When do you expect the OC to come?

Vikas Oberoi: So, we are looking at applying for OC now, as in like within this quarter, hopefully. And we should get OC before the end of this September for at least a part of the development. And a full OC should also follow within the next three months. So, before the end of this calendar year, we are hoping that we'll get OC for the entire building. We are expecting part OC between June and September. And we are going to start giving possession to people for them doing and stuff like that within this quarter itself.

Neeraj B.: Okay. And in terms of sales of Three Sixty West, you sold three apartments, the rule applies that the taxes will have to pay whether you get the customer, or you get OC or not, but actually, it will have to be paid by the customer. Is that the rule right now?

Vikas Oberoi: Not really. Once we get OC, then there will be nothing. And what we have done is we moved toward all-in price now. We are now moving on to an all-in price where everything is included. The GST, which also included, everything is also included in the price. So, the customer does not separately pay or not pay for GST. For him, it will be 1 ticket price. It won't change.

Neeraj B.: Got it. And in terms of investment in Three Sixty West, what I noticed is around Rs. 3,000 crores and Rs. 3,700 crores. Is that number right?

Vikas Oberoi: That's also not the total cost.

Neeraj B.: Okay. So, how much cash flow would be invested? Or how much money would you have first right before sharing with the joint venture partner?...

Vikas Oberoi: All the money that we have invested comes out to us first in an 80:20 ratio: 80% comes to us, and 20% goes to the JV partner. So, all our cash will start coming out as we start selling. And that's why we are very, I mean, either way, we are very motivated to make sure that we do the sale.

Neeraj B.: But before the OC, don't expect much sales to happen, right, because of the taxation issues?

Vikas Oberoi: Not really. Like I say, there is now one price. Irrespective if it's GST or not, we have decided to absorb the cost and move on, either we sell it now or we don't get any benefit of GST. So, we are really not separately handling or charging GST anymore.

- Neeraj B.:** Okay. Second question is on the pre-leasing of both the malls of Worli and Borivali. Can you give some thoughts on that?
- Vikas Oberoi:** We have just had one deal. We will now start doing other transactions also. We are finalizing the plans as we speak. Cinema is something that we need a lot of input from the operator, and hence, we were keen that we sign the cinema deal first. Having done that, we are now looking at closing other tenants who don't really have much of an input on the way the structure of the mall should be.
- Neeraj B.:** Right. And when do you expect this these malls to be given for fit out?
- Vikas Oberoi:** So, I think end of 2020 or like maybe a little earlier than that.
- Neeraj B.:** End of 2020 or December 2020?
- Vikas Oberoi:** December 2020.
- Saumil Daru:** December 2020 is when we expect the malls, actually, the Borivali Mall to be kind of operational.
- Moderator:** Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** A couple of quick questions. First of all, because you said in your pre-sales velocity has been increasing, and you're quite happy with that. But when I see the total year's number, about Rs. 1,750 crores, if I am not wrong, and that includes the first and second quarter where you had Esquire activation. As I see Rs. 1,750 crores in absolute terms and compare it with the other players, even smaller Bangalore companies, which are one-fourth of your market cap, I believe Rs. 2,500 crores of sales. So, comparing your sales to your history is one thing, but comparing it to your peers, and that, too, in more competitive markets versus here in Mumbai, where you are having a field day, doesn't look very impressive. Any thoughts on this?
- Vikas Oberoi:** Well, we are very mindful of what you said. My statement was more towards the last quarter and not really for the entire year put together. And two, we are also reasonably happy given the past 9 months that we went through with projects like Mulund and other places. So, we are very mindful. We have taken this to our heart that smaller companies with half the market cap are doing much larger sales than what we are. So, we are putting our act together, and that's what I said - you may not have been privy to the few questions that were asked.
- Sameer Baisiwala:** I was on the call.
- Vikas Oberoi:** We want to be a real estate company with a FMCG hat, what a marketing hat. We want to be a company that gives financial solutions. We want to be aggressive. We want to use IT to do all these things. So, we are gearing up to what you said. Again, my only defense is that our margins

are much better. But that still does not take away the volume game that we want to play. We want market share, especially when most developers are falling apart. We should use this opportunity. And if we don't, then really, shame on us. So, completely take care your point. We are mindful of it, and we are taking very serious steps towards this.

Sameer Baisiwala: Yes. And regarding second question, again, is in sometime, say, I don't know, three years, five years, your three key big projects, Goregaon, Mulund and Borivali, would all be done. And what would then become as a Thane-Worli company?

Vikas Oberoi: Assuming that I am not going to buy any land for the next five years.

Sameer Baisiwala: No. The question comes because to replace these large projects and then to have big land parcels evenly spread out, good locations, good micro markets can't be done quickly. So, should we not be seeing signs of that earlier than later?

Vikas Oberoi: Okay. So, I just want to tell you, we bought Thane, we bought Borivali, literally in a span of three and six months. After we bought Borivali, with the entire DP math, put together, we were able to launch that project within less than 18 months. Less than 18 months. With hardly any competition in buying land, don't you think that we are far better positioned than what we were in 2014 when we bought the Borivali land or 2018 last year when we bought Thane land. So, if you are to compare, we are much better situated from both our own company point of view and from completion point of view. We are far better placed. Why would we worry about all this?

Sameer Baisiwala: I would worry about it because if you look at it, five or six years, two land acquisitions.

Vikas Oberoi: Why will it take five or six years for land acquisitions?

Sameer Baisiwala: No, looking back in history, over last five or six years, what you have done you acquired two large projects, isn't it? So, therefore, you have always been a fairly strong balance sheet company, market has not deteriorated today, it's been struggling for three, four years, the NBFC crises is a recent one but not sector one. So, I am not trying to give you a hard time, Vikas. The pace with which you are deploying capital versus your commentary on the opportunity side don't seem to be matching up and doesn't sort of play out your strength in the balance sheet and the cash flows.

Vikas Oberoi: Well, firstly, caution has always been our strength. I'll just correct you that it's not been six years, we bought Borivali exactly five years ago. It took us 18 months. We launched Borivali 3.5 years ago. In 3.5 years, we have done cumulative sales of how many?

Saumil Daru: Rs. 2,500 crores.

Vikas Oberoi: Rs. 2,500 crores only on Borivali. Land purchase was at Rs. 1,000 crores. We are on the 48th slab of the building. We top up this year done and dusted. Though our RERA date is 2022, we should be delivering in 2020. So, as far as the deliveries go they are reasonably okay, And Thane,

we bought exactly, give or take, 15 months ago, and we are just about to close the documentation, and we will be in the market before September. And these are really large projects. If you total up about Borivali, we are constructing, physically constructing more than 10 million square feet, and residential and the mall put together is almost 70 lakhs square feet. And 70 lakhs square feet, if you multiply by the base rate, they're talking of a Rs. 10,000 crores to Rs. 12,000 crore project, which is literally the size of the Bangalore project with all humility that I am saying, I can talk about. We make more money in 1 single project than they've made in their entire life cycle put together. So, my two bits, but completely respect what you said. I am mindful we need to increase speed, mindful we need to ensure buying more land. But against all these, I want to do it at the back of a lot of caution. Market has appreciated us for the stand we have taken. At some point in time, we are given a pat on our back for showing discipline, and sometimes we have to answer question that, is discipline coming in your way of growth. So, this is a choice we as promoters have to make. And we play this fine balancing act between the two and try and work out it through. But we have never been right for everybody, so we just thought, be right for ourselves first and then allow the market to judge our company the way we want to work, and we work. But again, all and every one of you make amazing suggestions because you guys have your eyes and ears for everybody. You are all our well-wishers. I take your comments very seriously, and we will go back to the drawing board and see where we have missed a point or two and come back.

Sameer Baisiwala: That's great, Vikas. I guess in short, the point I am trying to make here is once you're buying two projects, you said five years, I am saying even 8 or 10 years because before Borivali, there must have been three to five years of not having done anything. Are we getting into a place where you would be probably be buying some nice land, large land parcel, say, one every 12 to 18 months, I guess, over the next three, four years because that's exactly what is required for you to then replenish what you lose in those three locations?

Vikas Oberoi: I agree with you. If there is an opportunity that comes my way, I will make sure that I will take that. We are financially able to. As a company, we have the capability to build also. So, I think I agree with what you say. It only then comes down to what sort of land parcel I will be offered. And I will take a call basis the property that's being offered to us.

Sameer Baisiwala: Yes. Just a couple of more, if I have permission.

Vikas Oberoi: Oh, okay. Go ahead.

Sameer Baisiwala: One is on the new South Mumbai project that you alluded to at the very beginning of the call. Is that a small boutique project? Or is it a large asset and value terms project?

Vikas Oberoi: So, totally, the entire project is about 400,000-odd square feet, and the area is there one can easily get, let's say, Rs. 50,000, Rs. 60,000 square foot on carpet. So, I mean, this is a Rs. 2,000 crore revenue project and we have 60% stake in it, and the partner is 40%.

Sameer Baisiwala: Okay. And any update on, Worli Mall? I see construction going on. But I get confused if it is the Metro or your project.

Vikas Oberoi: Well, it's both. It's both. Metro has not really started work on our site. I am waiting for them to do that. So, that a lot of our intertwining kind of situation get sorted out. The plans are done. We continue to do raft foundation. And yes, we are basically waiting to time the Metro and the mall such that we don't have Metro work happening in front of us once the mall is ready.

Sameer Baisiwala: And have you developed underground?

Vikas Oberoi: Yes. We are on level four basements, and I invite you to see it any point in time. You are very close to the site.

Moderator: Due to time constraints, we would be able to take one last question. We take the last question from the line of Chintan Modi from Motilal Oswal Securities.

Chintan Modi: So, just to extend on one of the previous questions, can you speak in terms of the growth potential going ahead? If you can highlight what more in terms of, because we also look at large land parcels, typically. So, what is the kind of opportunity available? And which are the key micro markets within the MMR that you'll be looking at for future growth?

Vikas Oberoi: So, Chintan, I just want to clarify. I'd rather use this platform to clarify that it's not like we are only looking at large land parcels. For me, the same 6-acre, 7-acre land parcel is also big enough. 3-acre, 4-acre land parcel is also big enough. I am only looking at return on time invested. And typically, when I look at a large project, what we really do is we have economies of scale. A lot of people have not noticed, but when we do a project like Esquire, we design one apartment. There are six apartments on one floor. They get replicated by 50 floors and that gets replicated into three buildings. So, you're looking at 900 apartments coming out of this. We do all value engineering for one apartment. When we design a show apartment, it's just one apartment. When we do all the costing and all the value engineering, it's only for that one apartment. We get the benefit of this multiples. If you see unlike many other developers who make half the building of a particular shape then changing their shape and then again, changing their shape and again, putting something new on top, we don't believe in that. We like clean lines. We build clean structures. This helps us in obtaining speed, reducing complexity. So, there are advantages of doing larger projects, which you see, and then you also benefit out of your own development. Had Goregaon not been an 80-acre land parcel, I would not have been able to afford to do a mall, a hotel and office and resi. Each one complements the other one. Having said that, just because it has merit, doesn't mean others have demerit. They also have merit in doing what others do. We are mindful of that, open towards it. And you will see us seriously compete with even in smaller land parcels.

So, it's not like we are waiting for only large land parcels. I just want to use your question to clarify to others who are listening that it's not just that. If we have indicated, it's more because

smaller land parcels get sold more expensive because smaller players are able to bite into that deal, whereas larger land parcel, there are fewer developers who can buy that. So, when you buy big, you get it cheaper. When you buy small, because many people are looking at buying it, they kind of push the price up. And that's what we are trying to avoid all the time. That's it. I don't know whether our market understands our strategy or if our strategy is good. But honestly, we have been following this strategy.

Chintan Modi: Sure, that's helpful. And secondly, just to clarify that Exquisite 3 and Thane launch, we should be assuming that in FY20 for sure, right?

Vikas Oberoi: Yes, 100%. Should be second quarter or third quarter.

Chintan Modi: Okay. Sure. And what kind of average ticket size that we should be looking at Exquisite-3?

Vikas Oberoi: Leave us this to be answered in the next quarter. We are working on it and will be out soon.

Chintan Modi: Definitely. And just one last question. With respect to your personal stake in Worli, you had mentioned in the last call that you are considering certain options to make, say, an exit that is at arm's length. Any updates that you would like to share on that?

Vikas Oberoi: Well, the part is the same, but nothing materialized there yet. But the thought is to elegantly get out in a way for others to close this loop in a way where absolute transparency will work out. That's what I can tell you.

Moderator: We will take that as the last question. I would now like to hand the conference back to Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you all for taking time to attend this conference call. Like I said earlier, I really like receiving feedback, even if they are not in tune to what we are doing. In fact, the most valuable suggestions are the ones that are contrary to what we are doing. They make us think a lot harder. They help us perform better. And this is your company. You guys really do a great job. And please continue to do so. I am really thankful to you, all. And thanks again. Good luck, guys.

Moderator: Thank you very much. On behalf of Oberoi Realty, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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