

Transcript

Conference Call of Omaxe Limited – Q3 and 9M FY 14 results discussion

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Presentation Session

Moderator: Good evening ladies and gentlemen. I am Momita, moderator for this conference. Welcome to the conference call of Omaxe Limited to discuss its Q3FY14 results. We have with us today Mr. Mohit Goel – CEO; Mr. Sudhangshu Biswal – President, Corporate Finance; Mr. Amit Mehta – Senior General Manager and Mr. Abhijit Diwan – General Manager, Equity and IR. At this moment, all participant lines 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 Diwan. Please go ahead sir.

Abhijit Diwan: Good afternoon everyone from the analyst community and thank you for joining us this noon. We would like you to update with the facts and results of the quarter ended and the 9 months period ended December 31st 2013.

The consolidated income from operation for the 9 months is Rs. 1109 crores as against Rs. 1397 crores in the corresponding period last year, down by 20%. The EBITDA for the 9 month period stood at Rs. 171 crores against Rs. 201 crores for the same period last year. The PAT for 9 month FY 14 is at Rs. 53 crores against Rs. 70 crores over the corresponding period last year, down by 24%.

On a quarterly basis - The consolidated income from operation for this quarter was Rs. 342 crores as against Rs. 365 crores in the September quarter, down by 6%, while the EBITDA for the quarter stood at Rs. 56 crores against Rs. 55

crores in the previous quarter. The PAT for the quarter stood at Rs. 16.25 crores against Rs. 18.15 crores for Q2 FY 14, down by 10%.

With respect to operational updates for the quarter, details are as follows: We sold around 2.05 mn sq. ft. of area consisting of 1.96 mn sq. ft. of residential development and 0.08 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 570 crores with an average realization of approximately Rs. 2,780 per sq. ft. Residential Plots and Villas in New Chandigarh, Group Housing and Service Apartments in Ludhiana, Commercial Built-up at Greater Noida and Floors in Rohtak, Vrindavan, Greater Noida and Bhiwadi were the major contributors to the revenue in Q3 FY14. We are happy to point out that the average selling rate psf for the quarter is Rs. 2,780 vis-à-vis Rs. 2,000 in the same quarter of previous year.

For the 9 month period December 31, 2013, we sold 5.38 mn sq.ft of area consisting of 4.89 mn sq.ft of residential space and 0.50 mn of commercial builtup. Total sales value of the area sold is Rs. 1,693 crores with an average realization of Rs. 3,144 per square feet. Plots, Villas and Floors in New Chandigarh, projects in Lucknow, Bahadurgarh and Ludhiana and Commercial spaces in Greater Noida contributed majorly towards the revenues for 9 month period of FY14. The average selling rate psf for the 9 month FY 14 period is Rs. 3,257 vis-à-vis Rs. 1,992 for the same period 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. 364 crores. We also mobilized Rs. 19 crores through Public Deposits and Fresh borrowings were to the tune of Rs. 108 crores. The funds have primarily been utilized for construction, land purchase and approval charges to the tune of Rs. 245 crores. An amount of Rs. 119 crores has been utilized towards selling and admin expenses and we have repaid debt of Rs. 132 crores and incurred interest expenses of Rs. 28 crores.

For the 9 month period ended December 31, 2013, total inflows were Rs. 1,828 crores comprising of Rs. 1,300 crores from operations, 199 crores of fresh loans availed, Rs. 74 crores from Public Deposit and Rs. 254 crores as advance from promoters. The same was utilized towards Construction, Land Purchase and approval charges to the tune of Rs. 1,036 crores, Selling & Admin expenses of Rs. 347 crores, Interest payment of Rs. 98 crores and Debt repayments of Rs. 384 crores.

As of December 31st 2013, the gross debt equity ratio of the company including the promoters' quasi equity stood at 0.46, while the net debt equity ratio for the company stood at 0.35. Gross Debt as on December 31, 2013 stood at Rs. 996 crores, while company's Net Worth including promoters' quasi equity stood at Rs. 2,165 crores.

Recently in December 2013, CARE Limited has revised upwards, the ratings for bank facilities of Rs. 1,000 crores to CARE BBB- (Triple B minus) making us one of the very few real estate companies, with Investment Grade Bank ratings.

This is a small summary from 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 comes from Ravi Dhodhia from CRISIL. Please go ahead.

Ravi Dhodhia: Basically if you look at booking of your company since last three quarters or say for 9 months, it has been declined on year-on-year basis. So is there a pressure on demand?

Management: The pressure is everywhere, not only in our company. The pressure is overall in economy, but even then our company is able to achieve results in value terms. When we are getting our value, with lesser number of million square feet, and we are happy with that.

Ravi Dhodhia: So that is with respect to your mix changing right now which is more from.

Management: We are deriving more from the built-up space and commercial space, and we are able to achieve the sales. So when we are able to achieve the sales to the tune of Rs. 500-600 crores per quarter, we are not very worried for the million square feet. It is not a target that we have to achieve so-and-so million square feet as target. In value terms, we are achieving our target, which has been fixed for the year.

Ravi Dhodhia: So what is your expectation for next 6 months to one year timeframe?

Management: Previously, we have told that the target for the whole year is Rs. 2000-2100 crores of sales and we are focusing on that. Even for the next year also, we are at least targeting the same type of sales for the company.

Ravi Dhodhia: And in terms of new launches, which project are you planning to launch?

Management: The projects to be launched are from New Chandigarh, Yamuna Nagar, Ludhiana, Rohtak, Bahadurgarh, Lucknow, Indore. These are the places where we will launch new projects.

Moderator: The next question comes from Rithvik Seth from Span Capital. Please go ahead.

Rithvik Seth: I have a couple of questions. Firstly on the debt levels, what is your gross debt and the net debt?

Management: Gross debt stood at 996 crores.

Rithvik Seth: And net debt?

Management: Net debt is about 755 crores approximately.

Rithvik Seth: And just getting back to the projects under development and the forthcoming projects, you have around 90 million square feet till that right?

Management: Yes.

Rithvik Seth: So just wanted to get an idea like how many of that is contributing to the revenue. What is the pre-booking amount and what are the forthcoming projects. Can you give a rough idea on that?

Management: Out of 90 million, what is already sold and is contributing to revenue is to the tune of about 45 million square feet of area, from which we are continuously getting the revenues as per the percentage completion method and in future the projects we are expecting is from New Chandigarh, Ludhiana, Lucknow, Sonipat, Rohtak, Bahadurgarh, Indore. These are the major projects we are expecting new launches in the years to come.

Rithvik Seth And one final question. The markets in which you are operating, NCR and the tier 2 and the tier 3, so you still see that the tier 2 and tier 3 have good demand whereas NCR has slow demand?

Management: Demand is everywhere. Depending on the product mix, what you are launching. Accordingly, we have to foresee and we have to launch the product for the market demand, sometime it is the plotted demand and sometime it is the built-up demand, sometime it is the commercial demand as how we have completed the project in that particular area. So operating in so many markets, we are able to launch different types of products in all the different markets.

Rithvik Seth: And specifically in NCR, do you have low and less than 1 crore or all of them are above 1 crores.

Management: Yes, we have ticket sizes less than Rs. 1 crore also. They are in Greater Noida, Bahadurgarh, Rohtak, and Palwal.

Management: Mostly less than 1 crore, mostly in the range of 50 lakhs.

Management: Our maximum inventory of more than 70% lies in between up to 75 lakhs only.

Moderator: Thank you sir. Next question comes from Nandini Phareja from CRISIL. Please go ahead.

Nandini Phareja: I have couple of questions. My first question is I want to understand your general view on NCR markets especially the areas like Noida, Greater Noida, and Faridabad where Omaxe have a huge presence. As in terms of how you feel that has the prices gone up and down in this economic scenario. My second question is have you felt any price correction happening in the luxury projects of Omaxe on a general perspective of any developer especially to the category of luxury projects and my last question is what is the point of view of yours that how do you see the prices going forward in 2014, are we seeing a price increase or how much percentage increase are we expecting in the prices?

Management: Coming back to your first question about prices in Noida and Greater Noida and market about NCR, everyone knows that the market is not good in NCR and prices are more or less stabilized. I do not see any correction happening actually. That itself is a correction. Today, when the prices have stabilized it is a correction of 7.5% taking into account the inflation rate, if you look at that way. But otherwise at this level, there are no discounts available, but there are offers available like there are different schemes developers are coming up with. As far as Omaxe is concerned, we do not have much exposure in NCR except a few projects in Noida and Greater Noida. We have projects in the verge of completion or in the verge of delivery. So we have hardly any inventory left in Noida and Greater Noida. Coming back to Faridabad, we have some inventory left in the luxury segment and prices there also have not corrected.

Nandini Phareja: My last question was what is your take on 2014 year as in do you expect the prices to increase further this time?

Management: The prices are going to increase if you ask me because the land prices are going up. If you look at, the circle rate of land has been continuously increased by the authority. The overhead costs are going up. Construction costs are obviously on the uptrend. So obviously the costs eventually go up only, but if the prices are stabilizing, that itself is a correction.

Nandini Phareja: So just wanted to understand on this perspective, right now seeing the residential demand into the NCR markets, do you feel that in this economic scenario we have witnessed where a lot of inventory are being unsold, there is a lot of unsold inventory which is available in the market right now and right now if the NCR expects some price increase, do you think there will be some fluctuations happening in the residential demand side also because residential demand is not up to that pace.

Management: Let me tell you what will be the inventory. I think that is something in the air if you ask me. Is there any ready-to-move in inventory available in the NCR? I do not think. So these are all talks in the air about unsold inventory. I have FSI available. So I have got maybe plan approved and this is my inventory, but is there inventory which are ready-to-move in and which are available at discounted price, I do not think so and regarding FY2014 and 15, a lot depends on actually the general elections. The kind of policy government is going to come up, the economy today is in a doldrums. So even the reality, it is absolutely linked to the economy actually, but the segment we are in, we feel we will be reasonably comfortable I would say because our products are not very expensive. So we still sell in the Tier-2 and Tier-3. It is not like Gurgaon or Noida, launch the product and sell 1000 inventory units or 500 inventory units. Our plan is keep on selling and keep on building and we work on township model, we do not execute small projects. Most of our projects, they are actually Brownfield projects, not Greenfield projects. Out of 30 locations probably, we have delivered in 22 locations and in these locations people are staying and living, there is habitation and we are expanding in those locations. So for us, probably launching a new product and selling it is much more easier than a new

company selling in NCR or maybe in other parts of India. The price category we are in and the product we are selling also helps us a lot. So these are the two important parts for any developer to sell.

Nandini Phareja: Sir among all this Noida market, you have like Noida and Noida Extension and Greater Noida. If I am not wrong you currently do not have any presence in Noida extension side.

Management: We do not have any presence in Noida extension.

Nandini Phareja: So any plans to come up in Noida Extension or just a reason why Greater Noida was preferred than our Noida Extension regions?

Management: No, when we started projects in Greater Noida, that point in time Noida Extensions were not there and Greater Noida is a much more planned city. I think one of the best planned city in India I would say and Noida Extension came up subsequently.

Nandini Phareja: So any plans to come up in Noida Extension further?

Management: No, not at all.

Moderator: Thank you. The next question comes from Ravi Dhodhia from CRISIL. Please go ahead.

Ravi Dhodhia: In terms of payment for the land parcel over next 2-3 years, what would be the outlook?

Management: Ravi, we do not have any fixed commitment towards land. Our model is slightly different from other developers and will buy directly from the farmers and that too in patches. So our buying is continuous. As and when the farmer is willing and land is available, we buy directly from him. There are two things go hand in gloves. So it is not that we have some commitment towards land. If you do not

pay, then something would go wrong that is not our case. So as of now today whatever surplus cash available, we keep on buying land and that will continue even in next 2-3 years.

Ravi Dhodhia: But payment what you make to farmers that maybe at one go?

Management: One go means we buy in patches, 1 acre, 2 acres, 3 acres, those are small amounts. These are not 50 crores, 100 crores or 200 crores.

Ravi Dhodhia: And for this hi-tech township project?

Management: We have been buying land.

Ravi Dhodhia: Again in phases?

Management: Yes because you cannot go and buy in a Greenfield project 100 acres or 200 acres together, so it takes years to make the land contiguous and you have to keep on buying. So there is a team who has been working 24 x 7 on these kind of projects.

Ravi Dhodhia: And in terms of product launches at Allahabad and Lucknow, any visibility?

Management: Lucknow, we are in the planning stage. We are looking for the approvals. So once these approvals come, then we should be launching with 100 plus acres of integrated township. So that is all high-rise, apart from hi-tech township.

Ravi Dhodhia: And Allahabad?

Management: Allahabad also.

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

Abhijit Diwan: We like to thank all the participants who participated in this call and in case of any further queries, we are available. Please call us back or you have our e-mail ids as well. The presentation is also put up on our website. For any queries or any questions you may have, you may contact us at any point of time. Thank you.

Moderator: Thank you sir. Ladies and gentlemen thank you all for being a part of the conference call. If you need any further information or clarification, please mail at ricky@conceptpr.com. With this, we conclude the conference call for today. Thank you.

Note:

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