



“3Q FY12 Earnings Conference Call of Omaxe Limited”

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**SPEAKER: Sudhangshu S Biswal, President Finance
Vijayalaxmi Purohit, COO
Amit Mehta, Senior General Manager, Finance**



Moderator:

Good evening, ladies and gentlemen. I am Aanchal Rastogi, the moderator of this call. Thank you for standing by and welcome to the Third Quarter Financial Year '12 Earnings Conference Call of Omaxe Limited hosted by Macquarie Capital Securities. For the duration of presentation, all participants' lines will be in the listen-only mode. And there will be a presentation followed by a Q&A session. I would now like to hand over the conference call to Mr. Kumar Saurav from Macquarie. Over to you, sir.

Kumar Saurav:

Thank you very much. Welcome to the Third Quarter Results Call for Omaxe. We have with us Ms. Vijayalaxmi Purohit, Chief Operating Officer; Mr. Sudhangshu Biswal, President Finance; and Mr. Amit Mehta, Senior General Manager, Finance. They will represent Omaxe. I would like to invite the management for initial comments before the Q&A session. Thanks and over to you Ms. Vijayalaxmi.

Vijayalaxmi Purohit:

Friends, good evening. This is Vijayalaxmi. I wish you a very happy new year to you all. Thank you for taking time and making it to Omaxe Limited's Quarter Three Financial Year '12 Conference Call. I have with me Mr. Sudhangshu Biswal, President, Corporate Finance; and Mr. Amit Mehta, Senior General Manager Finance on this call. I would like to begin by taking you through the operational highlights of the Quarter and the review followed by a discussion on the financial performance of the company.

As you all are well aware that high inflation and the unfolding European debt crisis continue to be amongst the significant macro economic setbacks currently facing the sector, however, with inflation slowly starting to lose steam, we have seen some positive changes in RBI policy by way of CRR cut with an indication for Interest Rate cuts in the coming quarters. But we believe much more policy action is desired from government to fight the economy back into high growth trajectory. This expected reduction in interest rates is also expected to bring some respite to the Indian families through lower EMI burden. This could augur well for real estate sector with Indian consumers returning back to the market for their dream-home purchase. We are well-equipped to capture this demand spike through a streak of launches in our townships spread across the country.

The company as a strategy is also focusing on execution and possession of the ongoing projects at an accelerated pace to



improve customer sentiments and get repeat customers for our new projects. In order to improve margins, the company continues to focus on launch of plots and independent floors, which are faster to deliver. The affordable segments in tier II cities will remain our target segment as individual demand still remains strong even in this high interest season.

Coming to un-audited financial results of the company, for the quarter ended 31st December '11, the total operating income for the period is Rs. 451.80 crores against Rs. 347.97 crores for the previous-year quarter. The EBITDA stood at Rs. 61.48 crores against Rs. 67.23 crores over the previous year quarter. The EBITDA margin reduced to 13.61% from 19.32% for the period under comparison. The reduction is mainly on account of converting high rise group housings into independent floors which are faster to sell and deliver but have lower profitability compared to a group housing product. The input costs have not eased either, with commodity prices continue to be at their peaks affecting our margins. The PAT for the quarter stood at Rs. 19.31 crores against Rs. 22.57 over the previous year quarter. Due to higher interest cost owing to slight rise in overall debt and the fact that corporate loans from majority of our debt profiles which are un-allocable to specific projects. The total income includes approximately 45.15 crores from construction activity of the group and Rs. 406.65 crores from real estate activities. The operating margins for construction activity are derived at approximately 3% of revenue, and for real estate it is approximately 19% in this quarter. The major revenue contribution during the quarter is from Omaxe City, Chandigarh, Sonapat, Bhiwadi and group housing projects at Lucknow, Ludhiana and Vrindavan.

With respect to operational update for the quarter, following details are noteworthy. Approximately 3.22 million sq. ft. has been offered for possession during the last nine months.

The company launched eight new projects during the quarter adding up to 0.85 million sq. ft. of area. Some of the prominent ones are 0.23 million sq. ft. of low rise floor at Royal View Premiere, Royal Residency, Ludhiana; 0.13 million sq. ft of low rise floor at Thames, Omaxe Riviera, Rudrapur; 0.25 million sq. ft. of plotted development at Omaxe City, Jaipur. And almost 70% of these newly launched projects have been sold.

In terms of new bookings this quarter, 2.42 million sq. ft. area is booked consisting 1.70 million sq. ft. of plotted development, and 0.52 million sq. ft. built up development. Overall, 79% of the area booked is residential and 21% is commercial. Total



sold value of this area is approximately Rs. 198 crores where the average realization is approximately Rs. 817 per sq. ft. Total booked area till 31st December 2011 stands at approximately 46 million sq. ft.

I will now brief you on cash flow position of the group during the quarter and the review. The total cash inflow from operations stood at around 438 crores during the quarter. The same has been mainly utilized towards our construction activities to the tune of Rs. 156 crores. We have repaid debt of Rs. 93 crores during this quarter along with interest of another Rs. 54 crores. Rs. 88 crores has been utilized towards further land acquisition and approval expenses, Rs. 29 crores towards EDC and IDC and other approvals fees. Rs. 26 crores is paid as administration expenses and Rs. 54 crores has been utilized towards commercial, media and marketing activities of the company. Beyond this, new project loan of total 122 crores has been availed during the quarter. The gross debt as on 31st December 2011 stands at Rs. 1491.87 crores including 235.62 crores towards deferred land payment. The gross debt has increased by net amount of Rs. 51 crores during the quarter. The debt/equity ratio stands at 0.85 on a consolidated basis, that is, we have been able to reduce our debt/equity ratio from 0.98 to 0.85 on year-to-year basis.

Omaxe Infrastructure and Construction Limited has present order book of Rs. 1370 crores of which 40% is already recognized till Q3 Financial Year 2012.

Now, the floor is open for your questions. Thanks a lot.

Moderator:

Sure. We will start the Q&A interactive session now. Participants, if you wish to ask questions, kindly press "0" "1" on your telephone keypad and wait for your names to be announced. If you wish to cancel your request, you can press "0" "2". I repeat, participants, if you wish to ask questions, kindly press "0" "1" on your telephone keypad. We have one question from Prem Khurana from BNK Securities. Mr. Khurana, you can please go ahead and ask your question.

Prem Khurana:

Yes, hi. Good evening, everyone. My question basically pertains to your construction division. I mean, if I have to look at your construction segment margins, the margin seem to have come up significantly, if I were to compare on y-o-y or q-o-q basis. Would you be able to give some reason for that?

Amit Mehta:

We are having about 13 projects in our construction company. The few of the projects are now on the verge of completion,



that were awarded in 2010, which are like private colony of Hindustan Zinc and two jail projects which are having the good margins. Now they are on the verge of completion. So some cost has been escalated, whose final bills are yet to be approved. So we have taken consideration of the cost, so the revenue has not been considered. Similarly for the new projects we have got, for the DG MAP projects at nasik, Indore and Nagrota, we have not yet started booking the revenues over these projects. So going forward, we think that EBITDA margin will be in the range of 8-9% for these projects also. For this in this particular quarter, it is a bit lower at 3%.

Prem Khurana: In fact, if I were to look at this, we seem to have made some losses. I mean, did we go wrong in our costing or...?

Amit Mehta: It is just because of the escalation cost, what we have incurred on the jail projects, but the revenue has not been booked. We have booked the cost on the basis of that escalation cost. The bill has been raised. Till date it has not been approved. We have not booked our revenues.

Prem Khurana: So does that mean next quarter if the bill is approved, we could see some improvement of margins from... the margins could even be higher from 8-9% of your guided number?

Amit Mehta: Yes, it will remain in the range because whatever the new projects we will be starting, and the cost is increasing day by day, raw material etc, so margins will remain in the same level.

Prem Khurana: Sure. Out of this 1370, you said you have already exhausted around 40% of your order book. So remaining would be executed over what period of time?

Amit Mehta: About two to two-and-a-half years.

Prem Khurana: And do you have any visibility on what kind of order inflow are you expecting in the coming years, let us say next one year?

Amit Mehta: Earlier the experience what we had, it is mainly for the residential projects, either of the Director General, Defence Corporations or private companies. So we are looking for such projects and also trying to foray into this road projects. We are able to get one in Mohali. We are trying for others also.

Prem Khurana: And just a bookkeeping question, could you please give me the cash number, cash as on 31st December... what was there on the book?



- Amit Mehta:** Cash balance?
- Prem Khurana:** Yes.
- Amit Mehta:** Cash and bank balance will be to the tune of about 214 crores including FDR's.
- Prem Khurana:** Sure. And also if you could give the breakup of your... I mean, you have done around 200 crores of presales during the quarter, so would you be able to give the breakup in terms of how much of this is on account of plotted sales and how much has come in from residential, and how much from commercial build up
- Amit Mehta:** It is mainly from the plotted sales. About 1.24 million sq. ft. of area comes from the plotted sales. 0.55 million sq. ft is on the floor and the rest is 0.07 from commercial, 0.16 is from the commercial plotted, and about 0.13 from the villas, total up to 2.42mn sq ft.
- Prem Khurana:** Okay. And in absolute value terms – as in Rupees, million?
- Amit Mehta:** More in the plotted segment only. I will come back. It is not there with me.
- Prem Khurana:** Sure.
- Moderator:** Thanks, Mr. Khurana. Any other question from any other participant, they are requested to press "0" "1" on their telephone keypad.
- Kumar Saurav:** Hi, operator. I think Unmesh has a question.
- Unmesh:** Thanks for giving me the opportunity. I have a couple of questions regarding launches for FY12 and 13 and your outlook for the NCR region. In the next year, what will be the product mix and the million sq. ft. that you will be targeting for launches? Secondly, a follow on question to the previous participant, in terms of delivery, what will be the outlook? Your sold inventory, by what time the delivery will be done and it starts showing up in earnings? And the third question is regarding your debt levels. Are you comfortable at these debt levels? And what do you think is your target debt level for one- and three-year perspective? Thank you.
- Amit Mehta:** Coming on to the launches for the next year, in NCR, we are not focusing much on any of the projects. Our more focus is on



either Lucknow side, Chandigarh side and tier II cities. We are not looking for NCR regions, either Gurgaon or Noida. We are looking for tier II, tier III cities. And in terms of delivery, we are still maintaining the target of about 15 to 20 million sq. ft. of area every year going forward to be delivered. As whatever the projects we have launched earlier in 2008-09 time, now they are due for possession. So now slowly and slowly we are offering the possession and we are committed towards delivery of those projects. So we maintain our target for that.

And in terms of debt, we think that debt level is comfortable now, and we will be maintaining this debt level, either 100 to 200 crores less from this level or 50 to 100 levels up from this level. So debt will be in this range only.

Unmesh: Okay, sir. Thank you. Just one more question. Do you think that we will see more activity once the UP elections are over in the state of Uttar Pradesh?

Amit Mehta: Certainly more development will be there, not only UP. UP, Punjab, everywhere the movements will start because the government is also conservative over that. Government will start taking actions.

Unmesh: Okay. Great, sir. Thank you, sir. These are all my questions.

Moderator: Thanks. We have again Prem Khurana to ask one more question. Prem, please go ahead.

Prem Khurana: You received some "stop-work notice". Could you please elaborate a bit more on these projects? Which are the projects, basically?

Amit Mehta: Which one? Pardon.

Prem Khurana: In your press release, you have talked about some three projects where you have received some "stop-work notice" from government authorities, in your result press release.

Amit Mehta: These are now subjudiced. So the matter will be heard and then only something can be discussed over those projects.

Prem Khurana: Okay. And what is the mandatory debt repayment for us for 4Q?

Amit Mehta: It is about 145 crores.



Prem Khurana:

So does it mean you would raise further funds because you... in answer to previous question, you somewhat said you would be comfortable with the similar kind of number or 50-60 crores higher than this number? So does it mean you would be required to raise some more funds in the next quarter?

Sudhangshu Biswal:

Mr. Khurana, this is Shudhangshu here. Today we have a debt level of 1492 crores. And by 31st March, we would be paying about 145 crores, what Amit said. So we expect to raise another 50 crores by March. Thereby my debt will be 1392 crores. And my debt equity would be about 0.79. I mean, as I said last time also 0.75-0.8, that is the range we are looking at. And we would like to maintain at the same level for the next financial year, probably between 1000-1200, depending on the market situation. But we are comfortable at this level.

Prem Khurana:

Sure. Thanks.

Moderator:

Thanks, Prem. Any other question from any other participant, please press "0" "1" on your telephone keypad. I repeat, "0" "1" to ask a question and "0" "2" to cancel your request. At this time, there are no further questions from the participant. I would now like to hand over the call floor back to Kumar Saurav. Over to you, sir.

Kumar Saurav:

Thank you very much for attending the call. Vijayalaxmi ma'am, do you want to give any closing comment?

Vijayalaxmi Purohit:

For any further request, you can always contact Mr. Amit Mehta. He will give you further clarification regarding any of the questions. Thanks a lot for all of you for joining with us for this con call for the quarter. Thanks a lot. Sudhangshu and Amit, please say your thanks to the participants.

Amit Mehta:

Thank you. Thanks a lot Saurav.

Sudhangshu Biswal:

Thanks a lot.

Moderator:

Thanks a lot, participants. That thus concludes the conference call for today. Thank you and have a great day. You may all disconnect now.