

**Omaxe Limited**  
**Q3 FY'15 Earnings Conference Call**  
**January 30, 2015**

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**Moderator**

Good Evening Ladies and Gentlemen. I am Vivyan, the moderator for this conference. Welcome to the conference call of Omaxe Limited arranged by Concept Investor Relations to discuss its Q3 FY'15 results. We have with us today, Mr. Mohit Goel – CEO; Mr. Sudhangshu S Biswal – President, Corporate Finance; Mr. Amit Mehta – Senior General Manager; 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 is being recorded. I would now like to hand the conference over to Mr. Mohit Goel, CEO. Thank you. Over to you sir.

**Mohit Goel**

Thank you so much. Good afternoon everyone. We would like to update you with the facts and results of the quarter ended December 2014.

The consolidated income from operation for this quarter was Rs. 308 crores as against Rs. 342 crores in the corresponding quarter last year, down by 10%. The EBITDA for the quarter stood at Rs. 65 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. 16 crores for the same period of the previous year, down by 14%.

For the nine months period ended December 31, 2014, the consolidated income from operations stood at Rs. 1017 crore as against the income of Rs. 1109 crores for the same period last year, down by 8%. The EBIDTA for the 9 month period stood at Rs. 206 crore vis-à-vis Rs. 171 crores for the corresponding period last year, up by 20%. The PAT for the 9 month period stood at 40 crore vis-à-vis 53 cr last year, down by 25%.

With respect to operational updates for the quarter, details are as follows: We sold around 1.18 mn sq. ft. of area consisting of 0.97 mn sq. ft. of residential development and 0.21 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 473 crores with an average realization of approximately Rs. 4000 per sq. ft, an increase of 44% over the same quarter last year. Group Housing in Lucknow, New Chandigarh, Faridabad and commercial spaces in Greater Noida were the major contributors to sales this quarter.

For the Nine year Period we sold a total of 2.87 mn sq.ft consisting of 2.36 mn sq.ft of residential spaces and 0.51 mn.sq.ft of commercial spaces with a total sales value of Rs. 1145 crores. The average realization for Nine Month Period is Rs. 4000 per sq.ft vis-à-vis Rs. 3150 per sq.ft for Nine month period of the previous year, an increase of 27%.

During the quarter gone by we delivered ~ 0.34 mn. sq.ft. of space at various projects including Bahadurgarh, New Chandigarh and Faridabad . For the Nine Month Period December 31, 2014, we delivered a total of 2.50 mn sq.ft of area across our projects, taking the total area delivered in real estate to 60.8 mn sq.ft.

I will now brief you on cash flow position for the quarter. Total inflows were Rs. 596 crores comprising of Rs. 399 crores from operations and Rs. 197 crores from borrowings. The same was utilized towards Construction, Land Purchase and approval charges to the tune of Rs. 242 crores, Selling & Admin expenses of Rs. 147 crores, Interest payment of Rs. 42 crores and Debt repayments of Rs. 134 crores.

For the 9 month period, total inflows were Rs. 1662 crores comprising of 1168 crores from operations and borrowings of Rs. 494 crores. Major heads of utilization were Construction, Land Purchase and approvals of Rs. 740 crores, Selling & Admin expenses of Rs. 406 crores, Interest costs of 130 crores and Debt repayment of Rs. 396 crores.

Our Net Worth as on December 31, 2014 stands at Rs. 2218 crores. Gross Debt as on December 31, 2014 stands at Rs. 1147 crores, while the Net Debt stood at Rs. 897 crores. As on December 2014, the gross debt equity ratio of the company stood at 0.52, while the net debt equity ratio for the company stood at 0.40

On the macro front, RBI has indicated a directional change in the interest rate scenario. We expect major cuts in interest rates in the coming fiscal, which would help people to finalise their home-buying decision. An impetus to the investment and purchase cycle, benefitting the real estate industry is really what we are looking for.

We also believe that implementing key polices like Smart Cities and the Land Acquisition Act is a key challenge, which should help the industry players participate in the real-estate growth story with a level playing field.

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. If you have a question, please press '\*' and '1' on you telephone keypad and wait for you return to ask the questions. If you wish to remove yourself from the questioner queue, you may press '\*' and '2'. Participants are requested to use handsets while asking questions. The first question is from the line of Sayan Das Sharma from Cryselle. Please go ahead.

**Sayan Das Sharma** Just wanted to ask you first from the booking front. If you look at the 9 months' booking, it has gone down considerably, as we understand the industry is under pressure. So, what is your outlook on the near terms over the next two quarters and may be on the ON FY'16 and FY'17; when you see the recovery happening?

**Mohit Goel** I think our next quarter will again be little subdued. But in terms of PAT, I think we will be in-line with the projection which we have given in the market. But the presale, it picks ups from FY2016. From April, May onwards, the presales pick up tremendously. But I can see this year revenues and presales, it has gone down, but the average realization has gone up tremendously. Now, we have kind of changed that strategy in a way that we are concentrating more on PAT instead of revenues. Last year, since 2, 3 years, we are concentrating to sell more for cash flows, we would sell more plots because it was saleable. But now, we are concentrating more on built up because it adds more profit and you will see that converting into the balance sheet in the near future.

**Sayan Das Sharma** Okay sir. Actually sir, that brings me to the next question. I mean just wanted to ask you if it is possible to share the figure for the plot in sales as well the built up this quarter.

**Mohit Goel** Exact figure, for this particular quarter you are looking at?

**Sayan Das Sharma** Yes sir.

**Mohit Goel** I will give you the exact figures. I do not have it right away. May be I will get in touch with you later.

**Sayan Das Sharma** Another question on the EBITDA margin, as you mentioned your realizations have gone up which is the basic reason for the margin expansion. So, sir is it only because of the change in mix within plotted and built-up sales or they selling focusing more on our premium project also?

**Mohit Goel** Say, 50% is going to come for because of the fact that we shifted to built-up spaces. But the next major reason is wherever we are working in tier II, tier III, we have been concentrating on those cities at 6 to 7 years. So, markets have also gone up. So, particularly, our Townships, it has matured, we have delivered our townships over there. Do, once we delivered, the prices have gone up. I will give you an example of Lucknow, in Lucknow, we are doing an integrated township and we have delivered group housing not in that integrated but in adjacent to that integrated township, we sold it around Rs.1,700 per sq. ft. But now the resale rate is around Rs.3,500 per sq. ft. Because of which, my stock which is in integrated is now selling at around Rs.3,200, Rs.3,500 per sq. ft. This is the major reasons why the average realization has gone up.

**Sayan Das Sharma** Sir, couple more questions. First of all, is it possible to share the figure for the land purchases during the 9 months period this year?

**Mohit Goel** I will give you exact figures where I have purchased, how much amount I have deployed.

**Sayan Das Sharma** Last question is on the effective tax rate, what would be the full year tax rate this year. Tax rate has been actually little high on the first 2 quarters and eventually gone down, in this quarter. So, what should be the outlook for the full year this year and next year.

**Management** That is because of the exact provisions which we have made, if you see the notes to accounts in balance sheet during last financial year, we have disclosed even some of the litigations going on and to be prudent and conservative, what we have done is know, we are have provided excess provisions during this year.

**Moderator** Thank you. The next question is from the line of Arijit Malakar of Ashika Stock Broking. Please go ahead.

**Arijit Malakar** I just had couple of questions. My first question is sir, what is your inventory value as of 31<sup>st</sup> December?

**Management** We have inventory in the form of land of approximately of Rs.949 crores. Construction work in progress of around Rs.56 crores. Completed real estate projects of Rs. 382 crores, Projects in Progress of Rs. 2955 crores.

**Arijit Malakar** Sir, my second question is could you segregate your revenue, that is what is revenue are coming from the total area sold and what is revenue coming from the booking amount?

**Mohit Goel** Our revenue is coming as a percentage completion method. There is no revenue coming when we only get the bookings. It is on the status of complete construction, when the construction reaches a stage of 30%, then only revenue starts coming from that particular sale.

**Arijit Malakar** No revenue coming at the time of the bookings?

**Mohit Goel** Nothing comes at the time of booking. Only when the booking has been made as per ICAI guidelines, when you make the agreement, you receive the sufficient money and the

construction is at healthy stage of 25% to 35% of the whole project, then only revenue starts flowing.

**Arijit Malakar**

My next question is how much you have developed during this quarter?

**Mohit Goel**

3 to 4 million sq. ft. of area.

**Arijit Malakar**

What is the development cost per structure?

**Management**

See, it depends on geography-to-geography, what you are developing. Somewhere, you are developing built up, then the cost is different where you are developing plot, the cost is different. When you are doing township development, the cost is totally different.

**Arijit Malakar**

I want to know the average development cost.

**Management**

Average it will be Rs.700 to Rs.800 per sq. ft.

**Arijit Malakar**

My last question is that your average realization has increased substantially during this quarter. So, this realization ideally is coming from the commercial project or any residential projects?

**Management**

It is both, residential as well as commercial. Geographical area where we are selling, we are selling more in Lucknow, Chandigarh, it is the NCR regions, where the averages prices are more than Rs.5,000 to Rs.6,000 per sq. ft. So, it is just the average of all those projects.

**Arijit Malakar**

Another question is my last that is that in the recent first 2 quarters, that cement prices have been firming, so, would it be impact on your margins going ahead.

**Management**

It is very marginal effect.

**Moderator**

Thank you. The next question is from the line of Ashok Shah from Labdhi Finance. Please go ahead.

**Ashok Shah**

My question is regarding the interest which is expected to go down by 200 basis points during the 2015. So, what benefit our customer or loan bank or whatever maybe benefit would be realizing out of interest reduction during 2016?

**Mohit Goel**

Bank reduced interest, but till now, it reduced 0.25 basis points. Banks have not given any pass on to the customer.

**Ashok Shah**

But what do we expect during the current year?

**Mohit Goel**

In the current year nothing, in the next financial year, I feel at least basis 1.5 to 2% we will be getting relief, but depends on how and when the banks pass on the benefit to the customers. But the market will only pick up for the right product, for the right location, at the right price because the supply is such, competition is such, that if you are selling the wrong product at wrong position at wrong price, even though the market gets up, even though the sentiments are good, even though the money is available to the buyer, he will not come to you. So, you have to be always on the toes, what you are selling, what rate are you selling and the affordable segment; I mean all the price points where you are selling a product of say 20 lakhs to 1 crore, depending on the geography, you will see able to sell. But if you think that our strategy is based purely on rate cut, if you think you start selling luxury apartments at Rs.2 crores, Rs.3 crores, I don't think it is going to pick up that, that

quickly, and that majorly. So, I think it will be very-very positive in our balance sheet as well and overall settlements should definitely improve.

- Ashok Shah** What will be percentage benefit realized during the year, is the 2% interest benefit is available to companies, on companies loan book. So, approximately, can you just give interest reduction which will takes place?
- Mohit Goel** Today, my average cost of about 15.75, 15.50%. If there is a 2% reduction, and this is being passed on to us by the lender, then obviously, it will be reduced by 2% on a thousand crore loan-book.
- Management** The 2% rate cut if it happens, would add approximately 40 crores to our bottom line.
- Moderator** Thank you. We have a follow-on question from the line of Sayan Das Sharma from CRISIL. Please go ahead.
- Sayan Das Sharma** So, what are our plans for new launches over the next couple of quarters?
- Mohit Goel** Next couple of quarters, we are concentrating more on Chandigarh. Chandigarh we have already launched plots and mixture of plots, floors, and group housing. So, next 6 months, 8 months, we will concentrate on that, majorly and then Lucknow. Lucknow, we are thinking of launching group housing in the next 2 months and we are thinking of getting good presales from these two projects majorly, and then rest would be from Faridabad group housing, Ludhiana group housing, and Rohtak, Bahadurgarh. But these will be few major contributors to our presale.
- Moderator** Thank you. The next question is from the line of Nilesh Norani from Magnum. Please go ahead.
- Nilesh Norani** Just wanted to now that, I have got a gist of what you have said over the call. Any sense of guidance from your side which you would like to give on the overall revenue and the profitability side?
- Mohit Goel** This is very difficult for me. It may jump by 20%, it can be the same. It can reduce because as I said strategically, we have taken a call that we will more group housing and more built up space. So, but in terms of PAT, I think I see it growing by 10% to 15% in the next financial year.
- Moderator** Thank you. As there are no questions, I would like to hand the floor over to Abhijit Diwan for closing comments.
- Abhijit A. Diwan** Thank you everybody for joining us on this conference call. The updated presentation of our Q3 is already put up on the website and if you have any queries regarding Omaxe, please feel free to call me or email me on my email id [abhijitdiwan@omaxe.com](mailto:abhijitdiwan@omaxe.com). Thank you all for joining us.
- Moderator** Thank you all for being a part of the conference call. If you need any further information or clarifications, please mail at [anand@conceptir.com](mailto:anand@conceptir.com). Ladies and gentlemen, this concludes the conference with the