



“Oberoi Realty Q4 FY24 Earnings Conference Call”

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REALTY
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REALTY**

Moderator: Ladies and gentlemen, good day and welcome to the Oberoi Realty Q4FY24 Earnings Conference Call.

We have Mr. Oberoi – the Chairman and Managing Director of the Company and Mr. Saumil Daru; Director of Finance of the Company with us for the call.

Please note that this call will be for 30 minutes and for the duration of this conference call, all participant lines will be in the listen only mode and this conference call is being recorded. The transcript for the same may be put up on the website of the Company. After the management discussion, there will be an opportunity for you to ask questions. Should anyone need assistance during the conference call you may signal the operator by pressing ‘*’ 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 may be forward looking statements including those relating to general business statements, plans, strategy of the Company, the future financial condition and growth prospect. The forward-looking statements are based on expectations and projections and may involve a number of risks and uncertainties and other factors that could cause actual results, opportunities and growth potential to differ materially from those suggested by such statements.

I now hand the conference call over to Mr. Oberoi – the Chairman and Managing Director of the Company. Thank you and over to you sir.

Vikas Oberoi: Thank you. Good morning, good afternoon, good evening to all of you for the time zones from which you have logged in and welcome to the Conference Call Q4 FY2024 results and business updates. Firstly, thank you all for taking time out for this call.

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

I am very happy to announce that we have recorded our highest ever quarterly and annual profits in the financial.. in the current fiscal year. We have launched Elysian Tower C at Oberoi Garden City in Q4 which garnered a strong demand from customers. We have also received occupation certificate for Commerz III where Morgan Stanley is a large tenant and we have witnessed a very strong leasing interest from prospective tenants. Additionally, we have also entered into a deal to redevelop seven buildings in Adarsh Nagar, Worli. This land has a potential to generate a free sale component of about 6.25 odd lakh square feet.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Puneet from HSBC.

Puneet: My first question is if you can give some more color on what's happening with the leasing for the Commerz III and also for the mall in Borivali? Also, in terms of timeline what are we looking at from the rent to start for both these assets?

Vikas Oberoi: Commerz III, to begin with is a marquee building designed by Woods Bagot out of New York. The building is now complete. We have occupation certificate and our anchor tenants are Morgan Stanley. They've consistently been increasing space and if things go well, they'll probably be occupying 50% of the building. The entire building is close to 2.4 million square feet of carpet area. And we are at LoI stage and active discussions which should probably take our leasing to close to about 80%-85%. We have really nothing much to lease and if things go well, we would be done within the next two quarters. If you ask me about the mall also. The mall is also I would say near complete. We are doing deep cleaning at some places. We are doing last mile finishes at certain other places. The cinema tenant is already in the property doing their fit outs. We have also started signing term sheets. In fact, even there we have had tremendous success and a lot of progress. We would love to declare only once we register those agreements which are also in the pipeline. And in all we see very good traction. I think it's a great location and the design has really come up very very well. It probably has the potential to be rated as one of the best malls in the country.

Puneet: In terms of timeline for rents to start in both these places?

Vikas Oberoi: So, execution is a tough job I must say and it ends up being a moving target. For now, we have set our sight that we should be able to have a soft launch by October and our rent should also pretty much start by then. That's for Borivali mall. As far as the Commerz building is concerned, the rent has already started from 1st of April this year. The rent has already started.

Puneet: And secondly if you can also guide in terms of timeline for launch of your Adarsh Nagar project and potentially Gurugram project.

Vikas Oberoi: So, both projects I think should be probably what anywhere between 8 and 12 months window is what we are really looking at. So, pretty much next financial year.

Moderator: The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: My first question is on Thane. So, this has been discussed a lot for the last many quarters. So, finally, any conclusion on launch timeline on this project and if you can also update us whether the work has started on the site, what is the completion status or physical progress at the site?

Vikas Oberoi: We have two projects, Kolshet work has commenced, sales have commenced and I would say we are very happy with the way things have gone there. With regards to Pokhran Road, work has again commenced there, contract in place work has started physically on site and we are now waiting for the festive season. Our show apartments are ready, experience centers ready and we will be you know we should hopefully be launching within the festive season starting you know whatever early October or something like that. And that's really our, now all the hurdles are out. We are through with everything and we are ready to launch.

Parikshit Kandpal: My second question is on Three Sixty West. So, this year we have seen eight units sold. So, just to understand a little bit more on the demand side. So, if you can also help us understand, besides your eight units sold what would be the partner share of units sold? Just to understand the depth of the market for this product. But what I understand is that there were sizeable units being sold by the partner also in this financial year. So, maybe his inventory has now run out. So, what is left is all yours from next year. So, is it the right understanding? So, if some numbers here would help to understand that.

Vikas Oberoi: If I were to sell these apartments at my partner's pace, by next year I would be done with my entire inventory. So, I can only tell you that he's been able to sell pretty much all of his stuff. So, there is great demand and I must also tell you that they've been also able to get a very decent number with regards to sale price also. So, I think now the decks are clear. I also know that there is pretty much no competition around with the quality of building with ready key. And if you see Worli sea face, people are asking anywhere between Rs. 1.75 and 2 lakh a square feet. So, we look a lot cheaper, we're a great product. We have a very good set of people already living there and happy. So, I think they are great ambassadors to our product and now it's our turn to get going and we will.

Parikshit Kandpal: And just last thing on the CAPEX, now so large part of the CAPEX on the office and the mall is behind us. So, just on the forthcoming pipeline. I think we have hospitality tie up now with Marriott. So, between Borivali and Thane, what kind of CAPEX you're looking at? Also on the office side if you can help us understand whether anything will kick off in Borivali and we have some land there for office or anything there and any opportunities you're looking at Bengaluru? So, what will be your strategy for Bengaluru in terms of whether you'll purchase Resi there or you look at office?

Vikas Oberoi: So, we are at least not looking at Bangalore very aggressively, let me put it this way. We keep snooping in here and there but not go deep or really go out there. We just want to keep understanding the market. With regards to the CAPEX of these three, given our size is minuscule really these are all either meant to build locations. I can tell you that at some point in time, we'll have a very interesting portfolio of hotels ranging from Ritz Carlton to right up to JW Marriott, Marriott, Westin. So, yes, happy about it but again like I said that they are all being built or are being built or were being built to create locations and that's what we really want to do. Our focus

will be on ensuring we buy more land and get a little more aggressive on execution and sales now.

Parikshit Kandpal: And CAPEX any CAPEX over the next 2-3 years on these assets?

Vikas Oberoi: CAPEX on what, like we have so many verticals now?

Parikshit Kandpal: Hospitality and office.

Vikas Oberoi: You can take that offline with Saumil and team.

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

Pritesh Sheth: First is on margins for this quarter which obviously looked very strong. Seems like largely because of Three Sixty West recognition and Elysian. So, just wanted to understand what kind of margins these two projects are now garnering for you, considering the pricing you have reached in Elysian and both Three Sixty West as well?

Vikas Oberoi: These are actually margins at the Company level, they are not really individual margins and we have always got those. And in fact, the residual or whatever is left with us are all higher floors. So, you'll only see either the margin sustains or get better. So, that's about it.

Saumil Daru: And from an accounting perspective Pritesh, if you would have seen, last year when we did the transaction also the margin from that was eliminated because it was a related party transaction. So, now every time when we sell a flat, the recognition as far as ORL is concerned is the entire differential between the cost versus the revenue that we are getting. So, it is not just the differential between what we acquired at Rs. 65,000 odd and the sale price. It is the cost versus this. So, that's where these will come in with those kinds of margins. So, if your question was that are these margins sustainable? If that is what you are implying then as far as Three Sixty West is concerned, yes.

Pritesh Sheth: And in general, whenever Elysian and Three Sixty West both will have higher recognition coming, this is the sort of margins that.

Saumil Daru: Both are higher margin projects. So, they both will continue. And Elysian, we have only launched three of the towers so far. We have the balance yet to go which has yet to be launched. So, over the next few years, we will continue to see both top line as well as bottom line coming in from Elysian also.

Pritesh Sheth: And apart from Thane any other launches from the projects that you have you're looking at to come up for launch in this year?

- Vikas Oberoi:** So, we have Borivali one tower left to be launched which is we know when we say one tower it's like a million square feet. We have our Garden City fourth and fifth tower. We have so much to do and we have the balance of Mulund to be sold, the higher floors. We will be getting occupation certificate for the rest of the area. So, we will launch that also. Enough activity within Mumbai and now Thane.
- Pritesh Sheth:** And just lastly on Adarsh Nagar, we understand there is huge potential apart from the seven buildings that you acquired. Will you be looking at acquiring few more and wait for them to acquire and post that you look to launch it or this is the seven buildings that we were anyways looking at and we can go ahead with these seven buildings in terms of redevelopment?
- Vikas Oberoi:** So, we will be doing sector wise. This is a project by itself. We are very thankful to the people. They trusted us, they trust our brand. There are 500+ people living here. We want to ensure that we deliver a house to them within the committed time. So, we don't want to mix any additional development with this. This is a focused project. We will build it and we will launch it separately and as and when we grow, they will all be built as separate sectors by themselves. We don't want to mix them and we don't want to wait. We internally want to do it faster than one year. But having burned my fingers in the past, anticipating one can do things faster things sometimes don't happen.
- Moderator:** The next question is from the line of Saurabh Kumar from JP Morgan.
- Saurabh Kumar:** Just two questions. One is on the residential margins again, what will be the gross margin against this EBITDA at 48 that you have for the full year?
- Saumil Daru:** Any particular difference between gross margin and EBITDA?
- Saurabh Kumar:** No. So, that will be like, overheads basically. I just want to know.
- Saumil Daru:** Overheads are typically a few percentages, a few percentage points are maybe 1% or 2% So, those are not very significantly higher.
- Vikas Oberoi:** There's no debt on these Resi projects so there is no interest per se.
- Saurabh Kumar:** I was talking about your corporate cost and everything. So, like I was just trying to figure out whether you are underlying the construction cost, sales less construction cost at gross profit. Is that in the 60% ballpark is what I was trying to figure out if that is there or not like 12%-13% overhead.
- Saumil Daru:** Overall, it is not very material at a full level.
- Vikas Oberoi:** Saurabh, we run a very tight ship. So, we don't really end up, there is very little on the overheads and other costs.

- Saumil Daru:** Because even if you were to take that overheads at close to about 150 odd crores on a kind of a 4,000 crores or 5,000 crores odd top line and that barely works out to kind of a 3% number.
- Vikas Oberoi:** Not significant. That's all.
- Saurabh Kumar:** And secondly in terms of your rental assets. So, if I include the hotel, you're now averaging close to about call it nearly you getting to about 400 odd crores. In terms of Worli do you think...
- Saumil Daru:** It was 450.
- Saurabh Kumar:** So, when do you hit that four-digit mark in your opinion? Like when should we think about these rentals getting to that above 1,000 crores mark?
- Vikas Oberoi:** Within this financial year easily, with mall and Comm III coming in these are ready assets. We will pleasantly pass the number you are talking about. We have very big plans and we want to kind of make sure that we reach these numbers very quickly.
- Saurabh Kumar:** So, by the time you commission because in terms of the accounting at least because of straight lining you will hopefully by Q4, we should be seeing that number.
- Vikas Oberoi:** Absolutely. Very easily.
- Saurabh Kumar:** And just one last question, in terms of as you briefly spoke about this Three Sixty West so one of your competitors in Delhi obviously is doing very well in luxury, how are you thinking about this demand now? It's picked up but how would you think about where you are positioned on this project versus I know the competition is mostly sold out but at this price point are you seeing now more demand come through?
- Vikas Oberoi:** I just want to tell you that luxury has gone through the roof in India especially after COVID. Actually, it's global. It's not just India and with the kind of product, this is all feedback and feedback from people who bought homes. So, there is no false praise or anything like that. These are people who bought, and they all come and tell us that this is probably the best building they've seen in India. And I feel that it's being appreciated in the form of higher price. And the stickiness to that is really strong. I just want to tell you that there is no competition sitting in Delhi. They are way too big and he's the original champion. I'd leave him at that.
- Saurabh Kumar:** Luxury is doing well and I was wondering whether Bombay luxury is following Delhi luxury or not.
- Vikas Oberoi:** No, I think Mumbai luxury is equally there and people in Mumbai enjoy as much as people in Delhi want to. So, they are here to spend, and they appreciate good stuff, we have been able to kind of deliver that. So, humbled and happy about how things have gone.

- Saurabh Kumar:** So, you would expect that over the next 2-3 years you get both pricing and sales upside.
- Vikas Oberoi:** Pricing is already set; you can see that. And now because let's say my partner who has already sold his stuff it's just us left and with no competition even within like nobody delivering in the next 12 months or 15 months or even 18 months for that matter, I think we have a clean run to deliver these or sell these. These are ready to move in key, you just take the keys in your hand and move in.
- Moderator:** The next question is from the line of Abhinav Sinha from Jefferies India.
- Abhinav Sinha:** Just following up on Saurabh's question. In Worli specifically and even in the other projects, what sort of price appreciation we can expect in FY25?
- Vikas Oberoi:** I personally I've never done my business through this lens of appreciation. I make a product, I want people to consume it, I want people to enjoy it. Now appreciation is a byproduct and if you see historically, real estate has appreciated. I want to leave it at that. Trust me. I'd be lying if I can tell you that I can really second guess what the markets can do. But given the way things are in India we are in pole position when it comes to the economy, there is tremendous political stability and I think the next 10 years belong to India. So, everybody will benefit out of that. Everybody will have a lot of free cash flow and everybody will want to live better. I would rather leave it at that and not guess what will happen on price.
- Abhinav Sinha:** Any sales outlook or guidance you would like to give for next year?
- Vikas Oberoi:** I've never done that. I get tempted but you know my CFO doesn't allow me so I can't do that.
- Abhinav Sinha:** Saumil with your permission, I mean double digit growth anything you would like to say?
- Saumil Daru:** You have had enough discussions with me Abhinav, to know that I will not respond to that.
- Abhinav Sinha:** Anyway, let me try two other questions. So, one on South Bombay we now have three projects and a couple in Tardeo and one in Pedder Road, I guess. When are you expecting these launches to come through?
- Vikas Oberoi:** So, like I said that these are all signed registered documents and now we get on to getting permissions. As soon as we get them, we put an outer line of 12 months. But internally we'll try and do it faster. Don't want to commit something and not being able to do it. So, these look like fairly achievable. They're large projects so they'll require all sorts of clearances including MoEF this that and the other and these things do take time. I won't put a safety net of 12 months, but we'll try and do it faster and these are both amazing projects. Our Tardeo project is also excellent. You are literally peeping over the Willingdon Golf Course. So, it's really a great project I must say.

Abhinav Sinha: We had a great year in cash collections this year and net debt is down close to 2,000 crores. What is the outlook there? Do cash collections rise further and how are you seeing your balance sheet in the next 12-24 months?

Vikas Oberoi: Frankly we are made to look like we are debt averse. We are not. We are just prudent about what we borrow. And typically, what we want to do is we want to borrow only to buy land and rather not even like maybe raise bonds or something like that to buy land. And they are all backed with apartments that are ready to be liquidated over time and so on and so forth. So, per se only when you get large opportunities will we do that. None of our under-construction projects require anything as such. So, by and large that's always been our strategy and that is how it will be going forward. All our projects are cash flow positive, most of them are having enough money to finish those projects because RERA requires you to hold those monies in specific accounts. So, they are all well capitalized in a way.

Moderator: The next question is from the line of Atul Tiwari from Citi Group.

Atul Tiwari: Just on the Adarsh Nagar project, what will be the total construction area? You said the freesale area is 6.5 lakh square feet but what is the total area to be constructed?

Vikas Oberoi: I think about 11 lakh square feet because we have to make apartments and give them.

Moderator: The next question is from the line of Dhruvesh Sanghvi from Prospero Tree.

Dhruvesh Sanghvi: Once we are going to see such crazy cash flows now, we are like really waiting where you press the pedal on the business development front as well. So, I just wanted to have your view and probably want to push you a little bit on that area as well. I'm sure you are looking but isn't it right time now that we are looking at a 10-year great outcome for India to probably secure 4-5 more newer locations?

Vikas Oberoi: So, Dhruvesh totally resonate with you, agree with you and we will be doing exactly what you are suggesting. Not that we didn't want to do it in the past. There were many challenges. Today if you see that as a Company, we built Com III in a record time. We've been able to deliver very high-quality projects and somehow feel confident that what people come to Oberoi Realty for which is quality and design detail and all that, we're able to do it at that particular scale. So, we have somewhere cracked that code and that gives us a lot of confidence to now scale up, without that scaling up would mean actually encroaching on your brand name that you build with so much effort and without which anyway one wouldn't be able to grow. So, given that now that we have resolved that issue, we are absolutely confident that we can now grow and grow faster. And you're right that when we see our cash flows from existing already built assets is going to be so much that we will have to continue to buy land. We will do that.

Dhruvesh Sanghvi: The kind of goodwill that has happened in the western suburbs more so than the eastern so far in Mumbai, we are almost going to dry up in terms of land that we have in Borivali and Goregaon in the next 3 to 5 years. Considering the gestation that we typically have to plan the project correctly. So, is there nothing that we can do right now for these markets between the Borivali-Andheri range, especially when we see so many other small and midsize competitors grabbing decent sized projects on the redevelopment front or majorly redevelopment?

Vikas Oberoi: So, Dhruvesh firstly I'll just tell you, we are very fortunate, there is no project almost no project that we don't get to see or reject before anyone else takes it and we have our reasons to not go ahead and do that. We are not a speculative Company. We want to make sure whatever we take we can deliver that and there is enough for the Company in terms of profit to be made and all that. We don't want to be getting after projects that eventually will make very little or no money because we have limited energy. Second, I just want to tell you that we believe that our brand name is as strong in the east or with the west and now that we are going to Gurugram we will be equally popular there. So, for us we want to build geographic-agnostic brand. We want to be a brand that can work anywhere. So, for us there is no fear that 'oh!' we don't have something in the western suburbs. By the way, our strategy of having projects in the western suburbs is very clear. We want to literally have wells everywhere, so we want to ensure that we can literally pump out from any of this thing. Every micro market has a capacity and we want to tap into that capacity. The strategy to go into multiple micro markets is that every market should give me 1,000-2,000-3,000-4,000 crores of sales and that collectively will become great sales and all. So, basis that is what we are really working on. But point very well taken. We are absolutely back on BD mode in a big way, and we are mindful that we will be generating this cash and that cash needs to be housed and we will make sure we do that.

Dhruvesh Sanghvi: One small last piece. So, 5 years back till today there were hardly any players between 5,000-7,000 crores presales. And now there are at least 5 players talking about 20,000+ crores pre sales in the industry, most of them are listed. Considering the kind of work that we do very high margin, very very luxurious etc. But somewhere in the discussion internally, you would definitely be comparing the kind of growth that they see. I'm just laughing on a positive side. So, what is Vikas Oberoi thinking internally and if you can share some thoughts because even so we say that we don't benchmark anything directly to the competition. But somewhere these numbers will not be overwhelming you in your mind that 'oh' this is the kind of growth that those strategies also did and should we pivot it in that format at all?

Vikas Oberoi: I can only tell you that I read somewhere that my competitor himself told me that he does not want to be chasing to be the largest seller in the real estate industry. So, I'm glad people are now started resonating with what I'm saying. That's really not the idea. Trust me, the idea is to make great product, the idea is to do the right thing, the idea is to do it prudently and cautiously. Like I said that today we feel confident that we can do a lot more and we can control that quality. We want to really go by that. The market is very big. It's always going to be big. I want to first build my capacity and then go out there in the market and build more. I don't want to chase other

people. I don't want to have unrealistic targets. I want to build my capacity first. I want to build my team which can then go on. We have to build strategies around it. Please don't forget our last mile in India is not ready. We don't have great contractors today. If I want to give a job to somebody there aren't many contractors who can execute with quality and believe me when people buy a house, there is a huge responsibility on us and they are putting their lifetime earnings there. So, I'm very-very very conscious about that fact. And hence I will put my own aspirations aside unless and until I'm very sure that I can deliver a particular quality. So, quantity will always come after this bit.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to end the conference call over to Mr. Oberoi for closing comments.

Vikas Oberoi: Thank you all for taking time out for this call. We look forward to hearing from you on an ongoing basis. Please feel free to reach out to my investor relations team and if you have any questions surely you can do that. Thank you once again and have a great day ahead. Thank you everybody.

Moderator: Thank you. On behalf of Oberoi Realty, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.