



“Oberoi Realty’s Earnings Conference Call Quarter Four Financial
Year 2015 and Financial Year 2015 ended on March 2015”

May 04, 2015



**MANAGEMENT: MR. VIKAS OBEROI – CHAIRMAN & MANAGING DIRECTOR
MR. SAUMIL DARU – DIRECTOR, FINANCE**

Moderator: Ladies and Gentlemen, good evening, and welcome to Oberoi Realty's Earnings Conference Call for the Quarter Four Financial Year 2015 and Financial Year 2015 that ended on March 2015.

We have Mr. Oberoi – the Chairman and Managing Director of the Company and Mr. Saumil Daru – the Director, Finance with us for the call today. Please note, this call will be 60 minutes and for duration of this conference call all participant lines will be in the listen-only modes. This conference is being recorded and the transcript for the same may be put on the website of the company. After the management discussion, there will be an opportunity for you to ask questions. Should you need assistance during this conference call please signal an operator by pressing '*' and then '0' on your touchtone phone.

Before I hand the conference over to the management, I would like to remind you that certain statements made during the course of this call may not be based on historical information or facts and maybe forward-looking statements including those related to general business statements, plans and strategy of the company, its future financial condition and growth prospects. These forward-looking statements are based on the expectations and projections and may involve a number of risks, uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I would now like to hand the conference over to Mr. Oberoi – the Chairman & Managing Director of the company. Thank you. And over to you, sir.

Vikas Oberoi: Good Morning, good afternoon and good evening, depending on the time zone you guys have logged in. And also a very warm welcome to the conference call for the Fourth Quarter Financial Year 2015 and for Financial Year 2015 results and business updates.

I have here with me our Director Finance cum Group CFO, Saumil Daru, he will take you through the entire presentation in detail I am here for any further questions that you may have, and I'll hand over to Saumil.

Saumil Daru: Thank you Mr. Oberoi. I guess most of you must have received the presentation by email from the IR team, if not; the same is available on our website. Would also like to just clarify upfront that based on our discussions with a few analysts we have also further revised the presentation on Saturday, so for all of you who are there please look up the revised presentation which is there on the website.

To come back to numbers – in terms of consolidated financials for the quarter, the total consolidated revenue was about 349 crores, this is as against 228 crores for the same quarter last year and about 219 crores for the immediate preceding quarter.

For FY15, we achieved consolidated revenue of 940 crores as against 855 crores for the full year FY14. Consolidated PBT, for Q4 FY15 it was 172 crores, this is against 126 crores for the same quarter last year and about 119 crores for the immediately preceding quarter. The consolidated PBT for the whole year FY15 stood at 489 crores; this is as against 464 crores of PBT for FY14.

Coming to the PAT numbers – consolidated PAT was at about 103 crores for the Q4 FY15, this is as against 77 crores for Q4 FY14, which is the same quarter last year and 79 crores for Q3 FY15. Now for the full year numbers, the consolidated PAT stood at about 317 crores as against 311 crores for full year FY14.

As usual, we will firstly begin on the performance with our investment properties. Oberoi Mall which is our retail asset, for the full year the operating revenue stood at 94 crores as against 87 crores for the full year FY14. The EBITDA margin in this vertical again continued to be in excess of 95%.

For Commerz, I am going to go through just the full year numbers on this. For Commerz, our office space asset contributed about 47 crores to the top line, this is as against about 48 crores for FY14. Again like the mall, the EBITDA margins in this vertical continued to be in excess of 95%.

For Commerz-II Phase-I, this was the first quarter in which we did any recognition from the rentals, so we had rentals which commenced from March 15 and we have leased out about a little over 50,000 square feet.

The Westin Mumbai Garden City which is the hospitality asset continues its good run. For the entire FY15, the operating revenue was about 122 crores as against 112 crores of revenue for FY14. The EBITDA margins in this vertical are in excess of 27%. If we look at the occupancy numbers for Westin, the occupancy for Q4 2015 was 82%, and for the entire FY15 it was about 78%.

Moving quickly on to the 'Development Properties', the four of them. In Esquire, the total amount of booking in FY15 was about 61,000 odd square feet, this is as against about 60,000 odd square feet in FY14. Booking value for the whole year 2015 is about

119 crores as against 116 crores in FY14. Cumulative booking value till date is about 1448 crores odd. As you all are aware, there has been no revenue recognition so far, as this project is yet to reach the threshold level of completion for us to commence recognition of revenues.

For Exquisite, this year in FY15 we totally booked about 1.66 lakhs square feet, this is as against about 64,000 odd square feet in FY14. The total booking value for FY15 is at about 405 crores as against about 144 crores of bookings in FY14. Cumulative booking value till date is about 1820 crores, and all of this has been fully recognized on account of 100% project completion. We have also applied for the occupation certificate for this project and the occupation certificate is expected this month.

For Prisma, out of the total project of 2.68 lakhs odd square feet, we have booked a little close to 100,000 square feet in FY15. This project was launched in December 2014, the total booking value so far is about 173 crores and the revenue recognized in FY15 is about 61 crores.

For Mulund, we launched this project as you are aware in January 2015, till date in Eternia we have booked about 252 units which is a little over 4 lakhs square feet. Total booking value is close to about 597 crores and in Enigma we have totally booked about 110 units, nearly 2.82 lakhs square feet to be precise. The total booking value here is about 413 odd crores. So collectively if you would look at it, we have done nearly about 7 lakhs square feet worth of sales for a total consideration of well over 1000 crores.

In our Worli Oasis, the work continues at a good pace.

Just to round off with the key financials, our EBITDA margins for Q4 FY15 were 52%, and for the whole year FY15 they were at about 56%. The PAT margins for Q4 FY15 was at about 29% and for the full year it was at about 33%. EBITDA margins for mall and Commerz-as usual remain high in the 90s, well above 95%, excluding them the margins for our pure residential business is about 53% for FY15.

That concludes the numbers part. We would now like to open the floor for any questions that you all may have. Thank you so much.

Moderator:

Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Aashiesh Agarwal from Edelweiss. Please go ahead.

Aashiesh Agarwal: Sir I had two questions, one on the DP, how you see the DP impacting our projects area and the way forward as per the regulatory log jam is concerned in this? And also the Worli project, you have spent a little less, you were at about 77 crores in the quarter vis-à-vis how we been spending. So if you could just give a brief on your project plans and how they are getting impacted by the DP. Thanks.

Vikas Oberoi: So Aashiesh, you are aware that the new DP came in and it got into a lot of resistance from the entire city as such and the government had to kind of pull it back because of mistakes and because of some other expectations that the NGOs and other people had. As such, there is no effect because the DP was not affecting any project which was ongoing for sure. They also made clarification later on that that wherever they have issued IODs they will continue to honor that, so there will not be any change as such. And we had fortunately got IOD both in the projects at Mulund as well as Borivali. Now of course the way they are going to compute the FSI and all that was to be looked at, which we did and we got only contemplating what would be more beneficial to us. But before that could happen, it got withdrawn. So as far as Mulund goes, we obviously are continuing as per the old DP and it's calculation. And as far as Borivali goes we kind of paused our self a bit, but it won't be more than like a month or so and we just want to revisit how we compute that FSI and how we go about it and then we will probably launch that project as well. So as far as this new DP goes, it's either positive or neutral as far as we are concerned. I would say it's more positive than neutral but unfortunately it's withdrawn, so we just want to see what is in it, what is going to come in it's place. And as far as Worli goes, we await additional clearances for height and that's why we have kind of slowed that project down. Instead of we reaching 65 floors which is where we have permission until, and then waiting, we thought that we will reduce the pace whereby we keep the existing infrastructure busy and that's why probably you see a slight dip in the expenses as far as Worli goes.

Aashiesh Agarwal: And by when do you expect the height clearance come in for this?

Vikas Oberoi: We were honestly expecting it to be in April, but this bit in India seems to be slightly a moving target, so we hope that probably within May we should be able to get that and we can then get going with it.

Aashiesh Agarwal: And the launch on the Worli project?

Vikas Oberoi: Again, the show flat work is in full swing, so once the show flat is ready we will start formally getting people in and that should be the formal launch as well.

- Aashiesh Agarwal:** So that would be like another one or quarter?
- Vikas Oberoi:** Another quarter, yes.
- Aashiesh Agarwal:** And just one last question on the DP again, you have the second plot in Worli, the GSK plot which may also have that CRZ benefit, so could you just throw some light on that, if we stand to benefit on that?
- Vikas Oberoi:** So well the GSK property at Worli, though it is affected by CRZ, but because there was an old structure which had to be demolished at the request of the corporation, we still come under the new DCR. And we are now within ourselves thinking what we really want to do and how we want to go about it. And we should soon then even be launching that project.
- Aashiesh Agarwal:** So it's basically thinking that kind of next year we should be able to launch that?
- Vikas Oberoi:** This financial year itself, I mean our internal target is to do it this financial year.
- Aashiesh Agarwal:** I mean considering that you have already a Worli project and you haven't sold much, so would it be a different product altogether or how do you plan to say that?
- Vikas Oberoi:** But that's exactly what we are considering. So we want to really see, firstly make a show flat and we see how people perceive it, appreciate it and from then on we will take it forward.
- Aashiesh Agarwal:** Any ball park idea as to how much area can we expect from this?
- Vikas Oberoi:** Again, new DP, old DP, too many variables. So we would rather get it cleared and then talk about it.
- Moderator:** Thank you. Next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.
- Puneet Jain:** My question is with respect to margins, so for residential business in this quarter seems to be lower on the gross margin side, quite a lot compared to previous quarters. And this will be I think higher profitability push contribution of visit at this point of time.
- Saumil Daru:** Very quickly, two key things. Obviously, our recognition and our overall margins are a combination of both Exquisite as well as Prisma. In Exquisite itself there has been a little bit of a margin reduction, this is because when we moved over to recognizing the

full project we also increased our budget for the project by about 10 odd crores, and as I have told you all always in all our earlier calls that whenever there is any change in estimates the entire impact of that estimate comes through in that quarter, and so that's where you are seeing a little bit of an impact coming through in the case of Exquisite. We are soon expecting the occupation certificate to come and once that happens you could see a corresponding set of changes in the realization as well. So that is one reason which is depressing the margins a little bit. Obviously, the other thing is that that Prisma is also coming in into the recognition phase and we have seen historically in all our projects that when a project comes in for an initial recognition the margin percentage is relatively lesser, and then as we keep developing the project the margin keeps going up quarter-on-quarter. So that's how it is, so that's why you are seeing a slight dip in margins compared to earlier quarters. But I would expect that in the coming quarter Exquisite will clearly get restored to that number with the receipt of the occupation certificate. And as far as Prisma is concerned, as we come in with newer sales with higher floors, the floor rise will typically be more or less a pass through to your bottom line, and so you will start seeing an impact on margins even in that case.

Puneet Jain: Okay. So based on what I was calculating the construction cost for Prisma is coming out to be closer to Rs.6,000 a square feet.

Vikas Oberoi: So Puneet, here if you remember we had originally started with a commercial building and then moved to residential. So there was an additional cost that was incurred but this cost could be justified by the additional revenue we would get in residential vis-à-vis the commercial building, and hence we took that call. So we knew that we were spending a little more money doing resi now, but the overall revenue in the resi would have been much better than the commercial, that's why you see a little extra cost being put here.

Puneet Jain: Okay. And second thing on the sales velocity of Exquisite, now that has been increasing on a quarter-on-quarter basis, what will be your best estimate as to when you can sell the current inventory?

Vikas Oberoi: Well Puneet, from our past experience we have seen that once the building gets ready and occupation certification is in place, a lot of these buyers who don't want to buy an apartment when under construction because they don't want to take that sort of risk, will then come into play. Then there are people who have an existing house, and who want to sell that apartment which part funds their new purchase and stuff like that. So we already have a lot of people who want to buy an apartment in Exquisite but are clearly waiting for OC to happen. As Saumil told you that we are expecting OC within

this month and so once that is done there will be further momentum and we hope that we should be able to clear the entire sales in this year.

Puneet Jain: Okay. So within this calendar year or fiscal year?

Saumil Daru: Financial year.

Vikas Oberoi: It will be financial year.

Puneet Jain: Okay. And just one final question, Oberoi obviously has done very well based on launches as well as project nearing completion, but what is your sense of the market at this point of time both in terms of pricing as well as volumes on the residential site.

Vikas Oberoi: See Puneet, I have a very different take here. If you see anything that is ready gets sold very quickly irrespective of whether who has built it and if you see most of the marquee buildings in Mumbai today are really aged or aging and yet they command such a high premium, whereas under construction projects don't sell all that well. This clearly shows that the customers purchase when they are confident about when this delivery will happen and hence try to discount it, number one. Number two, some of the developers are not very comfortable as far as the financials go, so this in turn also kind of puts a doubt in a mind of any purchaser. In our case God has been kind that financially things are looking good, we have a good track record, I keep telling people that today we don't have a single building where we don't have an occupation certificate or anything like that. So this really helps us get presales and Mulund is a classic example for that, we did get a premium on price, we also got the velocity. In fact the response received was much more than what we expected. Internally we had a target of only selling about 100, but we were able to sell almost 400 of them. So I would say the market is there, people only need to get that confidence that the developer will a) finish the building in time or finish the building for sure, and b), he has the financial wherewithal to do it. And in fact these gimmicks of 20:80, all those things are not really working, in fact it only tends to show that developers are just being desperate and they really want that sale happen at any cost which the customer reads through, the customer does not want any scheme, he has the money and he wants to buy a house. In Mulund there is a building which is ready and selling at Rs.18,000 and Rs.20,000 a square foot, and it is a half decent building I would say. So this clearly shows that there is a demand for something which is ready and all that.

Moderator: Thank you. Our next question is from the line of Anubhav Gupta from Maybank. Please go ahead.

Anubhav Gupta: My first question is on the Mulund project, since the performance has been at par, I mean above expectation, so what is the strategy going forward regarding the sales launches would you be slowing down or you would keep the pace of launching new phases as it is?

Vikas Oberoi: No, so wherever we have permission, wherever we are clear about what we are going to build, we launch those projects. See, the other thing I want to tell you is that, as far as projects go, we don't have any project that literally competes with other one existing. In Mulund we have got project which is a central suburbs, Borivali is like I would say deep end of western suburbs, Goregaon now literally is considered as a western suburb, Worli is again city. So these are all non-competing projects, wherever we have plots we will continue to build and sell.

Anubhav Gupta: So in phase one how many units did you launch?

Vikas Oberoi: About 460 odd units.

Anubhav Gupta: Right. So almost 400 have been sold out, so can we see similar run rate by 2016 that you could be having enough inventory on board?

Vikas Oberoi: So, now let's say from Mulund point of view we have literally mopped the market and that also like we have almost sold 15% to 20% of our inventory. So this is a good sizable chunk on launch, now we have a show flat coming up and at that point in time we may see some traction, then when work starts you may see some more traction and then it should build up, it may be pretty much similar to what Exquisite did. The response has in fact pleasantly surprised us and positively I would say, but otherwise we were hoping and expecting the similar run rate to what we got in Exquisite when we launched then and all that. So for all projects, whenever we launch, we are hoping that we will be able to do something similar or even better like in Mulund.

Anubhav Gupta: Alright. And second question is on Commerz-II, I see that you have leased out some 50,000 square feet there, when do you think would you be able to lease out full space and what's the area?

Vikas Oberoi: On Commerz-II, originally we were very pessimistic and I must have told this to you all in my conference calls. Then suddenly after this election I also saw a lot of traction in the market and I became a bit positive, but we were also surprised that we were only able to do this one off deal or rather one in the pipeline and all that. So commercial momentum has yet to pick up, like the economy has to yet give us that effect on

commercial and we are personally not very pleased about how the off take in the market per se is.

Anubhav Gupta: Right. What is the total area to be leased there?

Vikas Oberoi: Close to about 725,000 square feet. So literally this plus one of the other deal that we have done, we have only leased 10% of it.

Anubhav Gupta: And lastly on the gross margin, like Saumil mentioned there was some cost escalations in Exquisite around Rs.100 million, so do you see more such escalations in current projects?

Vikas Oberoi: Not really. So if you see, we frequently update the market on wherever and whenever there is this any material additional cost happening. We are a learning organization, we estimate something but once we go about executing, then maybe by way of some sort of inflation, or some rupee dollar adjustment or we merely having improved the quality of the product than we originally envisaged, we may revise the budgets and that's it.. It is a combination of many things, and one cannot say that it has not happened, but obviously like I said that going forward we will continue to take such factors into account while determining costs for anything in the new projects.

Moderator: Thank you. Our next question is from the line of Punit Gulati from HSBC. Please go ahead.

Punit Gulati: You have been mentioning that the old DP exist now and the new DP has been scrapped, but realistically what is really happening on the ground, is the transition smooth, are you facing any delays in getting approvals and getting OCs, because I thought Exquisite OC should have come in by now.

Vikas Oberoi: So you are absolutely correct that there is a lot of confusion. It is not a very happy situation but it is not as bad as how we make it out to be because there were certain additional circulars that came out after this confusion, which kind of put things into place. There have been some irritants but that's business actually. So yes, I mean it's a challenge but like I said, things are getting sorted out.

Punit Gulati: Even in the current scenario I remember minister saying he will apply the strictest of the two DPs, do you see any risk of it being on getting approvals or launching maybe Borivali or further phases of Mulund?

Vikas Oberoi: Not really, so when he said that he is going to apply the stricter of the two, all he meant was that if there are any reservations and in fact even there he said that if you already have an approval then of course you can go as per the old DP, but if you don't have an approval then you have to go as per new DP. We have IODs in both our projects. , In one case where there is a road, as per a first circular he says that if your plot is affected by a road and you have IOD even that road is not going to be valid. But as per a second circular he says that, no, as far as the road is concerned, even if you have an IOD you will have to amend your IOD to that effect. In Mulund we don't have a problem, but in Borivali we have a road so there we are further seeking a clarification that your first notification says that if you have an IOD then these roads are not supposed to be considered and your second circular says complete opposite of what the first circular says. So we are seeking clarification, of course in both cases I mean it really does not hurt us big time, we can still manage our plan for Borivali but we would rather have this clarification which should come in next maybe 15-20 days, and once that clarity is in place we will go ahead and launch the project.

Punit Gulati: Okay. Secondly, Esquire seems to be slightly weak, I guess probably it is on account of some transfers, is it possible to give us a sense of how much has been transferred from Esquire to Exquisite in this quarter?

Vikas Oberoi: None actually.

Saumil Daru: Last quarter there is nothing. There was only one sale.

Vikas Oberoi: None. In fact, I don't know consciously or no, but it is the same sales team that sells both Exquisite and Esquire, so maybe they just probably pushed Exquisite a lot more than Esquire and like I said that the market also seems to be such that people are now leading towards projects that are ready than towards projects that are under construction or maybe it's just that phase where as we speak people prefer ready apartment and then today Exquisite is looking so attractive that people who come there who also want to buy in booking phase kind of almost prepone their plans to buy this house, and that's why you see an increase in Exquisite sales.

Punit Gulathi: Okay. And when is the revenue recognition likely to start for Esquire?

Saumil Daru: In all probabilities either first quarter or second quarter next year, so first quarter or second quarter of the new financial year.

Moderator: Thank you. Our next question is from the line of Sandeepan Pal from Motilal Oswal Securities. Please go ahead.

Sandeepan Pal: Sir, firstly my question is on the Commerz-II where we have our rental in that particular asset is almost 15% discount to Commerz-I, so just wanted your view on these, I mean can it pose any threat going forward in terms of lower leasing rate impacting your existing appetite of the year?

Vikas Oberoi: Not really, see I will just tell you, we did this math and if you assume that people spend let's say anywhere between Rs.2000 and Rs.3000 a square foot on fit out and they want to amortize this over a period of five years or maybe even more, then you are looking at a fit out cost of almost Rs.50 or so per square foot. And if they were to go in for something cheaper which is only Rs.10, Rs.15, then they will be shelling more out of their pocket. So Commerz-II being 10-15% cheaper does not really effect Commerz-I and we actually ran through this math because somebody did ask us that if your Commerz-II is cheaper you must give Commerz to me at the same price, and we said that why don't you move to Commerz-II, and they obviously did not because they had made a capital investment in doing all the interiors and stuff like that. So the difference is not that wide that it can trigger any problems in Commerz-I.

Sandeepan Pal: Okay. And also you mentioned that the deal pipeline in Commerz-II is not that encouraging, so is it because there is no demand or there is no demand at this particular price?

Vikas Oberoi: No, there is no demand. Price, at a stage is not very sensitive today, it is not like somebody comes to me at 100 and says that I want to take 500,000 square feet or 200,000 square feet and we hold on prices. The demand does not exist as much. Like I said that we were expecting that the demand will catch up but somehow it has not happened.

Sandeepan Pal: Sure. And my second question is again on DP, if I just look at, I mean we have IOD for both Borivali and Mulund and if I assume that in an extreme case where things can really go along and DP proposal may not come for a long time, then our launch will actually be contingent on that or it can actually be...?

Vikas Oberoi: No, no, we are only trying to maximize, literally and if we get this clarity on the road which is in the next 15-20 days then we will be absolutely getting the best of both. But if let's say we don't get it then we are clearly looking at Borivali's 25 acres and with a road in between, it will kind of split the plot between 19 and 6 acres approximately,

and which is not that bad either. Like in Mulund we have got two projects, two separate land parcels, each not more than 10 acres. So it does not affect really, it is just like I said that we wanted to make a composite development of 25 acres and hence we are pushing that. If we were merely looking at mopping up the market and just showing results, we could have easily launched it on the date that we were doing it, but we want to build a good project also. So it is just that, nothing more.

Sandeepan Pal:

Okay. And just relative to that only, can this confusion over DP can create a situation which we have seen maybe a couple of years back when new DPR came with fungible FSI and those ideas that market saw almost lull for 18-20 months. Do you see a similar kind of risk may come with this particular development going forward, overall Mumbai market in general?

Vikas Oberoi:

Nor really, if you really see the old DP and the new DP there is not much of a difference, in fact the new DP is a little more aggressive as far as FSI goes and all that and that probably has not gone down very well with all the NGOs and stuff like that. The New DP was or is a progressive DP, I wouldn't take that away. I mean everyone can find flaws or one would say that everyone has the right to comment and would want it to be done their own way and so would we, I must say. But overall the DP was not bad, it was good, if it had come into effect it would be great, if it is not we are still looking at the same old DP with some tweaking and all things like that, either of them work, really.

Saumil Daru:

If you would note all our land acquisitions and everything were planned keeping in mind all those provisions of the existing DP, so all viabilities and everything even of what we did when we bided last year for the Borivali property, they were all established keeping in mind the provisions of the existing DP. So even if the new DP does not come, then even with the existing DP there is no change.

Moderator:

Thank you. Our next question is from the line of Amit Agarwal from SBI Cap Securities. Please go ahead.

Amit Agarwal:

My question just pertains to Esquire, I know you have already answered the question of when the recognition is due, I just wanted to link it to the fact that you have already collected about some numbers which you have given us about more than 50%, so in case for some reason this recognition gets delayed which means your approvals get delayed, does it mean the cash flows would slow down from there?

- Saumil Daru:** No, the question of approvals does not come over here, I don't know from where is that impression coming in?
- Vikas Oberoi:** We already have approvals of that. All we have to do is build it enough for Saumil to recognize, that's it.
- Amit Agarwal:** Okay. So what is the state right now, which level have you come to, how much have we completed?
- Saumil Daru:** We are about level 11 or level 12 on the wings, so that's where it is. We are, actually speaking, very close to recognition. So I genuinely don't see any issues around that. The only thing what happens typically is in some of our other projects and if I were to take Exquisite as we began, we also had interior fit out starting from the ground floor. However here also once we begin those fit-out works then you will start seeing in the recognition coming in quicker. So as we will now move a little further vertical you will start seeing things getting fitted out from the lower floors onwards which will start adding to your percentage completion.
- Moderator:** Thank you. Our next question is from the line of Chetan Vaidya from JSP Securities. Please go ahead.
- Chetan Vaidya:** Sir my question is on Worli, in the earlier Q&A you said you are waiting for the height approval for the Worli project, now if you get the approval will that increase your total cost of the project or the size of the project as such?
- Vikas Oberoi:** It will increase the size of the project, the cost is considered as we build. So there is no change in cost.
- Chetan Vaidya:** Okay. And sir can you just touch upon the Khar project, by which quarter will you be able to sell the remainder full quantity?
- Vikas Oberoi:** Well, surely this financial year, 100% of it will be sold. We now have received OC also and typically like I said that these projects are such where people want to sell their existing apartments and move in. These are high ticket items and hence they tend to get sold when complete and that is exactly what we are really looking at.
- Chetan Vaidya:** Okay. So last year for Commerz-II Phase I as you have already leased out and there is discount with the Commerz, are you willing to lease out the remainder even as a lower lease rate?

- Vikas Oberoi:** You get me a customer, I will take it if there is somebody who is willing to take my entire building at some discount, and I will give it to him.
- Moderator:** Thank you. Our next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** Three questions, one is essentially on this time frame, under what time frame do you think you can realistically sell out this Worli project? So that's first, and probably the other two later.
- Saumil Daru:** If one looks at it, so you are saying for the full of the Worli project?
- Saurabh Kumar:** Yes, the 200 apartments, I mean so you would invest a substantial capital as yet right, and we have not seen anything.
- Saumil Daru:** Yes, so if we are in 2015 right now, I mean four years is a good bet.
- Saurabh Kumar:** For you to sell that?
- Saumil Daru:** Sell all of it.
- Vikas Oberoi:** And considering the fact that we should be in a position to finish it by 2016 or maybe early 2017.
- Saurabh Kumar:** And sir what gives you that confidence that this 200 apartments should get sold over that timeframe?
- Vikas Oberoi:** Well, with the product that we are building, firstly, and the number of site visits that we are having as we speak, like even under construction, building is getting that sort of traction, I mean without sounding pompous we probably believe that we are making the best building in the country. So I know for sure that once this building comes into shape, people who have the money would not want to go anywhere else.
- Saurabh Kumar:** So if I compare your building with let's say Omkar 1973, India Bulls, I mean to take some of the names and Metal Box will get launched very shortly, I mean the competition for these kind of US\$7 million plus apartments is pretty strong. So that's where the concern comes from. So probably I will move to the second one, so second is essentially on the Mulund launch, you obviously sold at a price higher than the competition which is there and Vikas as you mentioned, I mean normally we have seen that sales have not happened for under construction projects, so what do you think

would have explained this sale for you, I mean this is a very strong response at a price higher than probably at least what we have built in.

Vikas Oberoi: No Saurabh, I must tell you very humbly what I feel when I put myself in a buyers shoe and try to figure out what would he really want to look at. If he is let's say convinced that he is okay to go to a developer whose building is under construction then what he would really look for, I believe, he would firstly look at his track record, then would look at the site, is the site well located because if the site is not good then nothing does really matter. Then post checking the track record of the developer, he would see how the developer builds the product and stuff like that and these things give you a lot of comfort. The financial stability and all stuff like that, are important because as a customer I am writing the biggest cheque of my life. We have been very disciplined about how we use booking money and how even today all the money is kept literally in an account for it to be used only for development of that project only. So this sort of an internal discipline really allows us to go on with the project as scheduled. So these are things maybe that has helped us.

Saurabh Kumar: Okay. And just lastly on your land deal, I know now literally if I look at Oberoi you virtually have no land left except for one small parcel in Worli, so...

Vikas Oberoi: No land left but so much to build.

Saurabh Kumar: So I am trying to ask, is your appetite now for buying any new land because every day we keep seeing somebody putting up a big property for some kind of an auction. So is your appetite would you say done within the next two three years at least?

Vikas Oberoi: Not at all, I mean see I will just tell you, as a company we feel we have hit a tipping point and the way customers are reacting to us and stuff like that and we have also internally simplified our business, so we want to use this momentum and build the company on this, I mean any other promoter would want to do it, of course this aggression will be with a lot of caution because we don't want to fall flat on that. So that's it, I mean we are very keen to buy more land and keen to continue with the work.

Moderator: Thank you. We have next question from the line of Rithik Sheth from Span Capital. Please go ahead.

Rithik Sheth: Sir, I have a couple of questions. Firstly on the Borivali, have we decided on anything on the retail portion, the mall?

- Vikas Oberoi:** So we have people who want to buy or rather buy retail as in a large company wanting to buy retail. And we have planned for an option where we could have a retail component and we could have resi. But haven't finalized any plans really and we are still exploring the options for retail on how we want to go about it.
- Rithik Sheth:** But we are not building a mall as such, like the Oberoi Mall at Goregaon, it is not in the plan, right?
- Vikas Oberoi:** So, like I will tell you we consider everything when we do a plan and some of it is not in the public domain so we don't want to discuss. But like I said that we do consider everything.
- Rithik Sheth:** Okay. Sir now that we have Borivali coming up and Mulund has been launched already, so you think Goregaon will be like later in the year or maybe FY17 first half will you be looking to launch the last phase?
- Vikas Oberoi:** Not really. See, now with Goregaon if we have Exquisite which is ready, the Esquire which is like really...
- Rithik Sheth:** Inventory is 700,000 square feet.
- Vikas Oberoi:** Yes, and it has progressed as far as the work goes. So if we feel that there is a window where we can launch a project and take this initial booking, we would like to do that also. So we cannot rule out Goregaon launch within this financial year.
- Rithik Sheth:** Okay. And just wanted to clarify on the Worli project, you mentioned that we are awaiting for the final approval about 1.8 million square feet we already have so we are waiting for the final approval, so next couple of quarters the spending will be lower than the last four quarter that you have seen 100 crores 110 crores, is that understanding right?
- Vikas Oberoi:** Well, I mean if we get the approval then we will have to speed up, right now we are just kind of pacing ourselves such that we match our approvals.
- Rithik Sheth:** And can you give us the quantum how much have we spent so far on the Worli project?
- Vikas Oberoi:** About 1,300 odd crores.
- Rithik Sheth:** 1,300 odd crores, that put together the hotel as well?

- Saumil Daru:** Yes.
- Moderator:** Thank you. Our next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.
- Puneet Jain:** One is that tax rate is very high in this quarter.
- Saumil Daru:** Okay. So basically just one thing, we had some MAT credit which we had to use. There was about 13 odd crores of MAT credit which was lapsing this year which we were not able to consume and hence that is coming as a write-off, so that is what is taking the tax percentage very high, you take this 13% out and you will be back to the regular numbers.
- Puneet Jain:** Okay. And also, one question with respect to dividend policy, so your dividend has remained fairly constant but in FY16 the cash flow should be much faster for other companies. So in that scenario is there any thought process behind the dividend payout policy for the company?
- Vikas Oberoi:** So Puneet, we are honestly very open to understanding from the market what the dividend policy is for other real estate companies across the globe. You know that ours is a capital intensive business, but again, nevertheless we do want to give moneys back to investors also or other shareholders. So we are really open, haven't thought of one way or the other and so if there are any suggestions I am more than happy to chat with you offline or probably if you have some study where other companies have done it in a particular way and it has been appreciated, we would really like to do that. So feel free to let us know.
- Saumil Daru:** And Puneet see, in the end dividend policy is also a function of the company's need for cash, and if you look at it in India with land funding being what it is and commercial banking being not allowed to lend to the company for land which would mean typically your land acquisition should ideally happen out of your internal accruals. So you also want to keep your gun powder dry for that day when there is an opportunity to acquire. So it will have to be a mix of not only how much cash is the business generating but also how much cash the business is going to plough back in to operations, especially on the land acquisition side.
- Vikas Oberoi:** And we believe that we have hit a tipping point where customers want to deal with you and we have sorted out some bit of execution. Then now our best bet is to continue buying more land and building it, that will give us additional profit and growth to the

company and value to the company. But again like I said that ultimately we are also a new company, we are studying how things need to be done and all that and then we can take a collective call.

Moderator: Thank you. Our next question is from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: I had a question on your cash flow, so we are now seeing that net debt was down by about 150 odd crores on a Q-o-Q basis, so assuming say Borivali also comes through and cash flows continues to stay strong, will you pay down your debt or will you like to hold cash hoping for another land purchase too?

Saumil Daru: See, there is a particular repayment schedule for whatever has already been done, so we would stick to that as well as, and as you rightly pointed out that if there is surplus cash would we like to pre-pay, answer is yes. If there comes up a new opportunity then we would take a call at that point of time in terms of what we want to do, whether it has to be a further debt issuance etc., it all depends on that particular opportunity at that point of time. So we like to keep all options open, but if I have to just answer your question simply and directly, in the short-term we would like to continue to pre-pay whatever is there.

Abhinav Sinha: Okay. And second question is on pricing particularly with Exquisite OC about to be achieved and Mulund off to a good launch, are we looking at higher prices in the next couple of quarters?

Vikas Oberoi: As far as Exquisite is concerned, definitely, because if you will look at it, when a building moves over from an under construction project to a completed project, the entire risk profile of the building itself changes. Then if you look at your transaction cost while the building is under construction, your transaction cost is roughly 10% including service tax, VAT and stamp duty, which then also comes down to about 5% once the OC is obtained. So obviously if you look at it, the opportunities to raise the prices are clearly there in a project like Exquisite once OC comes in and that's what generically happens in the markets also. And would you increase the prices if one looks at it, it is not a significantly higher outgo from a customers' perspective.

Abhinav Sinha: Okay. Same for Mulund as well?

Vikas Oberoi: Mulund is a long way away for getting OC.

Abhinav Sinha: No, I mean with that good launch initially.

- Saumil Daru:** Yes, with a good launch, if you would see that in the interim also between the launch time and today, we have increased the prices by about Rs.500, so we will continue to evaluate. As Vikas mentioned earlier that there will be a show flat which will be coming , further approvals, further release of inventory and when once work starts again the risk profile of the project changes and everything changes. So you constantly want to keep looking at the market, you will keep looking over your shoulder and you will deal with it. So you also want the cash flows to come in, you also want the right pricing, all of that and you can only look at the way we have priced maybe an Exquisite and Esquire and all our earlier projects, you will get an answer from that itself.
- Moderator:** Thank you. Our next question is from the line of Param Desai from IDFC Securities. Please go ahead.
- Param Desai:** Saumil, can you just give the breakup of this 1,300 crores for this Oasis project in terms of residential, commercial and land?
- Saumil Daru:** Land, there is no cost to it because if you know the JV structure, the land belongs to the JV partner, so what you see is in this 1,300 crores is more or less the construction cost itself of the whole structure and certain costs for approvals, for premiums, for FSI and stuff like that, that's about it but nothing else.
- Param Desai:** Okay. And when can we see the Mulund project start getting recognized in the P&L?
- Saumil Daru:** Most likely in FY17.
- Moderator:** Thank you. Our next question is from the line of Deep Master from Enam Holdings. Please go ahead.
- Deep Master:** I just wanted to discuss your Worli project in more detail, what do you think your total project cost will be? Is it still around 1,500 crores?
- Saumil Daru:** Depending on how it goes it could be about, it will depend finally on the total area, I think even earlier in the call we had a discussion about how we are awaiting some approvals for height, if that comes in then that will happen, so I think maybe we can just wait for a quarter or so and then we will get a more clearer picture on where the final cost should come out to.
- Deep Master:** Sure. And also could you share your estimation of the economics of this project, so how you are looking at it or like some figure on what NPV do you think this could

bring to you over the next four years just saying that your timeline is four years. So anything that you could share?

Saumil Daru: Maybe that would be a slightly more lengthy one, so if you want then once the call is over then maybe we can discuss this offline.

Moderator: Thank you. As there are no more questions from the participants, I would now like to hand over the floor back to the Chairman and Managing Director – Mr. Oberoi for his closing comments. Over to you Mr. Oberoi.

Vikas Oberoi: I would firstly like to thank everyone for joining us on this conference call. Your questions lead us to think deeper and your suggestions mean a lot to us. Please continue to engage with us and help us do better. And thank you once again and I look forward to seeing you all in regular course of the business. Thank you.

Saumil Daru: Thank you.

Moderator: Thank you very much sir. Ladies and Gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.