

Omaxe Limited Conference Call

November 11, 2014; 3.30 pm IST

Moderator: Good evening, ladies and gentlemen. I am Buella, moderator for this conference. Welcome to Omaxe Limited Conference Call. At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Abhijit A Diwan – General Manager, Equity and IR at Omaxe Limited. Thank you and over to you sir.

Abhijit A Diwan: Good afternoon, everyone and thank you for joining us this afternoon. We have with me my colleagues Mr. Sudhangshu Biswal - President, Corporate Finance, and Mr. Amit Mehta – Senior General Manager at Omaxe Limited. Unfortunately, our CEO, Mr. Mohit Goel had some exigencies and could not join us for this conference call. We would like to update you with the facts and results of the quarter ended September 2014.

The consolidated income from operation for this quarter was Rs. 379 crores as against Rs. 365 crores in the corresponding quarter last year, up by 3.7%. The EBITDA for the quarter stood at Rs. 74 crores against Rs. 55 crores in the same quarter previous year. The Profit after Tax for the quarter stood at Rs. 14 crores against Rs. 18 crores for the same period of the previous year, down by 24%.

With respect to operational updates for the quarter, details are as follows: We sold around 1.06 mn sq. ft. of area consisting of 0.9 mn sq. ft. of residential development and 0.16 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 471 crores with an average realization of approximately Rs. 4400 per sq. ft. Group Housing in New Chandigarh, Faridabad and Noida and residential spaces in Vrindavan were the major contributors to sales during this quarter alongwith commercial spaces at Greater Noida.

For the half year ended we sold a total of 1.69 mn sq.ft consisting of 1.39 mn sq.ft of residential spaces and 0.30 mn.sq.ft of commercial spaces with a total sales value of Rs. 671 crores. The average realization for H1 is Rs. 4000 per sq.ft vis-à-vis Rs. 3370 per sq.ft for HI FY 2014, an increase of 18%.

During the quarter gone by we delivered ~ 1.2 mn. sq.ft. of space at various projects including Bahadurgarh, New Chandigarh, Faridabad and Jaipur. For the half-year ended September 30, 2014, we delivered a total of 2.16 mn sq.ft of area across our projects, taking the total area delivered in real estate to 60.4 mn sq.ft.

Average realization for the quarter was at Rs. 4400, which is an increase of 38% of the immediately preceding quarter (Rs. 3200) and compared to the previous years' figure of Rs. 3480, the current quarters average realization is 27% higher.

I will now brief you on cash flow position for the quarter. Total inflows were Rs. 511 crores comprising of Rs. 399 crores from operations and Rs. 112 crores from borrowings. The same was utilized towards Construction, Land Purchase and approval charges to the tune of Rs. 211 crores, Selling & Admin expenses of Rs. 139 crores, Interest payment of Rs. 41 crores and Debt repayments of Rs. 130 crores.

Our Net Worth as on September 30, 2014 stands at Rs. 2204 crores. For the quarter ended September 2014, the gross debt equity ratio of the company stood at 0.49, while the net debt equity ratio for the company stood at 0.39. Gross Debt as on September 30, 2014 stands at Rs. 1087 crores, while the Net Debt stood at Rs. 872 crores.

On the macro front, we expect atleast a minor cut in interest rates in the immediate near-term which would probably signal a low interest rate regime, which should give an impetus to the investment and purchase cycle, benefitting the real estate industry.

With a stable government in the Centre announcing pro-industry policies like 100 Smart cities and affordable housing, we believe these policy decisions, once implemented would translate into huge potential for companies like ours.

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

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from Mr. Sayan Das Sharma from CRISIL. Please go ahead.

Sayan Das Sharma: Just couple of questions. First of all sir, what is the whole year outlook in terms of sales, area booked and secondly, how many projects are crossing the revenue recognition threshold in the next quarter sir?

Management: The target for the whole year if we talk in the terms of million square feet, we are targeting about 6 to 7 million square feet of area which we will sell in the full year and the revenue guidance has been more or less in line what we have projected earlier, that it will be in the range of 1,600-1,700 crores of topline. There are many projects which we are expecting like in Faridabad, Noida, Lucknow, Chandigarh, and Sonapat to be unveiled or to be launched in next 6 months.

Moderator: Thank you. Next question is from Mr. Sehul Bhatt from CRISIL. Please go ahead.

Sehul Bhatt: My question was regarding the average realization for residential plots and built-up units in Q2 this year. So I was going through the calculation which shows the average realization for residential units is higher by around 27%. However, for the total development, it is lower by 35%, so is it because of any discount or is it because of change of product come excess?

Management: The average realization depends upon state-to-state as we are present in about 30 cities, so everywhere the average realization is

different. It cannot be compared in a whole tandem with the last quarter, but the overall realization is increasing because nowadays we are concentrating more on the built-up areas as compared to last years. As against previously where we were selling more plots, now we are selling more built-up areas. That is why average realization is increasing day-by-day.

Sehul Bhatt: And we were going through various reports and discussions with various stakeholders. They are stating that compared to other cities, NCR had a hit because of downturn in both demand as well as capital value. So are we able to increase prices or demand is still sluggish as it was in the first half of the year.

Management: No, the prices have remained constant and there is no fall as well as no increase. Secondly we are not majorly present in NCR. We are majorly in the tier 2 cities like Sonapat, Bahadurgarh, Palwal, Faridabad, where the capital values are constant.

Sehul Bhatt: And sir with a few media reports coming up on 100 smart cities, are you also planning to come up or get involved in the execution of development of such projects? Have you started any plans and discussions for this area?

Management: No, there is no discussion started but yes, we are planning enough that okay what best we can do and getting into those smart cities or getting those developments in line with the smart cities, what the government is planning to do?

Sehul Bhatt: Okay, but no particular city or location.

Management: No, it has not yet been finalized by the government themselves

Sehul Bhatt: Correct, but any interest.

Management: Nothing has been finalized and nothing concrete has been even declared by the government. So we are also planning wherever we are present like in Indore, New Chandigarh, Lucknow, everywhere

where the smart cities we hopefully being proposed, we are also working in line with those things.

Sehul Bhatt: Okay and what would be your preference? Would you be more keen to develop a Brownfield in this smart city or is the new Greenfield project? What would be your preference?

Management: As a developer, we are open for everything.

Moderator: Thank you. Next question is from Mr.Ritwik Sheth from Span Capital. Please go ahead.

Ritwik Sheth: I have a few questions. Sir firstly, we have launched five projects in this quarter. What is the plan for second half?

Management: I think in 4 to 5 in the coming quarters, we are expecting like I have told that we want to launch in Faridabad, Noida, Lucknow, Chandigarh and Sonapat. These are the 4-5 places we are expecting some launches over the next couple of quarters.

Ritwik Sheth: And can we expect like 5 to 6 million square feet over the second half or more?

Management: Total launches will be 5 to 6 million only.

Ritwik Sheth: In second half.

Management: Yes.

Ritwik Sheth: Okay and sir how much have we spent on land in first half FY15?

Management: So land, we are continuously spending about 5 to 10 crores per month.

Ritwik Sheth: Five to ten crores per month. Sir, I just wanted to get like what is the rationale for buying additional land like we have around 4,400 acres. So it is in like to exhaust the existing land and then look out for new land when because we are having enough inventory of land

and the ongoing projects and forth coming projects, so I just wanted to get what is the rationale?

Management: We are present in rightly 30 cities.

Ritwik Sheth: Yes.

Management: So what we are planning nowadays is whatever the existing cities are there where we have given the delivery of 90% or over areas. There we are expanding in those existing projects only either getting a land parcel of 5 to 10 acres or 20 acres in those existing projects nearby in a contiguous portion. Only then we are buying that land and we are expanding those projects only where we have creditability that yes, we have delivered, whatever we have promised, we have delivered those things. So we are expanding in those particular cities only. We are not going to a new city.

Ritwik Sheth: Okay, fair enough, and I was just looking at your average realization of 4,400 versus 3,200 sequentially, so what is the product mix? Can you just elaborate on that?

Management: In last year, we are selling more of the plots. Now we have changed our system, now we are selling more of a built-up either in the form of floors or group housing or commercial assets.

Ritwik Sheth: Right, so what will be the margin differential between a residential built-up 100 square feet and a plot of 100 square feet?

Management: See, there is a huge difference. If you sell a plot of 100 square feet, whatever the cost we have incurred on the land depending on the city, you are getting 100% money upfront. But when you have a built-up, you spent a timeframe of about 12 to 18 months to 3 years, and then you are getting the money for the plot staggered. You are not getting any profit on the construction. But the cash flow wise and visibility wise, if built-up is sold more there will be more profitability and more visibility.

Ritwik Sheth: Overall built-up is more profitable in the long run.

Management: Yes, of course.

Ritwik Sheth: Okay and what is your average cost of debt?

Management: It is 15.5%.

Moderator: Thank you. Next question is again from Mr. Ritwik Sheth from Span Capitals. Please go ahead.

Ritwik Sheth: What is the area under revenue recognition out of the 97 million square feet?

Management: It is about 50 million square feet.

Ritwik Sheth: Fifty million square feet and that includes only residential, right?

Management: Yes, residential, commercial, plotted everything.

Ritwik Sheth: Okay that includes everything.

Moderator: Thank you. Next question is from Mr. Jay Shankar from India Infoline. Please go ahead.

Jay Shankar: Sir, what would be the expected debt level by the end of the year?

Management: We have as in the past mentioned that we would be maintaining the current debt levels. At present, our debt level is about 1,086 crores, so we will continue to maintain the same.

Jay Shankar: Okay, we have no further debt what would be required at this time.

Management: No, we will not increase debt. Whatever that will be there, it will be on rotation of the new projects. As we are lining up the new projects, we will be taking on the projects loan on those projects and whatever the old debts on the old projects, they will be repaid.

Jay Shankar: Fair enough.

Management: So we will try to maintain at the same level of say 1,000-1100 crores.

Moderator: Thank you. Next question is from Mr. Sirish Hisaria of Kotak Mahindra Bank. Please go ahead.

Sirish Hisaria: I just want to know your views on the Tier-2 and Tier-3 cities like how it seems to be happening not from the general macro point of view. Are the sales low? Are the rates coming down? What are the sales in these markets?

Management: Sir, Tier-2 markets are always different from the Tier-1 where the volatility is very high and the prices are increasing every time, but prices in Tier-2 and Tier-3 cities since beginning are at a steady pace. We are not seeing so much volatility there. The prices are continuously increasing, but if you compare on the last one year, the prices have remained stable in that particular region because of either political scenario or the state political scenarios whatever the states we are present in either Rajasthan or Punjab or Haryana or MP, now the things have been stabilized. We are expecting things will move in a positive direction.

Sirish Hisaria: Is it land transaction happening in these Tier-2 –Tier-3 cities or?

Management: Yes.

Sirish Hisaria: Is there any slowdown in land transaction I should say or is there any correction in land prices in these?

Management: There is no slowdown but there everybody is nowadays cautious as to whether to proceed. The person is thinking twice before getting into transaction.

Moderator: Thank you. There are no further questions. Now I hand over the floor to Mr. Abhijit A Diwan for closing comments.

Abhijit A Diwan: Thank you everybody for joining us on this conference call. The detailed presentation about the quarter gone by is also put up in the company's website under the investor relation section. Kindly have a look at it or you can give me a call or e-mail at any point of time. Thank you once again for joining all of us.

Moderator: Thank you sir. Ladies and gentleman, 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.