Omaxe Limited
Q1 FY16 Results Conference Call
August 07, 2015

Moderator: Good afternoon, ladies and gentlemen. I am Lizann, the moderator for this conference. Welcome to Conference Call of Omaxe Limited arranged by Concept Investors Relations to discuss it's Q1 FY16 Results. We have with us today Mr. Mohit Goel – CEO, Mr. Sudhangshu Biswal – President, Corporate Finance, Mr. Amit Mehta – Senior General Manager and Mr. Abhijit Diwan – General Manager, Equity and IT. 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 '0' on your telephone keypad. Please note this conference is recorded. I would now like to hand the conference over to Mr. Abhijit Diwan. Thank you and over to you, sir.

Abhijit Diwan: Thank you Lizann. Good afternoon everyone, apologies for the slight delay. Once again, good afternoon to everyone and thank you for joining us this afternoon. We would like to update you with the facts and results for the quarter ended June 2015.

The consolidated income from operations for this quarter was 334 crores as against 331 crores in the corresponding quarter last year. The EBITDA for the quarter stood at 66 crores as against 67 crores in the same quarter previous year. The profit after tax for the quarter stood at Rs.17 crores as against 12 crores for the same period which is up by 40%.

With respect to the operational update for the quarter, we sold around 1.54 million square feet of area consisting of 1.34 million square feet of residential development and 0.2 million square feet of commercial development. Total sales value of this area was around 658 crores with an average realization of approximately 4273 per square feet which is an increase of 33% over the same quarter last year. Major contributors to this were group housing projects in new Chandigarh, Lucknow and Indore.

During the quarter gone by we delivered 1.25 million square feet of space at various projects including Bahadurgarh, Faridabad and Lucknow taking the total area delivered in real-estate to 64.6 million square feet.

I will now brief you on the cash flow position for the quarter. Total inflows were Rs.356 crores, the same was utilized towards construction and other overhead expenses to the tune of 193 crores, land purchases were Rs.25 crores, selling and administration expenses amounted to 107 crores. Interest payment of Rs.39 crores and net borrowing during the quarter was at Rs.31 crores. Our net worth as on June 30th stands at 2244 crores.

Gross debt as on June 30 stands at 1127 crores while the net debt stood at 845 crores. The gross debt equity ratio stood at 0.5 while the net debt equity ratio stands at 0.38.

This is a small presentation of facts from our end. We leave the floor for question-and-answer session. We leave the floor open for questions.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Ashok Shah from LSP Securities. Please go ahead.

Ashok Shah: Sir my question is regarding the affordable housing, do you plan to enter affordable housing in different geography in India and presently I think we are present only in North region of India. So what is your plan for this?

Management: See, primarily we have been in North India for about more than 10 years, we will continue to stay there. Only if we get some better opportunity we will definitely think about the same.

Ashok Shah: Okay. So presently no plan to enter in other parts of India?

Management: Not yet

Moderator: Thank you. Our next question is from the line of Abhinav Ganeshan from Canara Bank Securities. Please go ahead.

Abhinav Ganeshan: At the outset I would say it is a pretty decent set of numbers given the challenging environment, sir just wanted to know about two things, first of all are we looking at expanding in Uttar Pradesh in a big way because I can see that you are having a lot of cities in that? And second one is just wanted to know regarding the material costs, they have halved so how did this happen can you just give some color on the same?

Management: If you look at our land bank U.P is the largest so it is one of our key areas looking at the population and other macro picture and certainly Uttar Pradesh for us is a big revenue earner. And regarding the other question you asked, I think Amit will answer, Amit if you can please tell him.

Management: Material cost has increased today, now the market is going forward we see it will remain constant over the segment we are in, we don't foresee any major changes going forward it would remain in this range only.

Abhinav Ganeshan: And sir one more follow-up question sir, since I have seen that you are looking much at the affordable housing and focusing on smaller units, so what would be your vision for smart cities as and when they come in because you said Uttar Pradesh will give you an advantage right because the maximum number of smart cities have been announced in Uttar Pradesh, so how will you integrate that into your model? Just if you could throw some color on that.

Management: See, some of our existing projects are already coming in the smart cities, if you look at Lucknow and Allahabad both come under smart city. The policy of smart city is not very clear; we have been waiting for clarity on the policy which the government is going to come up. So unless it comes it is very difficult to answer that how exactly it is going to play.

Moderator: Thank you. Our next question is from the line of Ritwik Sheth of Span Capital. Please go ahead.

Ritwik Sheth: I had a couple of questions, firstly sir can you guide us what is our launch program for FY16?

Management: So the launches that we expect are group housing in Chandigarh and Lucknow, then we are expecting group housing and some commercial in Faridabad, Floors, villas and group housing projects in Ludhiana. These are the major cities where we will be launching our projects next year.

Ritwik Sheth: Okay. So approximately how many million square feet can we expect?

Management: We are expecting about 4 to 5 million square feet of area what we will be launching in this year.

Ritwik Sheth: Okay. And sir the 1.5 million square feet which you have sold in this quarter, how much would be plot sales and how much would be the normal residential units?

Management: Plot sales will be hardly 0.1 million or 0.2 million rest everything is group housing and floors only.

Ritwik Sheth: So it is very less?

Management: Yes

Ritwik Sheth: Okay, that's why the realizations are also higher.

Management: Yes

Ritwik Sheth: Okay. And sir just on the strategy of land purchase, we have been maintaining 20 crores to 30 crores every quarter since last six to eight quarters of buying land every quarter, so what is the thought process behind like we already have such a huge land bank and we have good portfolio. So where will that CAPEX stop and then we focus on execution, what is the thought process on the entire thing can you explain that if possible?

Management: See, if you look at our business model it is unlike any metro city model which we normally look at in real-estate. Our model is working in Tier-II and we buy land on continuous basis because if you are working on a 1000 acre township or 500 acre or 200 acre township, even if you buy 500 acres of land there is always a patch which needs to be contiguous. If you look at all my townships 20 crore 25 crore are not much actually. Maybe as an amount 20 crores, 25 crores looks big but if you look at the model we work on it absolutely justifies the land value, so we are not dumping the land actually, we are making the land more efficient.

Ritwik Sheth: So basically we are buying this to consolidate our entire housing or township project?

Management: To make it more efficient.

Moderator: Thank you. Our next question is from the line of Sayan Das from Crisil. Please go ahead.

Sayan Das: Sir if I look at the sales volume it was quite robust this quarter compared to both sequentially as well as same quarter last year. So could you kindly highlights which were the project that were the main contributor to this?

Management: Major contributors were group housing in Chandigarh by the name of Lake and Grand omaxe in Lucknow. We also said in the con-call that these are supposed to be launched last year but because of some approvals these are getting delayed so the entire sale has come into this quarter.

Sayan Das: Okay. Are there any projects sir which crossed the revenue recognition threshold this quarter?

Management: No, none of them.

Sayan Das: And do you expect anything which is nearly close to the construction schedule…

Amit Mehta: In six to nine months we are expecting some of the projects in Chandigarh and Lucknow to cross the threshold of 25% and the revenue should boost up.

Sayan Das: Okay sir. And sir what is the interest cost currently for us, if you could just highlight.

Management: Average cost is about 15%.

Sayan Das: Sir what is the sense in the market because if I see the sales volume it has been quite good for this quarter, so are we seeing any revival or early signs of revival in the market, what do you feel?

Management: See, if you ask me I cannot talk about revival much but the location we work because of our reputation and delivery we manage to do sales, that is why I think. So these are locations where we have delivered some of our projects so we have credibility to sell in these markets.

Moderator: Thank you. As there are no further questions I will now like to hand the floor over to the management.

Management: Thank you all for joining us for the conference call. If you have any further questions or queries regarding, please feel free to contact me, my name is Abhijit, my email id is abhijitdiwan@omaxe.com. Thank you all again for joining us. The investor presentation and the press release have already been put up on the exchange website and also on our website at Omaxe.com. Thank you all.

Moderator: Ladies and Gentlemen, with that we conclude this conference. Thank you for using Chorus Call Conference Services. You may now disconnect your lines.