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Company	Omaxe Limited
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Operator:

Thank you for standing by and welcome to Omaxe Limited Q3 FY11 earnings conference call hosted by Macquarie Capital Securities (India) Private Limited.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Please be advised this conference is being recorded today.

I would like to hand the conference over to Mr. Unmesh Sharma. Over to you, Sir.

Mr. Unmesh Sharma:

Thank you very much. Welcome to the third quarter results conference all for Omaxe. We have with us Mr. Hemant Kumar (President, Treasury), Mr. Amit Mehta (GM, Finance) and Mr. Sumit Arora (VP, Investor & Strategic Relations) who will represent Omaxe.

I would like to invite Mr. Kumar for initial comments before the Q&A session. Thanks, and over to you.

Mr. Hemant Kumar:

Thanks Unmesh.

Dear partners, I welcome you all to this investor conference call for the quarter ended December 31st, 2010. We would like to thank you for your support to the group and understanding the philosophy of the group to be in affordable segment making inroads into tier two and tier three cities.

For the third quarter the company has reported consolidated total operating income of Rs. 348 crores compared to Rs. 280 crores for the corresponding period last fiscal registering a growth of more than 24%. The net profit for this quarter stood at Rs. 22.6 crores against Rs. 28.5 crores for the same period last year. EBIDTA margin for this quarter is 19% and the PAT margin is 6.5%.

The performance for the 9 months period ended December 2010. The total income from operations increased from Rs. 623 crores to Rs. 955 crores registering a growth of 53%. EBIDTA has increased from Rs. 177 crores to Rs. 203 crores showing a growth of 15%. PAT has increased from Rs. 67 crores to Rs. 81 crores showing a growth of 20%.

We feel that India happens to be the country where the performance of the real estate industry would continue to be robust on the long-term merit basis because of India's demographics, growing demand from the young professionals in India and infrastructure development commitment from public-private partnerships. India has young population of almost 40% and the change in life style is creating demand all across the country.

Commenting on our contribution to the sector, we have already delivered 17 projects in Luxury and mid segments earlier, and offering possession in 13 residential and 4 commercial projects in present and following fiscal. At present there are 42 projects under execution. We have been focusing on execution and delivery of our ongoing projects and at present business has been generating adequate cash from the operations.

The most promising fact is that our sales continue to be robust at 2.71 million square feet for the third quarter. The total sales value of this area is more than Rs. 640 crores with average realization of approximately Rs. 2400 per square feet. Friends, I believe you shall be pleased to know that total recovery for the third quarter stood at more than Rs. 500 crores, which was diligently used towards construction, overheads, payment of debt and land purchase. In terms of completion of projects we have sent offer for possession for further 2.9 million square feet and thus this takes our total delivery for the present financial year to 10 million square feet. Order book of one of our subsidiary Omaxe Construction and Infrastructure Limited stands at Rs.1267 crores as on 31st December, 2010. We are comfortable with the present progress of this business and all its projects are running on schedule.

I invite Sumit to take on the proceedings from hereon.

Mr. Sumit Arora:

Good evening friends. I thank Mr. Hemant to give us a brief update on the numbers, now I would like to give a bit more detailed analysis, and to start with about the top line for the quarter as we know it is Rs. 348 crores and this includes around Rs. 49 crores of income from the subsidiary Omaxe Construction and Infrastructure Limited, which is purely third party construction business. Year on year there has been a spurt of 24% on quarter on quarter basis in the top line. Our operating cost has also gone up by around 33% in the same period and the prime reason again remains that now there is increased proportion of build up area in the overall business mix. The EBIDTA margins have decreased to 19.32% for this quarter and the PAT margin is around 6.5%. Friends, the prime reason for this is basically the carrying cost of the old projects from where the

revenue is coming as of now has increased in books, and most of the sales which we did in last few quarters (almost 30% of our sales) has come in at the down payment option which at one hand improves the cash realization but at the same time it actually overall reduces the sales revenue, because we offer down payment rebates; however, this improves collection mechanism and has improved the financial health of the company in terms of cash inflow and we are confident that this will not impact the execution of these projects for the need of cash. We have learned from our experience in past that we need to continue our focus on execution and we cannot sit over the ready inventory in anticipation of price escalation. So, presently our strategy is to sell, sell and sell whatever inventory we are at a close or close to completion or completion stage. All this put together have definitely reduced our margins but we are confident that this situation will change when revenue shall start flowing in from the recent sales of build up area where the revenue will be recognized based on percentage completion at a threshold level of 30%.

Now, talking about the operational performance, as Mr. Hemant informed us we have booked additional area of 2.71 million square feet to be precise and this all has come from the already launched projects, so there were no new launches during the quarter, and out of this 2.71 almost 1.56 million has come in from residential plots primarily spread over Chandigarh, Bhatinda, Indore and Sonipat, almost 0.84 million has come in from residential build up area which is a mix of villas, high rise and low rise apartments and the projects where this is coming from is our Orchid Avenue project at Greater Noida, Royal Residency at Ludhiana, Spa Village and Omaxe Heights at Faridabad; these are the major projects which are contributing to present sales, and the noteworthy commercial project what we have relaunched last quarter was Omaxe Connaught Place at Greater Noida, which has contributed almost 0.31 million square feet in terms of fresh sales. Friends, the total value of this sale is upwards of Rs. 645 crores with an average realization of Rs. 2400 per square feet and the prime reason for this average going up is because of the commercial project OCP which is realizing an average price of Rs. 4500 to 5000 a square feet.

The total area booked for 9 months ended 31st December stands at 7.61 million square feet with aggregate sales value of more than Rs. 1450 crores for the fiscal year. Overall average realization per square feet has increased to around Rs. 1900 per square feet for the 9 months period and the results of this will be visible in the future revenue bookings. The total booked area out of approximately 110 million square feet of running projects stands at 57.41 million square feet with a total sales value of Rs. 8500 crores out of which almost Rs. 5500 crores have been already realized as cash inflows.

We are focusing on execution as I have been reinstating every time, all put together for the 9 months period we have already sent offer for possession for more than 10 million square feet which is in line with our expectation and target, and for the last quarter precisely we have added another 2.91 million square feet where the offers have been already sent and the registries are in progress. These deliveries are expected over 13

residential projects and 4 commercial projects, out of 13 there are 5 integrated townships and 8 standalone group housing projects. This robust delivery along with commendable progress on other sites and fresh bookings has helped to improve the cash inflow situation. Friends, the most promising fact is that at least the cash recovery in the business continues to be in line with our expectation for the whole year, and for the 9 months period we have realized almost Rs. 1385 crores in total recovery from operations, recovery from business including old, new sales, and some old recoveries which was pending and which was due for quite sometime. So, all put together for the 9 months period Rs. 1385 crores have been infused. For the last quarter per se this figure stands at almost Rs. 500 crores for recovery from business. This money has been spent diligently in a proportion of almost 33% for construction, around 34% has been used for debt servicing including repayment and interest, around 20% odd has been reinvested into the business in addition of raw material which is land, and around 11.5% goes for our administration and running expenses. In the quarter we have repaid around Rs. 146 crores of loans and at the same time we have paid interest of almost Rs. 57 crores. Our investment in land for the quarter is Rs.150 crores.

Friends, we are conscious at Omaxe about our investment in land banking. Unlike during the peak of real estate in 2007-08 when most of the players, including us, were investing into land even in unknown territories which later proved to be a wrong strategy, this time we are more focused on strategic buys where we believe that the cost of land will itself increase by 2-3 multiples probably by the end of this calendar year itself. We have invested around 20% of our total recovery in adding new land parcels majorly at existing projects in Chandigarh and our proposed township at Lucknow. We have added close to 170 acres at Chandigarh taking the total land there to more than 400 acres, and at Lucknow we have acquired and tied up where we have paid some advances as on date, approximately 500 acres of land has been acquired or tied up for Lucknow project as well.

I remember Unmesh only asked us last time about our planned investment into land banking for the rest of the year, which we at that time said could be another 50-55 odd crores. Now, we have to accept that real estate is a very dynamic business and decisions have to be made day in day out basis. Our promoters based on the present realizations of our projects in Chandigarh, which is in the range of around 12,000-14,000 per square yard for plotted area and around Rs.1800 – 2100 per square feet for the built up is a very good realization given the cost of land as on date, and this makes our promoters very confident of this location and that is the reason we have been adding land in the last 6-9 months in Chandigarh itself. Especially the region where we are in Chandigarh it is Mullanpur belt this place is quite in news for some time as the government is planning to adopt it as New Chandigarh and the sectors shall be carved out in the same manner as that of the planned city of Chandigarh, and for this only reason the larger real estate players also have been eyeing this opportunity and very soon probably other players also will be launching projects close to our vicinity; however, being first mover we shall get advantage with our land bank at moderately priced.

Coming to the subsidiary, OCIL, we have not added any new project during the last quarter except that in the existing project itself the size of the project increased in one of them and order book from Rs. 1250 crores as in Q2 now stands at Rs. 1267 crores. We have already recognized revenue to the extent of Rs. 320 crores from this till 31st December 2010. As most of these projects are primarily mooted by government agencies it typically takes 4-6 months of time to get their internal approvals before the actual work can progress on the site. So, this will take us some time to start our projects which we have got in Q2 and Q1, the approvals are awaited and the moment they kick off I think there will be spurt in activity of construction business as well.

Now, I request the moderator to keep the floor open for Q&A session, and we would be pleased to answer all the queries.

Thank you moderator, over to you.

Operator:

At this time if you wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press hash or the pound key.

Participants who wish to ask a question please press *1 on your telephone keypad and wait for your name to be announced. First in line we have a question from Mr. Kumar Sourav from Macquarie, you may go ahead please.

Mr. Kumar Sourav:

Hi! Thanks for taking my question. Sir, what kind of sales volume do you expect in FY12 and from where do you expect this to come from, which locations?

My second question is that we are kind of seeing smart recovery in property prices in bigger cities like Mumbai and Delhi, it would be great if you can throw some light at how the property prices are moving in tier two and tier three cities?

And obviously next last question is on debt, what is your target net debt for FY12, and how do you plan to achieve that?

Mr. Sumit Arora:

Thanks Sourav. Going back to your questions, you have asked first for the expected sales for financial year 2012 and where would it come from? Our target in terms of area sales will continue to remain in the range of around a million square feet every month, so we should be able to continue that number if not outperform that because there are new

projects which are in pipeline that may also impact because the business is like that once the new project is launched there is suddenly a great interest in that project, so that may add some more numbers to it; however, a million square feet is a conservative estimate and the projects would definitely be Lucknow township, which we are expecting to launch soon, we are awaiting for the development agreement for that, and the going on project in Chandigarh where we have been adding land, so as of now we have applied to the authorities for additional license, we already have 140 acres of license out of our total 400 acre land bank in Chandigarh and probably more land will be added into the license category. Our NCR properties which are still there with us like some build up properties in Sonapat, Bahadurgarh, they will contribute to the top line at the same time Faridabad also we have projects running. So these projects put together will add to the number.

In terms of pricing, the pricing as you said probably Delhi, Mumbai these examples you have quoted, but we are not too sure that what kind of a movement is there in this market. The price escalation is in the hand of the developer because in the market where we are there is not much competition still, but the idea is the moment we do that we are concerned that it may impact the growing demand. So, the pricing would remain stable more or less as you have observed probably from last year to this year itself the average has gone up from almost Rs. 1750 to Rs. 1900 square feet as we have said because of the right mix of products, and I think the mix of product is more important for us rather than the individual project itself, so we will concentrate more on a combination of project where the cost of land is cheap. Our strategy is to buy land cheap so that you save on margin there rather than jacking up the prices going forward.

Last question was about debt repayment and the debt schedule; we have another Rs.200 crores to be repaid in Q4 of this financial year. We have already repaid almost Rs.350 odd crores in the 9 months period. So, this Rs.200 crores we are confident that probably say around Rs.100 crores could be refinanced which we are working on right now, but otherwise also our cash flows are sufficient enough to service even this debt. Then following year there is a debt repayment of some Rs. 550 odd crores again which as on date we are expecting that our cash flow should be good enough, but at the same time as we continue to raise capital or rather seek private equity capital for our large project, that exercise may definitely support us, but we believe that for us a comfortable debt equity level could be in the range of around 0.7 – 0.75, so in case we are able to reach that stage we shall be able to service that debt very comfortably, because all said and done the cost of debt is still less than the cost of private equity.

Mr. Kumar Sourav:

Okay, just one more question, considering the RBI's hawkish view and tightening measures being taken, are you seeing any kind of difficulties in refinancing the debt and what is the cost of borrowing for you for new loans?

Mr. Hemant Kumar:

Sourav, the meaning of refinancing is not that the refinancing of existing loans rather to go for financing for new projects so that if we are receiving Rs.100 and we are spending Rs.100 into four buckets and out of that four buckets if there is a deficit that deficit would be met through fresh borrowings which would be utilized towards building a new project, and for new projects I think availability of loans are there, though I agree with you that funding options have dried up; if the projects are good and we are following some kind of tight mechanism putting the cash flow into some kind of trust and retention account the funding is available.

Mr. Kumar Sourav:

Okay. That is all from my side.

Operator:

Thank you so much sir. Next in line we have a question from Gagan Agarwal from Merrill Lynch. You may go ahead please.

Mr. Gagan Agarwal:

Hi Sumit! My question was regarding already sold volume, around 57 million square feet, what would be the cost acquired to deliver this?

Mr. Sumit Arora:

The cost of this 57 million square feet? The running cost?

Mr. Gagan Agarwal:

Yes, yet to be spend, the construction cost.

Mr. Sumit Arora:

Okay, we can estimate that almost around Rs. 1800 crores needs to be spent to complete this 57 million square feet where the expected revenue is 3000 crores, and at the same time one should appreciate that this Rs. 1800 crores to be spent will simultaneously add more unsold area sold which will be as high as around 15-20 million square feet. So this Rs. 1800 will construct 57 plus another 20 million square feet, so almost 75 million square feet worth of inventory will be completed for delivery.

Mr. Gagan Agarwal:

Okay, and what will be the time required to deliver these?

Mr. Sumit Arora:

Our target for whole of this year was around around 20 million square feet of delivery, but for certain reasons we have now reduced it to almost 14-15 million for whole of this year, and next year another 15 million at least would be expected to deliver. All said and done, we expect to complete 110 million by FY15.

Mr. Gagan Agarwal:

So, out of this 110 by now you have delivered around 20, if I am correct?

Mr. Sumit Arora:

We have delivered around 10.05.

Mr. Gagan Agarwal:

Of 110?

Mr. Sumit Arora:

And sold at 57.6.

Mr. Gagan Agarwal:

Okay, so you plan to deliver say around 100 million in the next 4 years?

Mr. Sumit Arora:

Right, 4-5 years. But the point is we are not constructing 20 million every year, these projects were launched in 2007, presently we anyway are at a stage where at least 50 million worth of inventory must have come to certain stage of construction, so I will be adding another 10 million probably next 5 year, but that consolidate number will give me a number of 110 million completion.

Mr. Gagan Agarwal:

Okay. So, 110 you are saying, and you will require only 1800 crores to deliver this?

Mr. Sumit Arora:

1800 crores is required for 57.4 plus another 18-20, so 77 million is around 1800 crores; we require in all around 5000 crores I believe, which I have to just recheck on the number, but it is close to 5000 crores which still needs to be spent to complete this 110 in all.

Mr. Gagan Agarwal:

Okay, no problem. And, on the land sale, you said you were looking for PE or you may divest from some of the non-core land, what is the target you are looking at and which area you are looking to sell the land?

Mr. Sumit Arora:

We have identified couple of land parcels like Ajmer, Agra, where we are seeking some core strategic partner; however, as we all know it is difficult for anyone to invest into land at this stage, things are possibly cannot be timed. In terms of equity in projects we are in advanced stage of discussions with a couple of large private equity players for first phase of our Chandigarh project and probably going forward for some part of Lucknow as well; however, as you know that interest of private equity in tier two markets still not there to a larger extent, so these things take time to build up. Having said that, we actually don't need money for these projects; the projects are self funded, though we need support at the parent level these projects itself are self funded, so there is no risk as far as operation of these projects is concerned, even if there is no private equity you may have to see some other sources at the parent level, but the project itself are smooth.

Mr. Gagan Agarwal:

Okay, and on the deferred land how much is of the deferred payment you have make?

Mr. Sumit Arora:

Again, deferred land payments, we have to make around 200 crores including accrued interest, and most of it is to the Noida authority, and the time frame we have is around 4-5 years for payment of this liability.

Mr. Gagan Agarwal:

Okay, and how much would you be spending on land acquisition over next 12 months?

Mr. Sumit Arora:

That is a very tricky question, I don't want to get into the trap, frankly speaking being in a real estate business you have to get into the right priced land at a stage where you expect good recovery from it. Though actually at the beginning of this year we did not

have any good expectation at what kind of a number we will be investing in land, but because of certain time constraints and because of market factors we have spent almost 20% of our recovery. I don't see this number going more than 20% of our total recovery at most; however, our external commitments remains the priority, so first they will be settled, and whatever balance surplus if at all we will have in the business only that will be used for further land acquisition. Most of the land in fact what money we have used for land acquisition has come in from the same project, for example, we have used surplus of Chandigarh to buy Chandigarh land, we are not jeopardizing the interest of one project to acquire another project.

Mr. Gagan Agarwal:

Okay, and how much you have sold in the Chandigarh project, in Mullanpur?

Mr. Sumit Arora:

We have 140 acres license, which tantamount to total sales value of Rs.850 crores and we have sold almost 85% of it, we have recovered almost Rs.130-135 crores already from this project.

Mr. Gagan Agarwal:

It was mostly plotted?

Mr. Sumit Arora:

It was 40% plotted and 60% built up; and built up includes both commercial and floors.

Mr. Gagan Agarwal:

What realization did get in plotted?

Mr. Sumit Arora:

Till date because when we launched it was as cheap as Rs. 8000 – 9000 a square yard though today we are selling for almost Rs.14,000, so average will be somewhere around Rs. 12,000 per square yard for the plotted, and for the built up we have average of around Rs. 1850 – 1900 per square feet till date, and we expect going forward the rates will increase there to the extent of Rs. 2200 – 2300 per square feet, but that may happen only when the first phase is delivered and people actually start staying there.

Mr. Gagan Agarwal:

Okay, thanks Sumit.

Mr. Sumit Arora:

Thanks Gagan.

Operator:

Thank you sir. Once again, participants who wish to ask a question please press *1 on your telephone and wait for your name to be announced.

I repeat, if you wish to ask a question please press *1 on your telephone and wait for your name to be announced. Next in line we have a question from Mr. Amit Morarka from CRISIL Limited. You may go ahead please.

Mr. Amit Morarka:

Good morning sir.

Mr. Sumit Arora:

Hi Amit, good evening.

Mr. Amit Morarka:

Hi! Just a couple of questions, could you just tell I mean if I see sequentially quarter on quarter interest expense has increased from Rs. 29 crores to Rs. 30 crores.

Mr. Sumit Arora:

The point is the average cost of debt in the 9 months period has gone up by almost 100 – 150 basis points and that is all visible in the system itself. In absolute terms we have reduced the debt, but the cost of debt is still playing its toll. Then actually the capitalization of interest the proportion of it which is capitalized, proportion of it which is routed through P&L, so it is all because of that, but all said and done yes the cost of funds have increased to certain extent.

Mr. Amit Morarka:

What is the debt level as of date?

Mr. Sumit Arora:

Sorry?

Mr. Amit Morarka:

What is the debt level as of date?

Mr. Sumit Arora:

Our net debt if you will ask, it is around 1420 crores odd, and our gross debt is around 1637 crores.

Mr. Bhaskar:

Just a question Sumit, Bhaskar here. Just wanted to understand, I mean with the current tightening by RBI and the situation that is prevailing generally in the credit markets, is refinancing the loans increasingly becoming an issue?

Mr. Sumit Arora:

Bhaskar, actually as Mr. Hemant mentioned earlier it is not typically refinancing, refinancing in a sense it is not technically correct though I use that term myself but technically we will be raising new loans for project development purposes which is still welcome, and if you all observe RBI is actually more concerned about the expensive housing, the largest banker in India SBI is still open and giving loans at low as 8.5% probably even for affordable housing. So, we fall in the category where we sell for Rs.15 – 20 lakh a unit, which is the need of the country we believe so, and that is the reason we have been selling a built up space of a million square feet still. So, we are confident that we should be able to garner money for our new projects, largely project funding, and accruals will be utilized for the other payments.

Mr. Amit Morarka:

Sir, just a couple of questions on the number side, basically if you could just tell me I mean what was the amount which you have collected from the customers during the quarter?

Mr. Sumit Arora:

We have collected some Rs. 437 crores odd, this is from the new and old sales put together, plus there has been some other recovery, other recovery in the sense some old recoveries which were over due, we have some advances which have been recovered, so all said and done some Rs. 64 odd crores have been added as other recovery, so it does brings us to a number of Rs. 500 odd crores for the whole of the quarter.

Mr. Amit Morarka:

And, how much in terms of the square feet we have delivered?

Mr. Sumit Arora:

We have offered for possession 2.91 million square feet in the last quarter and this has brought us to a stage of 10.05 million for the 9 months period; however, we have constructed and we have added at all the projects put together, so the actual construction measured in square feet terms is very difficult.

Mr. Amit Morarka:

Okay, and in terms of the recognition if I just get the numbers like what was the square feet which has been recognized in the financial statement this quarter?

Mr. Sumit Arora:

Amit, it is tough to segregate 52 projects and then coming out with a number that in square feet terms what is the area recognized, and in fact I request that I will probably come back to this question later and it would be tough actually to comment upon the actual area because it is on percentage completion basis, you know, so every project, every category, every project has got multiple categories of plots, floor, villas, so giving a number to this question is not available right now, frankly speaking.

Mr. Amit Morarka:

Okay. Sir, if I just want to get an update on our water front project like you know in terms of the construction how it is going on over there in terms of the new booking which is going on?

Mr. Sumit Arora:

As of now we have launched around 150 acres only which is going on smooth, 50% of the villas have been already completed, in fact I would request all of you to visit our website, we have updated our presentation where we have some pictures also, the latest pictures of this projects, and there are different sectors which we have carved out in Allahabad. So, sector 1 to sector 7 is under progress right now and any specific detail you want to know then probably we have to refer to the accounts, you have any specific questions you can let us know about it. But the progress is smooth. As of now, I think the focus is more on execution because Allahabad as you all know it is not very large market, we have to go in a phased manner, so the first completion of first phase would create a path for the following phases.

Mr. Amit Morarka:

Okay, and sir what is plan, because earlier as we expect like you know I mean we are seeking some kind of private equity investment into the project, so what is the status on that?

Mr. Sumit Arora:

I just mentioned that private equity for tier two markets is time consuming, not for Allahabad but for Lucknow and Chandigarh the discussions are on, and timing it is going to be a task because there are various levels which are involved the commercial issues which needs to settled and then the legal issues at the end.

Mr. Bhaskar:

Sir last question, Bhaskar here. I just wanted to understand any percentage of promoter holding which has been pledged, and if yes how much?

Mr. Sumit Arora:

As on date 37% of the total capital of the company has been pledged and in terms of promoter holding some 42% out of 89% has been pledged, and we don't envisage to raise more loan against the pledge of shares, so I don't see any pressure because this pledge has been done some time back, so we are not concerned about this kind of a number.

Mr. Bhaskar:

Sir, how are you trying to go about with the QIP plans?

Mr. Sumit Arora:

QIP is now actually not a possibility for us more for technical grounds, because not many of us are aware that SEBI in the month of December has come out with a circular wherein they have clearly specified that the companies with the public float at less than 25% like Omaxe they can raise capital only through three defined mechanism, which is offer for sale, follow on public offering, and the last is the promoter block sale with the prior approval. So, they have not prohibited it but in the other way they have said that the QIP is no longer an option to increase the public float. So, for us QIP as of now is not an option.

Mr. Bhaskar:

If QIP is not an option are you looking at the other routes say may an FPO or

Mr. Sumit Arora:

Bhaskar, frankly speaking we all know that the markets are not great anyway, we have to prepare ourselves for an FPO, then we have to be very-very particular about the timing of such issue; however, our need of capital still remains. So, if not this financial year the next financial year we have to plan that way and we shall start working towards it, it is a time consuming exercise, FPO is a lengthy exercise compared to a QIP and more than that it depends upon the market appetite.

Mr. Bhaskar:

Fair enough; because I was just wondering I mean because as you said your need for capital is always there and the if the debt market tightens and your project execution still remains strong because you have a lot of projects in the pipeline and what are the alternate options which I was trying to understand.

Mr. Sumit Arora:

The point is, Bhaskar, now that we need to understand we are a real estate company, so our bread and butter is real estate, we cannot do financial engineering, we cannot look for other options, we have to depend upon internal accruals. So, if we focus on our business, if we continue our delivery and the recovery continue to be the way it is today, I really don't see any problem that we have to go through under pressure. As far as debt funding is concern, I again reinstate that the debt for new projects is still welcome, and it is welcome in the sense for lender not for us, even bankers are open to this kind of an idea, because end of the day real estate is the only industry probably one of the industry which give them spurt in NIM, so the bankers are also open to affordable real estate housing, and I believe it should continue the way it is, we have seen the troubled times, we have 2008-09 when things went very-very bad, so as of now things are quite comfortable as long as our inventory is moving and there is not much stress on the pricing per se it should be good. Whatever we are recognizing today in terms of revenue that has been a different story because those projects were sold some time back and the carrying cost has gone up, but the things which we have today or which we have sold in the last few quarters the built up area, the moment that revenue will start coming in from them we will see a spurt in both reported numbers and the cash flow per se.

Mr. Bhaskar:

Sorry to have taken so much time, but just one last question from our side, in general what we are witnessing in the Mumbai market is that affordability is an issue and volumes have declined significantly in the last 3 to 4 months, and therefore I think there are reasons why price could go down. Just wanted to understand slightly more on the northern market side how are the volumes and the kind of off take that you are seeing in those markets, just wanted to understand.

Mr. Sumit Arora:

Sure. Bhaskar, I believe by referring to northern markets you are specifically talking about NCR, and you know, I know, NCR is definitely impacted not because of the pricing but because of the supply factors, unlike Mumbai where the actual reason is price probably, and in NCR it is more the concern of supply, and as we have maintained our stand that NCR we have not acquired any land in last few years I would say, and whatever projects we have today are sold to a larger extent, we are just looking for the completion and recovery, our focus has been more on tier two and whatever sales we have today, which is 2.7 for the last quarter for 7.6 for the 9 months period, has come in from the northern markets itself. So, these northern markets will still continue to look good. Our realizations per square feet if not have gone up still continues to be the same and for different categories there has been increase as well. So, we are quite comfortable with it. We believe that the smaller markets are going to be the boon for us and things seem to be smooth going forward.

Mr. Bhaskar:

Sir, are we looking for any kind of you know since as we said that the fund raising from a capital market is getting you know I mean really difficult, so are we looking for any fund raising by way of off loading any of our non-core or land parcels or something?

Mr. Sumit Arora:

We have already mentioned that, we have identified few land parcels but it all depends upon what kind of a price we can fetch, we have identified Ajmer, Agra and Kanpur, where we have certain small parcels, so we would like to exit them if given an opportunity and as and when it is done I think it is going to add one chunk of cash inflow.

Mr. Bhaskar:

Just last question, I mean how much debt we have paid during the quarter?

Mr. Sumit Arora:

During the quarter we have repaid Rs.146 crores.

Mr. Bhaskar:

Okay, fine Sumit, we are through with our questions, sorry for any of the other people.

Mr. Sumit Arora:

Perfectly fine, not an issue. Thanks.

Operator:

Thank you so much sir. Next in line we have a follow up question from Mr. Gagan Agarwal from Merrill Lynch. You may go ahead please.

Mr. Gagan Agarwal:

Sumit, on the commercial project that you have in Greater Noida I believe you are offering assured return on that project, how does that work?

Mr. Sumit Arora:

That is a very good question, in fact we were expecting this. You want the accounting mechanism of it or you want the commercials of it?

Mr. Gagan Agarwal:

Commercials of it.

Mr. Sumit Arora:

Okay, what we have is we have a sort of a return scheme where we offer 12% return to customers for 6 years period and then 16% at the end of the year. The idea is that you get your money back with the property at the end of the 7th year, and I will tell you the reasons, the logic behind it. So, we are giving the property plus cash back kind of a thing, however, we are confident that 2 years from now once the project is up and ready we shall start getting lease rentals, and those lease rentals will come to Omaxe, that is the idea. So, we will start earning lease rentals and I am sure it may not be as high as 12% return what we are offering, but that will still be comfortable for us to service at least you can 75-80% of that, and at the same time it was a bleeding asset for us, if we would not have done it, it would have further impacted the overall operations and overall financial of the company. So, this was the strategy, we have a debt on this project, which we would like to prepay from the sales proceeds of this new sales, the new avatar, so the point is some part of it is replaced, it could be said that I have a 200 crores of debt on this project which will be replaced with the sales proceed of this project largely speaking only when I am done with the project, only when I complete the project and I don't have to spend anything on the construction. So, I am saving debt cost at one hand and at the other hand it is going up in the form of assured return, but if we wouldn't have done it this asset would have lied as it is and we were actually adding cost to it quarter on quarter basis.

Mr. Gagan Agarwal:

Okay, so basically you will give 12% return for 5 years, and subsequently

Mr. Sumit Arora:

The mechanism is in 8 years period we are giving back 100%, but that is not the principle payment at the end of the 8th year, it is just the return on the original investment size.

Mr. Gagan Agarwal:

Okay, and the asset also gets transferred?

Mr. Sumit Arora:

Asset gets transferred, asset could be transferred even before that, the moment the yield on lease is equal to the interest what we are offering, there is an option to the buyer that they can get the asset transferred.

Mr. Hemant Kumar:

Gagan, it is an option with the buyer of that piece of land that piece of space at the time of possession after 2 years he is going to have an option either to give that property back to us on lease so that we can sublease it further; here we are assuring them a assured lease rentals, and for the implementation period we are giving them some kind of a commitment charges, it is not some kind of a scheme or return, it is some kind of a assured lease rentals.

Mr. Gagan Agarwal:

Are they supposed to pay entire amount upfront, the sale value of the commercial space?

Mr. Hemant Kumar:

If I talk about this commercial 70% construction is complete, we have both the options with them, you can come into 2 or 3 options, he is not supposed to come under assured return, it is up to the customers.

Mr. Gagan Agarwal:

Okay, thank you.

Operator:

Thank you so much sir. I repeat if you wish to ask a question please press *1 on your telephone and wait for your name to be announced.

I repeat, participants who wish to ask a question please press *1 on your telephone and wait for your name to be announced.

At this time there are no further questions from the participants, I would like to hand the floor back to Mr. Unmesh Sharma for final remarks. Over to you sir.

Mr. Unmesh Sharma:

Thank you very much for attending the call. Thank you.

Mr. Hemant Kumar:

Thanks partners for making it to this concall. Thank you very much.

Mr. Sumit Arora:

Thank you every one for being here. Thanks.

Operator:

That does conclude our conference for today. Thank you for participating on Reliance conference bridge. You may all disconnect now.