



“Oberoi Realty Limited  
H1FY24 and Q2FY24 Earnings Conference Call”

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**MANAGEMENT: MR. VIKAS OBEROI – CHAIRMAN AND MANAGING  
DIRECTOR – OBEROI REALTY LIMITED  
MR. SAUMIL DARU – DIRECTOR, FINANCE – OBEROI  
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**Moderator:** Ladies and gentlemen, good day, and welcome to the Oberoi Realty H1FY24 and Q2FY24 Earnings Conference Call. We have with us 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 the 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 you 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 may not be based on historical information or facts and may be forward-looking statements, including those relating to general business statements, plans, strategy of the company, the future financial condition and growth prospect. The forward-looking statements are based on expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

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

**Vikas Oberoi:** Thank you. Good morning, good afternoon, good evening from wherever you have dialled in from. Thank you for taking time to take this call. I just want to tell Saumil that I'm unable to open the...

**Saumil Daru:** Sir, we have sent it to you again.

**Vikas Oberoi:** No, it's not opening for me. So, I think what you do is Saumil, you take over and you do the introduction, and then I will get in, in the Q&A. Thanks.

**Saumil Daru:** Okay. Okay. So very good afternoon, everybody. Thank you all for taking out the time for this call. As we have even put out in our press release, India has sustained its growth momentum and emerged as the fastest-growing major economy in this fiscal year. The macroeconomic outlook is optimistic and firmly bolstered by the strong domestic fundamentals. We believe that the real estate market will continue its upper trajectory to consistently surging demand for established brands, spacious apartments and the desire for homeownership.

We expect a strong demand in retail driven by the festive season and the increased consumer confidence. As one of India's largest real estate brands, we are also very excited about our much-awaited foray into Thane, as we launch our first residential project that follows the tenants of new urbanism and offer aesthetically designed homes and the positive lifestyle update.

With this, we open the floor for question and answer. Both Mr. Oberoi and I will be very happy to take your questions. Thank you.

**Moderator:** Thank you. The first question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

**Murtuza Arsiwalla:** Just some simple questions from my end. Can you give us revised timeline for commissioning of Commerz III last you did highlight March '24 as well as for Sky City Mall and any status on the pre-leasing for these two assets? And also, the completion timeline for Ritz-Carlton Hotel.

**Vikas Oberoi:** So Commerz III continues to remain as March '24, we are absolutely on schedule. We are hoping to complete the mall by probably between Jan and March of this year again, as in coming year, and we should be on -- We should be operational probably around June. And we are hoping to see a bumper Diwali and post that, we will go into the market for leasing. We strongly believe that it would probably take us anywhere between a month to month and a half to pretty much lease the entire mall because we have a mall operational, and it's very successful. So that's there. And what was your third question? Sorry.

**Murtuza Arsiwalla:** Also, on Commerz III, what's the status of pre-lease if you could, and

**Vikas Oberoi:** Morgan Stanley continues to expand this original area, and we will be, again, shortly opening this up for lease. We are talking to people, larger players, but we will be opening it up soon there as well.

**Murtuza Arsiwalla:** Okay. And on Ritz-Carlton, the hotel?

**Vikas Oberoi:** Ritz-Carlton interior work is in progress, hopefully, by end of next year.

**Moderator:** Thank you. The next question is from the line Saurabh Kumar from JPMorgan.

**Saurabh Kumar:** Just two questions. One is just on your margin profile, so your residential business seem to have reset to a high margin. And do you think this is sustainable, medium-term, given that Thane launch is coming up, but also have an offset in terms of better realization of Three Sixty . So how should we think about this 45% of margin that you seem to have reset versus the 37%, 38% you used to operate earlier? So that's question one.

And the second is just in terms of this whole pollution impact, do you think there's a chance that, given the direction we have come with BMC, the construction activity kind of slows down, both for you and for the broader industry over the next four months. These are two questions.

**Vikas Oberoi:** Firstly, we have been very prudent in buying land. So -- and we have consistently shown the industry that one can have these sort of margins. So, I don't think one needs to really worry going forward. All land acquisition has really done very prudently. And with regards to pollution, we all are mindful, we all internally need to ensure that we take precaution.

So, we -- at least in our sites, we make sure that least amount of dust is accumulated or spread or whatever. So, one has to be really, really conscious. And I don't think BMC will come out with a general order. They will identify sites that are not following norms and probably will get stringent or strict about it. And I think it's high time they do that, we owe it to our environment.

**Saurabh Kumar:** Okay. And just in terms of the Bombay is basically going to see a lot of infrastructure investments over next 2 years, especially. But part of it is concentrated on the eastern side in terms of the new airport trans harbour link. Do you think that there's like a realistic change which happens in the Bombay -- along the western suburbs now more towards the Eastern especially the Navi Mumbai belt? Or do you think your North and West is still very attractive?

**Vikas Oberoi:** I think the government is overall focused on increasing or improving the infrastructure of Mumbai. The most ambitious one is obviously the sealink and they are planning to take it right up to Virar and all that. Second, if you look at the bullet train, it's BKC starts there. So, I'm just saying that I think as far as the government goes, they are ensuring that there is an overall development.

We couldn't have had an airport without the trans harbour sealink. So obviously, that part will open up. But so will -- many other pockets where Metro will start reaching and then this sealink, then this Maha-Samruddhi, the road between Mumbai and Nagpur and so many. So, infrastructure is like they're doing it all throughout.

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

**Praveen Choudhary:** I have a couple of questions. The first one is about Three Sixty West. Could you just update us about the inventory? And I know you're not in a hurry, but how long does it take before you dispose all of that units? And with that, you will get a lot of cash and I'm just wondering what is the use of cash, considering your gearing is very low? That was the first question.

The second question I had was about presales and operating cash flow. Again, operating cash flow has been very strong in the last couple of quarters. But historically, it has been volatile. And then pre-sale year-over-year also is slightly down on a year-over-year basis on a 4-quarter moving average basis. So, trying to understand if we're going to see the momentum back from a presale perspective or maybe you don't see the business like that.

**Vikas Oberoi:** Okay. So, Praveen first thing first, the Three Sixty West inventory continues to sell we would have loved to have it done faster, but you also have to remember that we have a lag of our partner having sold 50% of his inventory at a relatively low price. So obviously, now of course, most of it is resold or whatever was to be resold is sold. So, we don't have much pressure at our end, we have sold, I think, four or five apartments this quarter, and we've sold them at very good rates.

So, I'm not unduly worried about Three Sixty West and almost 50 families have moved in. So even that kind of helps us. So that's as far as Three Sixty goes, obviously, the cash that we will generate will be deployed back into business. We would obviously love to buy new land, and we continue to look at land. And very soon, you will hear very interesting deals that we are in the process of doing. . What else was your question? Sorry, Praveen I forgot.

**Praveen Choudhary:** No problem. The second question was about presale momentum. I was looking at the year-over-year number, if you take a 4-quarter moving average, it has been a little bit down, not this quarter, but if you take an average. And I also wanted to check the operating cash flow, which historically has been volatile. So, I'm just trying to understand, are we getting into a point where we have

much more smoother earnings, let's say, two years from now, three years from now or the nature of the business is that it will remain volatile?

**Vikas Oberoi:**

So not really. The nature of business can be managed in a way that it actually gives you a very even at least year-on-year, even if it's not a quarter-on-quarter because you continue to have seasonal launches, and that probably gives you presales, gives you cash, gives you all the numbers that the market really wants. So, one can orchestrate in such a way that you see what you really planned for and all that.

So, I don't think that there is any reason for us to believe that cannot be achieved. And again, whenever one has launched a project, you see a spike and then you don't have quarters where you don't, you obviously see a drop. This quarter, significant contribution has come from our Mulund project, which has done really well. So yes, I mean, you always have one or the other projects playing out well.

**Saumil Daru:**

Just to add to what Mr. Oberoi said, on the operating cash flow, the other aspect that you need to keep in mind is the moment we make out any payments for FSI or towards land or any of these premiums and all of that, and those are large and bulky and chunky. As far as the accounting bit goes, payments are more or less we almost always hold land towards current assets until and unless you're building something like Commerz III or what we can say, the Sky City mall.

So, except for that, this will always get categorized as an operating cash flow. So, what happens is it ends up showing as a consumption of cash and operating cash flow, but that land I'm going to kind of develop over the next few years. So, it's genuinely not representative of a spend for that quarter. So that at time tends to kind of bring in some of that volatility the other angle that comes in on the operating cash flow is also on account of the percentage completion method that we follow. So, these 2 are a little bit of the accounting reasons why you see that. But the moment you take this bit out, then other -- big cash flows are all along the kind of predictable lines.

**Praveen Choudhary:**

That is super helpful, Saumil. That is super helpful. Just to wrap it up with the last question, which is a follow-up on the first question, the use of cash. I saw that you gave dividend of 2 rupees. I just wanted to understand how do you think about it from a use of cash perspective, is it just a minor amount that goes out as dividend, but majority of the money will go into business because it's growing so much? Or we should assume that, for example, this year, if we doubled it then you have gone from 2 rupees to 4 rupees because business is growing. Just wanted to understand the dividend policy?

**Saumil Daru:**

So, Praveen, if you look at our financials for March '23 also when we announced the results and after we concluded our AGM, the proposal before the shareholders in that meeting was to declare a dividend of 4 rupees. So last year, our payout was at about 4 rupees per share that consumed about Rs. 145 crores odd of cash in terms of a payout compared to an overall annual profit number, that was a small percentage.

Now the other -- so based on that, what we are looking at, as you rightly said that if you have 2 rupees as an interim dividend and if you declare another 2 rupees subsequently in the March quarter, that will still aggregate to 4 rupees, which was equivalent to what we paid out last year.

Even in the current quarter, I mean, if you look at it for the current half year, where the profit stands at close to about Rs. 780 crores odd or Rs. 800 crores odd. This consumes about Rs. 72 crores or Rs. 73 crores of cash. So, in all fairness, pre-COVID also, we were consistently dividend-paying company for all years ever since we listed. We intend to continue down this line.

For the present moment, the way we are looking at is that instead of concentrating the entire dividend in one chunk at the end of the year, it also makes it easier from a cash flow management perspective to split this into two instalments. And maybe later at some point of time, we could even consider it kind of making it quarterly -- quarter-on-quarter, which will kind of completely take out any kind of this as far as operating cash flows are concerned.

So, you will always continue to have enough cash that you require for the growth capital and for reinvesting back in the business. But at the same time -- and once we will have, for example, even Commerz III and the Sky City Mall operational then we are looking at our gross rental going up from about Rs. 350 odd crores per annum today or into 4-figure digit. At that point of time, again, you will have sufficient cash available. So, the idea over a period of time is to kind of move away from our annual payout to a quarterly payout. And what you're seeing this time is just one step in that direction.

**Moderator:** The next question is from the line of Parvez Qazi from Nuvama Group.

**Parvez Qazi:** Sir my first question is on the much-anticipated Thane launch. So just wanted to get your views on our 2 projects there?

**Vikas Oberoi:** So, as you all know, we had 2 projects in Thane. One is in Kolshet and the other one is in Pokhran. Pokhran happens to be bigger one. We are launching Kolshet first. This will be done immediately after Diwali. So that's the timeline. And Pokhran could follow probably a quarter later. And yes, we are very excited. By the way, the work started on site. L&T has been given the contract. These are five towers in all, and these are all 60 storey towers. Experience centre ready, show apartment ready. So yes, we are really excited as well and looking forward, new markets for us, and we are excited, nervous. Everything.

**Parvez Qazi:** And my second question is about some of our other potential projects in maybe Worli, Gurgaon, Peddar Road etcetera. So, any update there would be helpful.

**Vikas Oberoi:** So, we don't want to speak about something that's not there in the immediate term. All of them are work in progress. Once they happen, we will obviously let you know and let you know well in time.

**Moderator:** The next question is from the line of Abhinav Sinha from Jefferies India.

**Abhinav Sinha:** Vikas and Saumil, a question on Thane. So, I mean, can you let us know what has led to this change in Kolshet being upfronted as compared to Pokhran. And secondly, what is the product going to look like here?

**Vikas Oberoi:** So, no real strategy. Obviously, there's a huge price difference between Kolshet and Pokhran. We just thought that Kolshet had like nose ahead in terms of work having started physically. And hence, we thought we will launch that. We are coming up with 3 bedroom apartments, and we have a studio apartment next to the 3 bedroom apartments. So that's the typical combination. Very similar to what we did in Borivali.

And we also believe that the micro market in Kolshet is not addressing this particular product. People are making a product that is -- it's a combination of 1 bedroom, 2 bedroom and 3 bedroom and 4 bedroom. 4 bedroom being probably maybe 2% or 5% of their entire product. 3-bedroom being another 20%, but the majority is 2 bedroom and 1 bedroom. So, we feel that a product of this sort will do well in this market, and that's what we are focusing on.

**Abhinav Sinha:** Sir, what would be the ticket size here approx?

**Vikas Oberoi:** So, we don't give away the rate you know how it is. So, we want to do a special reveal of the pricing that will be very attractive. And yes, and you will get very, very good value for money.

**Abhinav Sinha:** Got it. Sir, secondly, and this is on the Tardeo -- where, I think we have acquired another site close to it. Sir, can you also help us a little bit with what -- how to think about that one in terms of timelines? And how does the site look like currently? Do you have to spend much more on redevelopment part, etcetera?

**Vikas Oberoi:** Nothing. In fact, it's a fantastic site, it is overlooking the Willingdon club and it's a beautiful site. We have 250 plus occupants or rather original occupants who will move out and we will start development for them and for this presale buildings. And between what we already have, and this one, we will have a little over 5 lakh square.feet property area. And I'm told that the market there is anywhere between 60,000 give or take. So, we are looking at Rs. 3,000 crores revenue in there as well. So, it's a good site, very good site, very excited about it.

**Abhinav Sinha:** One last with your permission on Elysian and Sky City. Any thoughts on the next phases of new launches?

**Vikas Oberoi:** Within this year, for sure, both of them.

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

**Puneet Gulati:** Congratulations on good numbers. Can you also comment a bit on the Mulund project, although the pace was quite healthy this time, but you still have almost 800-plus units to sell and project is fully complete. If you can elaborate a bit on how you think you will monetize and what is the pace that you expect from here on?

**Vikas Oberoi:** Puneet, firstly, Mulund is actually done way better than what we ourselves anticipated. And I see this trend continue because now the product has come on its own, people have seen the

product. And I feel that it's very aspirational for the market. And we hope that we will be able to clear the entire inventory in the next two years.

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

**Pritesh Sheth:** Just one question. Since we are launching Kolshet now, what's the status of Pokhran then? I mean should we expect that to launch in Q4 or it can get spillover to Q1?

**Vikas Oberoi:** So, Pokhran is also as ready show apartment and ready – our experience centre is ready. We have a small amendment on the plan that we want to make because today, I can't launch until and unless I have as built drawings approve. Once the drawings are approved, it goes back to RERA, I already have RERA approval there as well. But I need to go back to RERA, get these amendments in place and only then I can launch.

I am probably 3 or 4 weeks behind what Kolshet is. Of course, the other factor that we've not started work here. So maybe we will be issuing contracts in the next 2 to 3 weeks. And we will start work, and we will launch within this year for sure.

**Pritesh Sheth:** Sorry, I didn't get the last part. You launch...

**Vikas Oberoi:** Within this Financial year for sure. We will launch that project also.

**Pritesh Sheth:** I got it. And Elysian, the next tower should be done this quarter?

**Vikas Oberoi:** I mean, within the next quarter, probably. We just want to ensure that you get the upside of the market also. So that's what we are looking at.

**Moderator:** The next question is from the line of Lester Poon from Pedder Street Investment Management Limited.

**Lester Poon:** I read that, in general, property prices have gone up by over 10% in Mumbai compared to the end of last year. Do you see the price level will continue to rise in the coming quarters? I understand you are usually more conservative. But the general demand and supply dynamics seems to be quite favourable to the housing market. This is my first question.

The second one is about your land inventory. It seems that most of your projects, your unsold inventory is quite low. So other than Thane, do you have -- do you see other areas more interesting for you to -- for your business development. These are my two questions.

**Vikas Oberoi:** Firstly, the pricing is just about right. And I think there is a great demand, but there's a counter to that demand being there is enough supply as well. Slightly if developers don't get very greedy then you could see this demand continue for a little longer. And we also hope that people do. And if they don't, we would certainly not be the ones rocking the boat unnecessarily to increase prices beyond the point. Unless and until input cost goes up, we pretty much don't push prices up.

And well, I mean, we are a Mumbai-centric real estate developer. We are happy looking at land within Mumbai, and we have also branched out in the NCR region. So, we are looking at land



there as well. So, for us, I mean, we are happy looking at doing projects, wherever there is demand, wherever the buyer can meet the price point that we are looking at, we are happy to indulge in that market. Hope that answers your question?

**Lester Poon:**

Yes, I understand. Would you be -- to follow up on some of the other questions, would you be more aggressive since the market outlook seems to be quite favourable. And so, would you be more aggressive in buying lands and would you say revise up your price targets? It seems that if the product prices are rising, you may need to pay more for land also? Would that be a right scenario?

**Vikas Oberoi:**

So, Lester, we have enough land bank that could easily take us through maybe not just one but two cycles, frankly. So, we are not in -- we are not going to get overly aggressive. We will be prudent, and we've always been prudent. And that's why we are able to maintain a particular margin that we do. And I feel that given the risks that are involved with our business, and the time it takes, I think these margins are justified.

And so, we will be very prudent. I mean I personally don't want to mislead anybody by saying that we'll be aggressive because like I said, that we'd rather be prudent than be aggressive about what we buy. It should make money. That's about it. At current market price, it should make money. And if that's the case, then we would be happy looking at that.

**Moderator:**

Thank you, ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Oberoi for his closing comments.

**Vikas Oberoi:**

Thank you all for taking time out to attend this call. Your questions really are very thoughtful, they are thought provoking. They lead us to thinking deeper into what we do. And like I always say that we are always available, please reach out to us. And thank you once again, and Happy Diwali to you and your family as well. Thank you.

**Moderator:**

Thank you, members of the management team. Ladies and gentlemen, on behalf of Oberoi Realty, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.