



“Q2 FY13 Results Conference Call of Omaxe Limited”

November 8th, 2012



SPEAKERS: **Ms. Vijayalaxmi Purohit, COO**
Mr. Amit Mehta, Senior General Manager,
Finance

Moderator: Good evening, ladies and gentlemen. I am Varkha Dawar, the moderator of this call. Thank you for standing by and welcome to Omaxe Limited Second Quarter Financial Year 2013 Earnings Conference Call.



For the duration of presentation, all participants' line will be in the listen-only mode. We will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Unmesh Sharma from Macquarie Capital Securities. Over to you, sir.

Unmesh Sharma:

Thank you very much. Welcome to the Second Quarter results call for Omaxe. We have with us Ms. Vijayalaxmi Purohit, Chief Operating Officer; 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.

Vijayalaxmi Purohit:

Okay. Thanks a lot. Good evening everyone. This is Vijayalaxmi. Thank you for joining us today for Omaxe Limited Q2 FY2013 Conference Call. I have with me 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 followed by a discussion on the financial performance of the company. The global economic downturn coupled with high inflation has resulted in slowing down the domestic economy. The baseline projection of GDP growth by RBI for 2012-13 has been revised downwards from 6.5% to 5.8%. The recent 25 basis points cutting CRR will inject liquidity into the financial system but the interest costs are not expected to ease in the current calendar year. On a more positive note, the government implemented key policy reforms on foreign direct investment in key sector such as multibrand retail, aviation, insurance and broadcasting, which is expected to give emphasis to demand for quality, office and retail space in the country. The whole industry reacted positively to these reforms and expects more such measures being adopted in the coming month. However, we believe that a reduction in interest rate is imperative to receive investment growth. But, despite continuous prodding by the government and the industry, RBI chose to keep the repo rate unchanged. It is a clear indication of the fact that the pressures of inflation have not yet abated leaving little room for RBI to reduce the rate in the near future. This is expected to adversely affect demands for the real estate products with customers deferring their purchase decision.



The company in its 25th year of operation plans to strengthen good work in the real estate sector with increased emphasis on quality, customer satisfaction and transparency. To improve cash flows in the current inflationary condition, we continue to focus on launch of plots and independent floor which are faster to deliver.

Now, coming to financial results of the company for the quarter ended 30th September 2012, the total operating income for the quarter is Rs. 461.64 crores against Rs. 368.30 crores for the quarter ended June 2012, up by 25%. The EBITDA stood at Rs. 62.78 crores against 59.78 crores over the previous quarter, up by 5%. The PAT for the quarter stood at Rs. 22.98 crores against Rs. 18.18 crores over the previous quarter, up by 26%. The total income includes approximately Rs. 37.40 crores from construction activities of the group and Rs. 424.24 crores from real estate activities. The operating margins for construction activity are derived at approximately 20% of revenue and for real estate segment at approximately 24% in this quarter. The major revenue contribution during the quarter came from group housing projects at Lucknow, Ludhiana, Greater Noida, Faridabad and township projects at New Chandigarh, Jaipur and Sonipat.

With respect to operational update for the quarter, following details are noteworthy. The company had launched six new projects during the quarter adding up to 2.07 million square feet of saleable area out of which 0.66 million square feet has been booked. Some of the prominent ones are 0.74 million square feet and 0.54 million square feet of commercial build up in Greater Noida and New Chandigarh respectively. 0.36 million square feet of shop-cum-office plots at City Centre Faridabad, low rise floors of up to 0.32 million square feet at Subhangan, Bahadurgarh, affordable group housing of 0.10 million square feet at Omaxe height Faridabad.

In terms of bookings from total projects during this quarter, 2.56 million square feet area has been booked consisting of 1.30 million square feet of plotted development and 1.26 million square feet of built-up development. The total sale value of this area is approximately Rs. 472 crore with an average realisation of approximately 1844 per square feet. Total booked



area till 30th September 2012 stands at approximately 43.67 million square feet from the running projects. During the current year we have strategically improved our recoveries by focussing on execution and deliveries of ongoing projects.

I will now brief you on cash flow position of the group during the quarter under review. The total cash inflow from the operations stood at around Rs. 498 crores during the quarter. The same had been mainly utilised towards the construction activities to the tune of Rs. 207 crores. We have repaid our debt Rs. 117 crores during this quarter along with interest of another Rs. 38 crores. Rs. 103 crores has been utilised towards further land acquisition and approval expenses, whereas 148 crores has been utilised towards commercial and marketing activities and other payments of the company. Beyond this, new project loan of total 78 crores has been availed during the quarter. The company has repaid Rs. 201 crores of debt in the last four quarters from its internal sources, resulting in a significant decrease in gross debt, equity ratio from 0.70 to 0.56. The gross debt as on 30th September 2012 stands at Rs. 1014 crores. Gross deferred payment to the authority stands at Rs. 231 crores.

Omaxe Infrastructure and Construction Limited has present order under execution of Rs. 1018.48 crores out of which 37% has already been recognised until Q2 FY2013 and remaining 63% is expected to be completed by March 2014. Total EPC contracts orders under execution in the group are Rs. 1123.34 crores. Till date four EPC contracts of approximately 327.31 crores have been completed. This is the brief highlight and small presentation from our end. We have also uploaded a quarterly investor update on our website. You are requested to please visit our website for more detailed information. Now, the floor is opened for your question.

Moderator:

We will start with the Q&A interactive session. To ask a question, I would request all the participants, please press "0" "1" on your telephone keypad and wait for your name to be announced. I repeat, to ask a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. Once again, participants, to ask a question, please press "0" "1" on your telephone keypad and wait for your name to be announced. Sir, the first question is from Mr. Abhishek



- Singh. Mr. Singh, you may go ahead and ask your question please.
- Abhishek Singh:** Yes. Hi. Good afternoon to everyone. Ma'am, just wanted to know one particular thing and like in this quarter our EBITDA margins are actually fallen down to some 12 point odd percentage points. Can you just explain the reason like is it more due to the built-up space booked during the quarter or is it against some cost escalations what we have seen in our current projects?
- Amit Mehta:** Hello. Good evening. Amit Mehta here. Our EBITDA margin has been reduced not only because of the built-up reasons. There are two, three reasons. Because of the C.A. institute guidance note, some accounting norms has been changed. Earlier some portion of selling expenses is clubbed into the material cost and become part of stock and partially it comes through operating cost. Now, we are showing 100% selling cost as a separate under other expenses. So, that is the effect of 2, 3%. That is why EBITDA is coming down before the selling cost. And some cost has been increased also because of inflation. And we are more into the built-up space, whatever the built-up space has been launched in last year which is affecting in this year when the revenue has started recognising.
- Abhishek Singh:** Okay. So, total 2.56 million square feet booked, you told 1.26 is from the built-up space, right?
- Amit Mehta:** This is for this quarter. But the revenue is coming from whatever built-up space we have sold in last year. Because when it completes 30%, then only we start recognising the revenues.
- Abhishek Singh:** Sir, can you just give me a broad break-up of the revenue then?
- Amit Mehta:** It will be 50% of the built-up space. Of the total revenues of 800 crores, what we are booking this year in six months this 50% is from the built-up space.
- Abhishek Singh:** 50% from built-up. Okay, sir. So, that's it from my side. Thank you.
- Moderator:** Thank you, Mr. Singh. Before we move to other question, I would request all the participants once again



to ask a question, please press “0” “1” on your telephone keypad and wait for your name to be announced. So, next we have Mr. Ravi Dodia. Mr. Ravi, you may go ahead and ask your question please.

Ravi Dodia: Yes, hi. Good evening. Just want to understand your booking levels which has increased to 2.56 million square feet in the current quarter which is kind of, you know, higher than what we have booked in a couple of quarters earlier. So, just want to get a sense from your side whether demand has kind of picked up in the recent past or what is the sense?

Amit Mehta: Yes, good evening. See, as we are into so many spaces, about 39 cities we are covering in our sales. So, earlier the sales are coming from different regions, now the sales has been coming from different regions like mainly from the NCR region. We have launched some plot in Faridabad. From Jaipur we have seen a good rise in the demand. Earlier Jaipur market is very stable but from the last six months we have seen good rise in the demand of Jaipur. Then we have launched some new commercial space in Chandigarh, that we have seen a good demand in Chandigarh also for commercial space.

Ravi Dodia: Okay. So, in Jaipur, you have launched group housing project or...?

Amit Mehta: No, Jaipur we already exists. We have sold plots. We have sold group housing and Floors. We have also sold some facilities. So, all around all the mix of things is there in Jaipur, all segments.

Ravi Dodia: Okay.

Amit Mehta: Nothing new has been launched. It is all the old projects which are already launched.

Ravi Dodia: Okay. And, another question was with respect to the revenue recognition guidelines by ICAI. So, have you started following that policy or...?

Amit Mehta: Yes. From last quarter we have started following the policy and one single project has come for revenue recognition during this quarter under this policy that is Jaipur. Jaipur Shubhangan is the name. Jaipur Shubhangan, we have launched last year. So, we have started recognising under new policy for that project.



- Ravi Dodia:** Okay. Sure. Thank you.
- Moderator:** Thank you, Mr. Ravi Dodia. Once again, I would request all the participants to ask a question, you may please press “0” “1” on your telephone keypad and wait for your name to be announced. I repeat to ask a question, please press “0” “1” on your telephone keypad and wait for your name to be announced. Sir, we have one more question from Mr. Abhishek Singh from BNK Securities. Mr. Abhishek Singh, you may go ahead and ask your question please.
- Abhishek Singh:** Yes. Hi. Sir, this quarter when I compare to the March quarter, there has been some healthy improvement in our other current liabilities. So, can you just give me a break up of how much is the customer advances in this?
- Amit Mehta:** It is more or less, I mean, the way it is being presented with the new schedule, it is only because of that only because you have to show whatever is due in one year. That is to be shown in the current liability, otherwise, more or less the figures are the same. It is just the way it is being presented as for the new schedule.
- Abhishek Singh:** No. When I compare it from the March quarter, like it has other current liabilities. Other current liabilities have gone up by 270 crores odd levels from our March quarter. So, is it basically because of the customer advances or is it due to the entries in the current maturities?
- Amit Mehta:** It is because of the customer advances. When we start recognising the revenues and we start billing, it comes under the liabilities. It is being knocked out with the project expenses. Whatever expense has been done, it has been knocked out. So in March it is more but when we start recognising the revenue it is being knocked out with the project expenses. That is why only.
- Abhishek Singh:** Right. So, as of 30th September, how much is the total customer advances?
- Amit Mehta:** One second. Let me check. I will come back to you on this point.
- Abhishek Singh:** Okay. Sure. Thanks. That is it from my side.



- Moderator:** Thank you, Mr. Singh. Next we have Mr. Ravi Dodia from Crisil. Mr. Ravi, your line is unmuted. You may please go ahead and ask your question.
- Ravi Dodia:** I wanted to check your township development plan and also what is the status of the land acquisition at all the three places – Allahabad, Lucknow and Bulandshahr?
- Amit Mehta:** See, in all the places of land acquisition is going on. We are more concentrating nowadays on Lucknow and we are able to acquire around 500 to 600 acres of land there.
- Ravi Dodia:** So, in total how much of land have been...?
- Amit Mehta:** First DA is of 800 acres is what we are planning. Out of this we are able to acquire about 500 acres. So, we are expecting in the next three to four months, we will be able to start some of the project segments in Lucknow.
- Ravi Dodia:** Sir, till date what amount of land has been acquired?
- Amit Mehta:** It will be to the tune of about 100 to 120 crores. It is all across the whole Lucknow, not specific to DA I what we are planning to launch but nearly about 100 crores has been invested in Lucknow.
- Ravi Dodia:** Okay. And what about Allahabad and Bulandshahr?
- Amit Mehta:** Bulandshahr, we have not yet started. And Allahabad the position is same. We have not increased much. It is about more than 500, 600 acres of land already acquired. Up to March, the status is same. We have acquired much in Allahabad.
- Ravi Dodia:** Okay. So, now there are no plans to acquire the remaining land?
- Amit Mehta:** The plans are there but as per the cash flow situation and where we have to launch a project first there we are buying land first. If we have sufficient land available and if we can launch the project we will buy later. So, we are planning accordingly. And strategically it should be purchased and where we can launch the project as per the demand in the market.
- Ravi Dodia:** Okay. Sir, but with the change in the UP government whether there has been a, say, change in the policy?



- Amit Mehta:** No. There is no change, all status quo.
- Ravi Dodia:** Okay.
- Amit Mehta:** Because government has not taken any step like that.
- Ravi Dodia:** Okay. And sir, whatever agreement you have entered into earlier that are still valid?
- Amit Mehta:** Yes, they are still valid.
- Ravi Dodia:** Okay. Sure. Thank you.
- Amit Mehta:** Thank you.
- Moderator:** Thank you, Mr. Ravi. Once again to ask a question, I would request all the participants, you may please press "0" "1" on your telephone keypad and wait for your name to be announced. I repeat, to ask a question please press "0" "1" on your telephone keypad and wait for your name to be announced.
- Unmesh Sharma:** Operator, this is Unmesh. I have a couple of questions, I think. Sir, two things. One is, you know, my regular question regarding your focus areas in terms of geography from the next 12 to 24 months and in terms of product mix, you know, whether it will be group housing, you know, low rise, high rise and plots. And the second question is really the one of interest which is what is the outlook on the debt where do you think the debt will move to over the next 12 months? Thank you very much.
- Amit Mehta:** Geography is what you are talking. We are not focussing on the different areas. We are focussing on the areas where we are already there and we have started the deliveries. We are only expanding into those areas like Chandigarh we are now an established player. So, we are focussing on Chandigarh. Lucknow, we have the deliveries. So, we are focussing on Lucknow. Bahadurgarh, we are given a good project. So, we are now focussing on the Bahadurgarh. In NCR region, Faridabad, Noida we already have a good presence. So, we are focussing on those areas only. We are not going into different areas and different geographies. As per the project mix, it all depends on the market from time to time. Our main focus is earlier on the booked plots, now



we have shifted it to floors and now we will shift to group housing also and the commercial space as the demand grows in those cities. So, a different city has a different projects mix demand. Like in Lucknow there is a demand for group housing whereas in Chandigarh there is a demand for plotted. In NCR there is again a demand for group housing, and in Bahadurgarh there is a demand for floors. So, we are focussing on all the projects as per the market size and market demands. And how we have to mature these townships, we have to expand it more. So, we are more focussed on the plot. If we have a limited space, then we are more focussed on the group housing side. Similarly, in the outlook on the debt earlier also Mr Sudhangshu had said that we are at comfortable level. We will not increase debt from here and we will not decrease the debt. It is just that whatever due for repayment cycle we are paying we will repay. But for the new projects we are also raising the project loans. So, more or less it will remain on the same levels.

Unmesh Sharma:

Okay, sir. Thank you. These are all my questions.

Moderator:

At this time, there are no further questions from the participants. I would like to give the floor to speak for final remarks. Over to you, sir.

Unmesh Sharma:

Amitji, please give some final remarks. Thank you.

Vijayalaxmi Purohit:

Yes. Thanks a lot to everybody for participating with our con call and if you want any further information or clarification, please talk to Mr. Amit Mehta, otherwise, visit our website. Thanks a lot.

Amit Mehta:

Thank you.

Moderator:

Thank you all. That does conclude our conference call for today. Thank you for participation. You may all please disconnect your lines and have a great evening to all of you. Thank you all. You may please disconnect your lines now.