

## Omaxe Limited Q4 FY15 and FY 15 - Earnings Conference Call

May 29, 2015; 12.30 pm IST

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**Moderator:** Good afternoon, ladies and gentlemen I am Lizanne the moderator for this conference. Welcome to the conference call of Omaxe Limited arranged by Concept Investor Relations to discuss its Q4 FY-15 Result. We have with us Mr. Mohit Goel - CEO, Mr. Amit Mehta - Senior General Manager and Mr. Abhijit Diwan- General Manager Equity and IR. At this moment all participants are in the 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 that this conference call is being recorded. I now hand over the conference to Mr. Mohit Goel. Thank you and over to you, 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 March 2015.

The consolidated income from operation for this quarter was Rs. 414 crores as against Rs. 514 crores in the corresponding quarter last year, down by 19%. The EBITDA for the quarter stood at Rs. 62 crores against Rs. 85 crores in the same quarter previous year. The Profit after Tax for the quarter stood at Rs. 20 crores against Rs. 25 crores for the same period of the previous year, down by 20%.

With respect to operational updates for the quarter, details are as follows: We sold around 1.42 mn sq. ft. of area consisting of 1.13 mn sq. ft. of residential development and 0.29 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 346 crores with an average realization of approximately Rs. 2,432 per sq. ft, an increase of 43% over the same quarter last year. Group Housing in New Chandigarh, Noida, Vrindavan and commercial spaces in Faridabad were the major contributors to sales this quarter.

For the year ended we sold a total of 4.29 mn sq.ft consisting of 3.49 mn sq.ft of residential spaces and 0.80 mn. Sq.ft of commercial spaces with a total sales value of Rs. 1,491 crores. The average realization for the year ended is Rs. 3,477 per sq.ft vis-à-vis Rs. 2,692 from previous year, an increase of 29%. Group Housing in New Chandigarh, Noida and Lucknow were the major contributors to sales this year.

During the quarter gone by we delivered ~ 2.50 mn. Sq.ft. of space at various projects including Uttarakhand, New Chandigarh and Faridabad. For the 12 Month Period ended March 31, 2015, we delivered a total of 5.00 mn sq.ft of space at various projects including Bahadurgarh, Chandigarh and Lucknow taking the total area delivered in real estate to 63.4 mn sq.ft.

I will now brief you on cash flow position for the quarter. Total inflows were Rs. 536 crores comprising of Rs. 408 crores from operations and Rs. 128 crores from borrowings. The same was utilized towards Construction, Land Purchase and approval charges to the tune of Rs. 182 crores, Selling & Admin expenses of Rs. 168 crores, Interest payment of Rs. 39 crores and Debt repayments of Rs. 192 crores.

Our Net Worth as on March 31, 2015 stands at Rs. 2226 crores. Gross Debt as on March 31, 2015 stands at Rs. 1096 crores, while the Net Debt stood at Rs. 856

crores. As on March 2015, the gross debt equity ratio of the company stood at 0.49, while the net debt equity ratio for the company stood at 0.38

Some recent developments which we would like to share:

(1) We have leased 2 Lac sq.ft of commercial space in Omaxe Connaught Place, Greater Noida to a Chinese firm, Dragon Mart.

(2) Ms. Padmaja Ruparel has been appointed as an Independent women director on our Board.

(3) CARE has recently assigned a BBB rating to our Fixed Deposit program.

(4) We have exited from Vizag and sold the land there for a consideration of Rs. 112 crore.

This is a small presentation. We leave the floor open for questions now.

**Moderator:** Thank you sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question, may press "\*" and "1" on you touchtone telephone. If you wish to remove yourself from the questioner queue, you may press "\*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for moment while the question queue assembles. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** First of all it would great if you can give some color on why the sales were soften in this quarter and what are you seeing for your key markets?

**Mohit Goel:** Basically we were expecting approvals to come for few of our projects which got delayed in Chandigarh and Lucknow because of that what we were expecting in last quarter it happened in the this quarter so I would be happy to say in the last two months we have done presales of around 600 crores which I was expecting in the previous year. That was the main reason, but overall as you know the markets are down but just because of that we are working in a lot of markets and a lot of affordable markets so I expect the sales to improve.

**Puneet Gulati:** Okay. What is the pipeline for FY-16 in terms of new launches? What is the target area that you launch like in FY-15 you launched roughly 2.5 million square feet?

**Amit Mehta:** Sure, this year we are committing new launches of about 4 million square feet of areas.

**Puneet Gulati:** And do you have any internal sales target also for this year?

**Amit Mehta:** Yes, we have presales target or booking target in the tune of 2,000 to 2,500 crores.

**Puneet Gulati:** Okay. In terms of million square feet?

**Amit Mehta:** In terms of million square feet that it is what 7 million to 8 million square feet.

**Puneet Gulati:** Okay, 7 million square feet. From FY-15 where I guess the sales are 4.5, 4.3 you plan to reach to 7?

**Mohit Goel:** Yes.

**Puneet Gulati:** But it is still lower than what you did in FY-14?

**Mohit Goel:** Puneet you will see as the average realization rate is going up that clearly proves that we have actually shifted our focus from plots to group housing you will see the area probably would not excite you but the number of sales the amount of sales which we are doing it is good and we are doing it as per the expectation as per the markets because as you know it is not a sellers markets it is a buyers markets so we kind of bring to the market what can be sold, so that is the reason we have shifted our focus, so do not go by the area but 2,000 to 2,500 crores of presales if you are thinking in this year I think it is a good number.

**Puneet Gulati:** Yeah, but 2,100 crores was FY-15 was to FY-16 is about 2,500 so about roughly 20% and you think the demand environment has not improved at all from in FY-16 versus FY-14 is that what your reading is?

**Mohit Goel:** So FY-14 to FY-15 was a year where there was a lot of expectations. We were expecting because as you know Mr. Modi came at power and we were expecting something wonderful is going to happen for the whole industry and for the whole economy, which is happening, it is in front of everyone, but it is taking time. So we expected that FY-15 will be great for us but that did not happen because of two reasons, number one the approvals got delayed and number two, overall the demand kind of snapped in and now FY-16 we are expecting thing to improve, interest rates to go down, the economy to improve, demand to improve and we are thinking of foraying into two three more regions, where we see where going to do affordable developments so that is the reasons we have taken a target of around 2,000-2,500 crores of pre-sales.

**Puneet Gulati:** So which are these new regions?

**Mohit Goel:** It is going to be particularly in UP, Uttar Pradesh because there is new policy which has come in Uttar Pradesh which is focused on affordable housing and we want to work towards that particular policy in great way. We are planning right now on eight new cities where we were not there and we are going to zero down two to four cities in the next one quarter or three months and you will get know exactly which city we are working by next quarter.

**Puneet Gulati:** And how is the progress on the Mullanpur or New Chandigarh project?

**Mohit Goel:** It is going pretty good we have sold the biggest contributors in last two months was Mullanpur project only because we launched group housing project over there we got a very good response even though markets are not that great and if you are aware about Chandigarh market the Mohali market, market is down by at least 30%-40% there is no transactions happening at all. And we still manage to sell around 300 crores of sales in the last two month in that particular region. So it is shaping up pretty well.

**Puneet Gulati:** lastly there is some bit of about 500 crores of debt which is payable in the next one year. Do you intent to pay with cash or is it largely going to be refinanced?

**Abhijit Diwan:** It is largely going to be repaid from internal accruals. We are comfortable at this present debt levels so maybe we will try to negotiate with the lenders based on our ratings upgrade.

**Puneet Gulati:** In terms of cash flow when you give the number for Q4-FY14 of 408 crores, this is entirely collections or does it net off something as well?

**Mohit Goel:** This is the collection. This is the gross collection from the customers.

**Puneet Gulati:** And the construction would be separate. So on 408 crores of collections you spent about 180 crores.

**Mohit Goel:** Yes.

**Puneet Gulati:** What is the plan for CAPEX in FY16?

**Mohit Goel:** CAPEX we are doing regularly on monthly basis. 10-15 crores we are regularly putting in land bank so that we will continue to do in our existing locations.

**Puneet Gulati:** So roughly 180-200 crores is the fair number to look at or could it be higher?

**Mohit Goel:** So it is going to be this only because we are not looking at any big acquisition or something till the time smart city concept is clear to us and we are expanding our existing townships as a strategy and as I said that we will be going to different markets and once we are going to go the different markets we are going to start slow, it's not that we are going to go acquire 100 acres or 200 acres. We will just go acquire 10-30 acres to test the waters and to acquire that much land we don't require too much of capital so for this year I think it is going to be somewhere between 10-15 crores per month

**Puneet Gulati:** And in the next three years which are the key cities which will be the cash generator for you apart from New Chandigarh?

**Mohit Goel:** Apart from New Chandigarh it is going to be Lucknow, Faridabad, Ludhiana, and Indore.

**Puneet Gulati:** And there was a plan of divesting out of non-core cities how is that progressing and I see you sold off Vishakhapatnam land but is there anything else that is on the pipeline?

**Mohit Goel:** We are thinking of divesting in Yamuna Nagar and Rajpura also. So we have done the deal but we have not yet concluded the deal whenever the deal is going to be concluded I think it is going to be finished in this quarter itself I guess and you will get to know by next con-call. Rajpura will take another six months.

**Puneet Gulati:** And what is the thought process behind these two because I thought they lie pretty much in the same territory where your presence is strong UP, Punjab?

**Mohit Goel:** Absolutely. So there are two models to where we are heading to. One is a model which is like we just had inventory for a year or two which we are trying to do in UP. That one we are trying to do in affordable segment. And second is the having huge townships something like New Chandigarh, something like Lucknow. So Yamuna Nagar and Rajpura were not that huge parcels and we thought that we should not spend too much of time making huge township there. We should divest out of it. I did not see huge potential in those particular two markets.

**Puneet Gulati:** So first strategy you said you want get rid of inventory in one to two years?

**Mohit Goel:** So basically if I talk about Chandigarh project, Chandigarh type of project I want to have inventory level of say five to six years because it is something like what DLF did to Gurgaon.

**Puneet Gulati:** Or would five years be enough or would you aim at longer time span to get better realization?

**Mohit Goel:** Yes, absolutely so 5 years to 10 years for Chandigarh kind of project and the second category is where I just want to for example I was thinking to give you an example of Aligarh. So if I launch a project in Aligarh I want to inventory level of say one year and one and half years I do not want to keep for five years. So I am finished with that inventory level then again I am going to buy something in Aligarh, these are the two models where we are working mainly now.

**Puneet Gulati:** Typically construction timeline would be longer right like three years or so?

**Mohit Goel:** For Chandigarh the horizon is 15 years to 20 years so that is different ballgame altogether for Aligarh kind of product, construction horizon will be two year not three years to four years.

**Puneet Gulati:** Okay. So two years you can finish out the entire project and inventory in that time span?

**Mohit Goel:** Absolutely, we are thinking of selling Villas and G plus 2 kind of product which is easily deliverable within 18 months to 24 months.

**Puneet Gulati:** And secondly you mentioned that the delays were largely due to delays in approvals. What gives you give you comfort that the approvals will start coming in more smoothly now.

**Mohit Goel:** Because we have already got the approvals and the new city where I am talking about these are smaller cities and I can give you ground realities if you go to a smaller city there is hardly a problem in terms of approval it is just metro or the bigger cities where this magnifying glass is on top of you, you take a lot of times to get approval.

**Puneet Gulati:** Okay. So you have more or less approvals in the new Chandigarh project?

**Mohit Goel:** Yes, New Chandigarh and Lucknow both.

**Moderator:** Thank you. Before we take the next question, we would like to remind participants that you may press "\*" and "1" to ask a question. The next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.

**Ritwik Sheth:** Firstly out of the 4.3 million square feet which you have sold in FY-15 what proportion would be plots?

**Amit Mehta:** That portion is very insignificant.

**Ritwik Sheth:** Okay. Second question is that you mentioned that we are comfortable with the debt level so going forward as our rating are increased what will be our interest cost savings if we refinance some part of the loan?

**Abhijit Diwan:** Typically it would even if we say a 50 bps reduction in the interest rates we would save approximately 15 cr I mean on a loan book of say approximately 1000 crores.

**Ritwik Sheth:** And what is the current cost from debt?

**Mohit Goel:** It is around about 16%.

**Ritwik Sheth:** 16%, okay. And sir last three or four years if I see market mainly reaching around 1,600 to 1,700 crores on top line so what is the plan to increase that top-line in the next three years to five years. Like what our plans for the next three years to five years is can you elaborate on that please?

**Mohit Goel:** Next three years to five years to improve the top-line only we actually decided to go to these new cities and increase our revenues so this is the strategy because we have been working on the model of Chandigarh or Lucknow where we have huge townships and increasing the townships. But we realize that those particular cities also have their potential like upper cap. In a year I would be able to sell even doing the best job there I will be able to sell 1,000 to 1,500 crores kind or real estate in Chandigarh I would not able to go surpass that. Till the time Chandigarh itself as a market grows like something which happen in Gurgaon so that is the reason we are thinking of going into new cities where still there is demand none of the national peer has gone in and people are waiting for the right kind of product right kind of life style. So that is the new strategy which we are working on to go into new cities and get the approvals quicker and get our top-line moving.

**Ritwik Sheth:** Okay. So currently we have like 74 million square feet under execution so what percentage of that will be under revenue recognition sales?

**Amit Mehta:** Out of 74 million which is under execution 48 million is already sold up.

**Ritwik Sheth:** Okay, 48 million is sold up.

**Amit Mehta:** Already sold up we have done the pre-bookings and about 34 million square feet we are doing the revenue recognition.

**Moderator:** Thank you. A reminder to the participants, anyone wishing to ask a question may press "\*" and "1" on their touchtone telephone. As there are no further questions, I would now like to hand the floor over to Mr. Mohit Goel for closing comments.

**Abhijit Diwan:** I thank all the analyst fraternity who has joined us on this conference call. The investor presentation and the snapshot of the result has been put out on BSE and NSE. In case you have any queries, please feel free to contact us. Thank you very much.

**Moderator:** Thank you, sir. Thank you all for being a part of the conference call. If you need any further information or clarifications, please mail us at [parin@conceptir.com](mailto:parin@conceptir.com). Ladies and gentlemen, this concludes the conference for today. Thank you for using Chorus Conference Call Service. You may now disconnect your lines. Thank you.