

Transcript

Conference Call of Omaxe Limited

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Presentation Session

Moderator: Good afternoon ladies and gentlemen. I am Beulah, moderator for this conference. Welcome to the conference call of Omaxe Limited to discuss the Q1 FY14 results. We have with us today, Mr. Mohit Goel, CEO of Omaxe Limited, Mr. Sudhangshu S. Biswal, President – Corporate Finance, Mr. Amit Mehta, Senior General Manager and Mr. Abhijit A. Diwan, General Manager - Equity and Investor Relations. Now, I would like to hand over the call to Mr. Sidharth of Concept PR.

Sidharth: Good evening everyone. On behalf of Concept Investor Relations and the team of Omaxe Limited, we welcome all the analysts present here. Now, I will hand over the call to Mr. Mohit Goel; sir please carry on.

Mohit Goel: Good evening everyone. Thank you for joining us this evening. We would like to update you with the facts and results of the quarter ended June 30th 2013. The consolidated income from operation for this quarter was Rs. 401.66 crores as against Rs. 368.30 crores in the corresponding quarter last year, up by 9.1%. The EBITDA for the quarter stood at Rs. 59.99 crores against Rs. 59.78 crores in Q1 FY13. The PAT for the quarter stood at Rs. 19.03 crores against Rs. 18.18 crores over the corresponding quarter last year, up by 4.7%.

With respect to operational updates for the quarter, following details are as follows: We sold around 1.66 mn sq. ft. of area consisting of 1.55 mn sq. ft. of residential development and around 0.11 mn sq. ft. of commercial development. Total sales value of this area was around Rs. 542 crores with an average realization of approximately Rs. 3,267 per sq. ft. Plots and Floors in Chandigarh, Bahadurgarh and Group Housing in Noida were the major contributors to the revenue in Q1 FY14.

I will now brief you on cash flow position of the group for this quarter. The total cash inflow from operations during the first quarter stood around Rs. 512 crores. The same has been mainly utilized for construction and other overhead expenses to the tune of Rs. 531 crores. An amount of Rs. 123 crores has been utilized towards selling and admin expenses. We have repaid debt of approx. Rs. 152 crores during the quarter along with interest of Rs. 39 crores. The company availed loans of around Rs. 123 crores in this quarter.

As of 30th June 2013, the gross debt equity ratio of the company stood at 0.58, while the net debt equity ratio for the company stood at 0.45. Gross debt as on 30th June, 2013 stood at Rs. 1,223 crores, while company's Net Worth as on 30th June 2013 stood at Rs. 1,880 crores. This is a small presentation from our end. Now the floor is open for all the questions.

Question and Answer Session

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 your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. The first question comes from Mr. Ravi Dhodhia from CRISIL. Please go ahead.

Ravi Dhodhia: I just missed out your SG&A expenses which you highlighted, what was that sir?

Mohit Goel: What expenses?

Ravi Dhodhia: SG&A.

Mohit Goel: Rs. 123 crores.

Ravi Dhodhia: Rs. 123 crores of SG&A?

Mohit Goel: Yes, selling and administration

Ravi Dhodhia: And Rs. 531 crores you have spent on construction?

Mohit Goel: Construction and other overheads.

Ravi Dhodhia: Okay and what amount of debt, has been repaid?

Mohit Goel: Rs. 152 crores.

Ravi Dhodhia: Okay and fresh debt that you have availed during the quarter?

Mohit Goel: Rs. 123 crores.

Ravi Dhodhia: Okay. Sure, if you look at things in the quarter, it is only 1.66 mn sq. ft.; and that too Lucknow project had contribution of 1.26 mn sq. ft. and if we exclude that project, contribution from all other projects is only 0.4 mn sq. ft. I just want to understand why there is a low booking across all the projects?

Management: See whatever we are doing extension, we are doing in Chandigarh and Lucknow. The rest of our projects are mostly in the completion stage. This year we are focusing more on the delivery. When the delivery happens, then only we will open the stock for those particular states.

Ravi Dhodhia: Okay, so what is the target that you have in mind for the current fiscal year FY14?

Management: We are targeting 9 to 10 mn sq. ft. of area to be sold in this year.

Ravi Dhodhia: Okay, but considering only 1.66 mn sq. ft. of bookings in the first quarter, do you think that is possible?

Mohit Goel: Yes, sure, absolutely. First half is always lower than the second half.

Ravi Dhodhia: So which projects do you expect will contribute in the second half?

Mohit Goel: Chandigarh, Lucknow, Ludhiana, Bhiwadi, Bahadurgarh, Rohtak, Yamuna Nagar will contribute.

Ravi Dhodhia: Okay and just want to get your sense of the current sand connected issues which are going on in the market. So do you think the cost as well as execution will be impacted?

Mohit Goel: Yes, it will be affected in the whole of India, small institutions and everybody is taking up the issue. Let's see what the result is.

I think you are asking this question because we are Delhi based and have projects in Noida and that's the reason probably you are asking this question. We have already delivered our project in Noida so it is not affecting us in terms of construction or delay of construction. The sand mining issue is going to affect the whole of India in a similar manner as it is going to affect us. So nothing shall affect us because we are not in Delhi or a NCR player; because all our construction activities are done.

Ravi Dhodhia: Okay. Another question was what portion of interest is included in the cost of goods sold?

Mohit Goel: I will get back with the answer at the end of this concall? Out of the total interest we are paying in a quarter, 50% is being included in the cost of goods sold.

Ravi Dhodhia: Okay.

Mohit Goel: So that is around 18 to 20 crores.

Ravi Dhodhia: Okay thank you.

Moderator: Thank you. Ladies and gentlemen please press * and 1 for your questions. Next question is from Ms. Nandini Phareja from CRISIL. Please go ahead.

Nandini Phareja: Good afternoon sir, my question is I want to understand basically the land acquisition bill. How will it inflict an overview how does it impact the developer side?

Management: Let the land acquisition bill come, more clarity will come, then only we can decide how it will affect. Mostly it will affect the government projects. Those who are doing the bulk buying will only get hit. We are also taking the project from the authorities, so those are the projects already cleared from the authorities. It will

depend on state to state, as to how the state government policy is framed. This bill what the government is passing is at the central level. Then the state bill will come for all the land acquisition part for the state only. Then only the rules will be clear like how it will impact in every state.

Nandini Phareja: With land cost how will it impact? Will it increase the land cost and will it be a pain to the developers how to curb down that utility expenditure?

Mohit Goel: For all these things, I think it is best left to the market forces. It only depends on the selling rate. For example, if I am selling a plot at Rs.10,000/- per sq. yd., and my cost of acquisition of land is coming more than Rs. 2 crores, then I will not buy it. So according to the market forces, the rate will come to the actual level; whatever the land acquisition bill is going to say, because nobody can decide the price of land. It will be decided only by the market forces. So I don't think land acquisition costs will be going up because of land acquisition bill coming.

Nandini Phareja: Okay sir, thank you.

Moderator: Thank you. Ladies and gentlemen please press * and 1 for your question. Next question is from Mr. Vivek Jain Individual Investor. Please go ahead.

Vivek Jain: Hello? Are you based only in Gurgaon and Noida. What are your future plans? Are you planning to expand beyond Noida and Gurgaon?

Mohit Goel: Number one, we are not based in Noida and Gurgaon. We are not a Delhi NCR player. We are a north India player. Number two, we are not expanding in Noida and Gurgaon. As of now, there are no plans of expanding there. Particularly for Gurgaon, we have no plans, but for Noida, one project is going to come up very soon with a sale value of around Rs. 800 to 1000 crores. It can come in this fiscal year, it can come next year. I can't say anything right now about that. According to my strategy, we are not expanding in Delhi NCR because of low margins. I am getting good margins in tier 2 and tier 3 cities and that's the reason I am focusing there.

Vivek Jain: Sir we have the corporate Fixed deposit, so can I know how much corporate FD we have reached till now.

Mohit Goel: Till now we have reached about Rs. 75 crores and as on 30th June, 2013 it was Rs. 55 crores.

Vivek Jain: Okay, thank you sir.

Moderator: Ladies and gentlemen please press * and 1 for your questions. Next question is from Mr. Shirish Shisaria from Kotak Mahindra bank. Please go ahead.

Shirish Shisaria: Sir, just wanted to know your views on the NCR market. What kind of appreciation you have seen in the last six months and what kind of appreciation is expected in the next one year or so, in terms of price and cost of construction.

Mohit Goel: Actually the NCR market I would say is stable right now. Prices are not appreciating now. Last six months, I am telling you, it has not appreciated and not corrected as well, so the prices are stable. Sales volume have come down a bit, in terms of figures I would say 20%, 30% sales volume are down in NCR market and cost of construction is not up, it is almost the same six months back. I think you are relating this topic to sand mining again.

Shirish Shisaria: No, I am not relating to sand as such...it is a small component of your entire cost, so I am not relating it to...

Mohit Goel: Exactly. Other than that, cost of construction is same. There is no other major movement coming in cost of construction because of steel prices, cement prices; cement and steel are the major components of cost of construction. So cost of construction is the same. Looking at the next one year, this is for the last six months I said, looking at the next one year, again a lot of them is going to be stable; people are going to hold up the prices and the sale is going to be stable as well.

Shirish Shisaria: What would be the average cost of construction for the NCR market?

Mohit Goel: It depends on structure to structure, so I think if there is a basement, then ground plus 13; we are looking at a construction cost of Rs. 1,500 to Rs. 1,700 per sq. ft. That is G plus 13 I am talking about. But if you are talking about G plus two floors, then I am looking at a construction cost of Rs.1,000/- per sq. ft.

Shirish Shisaria: And any ballpark figure for the same for commercial?

Mohit Goel: For commercial Rs. 2,000 to Rs. 2,500 per sq. ft., that totally depends...if you are making an air-conditioned model or a non-air-conditioned property.

Shirish Shisaria: Thank you.

Moderator: Ladies and gentlemen please press * and 1 for your questions. There are no further questions sir. Now I hand over the floor to Sidharth for closing comments.

Sidharth: I thank all the analysts present on behalf of Concept Investor Relations and if you have any further queries please drop in your mail at hiren@conceptpr.com. Once again thank you very much. Thank you Mr. Mohit.

Moderator: Thank you sir. Ladies and gentlemen, 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 good evening everyone.

Note:

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