

Omaxe Limited

Q1 FY-15 Earnings Conference Call

July 29, 2014; IST: 16:00 hours

Moderator Your conference is being recorded. Good evening Ladies and gentlemen. I am Maumita, moderator for this conference. Welcome to the conference call of Omaxe Limited to discuss its Q1 FY15 results.

We have with us today Mr. Mohit Goel, Chief Executive Officer; Mr. Sudhangshu Biswal – President, Corporate Finance; Mr. Amit Mehta – Senior General Manager; and Mr. Abhijit Diwan – General Manager, Equity & IR.

At this moment, all participant lines are no listen-only mode. Later, we will conduct a question-and-answer session. At that time if you a question, please press '*'and '1'on your telephone keypad. Please note this conference is recorded. I would now like to hand over to Mr. Mohit Goel. Please go ahead sir.

Mohit Goel Good afternoon everyone and thank you for joining us this afternoon. We would like to update you with the facts and results of the quarter ended June 2014.

The consolidated income from operation for this quarter was Rs. 331 crores as against Rs. 402 crores in the corresponding quarter last year, down by 18%. The EBITDA for the quarter stood at Rs. 67 crores against Rs. 60 crores in the previous year. The Profit after Tax for the quarter stood at Rs. 12

crores against Rs. 19 crores for the same period of the previous year, down by 37%.

With respect to operational updates for the quarter, details are as follows: We sold around 0.62 mn sq. ft. of area consisting of 0.49 mn sq. ft. of residential development and 0.13 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 200 crores with an average realization of approximately Rs. 3220 per sq. ft. Commercial spaces in New Chandigarh and Greater Noida and residential spaces in Bahadurgarh, Vrindavan, Faridabad and Ludhiana were the major contributors to sales during this quarter.

During the quarter gone by we delivered ~ 1 mn. sq.ft. of space at various projects including Bahadurgarh, Jaipur, New Chandigarh and Faridabad.

I will now brief you on cash flow position for the quarter. Total inflows were Rs. 555 crores comprising of Rs. 369 crores from operations and Rs. 186 crores from borrowings. The same was utilized towards Construction, Land Purchase and approval charges to the tune of Rs. 287 crores, Selling & Admin expenses of Rs. 120 crores, Interest payment of Rs. 42 crores and Debt repayments of Rs. 132 crores.

Our Net Worth as on June 30, 2014 stands at Rs. 2190 crores. For the quarter ended June 2014, the gross debt equity ratio of the company stood at 0.50, while the net debt equity ratio for the company stood at 0.40. Gross Debt as on June 30, 2014

stands at Rs. 1104 crores, while the Net Debt stood at Rs. 876 crores.

On the macro front, the budget 2014 was a keenly observed event. I think the budget was a very balanced budget for all the sectors, particularly for our sector real-estate it was a very nice budget with an emphasis on affordable sector in which we are really a big player. So there were two three major changes happened in the budget which affected the sentiments of our sector big time. Personal Income-tax exemption limit raised from Rs. 2 lakh to Rs. 2.5 lacs; Investment limit under section 80C raised from Rs. 1 lakh to Rs. 1.5 lakh and Deduction limit interest on home loans have been raised from Rs. 1.5 lakh to Rs. 2 lakh. This should help in leaving higher disposable incomes in the hands of the tax-payers and also encourage first time home-buyers to build or invest in their homes.

I feel the intention on creating 100 smart cities is a step in the right direction. I am pretty sure that it's going to be tier-II tier-III where we are again developing our township.

Also recently the RBI has made a move which categorizes the units of around Rs. 65 lacks in tier-I and units of Rs. 50 lacks in tier-II tier-III as affordable housing is another effort by the government and RBI for which we are going to get the boost for our sector.

This is a small presentation of facts at our end. We leave the floor open for questions.

Moderator Thank you sir. We will now begin the question and answer session. So our first question comes from Ritwik Seth from Span Capital. Please go ahead.

Ritwik Seth I had a couple of questions. Firstly, regarding the 95 million square feet which we have under development, so out of this 95 million square feet how much is segregated into residential and the balance into plots and others?

Management Out of 90 million, 90% is residential and 10% is commercial.

Ritwik Seth No, like selling of the raw land like plots and building of residential, that's what I meant, not residential and commercial.

Management We have option that out of 90 million about 50% of inventory is plotted, but as the market moved on we have the option that we can convert those plots into villas and low rise floors also. So we cannot give a fix inventory but at least 50% will be plots.

Ritwik Seth 50% is will be those and that is flexible?

Management Yes.

Ritwik Seth Okay. And sir, we have witnessed a slow start to the year and we have maintained 8 to 9 million square feet for FY15, so how do we expect like how is the market in the first quarter and how to we expect it going forward for the next 12 to 18 months?

Mohit Goel Yeah. Actually we were expecting this quarter to be low before because the budget was supposed to come in around first week of July. So all the investors and customers were waiting for the budget as well, so they wanted to see how exactly the budget plays out and then they will decide. So next 12 to 18 months we hope to see good interest and good sentiments come back in industry with both end users as well as the investors. But the sentiments would lead our pre-sales, I mean our pre-sales will increase because of that, but if you talk about revenues, revenues will not be affected at least in this year, but pre sales will go up.

Ritwik Seth Okay. So we can expect to reach 8 million square feet of sales in FY15? Like more or less of that.

Mohit Goel I can't say about area but I can easily say that, Okay, we would be able to reach pre-sales of around Rs. 2,200 to Rs. 2,500 crores this year.

Ritwik Seth Okay. And sir, you were mentioning about the low cost housing that the budget has given for companies like you who are there in the II and III cities. So have you seen any off take after the budget and after the election how has been the customer presence?

Mohit Goel The sentiments are good. I mean, there is an uptake or upbeat about the fact that budget has been good for affordable housing. A lot of customer queries have increased. If you talk about previous quarters, it is going to be converted into pre-

sales. So it's a positive thing, the budget has been really positive for the sentiment of industry.

Moderator: Thank you. Our next question is from Yash Ved from India Infoline. Please go ahead.

Yash Ved Yeah, just want to know what is your outlook on the real-estate prices, like, with the new government coming in, how do you see with the next one year?

Mohit Goel See prices, I think is going to be stable. I don't see prices going up tremendously but volumes would increase and the volumes which were down previously, supply was there but there were no transactions happening, transactions will happen the sales would happen. But if you are talking about prices, I don't see prices going up majorly. So it's going to be a stable, 5% to 10%, 15% depending on micro markets you can experience these sort of increase in prices but according to me it's going to be absolutely stable.

Moderator The next question comes from Yogesh Ghag from Avendus. Please go ahead.

Yogesh Ghag Sir, I just wanted to know the sales on quarter-on-quarter basis as in quarter one FY14 and quarter one FY15 the sales have gone down. So what are the particular areas where the sales have been affected and what you think of the margin going in the next quarter would be?

Mohit Goel See, sales, I can't say that okay there is particular region or there is particular project where sales that we had as per projection. The overall sentiment we were expecting that this quarter is going to be subdued and I have given you reason behind it that the investors, first of all we did not launch any new projects in this quarter because we were expecting there will not be uptake of our projects. And second of all we knew the reason why there will be no uptake, because everybody was waiting for the budget that what will happen in the budget. But you will see our quarters pre-sales improving in our next few quarters. And the second question was regarding the margins, right?

Yogesh Ghag Yes. Margins for coming quarters, how do you see?

Mohit Goel Coming quarters, I think margin again is going to be stable. We showed around 5% PAT last year so this year again we are expecting margins around that path only.

Yogesh Ghag Okay. Sir in the coming years or so, are there any process of equity dilution as the budget has been so lucrative for infrastructure and real-estate sector, kind of FII holdings are increasing, any process of equity dilution?

Mohit Goel We are in very primary stage of this so we can't give you anything concrete. But yes, we are open about equity dilution. If something good comes up, we will definitely think about it, it's there in our radar

Moderator Thank you sir. There are no further questions. Thank you all for being a part of the conference call. If you need assistance or information or clarification, please mail at ricky@conceptpr.com.

Ladies and gentlemen, with this we conclude the conference call for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You can disconnect your lines now. Thank you and have a good evening everyone.