



“Oberoi Realty Limited
Q4 FY '23 Earnings Conference Call”

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

Moderator: Ladies and gentlemen, good day, and welcome to the Oberoi Realty Q4 FY '23 Earnings Conference Call. We have Mr. Oberoi, the Chairman and Managing Director of the company; and Mr. Saumil Daru, Director of Finance of the company, with us for the call. Please note that this call will be for 30 minutes.

And for the duration of this conference call, all participant lines will be in the listen-only mode. This conference call is being recorded and the transcript for the same may be put up on the website of the company. After the management discussion there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call you may signal the operator by pressing star then zero on your touchtone telephone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call is partly based on the historical information or facts and may be forward-looking statements, including those relating to general business statements, plans, strategy of the company, the future financial condition and growth prospect. The forward-looking statements are based on the expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

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

Vikas Oberoi: Thank you. Good morning, good afternoon, good evening to all of you as per the time zones from which you have logged in, and welcome to the conference call of fourth quarter financial year 2023 results and business updates. Thank you all for taking time out for this call.

I am very excited to inform you that we have delivered our best annual profitability figure, which are indicative of our margins, efficiency and execution ability. Demand for housing has been continuously growing, driven by aspirations of continued homeownership by end users. The retail segment is experiencing phenomenal footfalls and growth across consumption.

Before I begin, I would like to share with you a few quick business updates. We have achieved the highest ever consolidated profit after tax of INR1,904 crores for this financial year 2023. We've also achieved the highest ever gross booking value of over INR5,100 crores for this financial year 2023.

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

Moderator: "Thank you very much. We will now begin the 'Question & Answer' session. Anyone who wishes to ask a question may press * and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles.

. The first question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: **Hi Saumil, Hi Vikas** just want to clarify, basis the cash flow of the current quarter and full year. We understand a large part of that is to do with Three Sixty West. Can you just give us a sense of how much was the outflow for inventory? The inflow against investment in Oberoi Realty. And more importantly, because we see a sharp spike on the receivables. So what is that, whether that is also related to this transaction? And if so, when should that receivables monetize itself?

Saumil Daru: Hi Murtuza, Saumil here. So two things, as far as the receivables are concerned, the receivables primarily -- I mean, if I look at debtors, that's what you are talking about, right?

Murtuza Arsiwalla: Yes.

Saumil Daru: In a consolidated financial statement and if you look at our notes to the results also, we have said that we have eliminated the profit of the transaction that we have done with Oasis. So typically, you tend to ignore any of the related party transactions. So the debtors that you see over there are pure third-party debtors. These are basically from the projects in Mulund, SkyCity and Goregaon. The thing that also happens is for whatever you have sold in that one quarter, you typically end up giving customers anywhere between 60 to 90 days to come up to speed with whatever you have to pay.

So that all ends up reflecting as debtors. But yes, they are relatively higher because also the fact that Mulund had hit 100% revenue recognition, and we are in the process of handing up -- handing over our possession. So as and when people over there will also keep paying, the receivables will go down. So we are quite confident that in the next quarter or two, you will see the receivables come back to a very normal levels. So that was the one bit. The second bit was about Worli, right?

Murtuza Arsiwalla: Yes.

Saumil Daru: Yes. So Worli, the transaction is very simple. On my balance sheet earlier, you have seen that amount getting reflected as investment in Oasis. Oasis was not a subsidiary, so it was not a full consolidation. It was only an equity method for consolidation. So you only saw one line item, which was investment in Oasis. As far as the P&L was concerned, you only saw one line item, which was our share of profit in joint ventures. Consequent to this transaction, what has happened is that investment in Oasis has got reflected as investment in inventory as far as ORL is concerned.

And that inventory was, that whole transaction. So whatever amount which you had to pay as a consideration obviously, that consideration was about close to INR3,300 crores as we mentioned to you and that was way higher than the amount that we had put in. So that differential was funded through a bank borrowing, and that is why you are seeing that differential amount of borrowings or rather that net debt in the quarter has increased.

So essentially, that debt has -- some part of debt has funded this, but the rest of it is my investment has got replaced by what you can say by the inventory in Three Sixty West.

- Murtuza Arsiwalla:** The investment would be of the order of about INR2,000-odd crores?
- Saumil Daru:** Yes. Prior to the transaction.
- Murtuza Arsiwalla:** Prior to the transaction yes. Fair enough. If I could just put in one more other Thane, sir, for the original land parcel, if you could give me a number of what the revised potential of that land looks like?
- Vikas Oberoi:** Very valid question. In fact, this is one thing that we have been holding our entire development for. Today, we have also acquired Blue Star as you would have known. Collectively put together, we are looking at close to 15 million square feet of development there. So, it's now at full potential, probably as big or bigger than Goregaon.
- Murtuza Arsiwalla:** Okay. And this is all 100% economic interest, would it?
- Vikas Oberoi:** 100% economic interest. The other one is another, give or take, probably 2.5 million square feet.
- Saumil Daru:** Kolshet
- Vikas Oberoi:** 2.5 million. It's 77% interest.
- Moderator:** Thank you. The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.
- Parvez Qazi:** Hi good evening, Sir, the first question is on launches when can we see the two launches in Thane? And the second question, when would we see potential launch in Gurgaon?
- Vikas Oberoi:** Thane launch, we are expecting to now this to the, -- now we have a range, so we don't want to do that. You will be happy to know that we started work at one site. And at both sites, our experience centres and show apartments are ready. So technically, one wants to trigger one can start looking at one site probably as we speak. And in the other one, we are probably 2 months away. We had to resubmit our plan, get them approved under unified DCPR and all that. So, we are probably going to do it in the festivity's now. But certainly, in the next quarter or so or maybe a quarter after that. That's about it.
- Parvez Qazi:** And Gurgaon?
- Vikas Oberoi:** Again, that is a work in progress. Even now like once we sign the definitive agreement, we will then immediately start work on it.
- Parvez Qazi:** Sure. And my last question is on annuity asset, I just wanted to get your views on the Borivali Mall and the Commerz III commercialization?
- Vikas Oberoi:** So Commerz III is being delivered in March of 2024. We are pretty much casting the last few slabs. If you happen to pass by you would see, it's a beautiful 50-storey building. And we are absolutely on schedule there. Borivali Mall also, we look at starting in 2024 -- early to mid-2024 is when we tend to launch the mall as well.

- Parvez Qazi:** Thank you, sir. And all the best for the future.
- Vikas Oberoi:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Ashwani Agarwalla from Edelweiss Mutual Fund. Please go ahead.
- Ashwani Agarwalla:** Hi Mr. Vikas, Sir, if you see, we had plans to launch the Kolshet property in the third quarter of last year, and that has been postponed to the first quarter of this year and even the Pokhran Road. So, apart from the environmental problems, were there any other causes which caused us to delay, were our plans schedule more aggressive?
- Vikas Oberoi:** No, not really. In fact, there weren't any environment problems also. They are all routine approvals that one needs to take. We obviously have decided to completely move into the UD CPR. So, we had to take approvals again, which we have already taken. And like I said, both our experience centres are ready and we will then -- we wanted to be right on the product mix, the product design, all of that is now done. And we have a far clearer and definite timeline, like I said, that it will probably happen in the next quarter or the quarter after that, not later than that. We are fully primed and align now.
- Ashwani Agarwalla:** In terms of pre sales, how much pre sales are we expecting this year? And how much of business development can we expect?
- Vikas Oberoi:** We don't give forward-looking statements. You know that. And if you've seen like past years and all we've always done better than what we did in the past. So we would always strive and try to do better than what we've done.
- Ashwani Agarwalla:** Okay. And we were also having to go into other geographies, especially NCR, any update there?
- Vikas Oberoi:** We are -- again, like, I mean, it's work in progress. Hopefully, if things culminate into something that we can come back to you with, we will surely make sure that you guys know well in advance. And I mean, as it happens.
- Ashwani Agarwalla:** Okay. Thanks a lot.
- Vikas Oberoi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.
- Dhruvesh Sanghvi:** Congratulations and great set of numbers. Just to understand in terms of pre-COVID and a bit of delays which happened and we heard some demonstrations by some users in Mulund and certain of these areas, does it affect our pre-sales in the near term or on the long-term basis and what are your learnings out of this, in terms of managing this entire ecosystem better so that this doesn't even come as a small negative point at all?
- Vikas Oberoi:** Frankly, COVID was a bit of a disruptor, and obviously, like third-party contracts that we had given, some of them obviously couldn't survive the onslaught of COVID. And so we as the

developers work with third-party. So, as we give civil contracts to one person, then we give plumbing, electrical, mechanical, HVACs, all other items to different contractors. So, we obviously had some challenges there, but we were able to finish a large part of the building, and that's why we got part Occupation Certificate up to a particular level. And we were just about able to manage those timelines. And yes, I mean, like going forward, we now are tightening our entire execution process and going to only top companies and we as a company can even afford to give more monies to our contractor. So yes, that's about it. There is enough learning, and we will make sure that we implement this going forward.

Dhruvesh Sanghvi: Okay. And sir, one more aspect in terms of -- I understand we don't give guidance. But directionally, now, I think we have five sites or five catchments of Mumbai that we have captured. But is it that okay, if we really want to scale for a long haul, do you have to reach to a target of 10 micro markets in Mumbai? Is that directionally you're correcting to do think and plan is our thinking correct in that angle?

Vikas Oberoi: Sorry, do we have what? I didn't hear that word.

Dhruvesh Sanghvi: I'm saying we are in the -- we are in five micro markets in Mumbai right now. And if we have to really scale much bigger than what we are currently, do we eventually have to think like having 8 to 10 micro markets at a point in time running in Mumbai within the next four to five years, is that directionally a correct thought?

Vikas Oberoi: Dhruvesh, your thought is absolutely correct. And if one has to grow, you will have to tap more micro market. And we are constantly looking at land parcels at different locations. In fact, we are always more aggressive, and we do not have a presence like we've let go of a few land parcels in Thane because we already have a good presence in Thane. I could probably have got two more land parcels, but we let them go by because we already have presence there. So, one doesn't need to go there. But if there is suburb about where I'm not present, I would love to get a little more aggressive there in picking land parcels. So, your reading of that strategy is absolutely right.

Dhruvesh Sanghvi: Thank you. And I'll just squeeze in one last piece here. So, is there any update on the Centaur Hotel case, which was going online? And if you can -- whatever is possible to share there.

Vikas Oberoi: Not really. The matter is sub judice. So we don't have much to say anything on that account.

Dhruvesh Sanghvi: Okay. Fine. Thank you.

Moderator: Thank you. The next question is from the line of Neel Mehta from Investec Capital. Please go ahead.

Neel Mehta: Hi Vikas and Saumil, Congrats on a great quarter. I just had one question on the math for the inventory numbers for Three Sixty. So we had 15.6 lakh square feet as on Q2 '23 and we've disclosed around 5.28 lakh square feet as on Q4. So how exactly do we reconcile this 10 lakhs square feet reduction in inventory?

Saumil Daru: So two things. Neel, the first thing, which I want to begin, with is, that as far as our entire current quarter's presentation is concerned, all the numbers that you see, all the areas that you see are now carpet areas. All the presentations that we use to do prior to this were based on an overall saleable area or what people call the saleable area. However, this year -- this quarter if you see and that's reflected in all of our slides also where we have said that we have reworked it. So, the area of inventory that you're talking about as far as Worli was concerned of 15 lakh odd square feet, which was on a saleable basis that was not RERA carpet area. So, what we have done is -- and that's why I said, everything is now reconciled to RERA carpet. So, it becomes easy for us to track the vis-a-vis what you can say, our agreements and everything.

So that was the only bit, once we do that and everything gets reconciled to RERA, then the differential is not that 10 lakh square feet. And essentially, even when we were doing this transaction out of the year, we have explained that post this transaction, I mean, along with the transaction which we did, there are also a whole bunch of sales in Oasis to other party. The cash flow from that went to the JV partner. And after we have exited from the JV, the partner has limited inventory, which is left as far as Oasis is concerned. We are the ones who are sitting with a majority of the inventory as far as Three Sixty West is concerned.

Neel Mehta: So in terms of units, would that be around 60-odd units. Saumil, would that be correct identity?

Saumil Daru: Yes. We have about 63 or 64 units.

Neel Mehta: Okay. And on a comparable basis, would you have the RERA carpet area for Q4, '22, or Q2 '23 so that we can...

Saumil Daru: Not readily, but I can check that and come back.

Neel Mehta: Sure. I'll connect with you offline then. Thank you.

Moderator: The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Quickly, has there been sets of pricing action in Mulund and Goregaon can see that your ASPs have moved up quite substantially 10% to 15% quarter-on-quarter?

Vikas Oberoi: You know Goregaon, we did increase our prices. Mulund also like the fact that you see probably net of GST and gross of GST, that is one part. Plus, in Mulund, now we are selling higher floors. So that also gives us a higher realization. And yes.

Sameer Baisiwala: Okay. So in Goregaon, you have taken price increase, but in Mulund, it's not?

Vikas Oberoi: Correct, correct.

Saumil Daru: Mulund also marginally increase. And like I said, it's now grossed up with the GST after OC.

Sameer Baisiwala: Yes. Okay, got it, very clear, Yes. Great. And just looking at the unsold but completed inventory, both in Mulund and 360 West fairly substantial. So how do you see the sell-down going forward? Any timelines that you want to share with us.

- Vikas Oberoi:** So Sameer, you know that actually has in the past, turned out to be our strength. We were basis this ready inventory able to buy Thane when we had that in Esquire . So we actually feel that this is literally like potential for us. I mean this is literally cash sitting on, in the form of ready inventory. Both these buildings are now complete. And if you see the run rate at Mulund also has gone up, it's now pretty much in comparison with how Borivali was selling. So I think in our own mind, in the next 2 years or 3 years we'll be done with the entire inventory.
- Sameer Baisiwala:** Okay. That would be great.
- Vikas Oberoi:** This is a realistic timeline we could get a little more aggressive also, but I feel that this is something we can easily achieve.
- Sameer Baisiwala:** That sounds great. And just finally, we talked about the two rental assets, Borivali Mall and Commerz III. But if I do some ballpark back of the envelope calculations, do you think -- it could be INR500 crores sort of a rental from Commerz III and INR350 crores, INR400 crores from Borivali on high 90% utilization. Is that something occupancy rather? Do you think these numbers are realistic?
- Vikas Oberoi:** Sameer your ballpark is very close to our real numbers, yes. So we are in those -- we are in that zone.
- Moderator:** The next question is from the line of Pritesh Sheth from Motilal Oswal Financial Services. Please go ahead.
- Pritesh Sheth:** **Hi thanks for the opportunity,** First the clarification on earlier answer on Thane development potential. So you said 15 million square feet in Pokhran Road and 2.5 million square feet in Kolshet, that is on carpet area basis or it's a saleable area? If you have transition into carpet so just a clarification?
- Vikas Oberoi:** So this will pretty much be carpet area.
- Pritesh Sheth:** Okay. Good. And any update on Worli land, if you can provide any decision there?
- Vikas Oberoi:** No, decision as yet.
- Pritesh Sheth:** So any timelines you want us to indicate on Worli land, when can be that be done?
- Vikas Oberoi:** Yes, we are waiting for certain policy decisions. Once we have that, we then take a firm call, basis that we'll probably be able to tell you what sort of timeline we are looking at.
- Moderator:** The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.
- Kunal Lathan:** **Hi Vikas,** Saumil, adjusted for the Worli transaction, how much would be the operating cash flow? If you exclude the Worli transaction this quarter?
- Saumil Daru:** I can -- it will be kind of -- if you take out the INR3,300 crores -- if you add the INR3,300 crores, it is negative INR2,200 crores. It would be about positive INR1,000-odd crores.

- Kunal Lathan:** Yes, that's what I was coming to because the collection seems to be better this quarter considering over the last quarter.
- Saumil Daru:** Because we had -- after that OC in Mulund, in the December quarter, the operating cash flows took a hit because we had a profit recognition, but we were not collecting. So that was turned around in this quarter because the collection came in, but the profits have already been recognized in the earlier quarter.
- Kunal Lathan:** Got it. Correct, correct. So about INR1,100-odd crores of operating cash flow?
- Saumil Daru:** **Correct**, roughly.
- Kunal Lathan:** Okay. Secondly, Vikas you -- sorry, I missed out on what you said earlier, on Kolshet, you said the launch would be in Q2 or Q3?
- Saumil Daru:** Correct.
- Vikas Oberoi:** **Infact both of them**, we would probably launch within one quarter of each other. So that's how we are getting ready with.
- Kunal Lathan:** Got it. And on Kolshet, you have applied for you moved to the UDCPR you applied for approvals and you're waiting that...
- Vikas Oberoi:** Both the projects we applied under UDCPR. Both the projects we have already got approval under UDCPR. So we just didn't want to go into the old rules because like -- yes, we believe that it's not a great idea. We'd rather be in the new regime and the new rule that's easier for everyone, and yes.
- Kunal Lathan:** Also, like with the new approvals or approvals under UDCPR you've got them. So can you give us some color on what is this -- what is the development you're planning, especially on the Pokhran Road with the whole 15 million square feet of carpet area, if you can give some...
- Vikas Oberoi:** We are doing residential. We are doing a five-star hotel because we want to brand the entire development. We are also doing international school there. We have seen that Goregaon has been a big draw because of the international school, we have here. Today, it's where people want to stay because education is prime and with the kind of development we are doing in Thane, I think an international school will act as a big differentiator with other development.
- And we are going to be starting hotel, school, residential all together. The first phase will comprise of all these. We will pretty much be attacking almost -- anywhere between 3 million and 4 million square feet at one go . Already, the hotel and the international school, we are at designing stage for these two. Hotel and -- we will shortly be announcing the brand also.
- Kunal Lathan:** And no plans of commercial and retail there?
- Vikas Oberoi:** Again, not for now, but we may do a small retail, which probably will be more neighborhood retail. It could be anywhere between 1 lakh and 2 lakh square feet. We will be doing a very high-end club, there also, a sports club, in line with what we've done in Worli. . So we really want to

change the spectrum of what we are producing here. So we're very excited. We've hired some of the top resources available in the world. And yes, the design is really looking very good.

Moderator: Ladies and gentlemen, we will take that as the last question for today. I now hand the conference over to Mr. Oberoi for closing comments. Over to you, sir.

Vikas Oberoi: Thank you all for taking time out for this call. We look forward to hearing from you on an ongoing basis. Please feel free to reach out to us or our Investor Team. As and when if you have any new questions. Thank you once again.

Saumil Daru: Thank you, everybody.

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.