

## Transcript

### Conference Call of Omaxe Limited

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#### *Presentation Session*

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**Moderator:** Good evening ladies and gentlemen. I am Beulah, moderator for this conference. Welcome to the conference call of Omaxe Limited to discuss the Q2 FY14 results. We have with us today, Mr. Mohit Goel, CEO of Omaxe Limited, Mr. Amit Mehta, Senior General Manager and Mr. Abhijit A. Diwan, General Manager – Equity and IR. Now, I would like to hand over the call to Mr. Ricky of Concept Public Relations.

**Ricky:** Good evening everyone. I welcome all the analysts present over here. Mr. Mohit Goel would you like to start with opening remarks sir.

**Mohit Goel:** Yes, I will. Good afternoon everyone and thank you for joining us this noon. We would like to update you with the facts and results of the quarter ended and Half year ended September 30th 2013.

The consolidated income from operation for the half year is Rs. 767.12 crores as against Rs. 829.94 crores in the corresponding period last year, down by 7.6%. The EBITDA for the half year period stood at Rs. 115.16 crores against Rs. 122.56 crores for the same period last year. The PAT for H1 FY 14 is at Rs. 37.19 crores against Rs. 41.16 crores over the corresponding period last year, down by 9.6%.

On a quarterly basis - The consolidated income from operation for this quarter was Rs. 365.45 crores as against Rs. 461.64 crores in the corresponding quarter last year, down by 20.8%. The EBITDA for the quarter stood at Rs. 55.18 crores against Rs. 62.78 crores in Q2 FY13. The PAT for the quarter stood at Rs. 18.15 crores against Rs. 22.98 crores over the corresponding quarter last year, down by 21%.

For the half year ended September 30, 2013, we sold 3.34 mn sq.ft of area consisting of 2.92 mn sq.ft of residential space and 0.42 mn of commercial builtup. Total sales value of the area sold is Rs. 1,123 crores with an average realization of Rs. 3,367 per square feet. Plots and Floors in Chandigarh and Group Housing in Noida, Faridabad and Bahadurgarh and Commercial Builtup at Chandigarh, Ludhiana and Greater Noida contributed majorly towards the revenues for H1 FY14. The average selling rate psf for the half year is Rs. 3,368 vis-à-vis Rs. 1,986 for the same period previous year.

With respect to operational updates for the quarter, details are as follows: We sold around 1.67 mn sq. ft. of area consisting of 1.37 mn sq. ft. of residential development and 0.30 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 581 crores with an average realization of approximately Rs. 3,478 per sq. ft. Group Housing in Bahadurgarh and Faridabad, Commercial Builtup at Chandigarh, Ludhiana and Greater Noida were the major contributors to the revenue in Q2 FY14. We are happy to point out that the average selling rate psf for the quarter is Rs. 3,478 vis-à-vis Rs. 1,844 in the same quarter of previous year.

I will now brief you on cash flow position for this quarter. The total cash inflow from operations during the second quarter stood around Rs. 424 crores. We also mobilized Rs. 24 crores through Public Deposits. The funds have primarily been utilized for construction, land purchase and approval charges to the tune of Rs.

234 crores. An amount of Rs. 106 crores has been utilized towards selling and admin expenses and we have repaid debt of Rs. 100 crores during the quarter and also interest expenses of Rs. 31 crores. We would like to point out that our Company has not availed any fresh loans during this quarter.

As of September 30 2013, the gross debt equity ratio of the company stood at 0.50, while the net debt equity ratio for the company stood at 0.41. Gross Debt as on September 30, 2013 stood at Rs. 1,025 crores, while company's Net Worth stood at Rs. 1,899 crores. The Company's Net Worth including the quasi equity infusion from the promoters stood at Rs. 2,039 crores.

For the half year ended September 30, 2013, total inflows were Rs. 1,222 crores comprising of Rs. 937 crores from operations, 90 crores of fresh loans availed in Q1, Rs. 55 crores from Public Deposit and Rs. 139 crores as advance from promoters. The same was utilized towards Construction, Land Purchase and approval charges to the tune of Rs. 766 crores, Selling & Admin expenses of Rs. 228 crores, Interest payment of Rs. 70 crores and Debt repayments of Rs. 252 crores.

There are some recent developments, which I would like to bring to your notice. On the Minimum Public Shareholding front, we concluded the Offer for Sale Program by diluting our stake by 10.12%. The proceeds of the OFS (approx Rs. 242 cr) are being ploughed back into the Company. We have also announced bonus issue to public shareholders only in the ratio of 10 shares for every 39 shares held. The issuance of bonus shall be completed this week itself, and with this, we shall be fully compliant with the Minimum Public Shareholding Regulations. Consequently with the increase in Net Worth by Rs. 242 crores, our Gross Debt Equity ratio shall be 0.48 and the Net Debt Equity Ratio will be 0.39.

Our Company entered into an exclusive tie-up for a hotel at its integrated township Omaxe New Chandigarh, with The Intercontinental Hotel Group (IHG). While we shall undertake the construction of the 150-room Holiday Inn hotel, the operations shall be managed by IHG. We will invest close to Rs. 200 crores in building this luxurious hotel that will cater to corporates and the local elite, including tourists. The launch of Holiday Inn is a step forward towards creation of a commercial hub in Omaxe New Chandigarh that will house two architecturally superb office and retail spaces – International Trade Tower and India Trade Tower, alongside the Holiday Inn.

In another development, we have been associated with Wizcraft, premier entertainment agency for creation of a Special Theme Zone at Omaxe Connaught Place in Greater Noida. This Special Theme Zone spread over approx. 30,000 sq. ft will be conceptualized and executed by Wizcraft. We envisage OCP to emerge as a weekly hang-out zone for the fun and entertainment loving population of Delhi-NCR and also as a major attraction for adjoining cities like Agra, Mathura, Vrindavan and Aligarh and more importantly the ever-rising domestic and international tourists.

This is a small summary from our end. We leave the floor open for questions.

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*Question and Answer Session*

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing \* and 1 again.

The first question comes from Ms. Rithvik Sheth from Span Capital. Please go ahead.

**Rithvik Sheth:** Hello sir. Thank you for the opportunity. Sir, I would like to ask you, what is the total residential area under development currently?

**Management:** Total development is going on about 87 million square feet of area.

**Rithvik Sheth:** Okay. And how much is our share from that?

**Management:** 100% is our share.

**Rithvik Sheth:** Okay. Sir, you had mentioned in the last call that there is a difference in the margin in Tier-II and Tier-III versus the margins in NCR. So, can you elaborate on that?. Can you give us an idea about what is the difference in the margin, quantify?

**Mohit Goel:** In NCR the margins have come down to around 10% to 20% now. I am talking about the present situation. In Tier-II, Tier-III places we are getting margins, I would say it would be 15% to 25%, there is not such a big difference in terms of margins between Delhi NCR and Tier-II, Tier-III, but there is a difference between volumes. There is a huge difference between volumes. If I am able to sell 10 units in Delhi NCR, I am able to sell 100 units in Tier-II, Tier-III.

**Rithvik Sheth:** Right, got it. And what would the proportion be like?

**Mohit Goel:** The proportion mix you are saying?

**Rithvik Sheth:** Yeah. Like the current, for the first half what will the proportion be?

**Mohit Goel:** As I said you can take it as 1:10.

**Rithvik Sheth:** 1:10?

**Mohit Goel:** Yeah. This I am talking about for Omaxe Limited.

**Rithvik Sheth:** Okay. And what will be the average construction cost in Tier-II, Tier-III cities and NCR region?

**Mohit Goel:** For villas it would be around Rs.1,000 per square feet. For G+3 structures around Rs.1,200 per square feet and for G+12 structures it would be around Rs.1,500 to Rs.1,600 per square feet, depending upon the specification which we are offering. These are three breakups.

**Rithvik Sheth:** Okay. And sir, if I got it right, you mentioned that in the second quarter, you sold 581 crores of units for Rs. 3,478 per square feet, is that right?

**Mohit Goel:** Yes.

**Rithvik Sheth:** And Rs. 1,844 for the previous quarter last year?

**Mohit Goel:** Right.

**Rithvik Sheth:** So, did the product mix significantly change or what has led to the drastic improvement in the per square feet?

**Mohit Goel:** Right. Last year we were actually selling plots.

**Rithvik Sheth:** Sorry, I didn't get that. I didn't get that.

**Mohit Goel:** As you said we changed the product mix. This year we will be concentrating on the built up spaces of residential. Last year to get the cash flows in, to get the cash flows moving, we were selling plots, which is easier to sell. But, realization on that is pretty less. So because of the change in product, there is huge difference between what you see, that from Rs. 1,844 we have reached

to Rs. 3,478. Of course, because of our delivery, as I have said the major contributor to this is Chandigarh, Ludhiana and Greater Noida. These are few of our projects where we delivered. So, we are able to charge prices higher than some of our competitors.

**Rithvik Sheth:** Okay. And how many of the total project of the 88 million square feet would be under the revenue recognition phase?

**Mohit Goel:** We won't be able to answer this question. I can get back to you with this.

**Management:** 88 you said, how much area is under revenue recognition?

**Rithvik Sheth:** You mentioned that currently there are 87.4 million square feet under development. So, I wanted to know how many projects are under the revenue recognition phase.

**Mohit Goel:** We will get back to you on this.

**Rithvik Sheth:** Yeah. That is it from my side. Thanks a lot for answering all the questions.

**Mohit Goel:** Thank you.

**Moderator:** Thank you. Next question is from Mr. Ravi Dodhia from Crisil. Please go ahead.

**Ravi Dodhia:** Yeah, if I look at your bookings on quarter on quarter basis, so for FY13 your overall booking was around 11 million square feet, which in the current first half is only around 3.4, which you mentioned. So, are you seeing booking pressure or selling pressure, because of slowdown?

**Mohit Goel:** No. If you are going to see in terms of value, last year we sold around Rs. 800 crores to Rs. 900 crores of products in the first six months. This year we sold around Rs. 1,123 crores. So, there is a jump of easily 25% in terms of selling of value. And if you are going to go by the area, of course the realization has gone up and we have shifted from plot to the built-up space. So, that is why you are seeing the pressure on area being sold, which is 3.32 million square feet. But, I think by the end of this year we will be able to touch 8 to 10 million square feet, which is our target.

**Ravi Dodhia:** Okay. So, when you say 8 to 10 million square feet, again you will be increasing contribution from the plot?

**Mohit Goel:** No, this could be total built up as well. But, you will see the area somewhere there and as I said in previous concall, that our revenue was going to increase by 10% to 15%, I am sticking to that statement.

**Ravi Dodhia:** Sorry, 10% to 15%?

**Mohit Goel:** Revenue, you will see a hike in revenue.

**Ravi Dodhia:** Okay. Because, for the first half if you look at, it has actually declined, right?

**Mohit Goel:** Yes. It is actually because of the percentage completion method. You should be, I think what question you should be asking is that what sales have I done. My books are showing something else, but my sales have been Rs. 1,123 crores, which is 25% higher than last year. That

is why I am able to give you statement that by the end of this year we would be able to increase our revenue by 10% to 15% easily.

**Ravi Dodhia:** Right. So, what we have been hearing and what we have been also kind of doing research on, inventory levels are actually real high in the NCR region and again because of that there is pressure on selling price or realization. So, based on your product pipeline, are you seeing any kind of pressure on realization?

**Mohit Goel:** Particularly NCR you are saying?

**Ravi Dodhia:** Across your project.

**Mohit Goel:** No, across our projects we are not seeing any sort of pressure in terms of whatever; sales are down for the rest of the competitors, for the industry sales are down. There is a very simple thing which you need to understand. We have delivered. We are not selling dreams. Any real estate company, they sell paper - that we will do this, we will give you this, we will show you this. I am not doing this. I have delivered. A person can go see his apartment, understand, feel, touch and he can stay there for a day and he could take a decision. So, he is not pressing me, because he can feel himself and that is why it is very easy for me to sell. And all these places, where I am present, where I have delivered, Tier-II, Tier-III cities, I can easily say I am the number one developer there. For that reason, I can number one, sell. Number two, I can easily charge premium than rest of the competitors.

**Ravi Dodhia:** Okay, sure. Thank you.

**Moderator:** Thank you. The next question is from Mr. Sourabh Jain from HSBC. Please go ahead.

**Sourabh Jain:** Hi sir. Thanks for taking my question. I want to understand how is the sales response for residential plots vis-à-vis residential units currently in the market?

**Mohit Goel:** I am actually seeing a change in demand. Last year, there was a lot of demand for plots. But, this year, once I have delivered, we see a demand for residential units. I will give you an example of one of my projects. I have delivered a township in Palwal, Haryana. Over there I have delivered plots as well, villas as well, G+2 floors as well and G+12 group housing as well. Now, the community is shifting towards G+12 formats. They want to stay together. They are looking for security issues. In a plot, he himself has to manage his security. He himself has to manage his problems, plumbing problems, this problem, that problem, everything has to managed himself on his own. But, in gated community, G+12 structures, there is an association which is taking care of him. He doesn't have to worry about his kids and security aspect. So, the demand is actually shifting towards built-up spaces. So, you see that demand is actually moving towards built up and that is the reason in first half we sold maximum built-up. And that is the reason my average realization price has gone up from Rs. 1,844 to Rs. 3,478. But, suppose I am going and making a new township. In Rohtak, I am planning to launch a township, 50 acres. Over there I will sell first plot. The investor's product is his plots. Investor is not going to go and stay there. He is putting money as an investment. So, as an investment, plots are still a darling bet for investors.

**Sourabh Jain:** Okay. So, like just to get a sense, going forward you would be focused more on this building residential units rather than selling the plots, maybe if I talk about the next six months or eight months or one year?

**Mohit Goel:** Absolutely.

**Sourabh Jain:** Okay. And just one more question sir; you said that currently the area under execution for you is around 87 million square feet vis-à-vis your target sales are around 8 to 10 million

square feet. So, how confident you are of handling such large execution volumes compared to you are selling only 8 to 10 million square feet per year. So, that makes it about eight years of sales potential. So, just to get a sense of your execution front, how you will be able to execute such large volumes together?

**Mohit Goel:** Do not compare with 87 million square feet to 10 million square feet. Actually compare with approx 45 million square feet. Because, out of 87 million square feet, 45 million square feet is my sales. Part of it has still to come on our revenue chart. And otherwise if you talk about all my execution capability, I have been delivering 10 million square feet every year. So, there is no doubt in terms of my execution or delivery capability.

**Sourabh Jain:** Okay. So, if I got it right, 40 million square feet is currently which is under execution.

**Mohit Goel:** 40 million square feet is like pre-booking, where probably the construction has also haven't been started. But, I can give you an exact figure, your question is interesting, I will give you an exact figure with this one, that what is the breakup of 87 million square feet, how much it is contributing to my revenue, how much is it right now in pre-booking and how much we will have to deliver in say next one year to two years time.

**Sourabh Jain:** Okay, that will be great.

**Mohit Goel:** I will send you the details.

**Sourabh Jain:** Thanks a lot.

**Moderator:** Thank you. Ladies and gentlemen, if you have a question please press \* and 1.

The next question comes from Mr. Abhishek Bhandari from Macquarie Securities. Please go ahead.

**Abhishek Bhandari:** Hello sir. Actually I joined a bit late. I think the call started a bit early. Basically I wanted to know about the debt profile of the company, what is the total debt and total outstanding payment for the next one year?

**Mohit Goel:** Total debt is Rs. 1,025 crores. Net debt equity ratio is 0.41.

**Abhishek Bhandari:** How much is coming for repayment over next one year?

**Mohit Goel:** Repayment, it is going to be Rs. 400 crores.

**Abhishek Bhandari:** Rs. 400 crores. And sir, do you have any target debt equity or absolute amount of debt over next let's say in the medium term of next two to three years?

**Mohit Goel:** It will stay around Rs. 800 crore to Rs. 1,200 crore range.

**Abhishek Bhandari:** Okay. Sure, thanks a lot sir.

**Moderator:** Thank you. The next question is from Mr. Abhinav Ganesan from Canara Bank Securities Limited. Please go ahead.

**Abhinav Ganesan:** Hello sir, good evening. Thanks for taking my call. Just wanted to ask you on your breakup sir between Tier-II, Tier-III and NCR, like how much part of your revenue comes from the NCR and how much comes from Tier-II, Tier-III?

**Mohit Goel:** 80% comes Tier-II, Tier-III and 20% comes from NCR.

**Abhinav Ganesan:** Okay sir. And any changes in this ratio in the coming two years sir?

**Mohit Goel:** No, actually it will be the same ratio. I haven't planned as such, so I can't tell you. But, yes, I am coming up with a very big project in NCR. Two big projects, very soon you will get to know, one is in Faridabad and second one is in Noida. So, I don't know how this percentage is going to change after those two projects are on the floor. But, I am expanding big time in Tier-II, Tier-III, so I am going to concentrate on Tier-II, Tier-III cities really. I am not that skewed towards NCR.

**Abhinav Ganesan:** Right sir. Your realizations have picked up very well sir; can you just throw some light on like how much more your realizations can pick up say from the Tier-II, Tier-III? Would that be in excess of 30% to 40%?

**Mohit Goel:** I actually would not be able to comment on this one, on realization part, because we do not make strategies on realization part that what will be the per square feet realization. We concentrate on the product which we sell. We concentrate on the selling price we sell. The realization of Rs. 3,367 as I have quoted, I don't know how it will increase or decrease. It can decrease as well, I don't want to comment. But, in terms of sales, I can easily assure you that, in terms of revenue there will be an increase of 10% to 15%.

**Abhinav Ganesan:** Okay sir. Any other markets other than the Northern side of the country, are you planning any other markets, maybe somewhere in Indore or some other place?

**Mohit Goel:** Indore, we are already have our presence. We have a 1,000 acre township there. We are not looking at places other than those where we are currently present.

**Abhinav Ganesan:** Okay sir. That is all from my side sir. Thank you. Thanks for taking my questions.

**Moderator:** Thank you. The next question comes from Mr. Ravi Dodhia from Crisil. Please go ahead.

**Ravi Dodhia:** Yeah, if you can provide update on your hi-tech township projects in Allahabad, Lucknow and Bulandshahr, what is the current status?

**Mohit Goel:** Okay, let me go one by one. Allahabad, you will see it is up and running one quarter, probably by the end of this financial year you will see that Allahabad has started contributing to our revenues.

**Ravi Dodhia:** There some approvals were pending.

**Mohit Goel:** That is what I am saying. There are some approvals pending. So, we are waiting for the approvals. I am expecting those approvals in next two months. But, once I am talking to you, I am taking another three months as grace period. That is why I am saying, by the end of this financial year we would be, we will see that Allahabad starts contributing to our revenue. Regarding Lucknow, Lucknow is going to take some time. It will come anywhere in next financial year.

**Ravi Dodhia:** Sir, because in the last discussion, in the last call you mentioned that it is in the advance kind of stage of launch, probably within three-four months you will be launching first phase.

**Mohit Goel:** I would have commented that time that it is going to come soon, because we were expecting the land to be consolidated and we can launch that particular project. But, because of the land acquisition bill coming in and lot of issues being raised on land procurement by developers and then of course the government, so because of that issue it has been delayed for some time. So, I won't be able to comment and give you an exact month, when I am going to launch.

**Ravi Dodhia:** And Bulandshahr nothing has been acquired, no land?

**Mohit Goel:** No.

**Ravi Dodhia:** Okay. Again, with respect to this land acquisition bill coming in, as you highlighted, some portion is still pending in Allahabad and Lucknow. So, then how will you go about acquiring remaining land parcel?

**Mohit Goel:** In Allahabad my land is already consolidated. It is contiguous. And I do not have to buy land to make the patch contiguous. But, if you see Lucknow, I still need to pick up those patches to consolidate the land and launch my product. So, Lucknow would take some time. I am not going to say that it will never come, but it will take some time.

**Ravi Dodhia:** Yeah, but in Allahabad also you have acquired only 727 acres, right?

**Mohit Goel:** Yes.

**Ravi Dodhia:** So, remaining acquisition?

**Mohit Goel:** Remaining acquisition will go according to the response I get for these 726 acres. Once Allahabad will come on floor, again once we start picking up and it will totally depend upon the demand and supply situation there. If I sold out 726 acres completely and if I get a demand, that okay I can sell another 300 acres of land, I will probably go pick up land and sell it. Right now I am not making any strategy of picking up rest of the land.

**Ravi Dodhia:** Okay. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, if you have a question please press \* and 1.

Ladies and gentlemen, please press \* and 1 for your questions.

The next question comes from Mr. Sourabh Jain from HSBC. Please go ahead.

**Sourabh Jain:** Hi sir, sorry for the follow up question. Just to get a sense of like how the Bhiwadi market in particular is going on? Are you seeing any discounts being offered on the residential units, how the transition is happening currently? I just want to have a sense of the Bhiwadi market vis-à-vis the NCR market over there.

**Mohit Goel:** Okay, Bhiwadi market to be very honest is doing very, very well. NCR, if you talk about NCR, we generally talk about Noida and Gurgaon primarily. These two markets have been very, very slow. But, Bhiwadi at the same time is doing very well, because of the ticket size. You can get a flat worth Rs. 15 lakhs to Rs. 25 lakhs easily, which you can't even dream of getting in Gurgaon. So, as I said affordable story, the affordable ticket size, anything you are selling below Rs. 50 lakhs, it is selling. There is no recession. There is no slowdown. There is nothing at all. Actually what happens is, all these markets, the stock markets, the news channel, then everyone, everybody just shows the news of metros. There is a slowdown in metro. There is a slowdown in ticket price of 1 crore plus. There is a slowdown in

luxury sector. But affordable and anything which we are selling below Rs. 50 lakhs, they sell like hot cakes. So, Bhiwadi is doing very well.

**Sourabh Jain:** Okay sir. Thanks.

**Moderator:** Thank you. Ladies and gentlemen, please press \* and 1 for your questions.

Ladies and gentlemen, if you have a question please press \* and 1.

There are no further questions. Now, I hand over the floor to Mr. Ricky for closing comments.

**Ricky:** I thank all on behalf of Concept Public Relations for participating and being a part of the teleconference. If you have any further queries, please drop me a mail at [ricky@conceptpr.com](mailto:ricky@conceptpr.com). Thank you all. Thank you Mr. Mohit.

**Mohit Goel:** Thank you Ricky.

**Ricky:** Thank you.

**Moderator:** Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

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**Note:**

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.