

Q1FY11 Post Result Conference Call Transcript

Representative:

Mr. Rohtas Goel - Chairman & Managing Director
Ms. Vijailaxmi - Chief Operating Officer
Mr. Amit Mehta - General Manager (Finance)
Mr. Sumit Arora - Vice President (Investor Relations)

PL Rep.:

Kejal Mehta - 91-22-6632 2246
Dhrushil Jhaveri - 91-22-6632 2232

Date: 30th July, 2010

Moderator - Vivian

Ladies and gentlemen good morning and welcome to the Q1FY11 Earnings Call of Omaxe hosted by Prabhudas Lilladher. As a reminder, all participant lines will be in the 'listen only' mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. Joining us on the call today from Prabhudas Lilladher is Ms. Amisha Vora and Mr. Dilip Bhat, Joint Managing Directors along with Ms. Kejal Mehta, Analyst from Prabhudas Lilladher. I would now like to hand the conference over to Ms. Mehta. Thank you and over to you Maam.

Ms. Kejal Mehta - Prabhudas Lilladher

Thanks. On behalf of Prabhudas Lilladher, I would like to welcome the management of Omaxe as well as all the participants on to the call. From Omaxe, we have Mr. Rohtas Goel, CMD, Ms. Vijaylakshmi, Chief Operating Officer. They'll be joining us from Chandigarh. And Mr. Amit Mehta, GM Finance and Mr. Sumit Arora, Vice President Investor Relations will be joining us from Delhi. We are going to be starting off with some comments from Mr. Rohtas Goel on the results followed by a short presentation from Mr. Sumit Arora, post which we will open the floor for a Question and Answer Session. So I will just hand over the floor to Mr. Rohtas Goel. Over to you sir.

Mr. Rohtas Goel - Chairman and Managing Director, Omaxe

Thank you very much. Thank you friends. Dear friends, welcome you all on behalf of Omaxe. I am pleased to share with you progress of Omaxe within the first quarter of present financial year. The company has reported consolidated operating income of Rs252.9 crores compared to Rs118.9 crores in the last fiscal registering a growth of more than 112.72%. The net profit has gone up from Rs15.66 crores to Rs.21.72 crores. In terms of...

Affordable housing business is more of a net of volume _ and we all know that the margins are comparatively lower in this case. We are purely functioning like a manufacturing unit where we produce and sell affordable homes _ at various locations. Further, the top line includes a Rs.42 crores turnover from our infrastructure arm where PAT margins in the range of 4 to 5%. My friends, the most promising fact is that because of both of new launching and ongoing projects continued to be very encouraging for the last quarter, the net _ sales is around 2.5m sq.ft compared to only 0.7m sq.ft found in Q1FY10, almost 4 times higher on a QoQ basis. The total sale in value is more than 350 crores, with average realization of Rs1,400 per sq.ft. In terms of cash flow from operations, we have received almost Rs105 crores every month from the existing and new bookings together. We have reduced our external liabilities towards banks, financial institutions, and government authorities by Rs165 crores during this last quarter. I have great comfort in stating that the delivery of projects have picked up considerably and during the first quarter, we have offered possession letters to customers for a total area of more than 4m sq.ft. And more than 60% of this has been already converted into registry.

Now the situation is much better as compared to the previous year, but we at Omaxe are still making every move very cautiously and the emphasis is more on the recovery. We believe that the present financial year would strengthen our position many folds and help create image for us in this highly competitive industry. Thank you very much. Now I will ask Mr. Sumit to elaborate more on the present. Sumit.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Thank you sir. This is Sumit Arora. I am joining in from Delhi. Friends, as Mr. Goel has just given a brief insight on quarterly numbers, I would take you through the detailed numbers and compare it with last quarter of FY10, similar quarter for FY10. Let's run over the numbers. Our top line from real estate is roughly Rs210 crores and from infrastructure is Rs42 crores. That adds up to Rs252 crores of top-line. It has increased by almost 112% on QoQ basis. And our operating cost, if you have observed, has also gone up. And the increment in operating cost is substantially higher than the turnover. Only reason for this is, earlier more concentration was on the plotted development. Now lot of built up development is also picking up. So obviously, the cost of construction and everything adds up to it. All other expenditure heads including administration, selling, and staff expenses have also gone up by a certain percentage. And pure reason for that is that the business is picking up, the activities are scaling up, and execution is on at almost all the projects. So that adds up to administration and staffing cost as well. There have been some payment discounts offered to customers in couple of our projects at Greater Noida and couple of other locations which adds up to some _ discounts which we give on the offer price. So that has increased the selling expenses to a substantially high number on QoQ basis. But that's just a one-time kind of an expense which has been already accounted for. If you have seen, the finance cost has reduced by ~Rs40 crores and the main reason for this is that our absolute debt has reduced and the cost of debt has also come down. Presently, our cost of debt is somewhere in the range of 13-1/4 to 13.5%. The EBITDA margin for the last quarter stood at 20.55% compared to around 38% for the same quarter last year. And the reason for this is again last year there was lot of plotted development which was happening and the income was booked from plotted development, where margins are comparatively higher than your group housing or flows which are primarily built-up kind of development. And as Mr.Goel has also said that the PAT margins were effected due to infrastructure projects as well. They are in the range of around 4 to 5%. Now when we talk about the projects which have contributed majorly to the top-line during the last quarter, we can take few names here like our township project in Mullanpur Chandigarh, our township project in Patiala, township project in Jaipur and Rohtak and some group housing projects in Noida, Faridabad which adds up to around 160 crores in terms of revenue booking for the last quarter. And now as we talk about the operational performance, this was more for the quarterly reporting. If you talk about the actual sales for the last quarter, we have sold almost 2.54m sq.ft of area compared to only 0.7m sq.ft of area sold in the same quarter of the previous year. So there is a jump of almost 4 times in this. And our total sold area, which stood at some 49.8m as on 31st March, has gone up to 52.3m sq.ft. And in value terms, this 2.54 translates into 354 crores of sales. Of 2.54m, some 0.5m sq.ft is plotted development and 2m plus is built-up development. And the fresh sales are from residential segments only. There has been hardly any pick up in commercial sales. Rather there have been some cancellations in couple of our commercial projects, but that's not a significant number anyways. Majority of our fresh sales is coming from our Chandigarh project, our s_ project, the Allahabad Hi Tech township and the Lucknow Group Housing Project which was launched last quarter. During the last quarter, 10 new projects were launched adding up to around 3.5m sq.ft of area, out of which almost 2m sq.ft is already sold at an average rate of Rs1,600 per sq.ft. That adds up to fresh sale of around Rs318 crores coming in from the new launches for the last quarter. And the amount received at the time of booking in terms of cash inflow is 10% of the sales amount. Some of the projects, which received phenomenal response during the last quarter, are our EWS and LIG projects in Allahabad, our mid-income residential group housing project in Lucknow and commercial plot and EWS in Patiala township. It's not only about new launches, the focus is more on execution and delivery as well. So apart from new launches, the execution of existing projects has also picked up significantly and almost 4.5m sq.ft of area has been already offered for possession in the

last quarter, out of which, more than 2.5m sq. ft has been already converted into registry. Now most of these projects which are coming close to completion have been already offered for possession are our township project in Jaipur, Sonapat, and our group housing projects in Pant Nagar and Lucknow. The major indicator of growth in real estate is not the amount of sales achieved but how much has been converted into cash flows. The cash is the key. The accounting standards may change this year or next year whatever, but the cash inflow and outflow is what is going to be a deciding factor for this industry. In terms of advances from customers, we have received 257 crores in the last quarter from all the sold area plus another 60 crores as booking amount from the fresh bookings. There have been some more inflows in terms of sale of some small un-strategic land _ and recovery of some old dues which adds up to another 130 crores. Our gross debt including deferred payment of land has reduced from Rs1,813 crores as on 31st March to Rs1,757 crores as on 30th June. Debt repaid to banks and financial institutions during the last quarter is some Rs123 crores as per the repayment schedule. And some part of this debt is again refinanced to a smaller extent of Rs55 crores at cheaper cost. So we have reduced the cost of debt and some part has been repaid as well. The total payment towards interest expenses is approximately Rs50 crores for the quarter. And Rs41 crores has been paid to authorities against EDC and IDC charges, which enable us to clear the projects and offer it for possession to customers. Approximately Rs130 crores have been spent on construction activities during the last quarter and some Rs40 odd crores have been utilized to add more land only in the projects where the projects are already on for e.g. Chandigarh we had to maintain continuity so we had some more land. And our Hi-Tech township in Lucknow is now scaling up and land acquisition activities are on at Lucknow Hi Tech Township as well. Presently, we have plans to launch another 8 new projects in this quarter, which are primary extension of the existing projects or different categories into the same project. For e.g. Allahabad we are adding some independent floors. So far we had group housing projects, but now we are adding some independent floors, some commercial space at Allahabad is coming up. We have already launched a very premium project in Suraj Kund Faridabad area by the name of Forest spa in the month of July and that project has received significant response. Though talking about _ I would say that's almost on a 7.5 lakh sq.ft of this project, almost 60% is already sold. And that is a very premium project for us. Then we have launched some affordable homes at Lucknow_, which is again adding up to the sales of the company. And all these projects put together will add up to revenue in the coming quarters because as and when we reach the 30% threshold level, it will start converting into revenue.

When we talk about our infrastructure arm, presently we are executing orders worth Rs850 crores, out of which Rs280 crores have been already booked as revenue up to 30th June 2010. And for the last quarter, primarily it was 42 crores which has come from infrastructure business. Due to the competitive nature of this business, net margin of these EPC projects is not very high. And presently, we are more focused to get into relatively better sectors, like roads and power infrastructure. And as we discussed it now, we already have some of road and power projects in the pipeline, which will come in this quarter as well as the following quarter. Now I would like to open this floor for Question and Answer. This was the brief update from our end. And we would be pleased to answer any questions raised by you all.

Moderator - Vivian

Thank you. Ladies and gentlemen, we will now begin the Question and Answer Session. At this time if you wish to ask a question, kindly press "*" followed by "1" on your touchtone phone. If you wish to withdraw your question from the question queue, please press "*" then "2". Participants are requested to use only handsets while asking a question. Participants with questions kindly press "*" "1" now. The first question is from the line of Ms. Saira Ansari from Elara Capital. Please go ahead.

Ms. Saira Ansari - Elara Capital

Hi sir. Wanted to know whether your EDC charges of 41 crores was like a one-time cost or how much is one time?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

The total EDC charge works out to some 200 crores. For all the projects which are in the where this is applicable right now. Out of which, 41 crores have been paid and balance is to be paid in the next 2 to 3 years. These are primarily somethings which is being reimbursed by customers. So it impacts the cash flow initially but actually it is reimbursed from the customers.

Ms. Saira Ansari - Elara Capital

Okay. So are we looking at like a steady outflow every quarter or is it going to be volatile or ...

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Actually you can get 6 months instalments, but it depends more on the time of completion of the project. Because before delivery, these expenses need to be settled. And for us, most of the projects are coming up for delivery in this year and next year. So it will be definitely going in next the 2-3 years.

Moderator - Vivian

Thank you. Participants with questions kindly press "*" "1". The next question is from the line of Mr. Anand Vyas from Nirmal Bang. Please go ahead.

Mr. Anand Vyas - Nirmal Bang Research

Can you tell me what was the total debt was previously?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Okay. Anand, the debt as on 31st March was some Rs1,813 crores out of which Rs1,640 was debt towards banks and financial institutions and balance was deferred payment of land. Presently, this figure stands at around Rs1,757 crores. Out of this, Rs1,564 crores is pure debt towards bank and rest is deferred payment of land.

Mr. Anand Vyas - Nirmal Bang Research

And your average cost is around 13...

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

13.5

Mr. Anand Vyas - Nirmal Bang Research

And sir, secondly, can you confirm if the actual space was around 2.5m sq.ft, right?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

2.54m sq. ft.

Mr. Anand Vyas - Nirmal Bang Research

And what is the bifurcation of it?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

0.5m is project and 2m plus is built up.

Ms. Kejal Mehta - Prabhudas Lilladher

I'll just interrupt. Since you are on this debt thing, can you just give us an idea as to what the debt repayment is going to look like over the next couple of years?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Sure. See for this year we have another Rs437 crores to be repaid. And it's a break-even to quarters. In the present quarter, we have some Rs130 crores of debt repayment due. Following quarter will be around 140 and the last quarter will be the balance of 160 plus. As far as the cash flow position is concerned are we in a comfortable position of paying this debt from internal accruals. However, having said that, some part may be refinanced and we are still working on couple of our properties to exit outright basis which has contributed Rs100 crores in the last quarter. This would further add some more income in the following quarters. The next year, FY12, ~Rs560 crores of debt is due for repayment. And the way the sales are going and the cash flows are coming, we are confident that we should be able to meet these numbers from our internal accruals.

Ms. Kejal Mehta - Prabhudas Lilladher

Can you just elaborate a bit on the cash flow situation in this particular year so we know what you all are projecting in terms of realization, I mean cash inflows and outflows?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Sure. At the time of the analyst meet presentation, we had given some guidance that some Rs2,000 crores plus of cash inflow is expected from business this year. And if you go by QoQ, first quarter we have already seen some Rs450 crores coming in from this activity, Rs315 crores from existing bookings and fresh bookings plus another Rs130 crores from old recovery and some sale of land. So this adds up to almost Rs450 crores. So we are confident that we should be able to match this target of Rs2,000 crores plus in terms of cash inflow. And most of the projects are right now in the fast track stage. Deliveries are expected by before end of third quarter this year. So lot of in flow is expected in the 2nd and 3rd quarter.

Moderator - Vivian

Thank you. The next question is from the line of Ms. Neetika Singhal from BNK Securities. Please go ahead.

Ms. Neetika Singhal - BNK Securities

Sumit, one question. You were talking of some EDC IDC hit which you have taken in this quarter of around Rs41 crores.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

It's not a hit. It is a liability which we need to pay. And it is a definite schedule to be paid.

Ms. Neetika Singhal - BNK Securities

I mean, is this not the charge which you have charged in the P&L this quarter?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

This is not a charge we have charged in the P&L. It is a cash outflow for us. It has not been affecting the P&L. The outstanding debt today is some Rs1,757 crores, including deferred payment of land. So if we repay Rs437 crores this year, Rs560 crores next year, and then smaller payments of Rs150 crores, Rs65 crores, Rs50 crores, going forward.

Ms. Neetika Singhal - BNK Securities

Okay. And in this quarter have your - how was your cash flow position? Was the cash flow positive?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Cash flow was positive. We have in terms of total cash flow at refinance date _ some Rs504 crores was recovered in flow. There was _ some Rs463 crores have been spent in all, which includes our debt and interest payment of Rs175 crores, construction Rs128.79 crores, land Rs44 crores, EDC and IDC Rs41 crores, some administrative expenses Rs20 crores, commercial payments is some Rs20 crores, taxes Rs5 crores, and JV for Rs32 crores.

Ms. Neetika Singhal - BNK Securities

How much cash have you received in this month in this quarter?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

This quarter, Rs504 crores.

Ms. Neetika Singhal - BNK Securities

So what's the guidance of giving for FY 11?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

For FY11, we have already said that our cash inflow would be in the range of around Rs2,100 crores for the whole year. And if you have observed, our reported numbers are in the range of around 90% of our cash recovery. So it is actually other way round. Cash recovery is almost around 90% to the reported numbers. So you can make out that around 2,000 around 1,800 to 2,000 crores of top line is what we have estimated for the whole of this year.

Moderator - Vivian

Thank you. The next question is from the line of Mr. Gagan Agarwal from Merrill Lynch. Please go ahead.

Mr. Gagan Agarwal - Merrill Lynch

Hi Sumit. Again if you can tell me how much was the total cash outflow this quarter?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

It is ~Rs463 crores.

Mr. Gagan Agarwal - Merrill Lynch

Could you give a break up of this?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Rs175 crores has been paid as debt repayment and interest payment. Rs130 crores for construction. I'll give you the round figures, whole numbers so.. Land is some Rs44 crores. Land acquisition which is primarily at Chandigarh and Lucknow. And our EDC and IDC payment is Rs41 crores. Our administrative expense is some Rs20 crores for the quarter. And some commercial payment which is primarily selling expenses is Rs20 crores.

Mr. Gagan Agarwal - Merrill Lynch

This comes to 430.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

This comes to Rs430 crores. Another Rs30 crores for the JV share. Because in a couple of projects, there is some JV interest. So that has been settled along with the sales.

Mr. Gagan Agarwal - Merrill Lynch

The net gain was around Rs50-55 crores.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Rs50 crores of net surplus.

Mr. Gagan Agarwal - Merrill Lynch

Okay. And secondly, on the sales most of your sales are coming from the new launches, if I am correct. So what about the inventory that you are sitting on on the already launched projects? Are they moving slow or what's the problem?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Out of Rs2.54m, Rs1.95 is from the new launches. And some Rs0.6m has come in from the existing projects. And given the new launches if you have seen, they are some kind of a restructured project. For e.g. if I am getting new sale from

my township in Sonipat, so earlier group housing was planned. Now floors are being converted. So it is the same project. Only thing is we have classified the product differently. It is coming in from the same project, but the product category is different. And even having said that otherwise also whatever old projects were on, still we are getting almost around 200,000 square feet every quarter from those projects also. 200 to 300,000 square feet.

Mr. Gagan Agarwal - Merrill Lynch

How much would be the inventory on the projects in which you have started construction? If you can give this number?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

See, we have 114m of development on. Out of which 53m is sold now. So this all is not ready anyway. So we have another 60m only from the existing projects which can be offered for sale. But we cannot open everything at one go. So it is being launched in phases. And we will take some 2 to 3 years to exhaust this number.

Mr. Gagan Agarwal - Merrill Lynch

Okay. All the new launches are happening are within this 114 number?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

All within this 114 exactly, yeah.

Moderator - Vivian

The next question is from the line of Mr. Anand Vyas from Nirmal Bang. Please go ahead.

Mr. Anand Vyas - Nirmal Bang Research

Hi Sumit. Just can you let me know more about the road and power sectors which you were mentioning in __.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Okay. Anand, see this is something which we will not be able to comment upon right now. These are some projects where we have already placed our bid. So they are in the process and we shall come back to you very soon. However, these are all for us this will not be a very significant amount of projects, but they will still be substantial looking at the size of infra company.

Mr. Anand Vyas - Nirmal Bang Research

How much money terms of value terms how much you have bid in the ...

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

__ another 200 crores of projects coming up from this sector as of now specifically roads for that matter. And the power sector is still we are in the process of working out the numbers. So it is difficult to comment upon it right now.

Mr. Anand Vyas - Nirmal Bang Research

So is this a JV or you are doing alone?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

_ our own project.

Moderator - Vivian

Thank you. Participants with questions may press "*" "1". The next question is from the line of Ms. Neetika Singhal from BNK Securities. Please go ahead.

Ms. Neetika Singhal - BNK Securities

Yeah, hi Sumit again. Just one thing is how much is the million square feet which the company has right now? Total million square feet of development area.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

164 million is the total area, but out of this 114 million is presently under fast track development.

Ms. Neetika Singhal - BNK Securities

Okay. And how much is sold out of that?

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

52.3. Any other questions?

Moderator - Vivian

Sir, there are no further questions at this time.

Mr. Sumit Arora - Vice President Investor Relations, Omaxe

Okay. Then what I suggest is you have our email id. Amit Mehta is available at amitmehta@omaxe.com and my id is sumitarora@omaxe.com. If you have any other questions during the day or probably going forward, do write us a mail and we shall revert to you on immediate basis. Further, our investors update has been already available on our website at omaxe.com. And you can very well have a look at it. In case there are any more questions, we are very much available to respond to them. Kejal, back to you please.

Ms. Kejal Mehta - Prabhudas Lilladher

Yeah. Thank you so much. On behalf of Prabhudas Lilladher we are very thankful that you have taken this call. We would like to thank all the participants as well. And I guess this is probably the end of this call.



Mr. Sumit Arora - Vice President Investor Relations, Omaxe

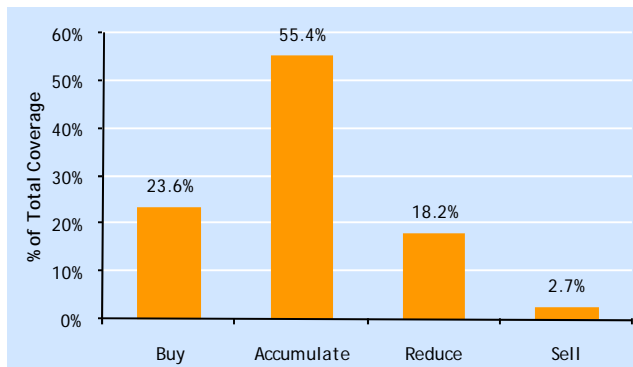
Thanks Kejal. Thanks for arranging everything for us. And thanks all the participants. We shall be in touch with you and we'll give you an update on this present quarter as well the moment the numbers are out. Thanks a lot.

Moderator - Vivian

Thank you. On behalf of Prabhudas Lilladher that concludes this conference. Thank you for joining in. You may now disconnect your lines.

END.

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Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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