
Oberoi Realty

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Company Background

Background

- Oberoi Realty is a premium real estate developer based in Mumbai, Maharashtra.
- The company has developed over 39 projects at locations across Mumbai
- Its main interest is in Residential, Office Space, Retail, Hospitality and Social Infrastructure properties in Mumbai

Uniqueness

- One of the few company in sector which always had very asset light balance sheet
- Works at very high margin (35%) due to design focus and brand power
- Promoters takes 0 salary (It is led by Vikas Oberoi, CMD)
- Among 1st movers to implement technology, bringing in international design and architects for various projects
- Promoter has shown ability to sit and do nothing in bull real estate cycles and make attractive land acquisitions in bear markets utilizing the cash on books

Historical Performance

Metrics	P/E	P/B	EV/EBITDA	P/SALES	DIVIDEND YIELD	EBITDA	PAT	TAX	DEBT/EQUITY	WC/SALES	INVENTORY %	RECIVABLE %	ASSET TURNS	ROA	LEVERAGE	ROE	ROCE
MIN	20	2	11	6	0.4%	0%	31%	26%	0.0	236%	78%	5%	0.1	4%	1.2	7%	8%
MAX	39	3	31	14	0.9%	64%	48%	35%	0.3	459%	377%	14%	0.2	10%	1.7	12%	16%
AVERAGE	27	2	19	10	0.7%	53%	37%	32%	0.1	336%	210%	9%	0.2	6%	1.4	8%	11%
CURRENT	20	3	14	7	0.4%	49%	36%	29%	0.3	338%	336%	14%	0.1	4%	1.7	8%	8%

Metrics	MCAP TO CFO	CFO	PAT	CFO/PAT	CAPEX	Dividend	FCF without Div.	FCF	FCF/CFO	SALES GROWTH	EPS GROWTH	AR GROWTH
10/9 YR	1	356	4096	0.1	734	505	-377	-883	-1.1	15%	6%	27%
5 YR	-18	-1034	1901	-0.5	-33	335	-1002	-1337	1.0	5%	-3%	41%
3 YR	-33	421	1273	0.3	-65	204	486	283	1.2	17%	18%	27%
1 YR	-87	-206	459	-0.4	84	68	-289	-357	1.4	14%	21%	71%

Metrics	SALES	GROSS PROFIT	EBIT	PAT	DIVIDEND	ROIC	MKTCAP	CFO	FCF	NETWORTH	TOTAL RETURNS
10 YR CAGR	13%	13%	9%	5%	72%	10%	#DIV/0!	-206%	-210%	18%	219%
5 YR CAGR	4%	4%	-2%	-4%	1%	5%	20%	-208%	-261%	8%	20%
3 YR CAGR	11%	11%	9%	12%	1%	5%	23%	-40%	-32%	10%	27%
1 YR GROWTH	14%	14%	15%	23%	0%	5%	37%	-218%	-54%	6%	36%

Gross Margin	PAT Margin	Tax Rate	Recv/Sales	Inventory/Sales	Interest Coverage	Debt/Equity	Current Ratio	CFO 3 Year Average	CFO/PAT 5 Year Average	FCF/CFO 5 Year Avg.	5 Years Sales Growth	5 Years PAT Growth	5 Years EPS Growth	5 Year ROIC	DIVIDEND YIELD	ROIC	P/E
46.6%	36.3%	29.4%	14.3%	335.6%	83.2	0.3	2.8	140	-0.5	-0.97	4%	-4%	-3%	5.4%	0.4%	4.8%	19.6

All projects are now RERA approved and we have received registration numbers for all of them as well in Q2FY18

Commercial Operational Business

- Expected to Generate Rs 300 Cr of EBITDA in FY19

- No major operating cost

- Mall has shown very good rental growth whereas office space, there is some pressure on rentals

Revenue	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	H1FY18	H2FY18	H1FY19	%YoY	FY18	FY19P
Oberoi Mall	26.7	26.8	28.0	29.0	35.4	37.5	53	57	73	36%	110	151
Commerz	12.0	11.1	11.1	11.1	10.7	10.1	23	22	21	-10%	45	41
Commerz II	11.5	12.7	11.4	12.7	16.6	18.5	24	24	35	45%	48	70
Westin	30.1	29.2	35.4	34.0	30.9	32.1	59	69	63	6%	129	137
Total	80.3	79.8	85.8	86.9	93.6	98.2	160	173	192	20%	333	398

EBITDA	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	H1FY18	H2FY18	H1FY19	%YoY	FY18	FY19P
Oberoi Mall	24.7	25.0	26.6	28.0	33.3	35.7	50	55	69	0	104	145
Commerz	12.0	11.0	11.0	12.2	10.5	9.9	23	23	20	0	46	41
Commerz II	9.7	10.5	9.3	10.7	14.5	16.5	20	20	31	1	40	62
Westin	10.4	9.3	12.8	9.6	10.7	10.7	20	22	21	0	42	46
Total	56.8	55.9	59.6	60.5	69.0	72.7	113	120	142	0	233	293

Occupancy	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	H1FY18	H2FY18	H1FY19	%YoY	FY18	FY19P
Oberoi Mall	99%	99%	99%	99%	97%	97%	99%	99%	97%		99%	
Commerz	88%	82%	82%	82%	79%	78%	85%	82%	78%		84%	
Commerz II	45%	45%	45%	48%	63%	63%	45%	46%	63%		45%	
Westin	82%	78%	80%	84%	84%	81%	80%	82%	82%		81%	

Rate psf leased per month	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19	H1FY18	H2FY18	H1FY19	%YoY	FY18	FY19P
Oberoi Mall	162	164	170	176	220	233	163	173	226		168	
Commerz	142	142	141	142	143	136	140	142	142		142	
Commerz II	119	130	117	123	120	134	125	120	127		123	
Westin (RevPAR)	6546	6416	9401	9093	7052	7055	6481	9247	7053		7040	

Name	Type	Capex	Area	Annual ROI
Oberoi Mall	Mall		552893	
Commerz	Office		318118	
Commerz II	Office		725769	
Westin	Hotel		269	

Residential Operational Business

			Q2'FY19																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										</
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- Rs 15000 Cr of revenue (booked + inventory) to be realized in next 2 years based on current execution pipeline
- Taking 5% cut from historical PAT margin of 35%, this turns out to be Rs 4583 Cr of PAT
- However, based on last 4 quarters of sales velocity analysis, “Engima” and “ThirtySix West” seem to be very slow in terms of sales velocity and can really eat up lot of working capital (67% of potential revenue)
- Also, in some of the previous projects, company has not been able to achieve 100% sales by construction completion time. Ideally, % of project completed = % of area sold

Commercial Project Pipeline and Future Projects

Project	Expected Completion	Cost	Area (Sq Feet)	Rate	Revenue	EBITDA Margin	EBITDA
Worli Residential	Mar-19	3000					
Worli Hotel	Dec-19	800	680000	9000	107	35%	38
Commerz III							
Worli Mall	Dec-20		1000000	233	280	95%	266
Borivali Mall	Dec-19		1560000	233	436	95%	414

Upcoming Projects	
Thane	
Goregaon	Phase III

What is working/ Not working

What is working

- Real Estate is undergoing tremendous consolidation to quality players
- Company is sitting on Rs 1200 cr of cash and utilize if any deals come
- Existing annuity commercial rental properties generating ~300 Cr of EBITDA with high cashflow conversion and possibility of major annuity commercial cashflow
- Improved response on marketing schemes on some of the projects

What is not working

- Market is shifting from premium housing to lower price housing. Lodha, Suntek, Kolte, Sobha, Panchsheel etc have shown more interest in lower ticket housing which has lower margins
- There could be a slow demographic shift to Navi Mumbai
- Due to NBFC crisis, in short term, customers may not have fund sources
- Huge project concentration risk and some of the projects not doing as per expectation

Risk/Concerns

- What if any of key projects fail or underperform?
- What if Mumbai loses its charm?
- What if consolidation does not happen?
- What if Mumbai realty demand shifts to Navi Mumbai?
- What if economic slowdown happens?
- What if regulatory changes happen?

Real Estate Sector: How is it doing? Is Consolidation there?

Company	Parameter	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'18 Growth	Q2'18 Growth	Q3'18 Growth	Q4'18 Growth	H1'18 Growth	H2'18 Growth	FY'18 Growth
AHL	Area Booked (Lakh Sq Feet)	2.41	2.11	1.39	1.05	1.51	1.57	1.64	2.21	-37%	-26%	18%	110%	-32%	58%	0%
AHL	Value Area Booked (Rs cr)	79.37	67.42	45.79	32.51	48.72	45.99	51.6	71.05	-39%	-32%	13%	119%	-35%	57%	-3%
KPDL	Area Booked (Lakh Sq Feet)	6.6	5.7	3.2	5.5	4.1	5.9	5.9	4.9	-38%	4%	84%	-11%	-19%	24%	-1%
KPDL	Value Area Booked (Rs cr)	370	329	195	327	257	334	328	278	-31%	2%	68%	-15%	-15%	16%	-2%
KPDL	Booked Realization	5606	5772	6094	5945	6268	5661	5559	5673	12%	-2%	-9%	-5%	5%	-7%	-1%
KPDL	Collections	229	234	247	254	253	199	280	377	10%	-15%	13%	48%	-2%	31%	15%
SOBHA	Area Booked (Lakh Sq Feet)	8.1	8.6	6.1	7.2	8.2	8.6	9.3	10.15	1%	0%	52%	41%	1%	46%	21%
SOBHA	Value Area Booked (Rs cr)	513	551	391	557	623	675	751	811	21%	23%	92%	46%	22%	65%	42%
SOBHA	Booked Realization	6333	6407	6410	7736	7598	7849	8075	7990	20%	23%	26%	3%	21%	14%	17%
SOBHA	Collections	592	661	618	695	730	693	674	910	23%	5%	9%	31%	14%	21%	17%
PRESTIGE	Area Booked (Lakh Sq Feet)	10.2	12.1	6.8	9	9.2	11.6	9.8	17.9	-10%	-4%	44%	99%	-7%	75%	27%
PRESTIGE	Value Area Booked (Rs cr)	637	756	429	635	595	803	671	1243	-7%	6%	56%	96%	0%	80%	35%
PRESTIGE	Booked Realization All	6241	6246	6297	7035	6505	6934	6859	6956	4%	11%	9%	-1%	8%	4%	6%
PRESTIGE	Collections All	1179	822	967	1154	2024	798	1193	1051	72%	-3%	23%	-9%	41%	6%	23%
PRESTIGE	Area under Construction															
OBEROI	Area Booked (Lakh Sq Feet)	1.47	1.77	1.06	1.35	0.97	1.73	1.51	1.31	-34%	-2%	42%	-3%	-17%	17%	-2%
OBEROI	Value Area Booked (Rs cr)	406	504	267	345	286	353	406	263	-30%	-30%	52%	-24%	-30%	9%	-14%
OBEROI	Collections All	237	295	321	462	102	145	430	546	-57%	-51%	34%	18%	-54%	25%	-7%

Navi Mumbai Airport and Trans harbor Link Project

- <https://www.makaan.com/iq/city/navi-mumbai-airport-giving-a-kick-start-to-affordable-housing>
- CST airport handles (45 millio passengers annually in 2017). Growing in double digit
- Navi Mumbai airport is proposed in 4 phases:
- Phase 1: 10 million (Not coming before 2020). Now, if existing traffic is growing at 10-15%. In 2 years , this 45 million will generate additional 10 million capacity.
- Present capacity of CST is 40 million. So, it is already overcapacity. So, after 2 years, this new demand can be shifted to Navi Mumbai
- But now from phase 2, things get interesting:
- Phase 2 to be delivered by 2022: Capacity increases to 25 million. With Indian add 3 years of delay and hence add 3 years of delay in each phase. So,
- Phase 2 : 2025 : 25 million ; Phase 3: 2030 ; Phase 4: 2035 : 60 million
- If India aviation foot fall which is growing in double digit but Mumbai growing single digit (7%).. worst case scenario for goregaon, let us consider it keeps growing at 7% between 2017 to 2035. here are the projections

Year	Traffic(million)	Supply 1	Supply 2	Total Supply	Total Demand	Additional Supply
2017	45	40	0	40	45	-5
2018	48	40	0	40	48	-8
2019	52	40	0	40	52	-12
2020	55	40	10	50	55	-5
2021	59	40	10	50	59	-9
2022	63	40	10	50	63	-13
2023	68	40	10	50	68	-18
2024	72	40	10	50	72	-22
2025	77	40	25	65	77	-12
2026	83	40	25	65	83	-18
2027	89	40	25	65	89	-24
2028	95	40	25	65	95	-30
2029	101	40	25	65	101	-36
2030	108	40	25	65	108	-43
2031	116	40	25	65	116	-51
2032	124	40	25	65	124	-59
2033	133	40	25	65	133	-68
2034	142	40	25	65	142	-77
2035	152	40	25	65	152	-87
2036	163	40	60	100	163	-63

Navi Mumbai Airport and Trans harbor Link Project

https://en.wikipedia.org/wiki/Mumbai_Trans_Harbour_Link

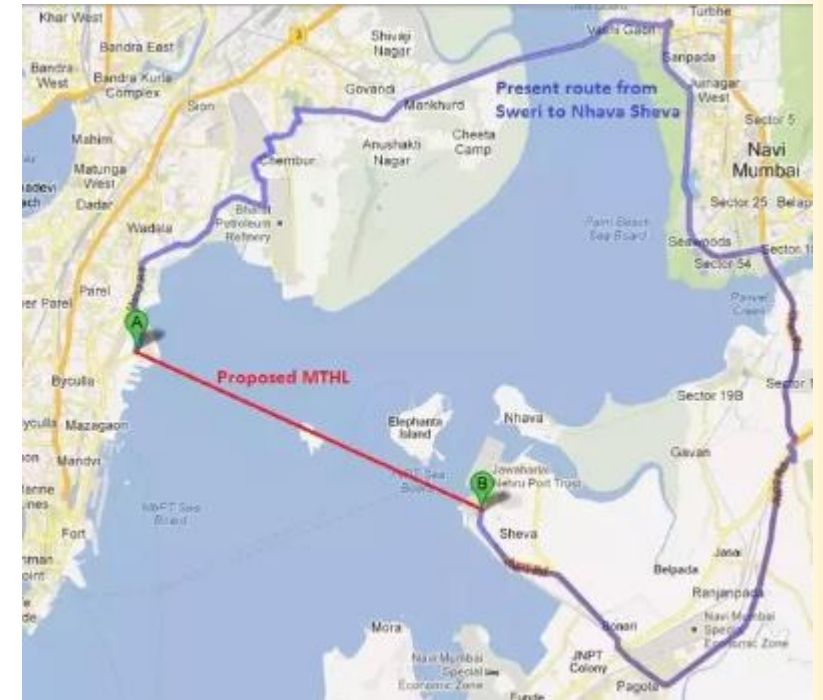
The Mumbai Trans Harbour Link (MTHL), also known as the Sewri-Nhava Sheva Trans Harbour Link , is an under-construction 21.8 km, freeway grade road bridge connecting the Indian city of Mumbai with Navi Mumbai,

Its satellite city. When completed, it would be the longest sea bridge in India.The bridge will begin in Sewri, South Mumbai and cross Thane Creek north of Elephanta Islandand will terminate at Chirle village, near Nhava Sheva.

The road will be linked to the Mumbai Pune Expressway in the east, and to the proposed Western Freeway in the west. The sea link will contain a 6 lane highway, which will be 27 meters in width, in addition to two emergency exit lanes,^[5] edge strip and crash barrier.

The project is estimated to cost ₹14,262 crore (US\$2.0 billion). The MMRDA awarded contracts for the project in November 2017; construction began in April 2018, and is scheduled to complete within four-and-a-half years.

The MMRDA estimates that 70,000 vehicles will use the bridge daily after it opens



Summary of Con call Transcripts

Unsold Residential Inventory

- Slow moving projects remain slow, thought, marketing subvention schemes give some lift to sales velocity
- At 50% sales, company is able to recover project construction cost (0% return)
- High ticket size cash markets are bad for company like it happened in Mulund
- In premium properties, customer likes to see end product
- Last 2 year has been supply constrained market due to dumping issue and not seeing much over supply except Mulund if product positioning is good with brand and execution

Revenue Recognition

- 25% sales area volume to start revenue recognition
- Land cost excluded in revenue recognition while doing % completion method to avoid aggressive accounting
- Initially revenue recognition is to the extent of cost and no margins included

Summary of Con call Transcripts

RERA, Land Bank

All projects RERA compliant and updated quarterly

Though company has low debt equity, company is not averse to leverage, however, it wants to ensure that return on investments are good and projects are secured by crystal clear cashflow

Whatever land we buy, we will quickly get into development and not create a land bank

We like to buy a clean property, from a good seller, we do not want to buy expensive site and we do not want to buy sites competing with each other. Our window of opportunity is small but we do get our opportunities once in a while

Commercial Projects

Boriwali mall : April – June 2019

Want to time in such a way so that can launch as metro construction in that area is over. So, 2019 or early 2020

INOX booked for Boriwali mall

Mall architect Benoy has developed westfield in London and some prime properties in Singapore

Summary of Con call Transcripts

Financials

Money has not been raised to pay debt but to be used as growth capital

Commercial properties will be done out of internal accruals and some debt

Will not do deal unless get like minded partner and good deal even if takes 1-2-5 years. We are in no hurry

And there are I think around 4,000 hectares of land opening up. So, which is like 8% or 9% of total land in Mumbai. So, will it impact, I mean obviously it will open up lot of land opportunities, but in terms of supply will it restrict further, I mean pricing appreciation?

It is music to my ears because this is the raw material I need for my product and we are able to build well and we have a good reputation. If the market size increases, it is only a huge positive for us. And like I said we have changed strategy, we have changed gears and we are getting ready to build more and earn more money out of building more. So, price is not something that we are really concerned if land prices get rational. Our profits are more out of processing land into ready product and we will continue to do that.

Current Crisis

Good for company as will help to wash out poor developers further and company has enough fund to make good deals if opportunity comes

Field Check and Responses

- It is becoming increasingly difficult to sell premium properties and most of the builders are shifting to lower ticket properties
- NBFC issue will have impact on short term sales
- Future sales mix in residential might undergo changes and hence current margins may not be sustainable
- Change from premium housing to affordable housing need a cultural mindset change and may not be easy
- Consider 20% margin hit in projects where sales is not inline with project completion
- Oberoi mall success is largely dependent on location and given Worli has phoenix already existing, the repetition of Oberoi mall success might be difficult

Valuation

										Q2'FY19																	
Project Name	Area	Start	Expected Completion	Est. Area	PSF Rate	Project Completion	Avg. Flat Cost	Area Booked Till Date	% Area Booked	Inventory as on Date	% Inventory	Booking Value till Date	Revenue Recognised till Date	% Revenue Recognized	No Recognized Revenue	No Booked Revenue Potential	Total Revenue Potential	Share of non-booked to Total Revenue	Share of Revenue Potential	Total Units	Opened for booking	HIFY 19	Avg. per Year Half	Unsold	Years to Sell		
Seven	Goregaon		2018	39550	14743	100%	#DIV/0!	33900	86%	5650	14%	50	50	100%	0	8	8	100%	0%								
Exquisite	Goregaon		2018	2E+06	16479	100%	3.0	1424275	92%	123335	8%	2347	2347	100%	0	203	203	100%	1%	802	802	779	13	23	0.9		
Esquire	Goregaon		Jan-18	2E+06	15764	100%	3.8	1516081	71%	605350	29%	2390	2390	100%	0	355	355	100%	6%	882	882	631	51	251	2.5		
Prisma	Johgeshwari		Jun-18	268750	17543	100%	5.2	231936	86%	36754	14%	407	407	100%	0	64	64	100%	0%	31	31	78	7	13	0.9		
Eterna	Mulund			2E+06	14606	28%	2.3	564170	26%	328080	15%	824	234	28%	590	479	1069	45%	7%	1277	554	351	21	203	4.8		
Enigma	Mulund			2E+06	14687	24%	3.9	375850	19%	437506	25%	552	86	16%	466	731	1197	61%	8%	662	305	143	5	162	16.2		
Skycity	Borivali			5E+06	16005	32%	2.4	1472688	32%	560162	12%	2357	743	32%	1614	897	2511	36%	16%	2966	1336	396	84	340	2.0		
36 West	Worli		Mar-19	2E+06	40610	0%	38.4	529176	23%	1753170	77%	2149	0	0%	2149	7120	9269	77%	61%	242	242	56	8	186	12.4		
Total			####					6148136	41%	3910607	64%	11076	6257	56%	4819	10457	15276										
PAT Margin		30%																									
PAT Potential		4583																									
Stream			Revenue	PAT	Multiple Valuation																						
Total Commercial Operation			393	204	20		4072																				
Total Commercial in Progress					0																						
Total Residential Potential			15276	4583	7		32080																				
Overall			15669	4787	36153																						
Current Market Cap			15539																								
3 Year CAGR			23.5%																								
Revenue			PAT																								
Annual residential Expected in next 4			5969	1791																							
Commercial			398	176																							
Total			6367	1966																							
PE Multiple			15	29497																							
			20	33329																							
Project		Expected Completion		Cost		Area (Sq Feet)		Rate		Revenue		EBITDA Margin		EBITDA													
Worli Hotel		Dec-19		800		680000		9000		107		35%		38													
Commerz III										100		95%		95													
Worli Mall		Dec-20				1000000		250		300		95%		285													
Borivali Mall		Dec-19				1560000		200		374		95%		356													
Total								882				773															
Old One		Mar-22						461				339															
Final Total								1078				880															
Upcoming Projects																											
Thane																											
Goregaon		Phase III																									
		Mcap/EBITA																									
		10 15																									
FY22 Commercial Valuation		8804 13206																									
		PATx																									
		7 10																									
FY22 Resdinetial Valuation		32080 45829																									
Overall Valuation		40884 59035																									
Expected CAGR by March 2022		27.4% 39.6%																									

Thanks...

Questions????

Backup Slides

Key Reply to Questions – Unsold Inventory

Sameer Baisiwala:

Okay. And my second question is on Goregaon. Now, you would have Esquire ready maybe next 3 - 6 months. But you have unsold inventory of roughly about 350 - 360 units, another 40 - 50 units coming from Exquisite, so roughly about 400 units unsold. You had this similar situation earlier with Splendor and also Exquisite at the time of completion. But this seems to be 2x of those situations and on the face of that, you want to launch Phase-III, so just wanted to hear your thoughts on it?

Vikas Oberoi:

See, I completely agree with you. We would love to see this number go down big time, having said that, the Phase-III is a different product by itself. This is not for somebody who wants to move in today. It is for someone who wants to probably move in after 3 - 4 years and wants to book today and hold on. So, we would rather take that customer in and whoever wants it ready, obviously, has this available. You are absolutely right that Esquire inventory is 2x of what others were but if you see, we have ramped up production, also. Like the way we are going, this is bound to happen. So, if you look at the amount of construction we are doing, it also is higher.

Sameer Baisiwala:

Your philosophy, Vikas, is to price the product adjusting for time value in terms of delivery. So, if Esquire also moved to 17,500, so would you price Phase-III accordingly to adjust for the time value?

Vikas Oberoi:

Absolutely. So, Phase-III if it is going to take time it will be a lot cheaper, that itself will create interest and there is no harm. I mean, and like I said that our entire policy is to try and sell. Today, Esquire, 50% has been able to build the entire Esquire. So, the downside is that I am left with inventory but the upside is also that I am left with ready inventory and with RERA kicking in and with all that kicking in there will be very few people who will be able to give you a product. I mean, there is bound to be a slowdown in development and so ready material is not going to be churned out at that speed and in that regime, if you are left with ready apartment which are well-located and well-built so you know this is like literally cash for you. So, if you look at the value of these 400 apartments, they are close to anywhere between Rs. 1,800 crores and Rs. 2,000 crores. All we have to do is sell, collect the cash. We have already billed, paid taxes and the rest of it becomes your cash flow. So it is a huge positive for the company and we hope that the momentum will pick-up and we will be able to sell a lot more.

After 5 quarters out of 400, only ~130 sold till now

- *But the key question is after selling how much %, company does a cash breakeven at project basis – 50%, 60%, 70%, 80% ?*
- *And what is the cost of holding inventory?*

Additional Information

Source: Bloomberg, Company, ICICI Direct Research

Key events	
Date	Event
Jun-15	Oberoi Realty approves raising of ₹ 324 crore through preferential issue of shares to Aranda Investments, an indirect subsidiary of Temasek Holdings
Aug-15	As per media sources, Oberoi Realty to buy Crompton Greaves' Worli building spread over ~1 acre for over ₹ 200 crore.
Oct-15	Oberoi Realty launches its multi-tower project "Sky City" at Borivali spread across 25 acres consisting of multiple towers of up to 60 storeys each. The project has a saleable area of ~4.5 million square feet (msf) and the company expects to earn revenues of ~₹ 6000-7000 crore from the project
Mar-16	and Brihanmumbai Municipal Corporation (BMC) have failed to comply with the municipal solid waste (MSW) rules at Deonar and Mulund dumping grounds, due to which Oberoi will be unable to launch projects until the ban is lifted
Mar-16	Rajya Sabha passes the real estate regulation bill paving the way for regulation in the real estate sector. The bill would promote timely execution of projects, ensure speedy adjudication of disputes and help promote private participation, positive for Oberoi
Apr-16	Swedish furniture retailing giant Ikea in talks with Oberoi Realty to buy a built-to-suit retail space for over ₹ 900 crore in Borivali. As per media reports, if the deal happens, this will monetise Oberoi's landbank at better prices of ~₹ 112.5 crore per acre vs. Oberoi's acquisition price of ~₹ 46.2 crore per acre
May-16	Oberoi allots 59,104 equity Shares of ₹ 10 each to certain option grantees pursuant to exercise by them of options granted to them under Company's Employee Stock Option Scheme 2009. The exercise price for options is ₹ 260/ share. Post allotment, share capital has increased to ₹ 339.4 crore.
Aug-16	developing malls. The venture would have a corpus of ₹ 1,000 crore. Oberoi is expected to hold about 75%. Further, it could also initiate talks with Canada Pension Plan Investment Board, which has shown an interest in buying in malls
Sep-16	Teva Pharmaceuticals buys ~1.0 lakh sq ft space in Oberoi Commerz II in Goregaon
Mar-17	Samsung India Electronics leases ~1.1 lakh sq ft space in Oberoi Commerz II in Goregaon for ~₹ 145/ sq ft per month. The lease is for nine years with 15% rental escalation every three years
Sep-17	Oberoi Realty acquires GlaxoSmithKline (GSK) Pharmaceuticals' 60 acre land parcel at Thane for ₹ 555 crore.

Source: Company, ICICI Direct Research

Top 10 Shareholders						Shareholding Pattern				
Rank	Name	Latest Filing Date	% Q/S	Position (m)	Change (m)	(in %)	Dec-17	Mar-18	Jun-18	Sep-18
1	Oberoi (Vikas Ranvir)	30-Sep-18	58.5%	212.9	0.0	Promoter	72.5	72.5	67.7	67.7
2	R S Estate Developers Pvt. Ltd.	30-Sep-18	9.2%	33.3	0.0	FII	24.9	22.6	26.4	26.4
3	Franklin Advisers, Inc.	30-Sep-18	2.5%	9.2	0.0	DII	0.7	2.9	3.4	3.4
4	Franklin Templeton Investment Management Ltd.	30-Sep-18	2.5%	9.2	-0.1	Others	1.8	2.0	2.5	2.5
5	APG Asset Management	30-Sep-18	1.6%	6.0	0.0					
6	Fidelity Management & Research Company	31-Aug-18	1.3%	4.8	0.0					
7	OppenheimerFunds, Inc.	30-Jun-18	1.1%	4.2	0.0					
8	GIC Private Limited	30-Sep-18	1.0%	3.7	-0.8					
9	Wellington Management Company, LLP	30-Jun-18	1.0%	3.7	-0.2					
10	BlackRock Asset Management North Asia Limited	30-Jun-18	0.9%	3.4	-0.1					

Source: Reuters, ICICI Direct Research

Key Reply to Questions – Residential & Unsold Inventory

Tanuj Mukhija:	My first question is regarding the demand at your Esquire project in Goregaon and your Mulund project continues to remain I think pretty weak. Can you please comment on the inquiry levels at these two locations?	Chintan Modi:	Two questions from my end. One is on the 360 West collection which has been quite low compared to the booking value that we have done in the quarter. So what are the reasons for the same and how do you look at it going ahead? Second is again on 360 West, considering that we are planning for possession in March 2019 and we have close to 200 units and we have sold 46 units till now. Once the possession is given, a lot of operation cost will start coming in. Of course, you have to switch on the amenity, the security cost comes in, lot of things get into it. So, wanted to understand how large the quantum of this expenditure could be and how do we bear it and what is the way ahead?
Vikas Oberoi:	See, in fact Esquire is not that bad. We believe that there is enough demand and there is demand in the pipeline. We ourselves are a little concerned about Mulund as such. I mean Mulund has been a little slow for us and we are trying to see whether an oversupply or what the real reason for that is. So, we are focusing a little on Mulund to see how things pan out there and that is a cause of concern for us also. Esquire we are not really worried. We have seen uptake happen		
Sameer Baisiwala:	Saumil, if you can just tell us on the timelines for recognition for Borivali, Mulund and Worli 360 West?	Saumil Daru:	Two things Chintan, firstly on the collections bit, if you will see typically what happens in transactions of this magnitude is that customers prefer to do a more detailed diligence compared to our turnaround in places like say either Goregaon or Borivali or Mulund where typically people just walk in and they collect the agreement and then they sign off. Here typically it goes through a far more detailed diligence and a far more detailed discussion on the agreements. And subsequent to that payments all get linked into timelines or to milestones. So, I would say that maybe again from March quarter with the way we are seeing things getting lined up, I think you will start seeing the cash flows which we are looking at starting to come through. That would be the first one. The second one I do not think, frankly, is a material number in the overall context of the size of that project and everything. Plus, if you will also note what happens in Worli is that we are selling bare shell apartments, so even once we hand over the possession, by the time people will fit out and move in it will take some time. So obviously the usage of those facilities will also begin only once people come in. But having said all that it is not such a material number.
Saumil Daru:	So, in sequence Borivali in all probability Q1 of FY19 so this would be in April to June. As far as Mulund is concerned Eternia should in all probabilities be H1, so in all probabilities may be Q2 and Enigma could be the third quarter. And as far as Worli is concerned again first quarter or second quarter. If you will note as far as Worli is concerned, the percentage completion for construction we have already way passed that threshold of 25%, so it is only a question of hitting the volumes and then beginning recognition. As far as the others are concerned it will be more trying to reach the construction milestone rather than the sales milestone. Borivali we are already above 50% in terms of sales.		

Key Reply to Questions – Residential & Unsold Inventory

Kunal Lakhan:

But anything on the strategic front that we are thinking that could help us revive the momentum here?

Vikas Oberoi:

We are really putting our thoughts together on how to do it. One other challenge is that we are not able to mitigate is that Mulund is a cash market where 90% of the developers are selling in cash. We obviously do not and cannot do it and that is genuinely an issue for us. And there are people who come and say that take cash which we cannot. So that is the only challenge I feel in Mulund, in fact even I do not see that there are no customers also. But luckily now we see these NBFCs are willing to fund people who cannot show their capability to pay and are willing to fund these guys at a higher margin and all that and with a secured developer. So we are hopeful that people who do not have incoming cheque and all that can go to these NBFCs and still buy our house which they very much want to but they do not have the cheque or whatever wherewithal. So that has been a challenge here but that is a market challenge which we genuinely do not have an answer for.

Sameer:

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

Vikas Oberoi:

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

Saurabh Kumar:

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

Vikas Oberoi:

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

Key Reply to Questions – Residential & Unsold Inventory

Niraj Mansingka:

Just wanted to know a few things. After you have launched this scheme of 25% you have seen a bump up in the sales. So, how has been sales in the last one month? Just want to understand is that a consistent thing or is it just a one-off jump in the sales that you are seeing?

Vikas Oberoi:

Two things, one, where there is a apartment which is ready we continue to see demand. And wherever we had the regular scheme we need to continue to back it up with advertisements and stuff like that, which we will continue to do. We see a steady state right now, it is too early for us to comment either or. But like I said, we continue to see a steady state. If we see a change then we will change our strategy. We have got a few things lined up so that we can continue with the momentum. The idea is that we want to grow, and we want to be prudent about how we understand and address what the market needs. We will do that, so, yes, we are ready.

Of the total project of about 21.22 lakh square feet we booked over 52,000 square feet in this quarter. Till date we have booked about 15.16 lakh square feet which is about 71% of the inventory. The total booking value for this quarter is 110 crores as against 267 crores in the first quarter and 103 crores for the same quarter last year. The cumulative booking value till date is about 2,389 crores and the total revenue recognized for this project in this quarter is 110 crores and the cumulative revenue recognition till date is 2,389 crores on account of 100% project completion.

For Mulund, Enigma in Q2 FY19 we booked about over 7,600 square feet till date over 3.75 lakh square feet. The total booking value for this quarter is Rs. 10 crores as against 19 crores for the first quarter and 25 crores for the same quarter last year. The cumulative booking value till date is 552 crores and the total revenue recognized for this project in this quarter is 18 crores and the cumulative recognition till date is about 86 crores.

Puneet Gulati:

Secondly, more on the operational side, if you can give color on why is there a divergence of performance between Enigma and Eternia? One seems to be doing well with the new scheme but the other is still lagging?

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*Oberoi Realty Limited
July 31, 2018*

Vikas Oberoi:

Eternia are smaller apartments and they seem to be doing better than Enigma because Enigma has bigger sized apartments. What is happening is that Esquire once complete has done very well under the subvention scheme. So, what we are really coming to is that whatever one can sell during construction one will go about selling them. But as the product gets ready, the buyer base increases because people want to now move into ready apartments. This is how we look at it. And just to answer your question, it is just the size of the apartment and in the stage where the construction is today, maybe people who have appetite for a smaller apartment are coming forth first, bigger apartments are more expensive, people like to buy them when they are more ready and want to move in. I am just assuming the logic.

Q2'FY19



Key Reply to Questions – RERA, Land Bank & Debt

Abhishek Anand:

Just wanted to understand, see we have been clocking around Rs. 300 crores of collection, not for previous quarter but before that on a quarterly basis more than that, but over the last two quarters we have seen it come down. So, in the next quarter should we expect a significantly higher collection as the demand letters go out and the pent-up collection is received by the company, should we expect that?

Saumil Daru:

Yes, very clearly. Because this has happened more due to RERA, this is all post RERA implications. So, as you are aware all the developers had to reword their earlier MOFA agreements to meet the RERA conditions and all of that. So, once all that agreements have got rolled out and then they have all got registered, so I think this was something which we had discussed even in the last analyst call, Abhishek. Even in the last quarter as you rightly pointed out the collections were a little subdued. But very clearly with the pace of registrations and everything else that we are seeing we believe that almost all these collections will come through by December.

Abhishek Anand:

Sure. Secondly, I wanted to understand regarding the RERA website. So, I understand that you have registered all the projects, it is visible. But when does the next updation happen, is there some kind of a directive by the regulator to update the quarterly sales or is it voluntary, how does this activity take place?

Saumil Daru:

So, Abhishek, the requirement as per the law is that the update has to be quarterly. So, though the only thing I would just want to clear about is what is the exact date by which the quarterly update has to go through. But the update is required on a quarterly basis for sure.

Sameer Baisiwala:

Vikas, just on new project acquisition, two questions. One, what is your comfort level to which you want to lever up your balance sheet? And second, are you also looking at capital light JD, JV model and do you see deals on table for that?

Vikas Oberoi:

Again, contrary to what the market thinks we are not averse to leveraging, our focus is very clear that we want to make sure that we buy money at a cost which is cheap. We also want long-term debt, we also want to ensure that we are backed by projects that have crystallized cash flow or have products that are ready and that can be sold in the market. So, like we will always be prudent about how we go about doing it, there is no upper cap or a lower cap that we kind of put, but whatever we have done historically and when I say historically you can look at as over 10 years not just three, four or five years is what we intend to do. Sorry, what was your next question?

Key Reply to Questions – Upcoming Rental Projects

Tanuj Mukhija:

Couple of questions on your lease assets portfolio. Can you please provide an update on your Borivali and Worli mall, thoughts and launch pipeline? And are you looking at monetizing your mall portfolio and office portfolio in the near term?

Vikas Oberoi:

Firstly, we are not really looking at monetizing our mall portfolio because, again, our cost of money continues to be cheap. Most of the people who want to buy want to look at least a 12% IRR, whereas we borrow money at sub-9. So again, why give away 33% extra to somebody. So we are not really looking at doing that. As far as the mall at Borivali, we are in the design stage and we've also started some excavation work and all that. Part of the approval is also in place and maybe we'll start leasing close to maybe the last quarter of this year. We already have fantastic demand from cinema operators to anchor tenants and even individual tenants. So really very happy, very confident about how that will pan out. We've hired Benoy, they are the architects for our mall in Borivali, and these are the guys who did Westfield in London. They also did Singapore, the ION Orchard City Mall in Singapore, their flagship mall. So again, very happy the way things are going.

Sagar Karkhanis:

My first question is on the Worli mall. What are the expected timelines, by when we feel it will be up and running?

Vikas Oberoi:

Worli mall is adjacent to the underground metro station that comes right next to our property. And from what I gather, they are looking at 2019-2020, is when they will have that station up and running. Three years is what they are saying, so all of '18, all of '19, all of '20. We want to time it in such a way that we also finish our mall around then and do it because otherwise we'll have a lot of work happening outside and the mall will have a very slow start. So this is where we are. So to answer your question in plain and simple, about 2020 is what we are really looking

Tanuj Mukhija:

Sure. And last question from my end, we have seen a weak sales demand, especially in the high-end luxury segment. So are you looking at perhaps a shift in strategy from high-end luxury towards more mid-segment over the course of next three to five years?

Vikas Oberoi:

No, not really. I would say that we are so lucky to be born in a time like this in India. And if you really see that every level of the pyramid that you draw, in terms of the population, is growing. So people at the top are making money, people at the bottom are making money. So instead of saying that there is opportunity at the bottom of the pyramid, I would say that every section of that pyramid has opportunity. You need the right product, you need the right marketing strategy. And there are buyers. This is one thing one doesn't need to really go out and look for, when you do a good product in India. So I think there is really no reason why we need to revisit that. Again, like, Thane of course cannot give us the sale price of Borivali and so is Mulund, not going to be able to. So we would like to play with all segments, and now we believe that we are kind of getting good at doing that.

Abhishek Bhandari:

The second question is on your Worli project, both the residential and the hotel. What is the progress on the hotel and what is the spending on both these parts of the project, residential and hotel?

Saumil Daru:

Firstly, in terms of physical status, the building if you look at it, we have Tower A and Tower B. Tower A is the building with the hotel and the residential. Tower B is a fully residential building. As far as Tower A is concerned, which is the hotel building, all slabs have been cast, which are the slabs of the hotel as well as the residential. So, we have basically topped out that building as far as construction is concerned. It will now be only interiors to go. As far as Tower B is concerned, we have about 4 to 5 or thereabouts in terms of slabs to go.

Key Reply to Questions – Upcoming Rental Projects

Tanuj Mukhija: Understood, and could you give us the timelines for your retail malls at Borivali and Worli? Would the Borivali mall be in sync with the completion of your housing project at Borivali?

You will also be happy to know that we have achieved 97% occupancy for our Commerz-II buildings. The rent for this transaction shall commence from third and fourth quarter of this financial year itself.

Vikas Oberoi: In fact, it probably might be a little before that. The government is committed to finish the Metro by 2019, so we ideally want to complete by 2019 or early 2020. We want to time it in a way where Metro is ready, and our mall is ready for both Borivali and Worli. Work has started at both

Parikshit Kandpal: And just lastly if I can squeeze in, last time in the call you had mentioned that there is one big corporate office you get shifted to Commerz-II, so has it happened or still awaiting?

Vikas Oberoi: So, this is what we were saying there, -WeWork was the international company we were talking about.

Abhishek Anand: And finally, this 1 lakh square feet with Inox in Borivali Mall, any tentative rentals from that, how much we would have signed it on?

Vikas Oberoi: So, there is an NDA, we are not supposed to divulge all these details. But it is a win-win for both of us, they get access into a market where they did not have presence and into a mall which is going to be probably a super A-grade mall, we will get good partners. And I think it is a good partnership, we are really proud of it and very happy and looking forward to it.

Abhishek Anand: And construction of both the malls have commenced, the contract I guess has been given?

Vikas Oberoi: Yes, both have commenced, the work has started, all of it is done.

Key Reply to Questions – Revenue Recognition

Puneet Gulati: Thank you for taking my question and congratulations on a great set of numbers. Just if you can help me understand how is the IndAS 115 impacting you here? You have started recognizing revenues from Eternia and Enigma, and is there any change in any other project which you have recognized?

Saumil Daru: Very clearly IndAS 115 is applicable for all accounting periods from April 1. As you are aware the revenues earlier were recognized following the method which was laid down by ICAI under the guidance note for revenue recognition by real-estate companies. As you would also be aware, the institute also, subsequent to the introduction of IndAS 115, withdrew the guidance note. Under IndAS 115 basically your determination for whether you are supposed to follow the percentage completion method, or the project completion method is now going to be determined by the IndAS rather than by the guidance note. There are tests which are laid down under the IndAS 115 and based on an analysis of those tests we had earlier also confirmed, and we reconfirm that we will continue to follow the percentage completion method. What we have done is, obviously for the sake of continuity for our existing projects we are looking at continuing with the thresholds that we have used earlier. But obviously our position on this is going to evolve once there is more guidance which will come out from ICAI, from what practices other players in the industry are going to adopt, and even as the overall regulatory environment evolves. Because if you look at some of the tests in IndAS 115 those also throw you back to how the regulatory environment is.

Coming to your question, there are two aspects which are changing, the first aspect is what IndAS says is that till you achieve a level of certainty, in those cases basically for us that level of certainty was in a way a threshold, so, till you achieve a level of certainty you should recognize revenues to the extent of cost incurred. So, you will not bring in the margin impact, you will only bring in revenues to the extent of cost, which is what you are seeing coming through for Mulund. And the second thing that we have done is as far as the percentage completion is

concerned where earlier the percentage completion was considered including the land cost, we believe that in cities like Mumbai, including land cost as a part of percentage completion results in very aggressive revenue recognition, and that may not be necessarily have been backed up by cash collection. And hence we exclude the land cost while arriving at the parentage completion method. This is something that we used to also do pre-2011 before the guidance note of the institute came out.

And the way the transition impact works is, for example, as of March 31st, 2018, for Sky City and for Mulund, in both cases we should have recognized revenues to the extent of cost. So, that is what we have done, and we have recognized revenues to the extent of cost as far as Sky City and Mulund are concerned, and made that adjustment in the opening reserves. And what we have done is we have transferred some part of revenues and we have transferred some part of costs to the retained earnings. The net impact on retained earnings coming forward is nil. And as far as Sky City is concerned, because we have crossed the threshold and we are commencing revenue recognition, what you are seeing this quarter is revenue recognition including the margins. But as far as Mulund is concerned, the revenues have been reported and they are only equal to the cost, so there is no margin which has so far been recognized from Mulund.

Sameer Baisiwala:

But for Worli in terms of sales you have done 46 units, when do you need to hit it for recognition, 60 or 65?

Saumil Daru:

It is more on the basis of area so if you look at it, out of nearly maybe about 24 lakh sq. ft. what we have sold so far is about 4,30,000. So, we need to sell 25% of 24 lakhs, so 6 lakhs.

Key Reply to Questions – Mumbai Realty Market

Vikas Oberoi:

So let me tell you about the Mumbai market then I will tell you the segments that I am in or rather the suburbs that I am in and then I will answer your last question. See Mumbai has always been a supply constrained market. Having said that the order of the High Court which was challenged in Supreme Court, that dumping ground issue that has not helped increase supply per se. Whatever you are seeing are all old approvals that are continuing to be built. We have been on the lucky side where we had permissions in all our projects so not even a single project of ours is stuck because of that order. So having said that there is certainly a slowdown in the supply. In the last 2 years after that order no new IOD or CC has been issued, so we do not see much of a rush in BMC to get approvals because high court has restricted them. This in turn will certainly create a shortage going forward, this is our belief. Now when it comes to our suburbs we are pretty much present in most of the prominent suburbs be it Borivali, Goregaon, Mulund, now with this in Thane as well, JVL R again and Worli let us say if it was to be the city. Barring Mulund, I think Mulund has a little bit of an oversupply, barring Mulund I do not see there being any issue in any of our other projects. Worli again there is supply but they are not of the product that we are building or the quality or the price point that we are looking at. So again we get the best pick of the people wanting to buy a house in that area as in they first want to come to us and only if we do not fit into their budget or if they want to buy a smaller house will they go to someone else, so this is it. What was your third question?

Sameer Baisiwala:

On the price increase.

Vikas Oberoi:

So on the price increase, even though I said that Mumbai is a supply constrained market we have no issues elsewhere, the normal sentiment is such that we are not able to push our price up. Everyone would love to but the way things stack up, I do not see we are having enough reasons to go out to the world and say that hey we want to increase our price. That is where we are. So prices may continue to be the same for some time to come but like I said that there will certainly be an absolute supply crunch going forward in the next 2 years because you cannot catch up to the demand instantly. All these things take time for it to build and all that. So today there is a standstill as far as new projects go. And this is why we are able to negotiate a better price with a lot of contractors.

Saurabh:

Okay, fair point. And second is like if I just look at Exquisite, Esquire and Prisma, like your near completion projects you have close to about, depending upon how you calculate it, almost about Rs. 2,200 crores of near finished or almost finished inventory lying on your book and you obviously now have some debt, thanks to that Thane acquisition. So just as a cost of capital thing, is there anything you can do to accelerate the sales?

Vikas Oberoi:

We are doing everything to accelerate sales. We ourselves are interested in doing that, given a scenario where we are not increasing price, but we cannot reduce price because for the past 4 years we have done sales and unlike the stock market the flat purchaser is very sensitive that he bought it at X and later on somebody goes and says it is cheaper it is not taken well. So we do not want to start that trend. And I see with the way things are now like I said there is clearly a constraint in supply due to that High Court order and RERA coming in and all that. I think going forward there will be some push to the sales as well. And these customers will get concentrated to fewer developers.

Key Reply to Questions –Land Banks

Abhishek Anand:

So, lastly, we understand that you have been assigned as the top bidder for the Thane land parcel. Are we looking out for more land parcels given the commitment we might require for the Thane land parcel, we might go slow on further portfolio addition or we are actively looking further...

Vikas Oberoi:

Abhishek, we are very, very clear that we will continue to buy land wherever we feel that it makes economic sense, that is the first thing. Number two, we do not want competing suburbs because then we end up cannibalizing our own product. Third is we already have enough capacity that we can now build a lot more. So, if we get good land in good pockets of Mumbai we would be very happy and we would be reasonably aggressive in taking those properties. So, like execution point of view we do not see any challenges, we are building probably more than what we built in our entire lifetime and everything seems to be going smooth. Esquire will be a little over 2.2 million square feet of delivery, so one has not done this sort of deliver ever earlier, we delivered Exquisite just a year and a half ago. So, if you see that as a company we have been ramping up our production and delivery and today we feel very comfortable that we can build more and deliver more. So, we are very happy to take on more land and this is not with an intention to do any land banking, whatever land we will buy we will quickly get into development. Like Thane, we internally want to make sure that we launch the project within the first nine months of having paid, registered the document.

Manish Gandhi:

Yes. And one more question, kind of a repetitive, but like what we have shown extreme patience in not buying properties despite our capacity. So like how Charlie Munger says, extreme patience plus extreme decisiveness. That is what creates winners. And you have said that we are ready to buy many properties if available at our thing. So it will be helpful if you throw some more color on that, because market thinks that we buy property every three year, and that is not the right thing. We had done in 2005 many deals, so...

Vikas Oberoi:

Correct. So you are absolutely right, Manish. What I want to say is that, yes, we do continue to look at land parcels. Again and again, our strategy is very simple. We don't want to buy an expensive site firstly. We ideally don't want to buy sites, which are competing our own site. And these are the two things that we keep in mind. And if you see that there is always this window of opportunity that opens up when, let's say, two or three developers who have already bought for themselves and are not keen to buy. And so we get that little window of opportunity. Again, our parameters of buying, we ideally like to buy clean property. We like to buy it from a good seller. So all these things need to be aligned for us. Then it's not a matter whether if I get this next month, if all these criteria match, I will go and take that for sure.

Parikshit Kandpal:

And there are I think around 4,000 hectares of land opening up. So, which is like 8% or 9% of total land in Mumbai. So, will it impact, I mean obviously it will open up lot of land opportunities, but in terms of supply will it restrict further, I mean pricing appreciation?

Vikas Oberoi:

It is music to my ears because this is the raw material I need for my product and we are able to build well and we have a good reputation. If the market size increases, it is only a huge positive for us. And like I said we have changed strategy, we have changed gears and we are getting ready to build more and earn more money out of building more. So, price is not something that we are really concerned if land prices get rational. Our profits are more out of processing land into ready product and we will continue to do that.

Key Reply to Questions – Capital Raised

Kunal Lakhan: Sure. And lastly you have taken approval for fund raise of Rs 2,000 crores of equity. How likely will that be this year?

Saamil Daru: You have seen us doing this enabling resolution for the last 4 years. See from a typical perspective, if there is a transaction in the physical market where there is a land acquisition opportunity, you try to do anything around those times and getting shareholder approval and all is a typical 30-day process for the whole thing. So, from our perspective if you see, this is what we have been doing for the last 4 years. We have taken enabling resolution and we wait. As I was discussing with somebody else also earlier today, just because I have loaded the gun doesn't mean I will fire it, but it also means that it's easier to press the trigger when required.

Parikshit Kandpal: So, Vikas I had a question for you, I mean it is heartening to know that you said that you are now focusing on sales velocity and getting volumes and higher market share. Pertaining to that I mean are we looking out for anything at all? Earlier we were planning to diversify outside Mumbai. So, is that plan on since you are focusing on volumes?

Vikas Oberoi: Well, we continue to look at property outside Mumbai and a start that we want should be with a land owner who is willing to do a JV with us and who has a good local connect. We have not been able to get one. The minute we do that, we will obviously be at it. Once we are able to set up an office there, then we will look at buying land parcels also. And again, we are in no hurry. It could happen in the next 1, 2, 3, 4, 5 years, there is no real urgency. We want this company to last 100 years. We are doing enough work in Mumbai, so we want to go with the right partner for a right cause with the right reason and all that. So that is where we are.

Abhinav Sinha: Just to begin with on the fund raising that we saw, so what are the expected timelines and where should we expect these funds to be deployed?

Vikas Oberoi: So, basically the funds we are looking at obviously land acquisition, when we get good land parcels which we continue to get we will use and deploy this to bring in more land.

Abhinav Sinha: And the mall capex and possibly the next building of commence which will progress, is that also part of the deployment or that should be funded organically?

Vikas Oberoi: Not really, so there will be a lot of internal accruals, probably for these rental business models we will probably take some debt also. And because you generate rent and they can be self paying, so they do not really stress or stretch the balance sheet as such, they are backed by their own income and they can be repaid. So, we do not have that issue on rent yielding assets.

Abhinav Sinha: So, we should not ideally expect the current debt to be paid down anytime soon, right?

Vikas Oberoi: No, we want to grow, the idea is to grow, we have not raised the money to repay debt, this is growth capital and we will use it for growth.

Key Reply to Questions – NBFC & Real Estate Crisis

Niraj Mansingka:

Can you give a brief of what do you think is happening in the industry right now considering that there has been NBFC crisis. Number one, is there sales happening in the industry, number two any thoughts on how you see developers getting squeezed, any experience of approvals by the NBFCs is slowing down, etc., so some broad understanding?

Vikas Oberoi:

So, Niraj very relevant question. I think we were seeing this coming for a very long time, in fact it probably took a lot longer than we thought it would because we were not able to stack up how developers who do not have a brand reputation, do not know how to build a project, do not have customers who will buy from them literally going out and buying land parcels just because there were people willing to fund them. So, I think this was waiting for it to happen and I would honestly say this is great news for us because we will have less competition in buying land when it comes out to sell and only genuine developers who know that they can buy this piece of land, build the project and deliver it to the customers will probably raise their hand when it comes to buying property. So, I think we are at a very interesting intersection and this is only good news for companies like us and this clearly means that we will face less resistance/competition when it comes to buying land and once that happens we will not have fly-by-night developers trying to commit anything and try to attract buyers. So, I think this is a very positive move as far as we are concerned.