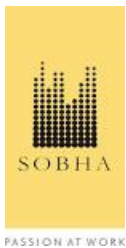




“Sobha Developers Q3-FY14 Earnings Conference Call”

February 1, 2014



MANAGEMENT: **MR. J.C. SHARMA – VICE CHAIRMAN & M.D., SOBHA DEVELOPERS**
MR. V. GANESH – CHIEF FINANCIAL OFFICER, SOBHA DEVELOPERS
MR. KISHORE KAYARAT – COMPANY SECRETARY & COMPLIANCE OFFICER, SOBHA DEVELOPERS
MR. BALAMURUGAN – SENIOR MANAGER
MODERATOR: **MR. NITIN IDNANI – ANALYST, AXIS CAPITAL**



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Moderator

Ladies and gentlemen good day and welcome to the Sobha Developers Q3FY14 Results Conference Call hosted by Axis Capital Limited. As a remainder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touched tone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Idnani from Axis Capital. Thank you and over to you sir.

Nitin Idnani

Thank you. Good evening everyone, thanks for taking the time on the Saturday to join us from Sobha Developers, we have Mr. Sharma – Vice Chairman & Managing Director; Mr. Ganesh – Chief Financial Officer; Mr. Kishor Kayarat – Company Secretary and Complaints Officer; and Mr. Balamurugan – Senior Manager, V.C & M.D. office. I would now like to invite them to start with the opening comments. Over to you sir.

J.C. Sharma

Good evening once again. Sorry for disturbing you on the Saturday evening, but we thought it will be appropriate in this electronic age to have our this con-call also on the day of the result.

As you people are all aware that the first three quarters of our financial year was characterized by sharp the explanation of Indian economy in battled by rising inflation sharp depreciation of rupee, capital outflow, lower levels of FDI, increasing current account deficit, and reduce investor confident. Our economy is growing below 5% which is the slowest inadequate. RBI has also recently raised the key policy rates which is likely to exert further pressure on borrowing cost both at individual and as well as at corporate level. Any real economy recoveries however will not on temporary policy measures, but on strong economic reforms and effective steps to rebuild investors' confidence. The real estate sector is sensitive to macroeconomic changes and the economic slow-down had had a direct bearing on its performance.

The sector is also witnessing the slow down on account of high interest rates sluggish demand and rising inventory levels. The slow-down seems to be marked in northern and western market such as NCR Mumbai, Pune whereas down south the markets have displayed continued resilience. Against this back drop, we present all financial performance for 9 months and quarter 3 of 2014.

Performance highlight nine months financial year 14 as communicated to you earlier; we have achieved 2.66 million square feet of fresh sales valued at Rs. 14.37 billion. Our sales value has grown by 13% year-on-year basis. Our average price realization of Rs. 5622 square feet has increased by 13% on a year or year basis. Our average price sale realization excluding taxes stands at Rs. 5996. Our southern region sales performance has been quite commendable in this back drop, the sales value and volume for the southern region consisting of Bangalore, Chennai,



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Trichur, Mysore, Coimbatore, and Kozhikode had grown by 41% and 13% respectively during the first 9 months as compared to the previous financial year. The slowdown in real estate sector has affected our currency and sales volume and value in NCR and Pune market.

The financial update is now as under:

We are pleased to inform that despite this economic slow-down and weak sentiment the noted credit agencies have upgraded the credit ratings of our various long term borrowings. _____ **4.11** has upgraded the rating to BWRA from BWRA minus while ICRA limited has upgraded our credit rating to A minus from BBB plus.

Our nine months financial year 13-14 highlights are as under.

The consolidated revenues of Rs. 15.53 billion had shown a growth of 21% year-on-year basis. Revenues from our core operations excluding land monetization grew 31.5% year-on-year basis. Income from our real estate operations stands at 11.18 billion for nine months financial year 14 vis-à-vis Rs. 8.69 billion for nine months financial year 12 a growth of 28.6%. The contractual revenue has done better for the nine months 14 which has stood at Rs. 4.29 billion as compared to Rs. 3.07 billion for the corresponding period of last year, a growth of 40%. Real estate operations contributed about 72% and the contracts and manufacturing division contributed the remaining 28%.

Our EBITDA for nine months stood at Rs. 4.38 billion against Rs. 3.9 billion, the EBITDA growth was 12% year-on-year and the EBITDA growth over last three year nine months 30 has excluding the profits on sale of land is 18%. EBITDA margin for nine months '14 is 28%, depreciation for nine months 14 increased to Rs. 509 million from Rs. 434 million mainly on account of additions to CAPEX. Interest on nine months 14 has marginally increased to Rs. 1.27 billion from Rs. 1.26 billion which is commendable. The profit before tax for nine months stood at Rs. 2.59 billion against Rs. 2.2 billion for the corresponding period. The PBT has shown a growth of 17% on a year-on-year basis. The profit after tax stood at Rs. 1.65 billion compared to Rs. 1.48 billion for the corresponding period of the last year. The profit after tax has grown by 12% Y-on-Y and the growth of profit over last three years excluding the sale of land is 22.3%. Despite the slowdown in real estate with limited ability to pass on the inflationary impact at price increase. We have been able to maintain our operating margins.

For the quarter 3 financial years '13-14, our consolidated revenue of Rs. 5.45 billion had shown a growth of 26% Y-on-Y. Income from our core real estate operation stands at Rs. 4.01 billion vis-à-vis Rs. 3.17 billion for the quarter three financial year 2013, a growth of 26%. The contractual revenue for quarter 3 2014 stood at Rs. 1.44 billion as compared to Rs. 1.13 billion for the corresponding period of last year a growth of 28%. Real estate operations contributed



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about 74% while contract and manufacturing division contributed the remaining 26% in this quarter. The EBITDA during this quarter stood at Rs. 1.51 billion as against Rs. 1.39 billion. The EBITDA growth was stood to the extent of 8%, EBITDA margin was 28% for this quarter. The profit before tax was Rs. 883 million as against Rs. 798 billion for corresponding period last year a growth of 11% and the profit after tax at Rs. 580 million as against Rs. 526 million for corresponding period of last year a growth of 11%. We are pleased to inform that our unbilled revenue adds on 31st December, 2013, stood at Rs. 22.64 billion on the sales made so far, our of which we expect a minimum Rs. 3.55 billion to be recognized during this quarter of financial year 2014.

In addition to this, we hope that new sales also will contribute to our revenue. The cash flows for the first nine months of this financial year have been quite good. We collected Rs. 19.05 billion and have spent Rs. 14.85 billion in our operation resulting in the surplus cash flow of Rs. 4.2 billion. This has been utilized by the company towards servicing of interest and taxes to the tune of Rs. 2.02 billion, advance payment of land to the tune of Rs. 1.52 billion, dividend payout of Rs. 803 million, general CAPEX of Rs. 409 million and CAPEX for commercial real estate of Rs. 280 million consisting of St. Marks Road, APMC, Thricur Commercial Mall and the overall excess withdrawn to the tune of Rs. 832 million which had been funded by increase in the net debts.

So operating cash flows of Rs. 4.2 billion in 9 months shows a mark improvement when compared with the corresponding period where the operating cash flow stood at Rs. 2.08 billion excluding the land monetization. During the quarter 3 2014, we collected Rs. 6.56 each 4.94 billion in operation, resulting in a surplus cash flow of Rs. 1.62 billion. This has been utilized by the company towards servicing of interest and tax rate general CAPEX and CAPEX of commercial real estate to the tune of Rs. 971 million resulting in net surplus cash generation of Rs. 649 million. The surplus cash has been deployed for purchase of land and outstanding land payments to the extent of Rs. 1.1 billion resulting in overall excess cash withdrawn to the tune of Rs. 457 million.

The net debt for the company had increased by 349 million which stands at 13.03 billion as on 31 of December 2013. The debt equity remains at 0.57 and we do believe that the true strength of the company has been the consistent cash flow to meet all our OPEX, CAPEX requirement and to fund us for our growth without impacting the debt equity ratio.

As far as real estate outlook is concerned, we look forward to launch of about 11 million square feet of new projects covering the land area of 123 acres in the next four quarters. In addition to this as informed during the previous quarter results, we planned to develop about 270 acres of land from our existing land bank by launching projects admeasuring 21 million square feet over the next three years. We already launched silicon oasis last month in Bangalore and we hope to



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launch this at least two to three more projects in Bangalore, Cochin, and Calicut in this quarter. As far as our commercial real estate is concerned, our investing money in St. Marks Road and in our Trichur Commercial Mall, as far as APMC project is concerned, we believe that the project should be taking off only in the next financial year may be two to three quarters from now.

As far as contracts are concerned, we believe that the ongoing project measuring 9.5 million square feet of area with an unbilled value of Rs. 6.69 billion in hand which should be delivered over a period of next 1.5 to two years should maintain this momentum of whatever sales we have achieved via this contracting revenue. We are pleased to inform that we have bagged Rs. 2.64 billion worth of new contractual orders during the 9 month of this financial year from Dell, Bosch, Lullu mall, Manipal University etc. in Bangalore, Cochin, and Jaipur.

During quarter 3, the collection from contractual business was increased to 2.1 billion and for the nine months, the collection increased to Rs. 5.13 billion vis-à-vis 3.06 billion compared to the last year and increase of **68%**.

As on date, we have delivered 332 projects totaling about 61.73 million square feet in span of 19 years. We are grateful to all our stakeholders to help this company in making this a reality. As far as the guidance is concerned despite this slow-down in NCR and Pune market, we are confident that the sale value for the current year would exceed. Last year's performance and the sales volume expected in line with what we have achieved in the last year.

We thank you once again for your patience hearing and for the participation in this con-call. Thank you.

Moderator

Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda

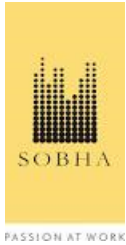
I had a few questions. The first one was on the collections part, also the collections overall have been increasing like the contractual collections have been increasing more than the real estate collections and if you see real estate collections have actually dropped in the last four quarters, so what is the key reason for this and when would we see real estate collections again going up?

J.C. Sharma

The real estate collections have not dropped in the last nine months as such. Rather the increase in the overall collections had been to the tune of 400 crores vis-à-vis the preceding three quarters 1900 crores versus 1500 crores out of which 200 crore had come from the contracts and the remaining 200 crore increase has happened from the real estate division.

Samar Sarda

Okay. I was seen quarterly collection of real estate collections ...?



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Management

I know Samar what are referring to, see what you had understand is what happen in quarter one was spillover of the quarter four sale happening and if you see that it won't be appropriate to look at real estate collection on a quarterly business. I didn't think in my view is to look at trailing four quarter in trailing 12 months, we see a substantial increase in collection over the previous.

Samar Sarda

Okay fair enough and the contractual collections which have like shown this increase, now what is going to be the trend of the contractual collections going forward? Is it going to be this high or its going to taper down a bit again in the next two or three quarters?

Management

No I think contractual collection is a factor of you know how fast deliver and how the billings happens, now in the last quarter one of the reason went up was when you compare the project, there was an upside in collection, but we expressed it you know we should have a sustain trend going forward definitely.

Samar Sarda

great sir, second question was which regards to the APMC project, you mentioned in your comment, the construction start would two to three in quarters from now earlier we are expecting like the beginning of the calendar year or may be the beginning of next fiscal. So what are the key reasons for delay in construction start in this project?

J.C. Sharma

Nothing as such that the DCR still needs to be approved right as soon as this is new government and people who have taken over now, they knew DCR approval right, we should be starting. So we are not pushing it as hard as we use to push in the last financial year, but looking at the current trend we believe that in next two to three quarters time, this project should take off.

Samar Sarda

Sir one last quarter, which three projects cross revenue recognition in the third quarter?

Management

No Forest View Sobha, Santorini and Landscape.

Moderator

Thank you. The next question is from the line of Ashish Agarwal from Edelweiss Securities. Please go ahead.

Ashish Agarwal

Good evening everyone. Thanks for taking my question. I had this couple of questions from making of the construction outflow. Sir the outflows in this quarter vis-à-vis the last quarter remains largely flat and through our P&L also is largely flat on a sequential basis, so are we seeing a flattening of the pace construction or do we expect this to pick up in the coming quarters?

J.C. Sharma

You have to look at there has been no new major launches so whatever project we have on hand, like we have been investing money, what you have to look at is in the first nine months is the overall spending on our projects both real estate and contract have grown up by 35%. So there



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has been a significant scaling up in our operation both at the project level as well as at the indirect level and all this things we have been able to do with our improved cash-flows and without impacting our margins.

Ashish Agarwal

So basically I guess once we launch more projects, our cash outgo will also increase to the apportion of that?

J.C. Sharma

Not necessarily, those projects also will give you 30% of the revenue on the sales price as soon as the sales happens.

Ashish Agarwal

Absolutely, so net cash inflows will increase, but I was just looking at the volume of execution that we were doing that as you said will, we will separate up as we have more launches.

J.C. Sharma

What we are saying very clearly that the companies capability to launch project does not mean that all those 11 million square feet you will take up for the construction as you are aware in case of Forest View, Santorini and others you are releasing the projects on a block wise basis, you are constructing with a block basis, so you are collecting the money on a block wise basis and that way you are taking up with the increased volume and accordingly you spend extra money, you collect extra money and you also saved that much incremental money, your EBITDA margins are also expanding, your overall cash-flows also surplus improving.

Ashish Agarwal

Sure. The second question, I was looking at your P&L sir and I find that our inventories in the last say about 7-8 quarters have gone up by about 600 crores, does this worry you that your inventories have been rising or how do you attribute this to?

J.C. Sharma

Not at all, what you have to observe is that finished stock inventories remains is at 0.1 million sq. ft, so whatever work in progress you are doing you know that there has been a sales slowdown in the last quarter, so you have got more number of projects and you are incurring the expending on the project. So this kind of a thing will be there, but when we do our analysis of the project likely to be completed in next three months, six months, one year, and when we look at this top position of those projects, we do believe that there will not be any inventory left of any of this ongoing project. So the Sobha City 50 more than 75% is sold, so Sobha Forest View more than 75% is sold kind of the thing, so nothing to worry.

Ashish Agarwal

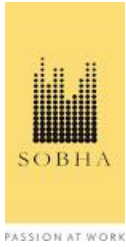
Okay so basically I mean what is doing is there are some inventories that may accrue over deliveries in the next two to three years, but that will be taken care of in due course.

J.C. Sharma

Of course.

Moderator

Thank you, the next question is from the line of Anand from Jeffrey's. Please go ahead.



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Anand

Sir I have three questions, firstly on why were the margins lower for this quarter?

V. Ganesh

I think you know you have to look from a prospect couple of thing is there. One is there has been some amount of increase in inflation increase cost has happened, one part of it. Then more or less if you look at it, there is slight revenue with it, it is not a 75-25 revenue mix in the real estate and the contractual, so that is a dip in that. There is an increase in expenditure of roughly 0.8% in the project cost which will get offset later on, but other increase has been increased in travel cost which is for broadly in range what we are looking at it. I think it's one of the quarters where there is a slight reduction, it's not big cause of concern majorly.

Anand

But I mean see this quarter I think quite a few projects got revenue recognition you mentioned three of them right, so what I want to understand is the per square feet realization increase or the price increases that we are seeing are they not translating into any margin improvement at all. I mean are they all going towards cost pressures.

V. Ganesh

I think Anand, there are couple of points when you look at the average price increase it is combination of two factors, one is a price increase because of price increase whatever increase in price of existing project, second could be the price coming in for launch projects, launch at new price which is a higher price. So you know it may be right to construe that increase in price when the price addition goes up, it is entirely on account of increase in price for existing project and Sharma had said that given tight by real estate market, it was given a limited room for us to increase the price for the existing project substantially. So having said that I think one or the two quarters where you see some inflation of cost hit margin, but I don't think it is something which is within our range which 30% plus or minus 2% which is fall within the range.

Anand

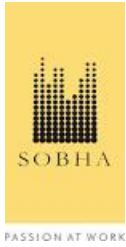
Okay secondly on the launches, we have launched already one project in Bangalore now, what is our visibility that we will be able to launch the other project as well from the approval point of view in February-March or will it be more towards the end of March you will be launching or in February?

J.C. Sharma

See February is already there since we launched a silicon oasis only in the last month. We should be doing it in the month of March only, but in Kerala we will have minimal two launches, Calicut and Cochin and touch and go we can also have one launch in Trichur as well and we believe that with the new launches not only my inventory will be now balanced with project available below 1 crore, we also believe that this new project should give us that boost of higher sales which what interested in the last quarter.

Anand

Sir I wanted to understand I mean do we have sufficient visibility that we will receive approval for the project within the?



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- J.C. Sharma** Already there. In Bangalore two projects as far as BBA is concerned, it is already approved right now it is BBMP, so even if suppose tomorrow that election kind of thing happens and no meeting happens sort of a thing, we are not likely to get impacted.
- Anand** Okay, you mentioned about the weak real estate market and all of that so in light of that are we reevaluating our plans to acquire or investing in new land or hold back on certain payments and all that, I mean are we thinking about that or now we want to go ahead and still continue acquiring land?
- J.C. Sharma** See everything that we have been maintaining depends upon that what is my cash flow, what kind of surplus we have to invest into multiple opportunity which come from time to time, I think today right we believe that this kind of debt equity we should be maintaining and anything extra we generate, we should be investing in newer opportunity or in our commercial assets that thinking continues.
- Moderator** Thank you. The next question is from the line of Gunjan Prithyani from J P Morgan. Please go ahead.
- Gunjan Prithyani** Yeah hi sir, thanks for taking my question. Just couple of them, firstly on the land bank payment that you have made in this quarter of about 1 billion, could you just tell us what does this per which land parcel does this pertain to?
- J.C. Sharma** See these are multiple like liabilities on some of the parcels in Bangalore as well as in Kerala where there right which we had paid off in the last quarter.
- Gunjan Prithyani** Okay so this wasn't any new land parcel which was added mostly pertains to earlier commitment is it?
- J.C. Sharma** Right you are right; if you look at my statement on the land holdings, last quarter versus this quarter we will see there has been reduction of more than 100 crores in my committed liability.
- Gunjan Prithyani** And sir how much do we anticipate we will pay in fourth quarter for any land banks?
- J.C. Sharma** Nothing much as we need to pay from the committed liabilities as things stand.
- Gunjan Prithyani** Okay.
- V. Ganesh** It won't be substantial.
- Gunjan Prithyani** Okay. Secondly, on your Gurgoan project, from what we were given to understand that now you are looking to launch the additional phase which would be lower unit sizes and lower



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specifications, do you still, is the plan on that you would launch that project in fourth quarter given the markets have been pretty weak?

J.C. Sharma See we have already done from the existing stock 71 units of smaller size house, we have launched this only few weeks back, released from our existing stock and we believe that with this launch this current quarter should be the best quarter in the financial year.

Gunjan Prithyani Current quarter should be best ever for this FY14 in presales.

J.C. Sharma Yeah as per sales are concerned and this should continue, this momentum should continue.

Gunjan Prithyani So January has been good for you, yeah relatively, not as good as what it was 12-13, but better than any other month of this financial year.

V. Ganesh that was for only Gurgaon.

J.C. Sharma She is asking for Gurgaon only.

Gunjan Prithyani I thought you were commenting on the overall presale performance that it is going to be..

J.C. Sharma Even overall also it has been much better than what we have achieved in the last few months.

Gunjan Prithyani Okay and this Gurgaon what you released is essentially the existing project only, its not a new phase as of now.

J.C. Sharma Though we have under approval, this smaller units to be released as well on 10 acres of land.

Gunjan Prithyani Okay and sir the additional launch which you talked about in Bangalore sorry I didn't get which launches that which is happened in January?

J.C. Sharma It is Silicon Oasis on this near Electronic City, Hosur Road.

Gunjan Prithyani Okay the Hosur property and if you could just give us some sense on the Mysore Road property now because that something which got delayed in December quarter and hence impacted the presales?

J.C. Sharma The meeting of the BMICP should be happening on 11th of February that's information we have. Once that is done, we should be able to launch that project also.

Gunjan Prithyani Okay so until March we will essentially have projects in Kerala and no big project in Bangalore. Is that correct?



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J.C. Sharma

Bangalore also the other one on Kanakapura Road also, BBA had approved the plan, so all that three residential projects of Bangalore, they have crossed that initial hurdle and they should launch this as early as possible. 2014 will be much better as far as new launches are concerned.

Gunjan Prithyani

Okay, and sir lastly on margin sorry to ask you a question on that again but its still I mean with new projects contributing in this quarter and no one of which we saw last quarter on account of contractual payment, the margins are 28% are low, I mean do you expect that this range would continue or it should improve?

J.C. Sharma

See overall margins is remained around 30% only, I would like to give an indication that whatever projects we have launched though income has not been recognized in the last year whether it is Calicut, whether it Paladium, whether it is Indraprastha the ability to increase the price had not been there, similarly on most of the existing projects, there has not been that ability to increase. So whatever sales with we have been doing expect somewhere some small tinkering we have not been able to get a higher price realization. So when you are recognizing it and when you are estimating the cost somewhere you might be taking that 1 or 2% hit, but when we look at the current selling price rate, current estimated cost, we believe that this 30% operating margin on my unbilled revenue it remains intact.

Moderator

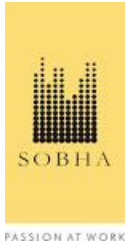
Thank you. The next question is from the line of Sameer Baisiwala from Morgan's Stanley. Please go ahead.

Sameer Baisiwala

Yes, sir on your guidance as the value is concerned, your earlier guidance was Rs. 26 billion, you mentioned that now you will try to grow at some number above the sales achieved last year which was 22 billion. So therefore are you cutting down your guidance or how should we read this?

J.C. Sharma

Let me dwell it with more broadly, we did 3.76 million and we have done 2.66 million in the first 9 months, right and we have given a guidance 4.2 million sq. ft. so what we are conveying is this that despite doing 2.66 million square feet in the first 9 months, this is lower than what we achieved in the first 9 months in the last financial year receiving in that way. We hope to do better even in volume as far as this financial year is concerned. The value wise we achieved Rs. 2200 crores. We should be doing much better than Rs. 2200 crore in this financial year. What we need to also understand and appreciate is that the core southern market had remained quite resilient. There might be a volume growth of about 13% in our southern market which had been supported by an increase of 41% in value terms, it is because of much worse though we did anticipate that Gurgaon market will not be doing good while the last quarter of the last financial year was spectacular the best ever still the way it behave and performed in the first nine months like it has been below our expectation. There has been 73% decline in value terms as far as my Gurgaon market is concerned. To offset and still to achieve 4.2 million square feet looks bit



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difficult while there has been more product launches, but with the new launch what we have seen in the last month and the couple of launches in Kerala and this two market has remained steady for the company, we believe that this quarter should be much better than what we had achieved operationally in the last quarter.

Sameer Baisiwala

I think I get the qualitative flavor like you will do better value than last year and you will do better volumes and value than the last quarter, so I get this short message but my question is on the full year quantitative guidance of Rs 26 billion in value terms and 4.2 million square feet in volume terms

J.C. Sharma

This we may not be able to achieve.

Sameer Baisiwala

You have cut down this guidance in short. Okay I was under impression Sobha is known for its commitment to you know to the stakeholders.

V. Ganesh

Sameer I think when we declared 4.2 million guidance the Gurgaon market was different what actually transferred then it was different.

Sameer Baisiwala

Ganesh I was like to defer from you when you gave this guidance, it was already May of 2013, if the company cannot see things just ahead of it, then its bit of a disappointment, so lets not get into that.

J.C. Sharma

We will see to it.

Sameer Baisiwala

Okay so sir in the similar manner you have given a five year target to achieve 7.5 million square feet volume sales and in the first year itself there has been a lapse, so something to be trusted to look forward to or no?

J.C. Sharma

No, as I said even if you look at within this three quarters also vis-à-vis this quarter when we are in the month of February 1st, we have come to this kind of a conclusion that the performance of the last quarter operationally was more as an aberration then as a trend, though it does not take away that the big picture that market had indeed slowed down much more than what was anticipated by most of the analyst and most of the developers that doesn't mean that we should not be performing to what we have set out for ourselves. Coming back to your specific question of achieving this 7.5 million square feet because we are adding newer territory, we are getting into now this relatively seeking smaller size apartment like Silicon Oasis and others starts at 1300 square feet and so we believe that with this kind of a product which was not there going forward looking at the southern market looks better, the IT sector looks much better. There is expected to be a change in the government and the overall our market position in whatever



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segment we are operating and wherever we are operating had not been impacted that the guidance given of 7.5 million sq. ft. holds good.

Sameer Baisiwala

A quick question on your broader pricing trend, if I pick up your presentation fiscal 1st quarter 2011 and we almost four years down the road from Rs. 3859 we are now touching Rs. 6786. This being quite a stellar 15% CAGR price you know increase over these four years. So I wonder how many industries can really boast of this, so it has been a quite pricing trend that you have seen, so should we expect this going forward?

J.C. Sharma

See we believe that the current construction cost and the current land prices which are prevailing in all the markets from where we are currently operating does not warrant any reduction in the prices with this kind of prices also when the PAT is about 10-12% only, the scope to reduce this further is quite restricted. So going forward yes the prices should not come down significantly.

Sameer Baisiwala

No but they should not come down significantly, but should this be going down at all or should this be growing?

J.C. Sharma

It will not go down, sometimes the product mix. If you have more of those presidential or the super luxury kind of a product or a location where you have higher price per sq. ft., these things also sometimes gets skewed either in your favor or against. The big picture what I am trying to say is this that generally there had been an increase in the land prices as well as increase in the construction cost which is currently reflecting in our selling prices. Now going forward that kind of a rate of growth you may not see, they may not show any kind of a reduction.

Sameer Baisiwala

Okay but at the same time is your cost growing or is a cost also plateauing?

J.C. Sharma

Cost is definitely going that's a point I have highlighted that the input cost whether it is cement or whether it is labor cost, whether it is a finished product cost kind of a thing, it keeps going up almost on the year-on-year basis. So I don't think that there will be a stoppage in the increase in the input cost.

Moderator

Thank you. The next question is from the line of Punit Jain from Goldman Sachs. Please go ahead.

Punit Jain

Sir my question is actually with respect to presales again. You mentioned that you should be able to do volumes which are higher or similar to last year which will be around 3.75 million square feet and you have achieved a pricing realization of 6500 for nine months which was higher in this quarter, but lets assume that because you have launched more lower price items in Q4, pricing on average remains at a similar level. Will that mean that you should be able to do presales of somewhere between 24-24.5 billion for FY14 in totally?



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J.C. Sharma

We hope to do that rather we still would like to do as far as the value is concerned, what we have targeted for ourselves let see.

Punit Jain

So to that extent obviously now out of three months, one month has gone by and you will have enough visibility of launches for February and March. So how will the launch pattern pan out and what could lead the disappointment or some positive surprises, will it be just launches or will it be demand in the geographies which you are launching your products, so which will be more important out of these two?

J.C. Sharma

As far as the launches are concerned, there is a clarity that at least two projects in Kerala should get launched in this financial year itself. We are also making all our efforts to launch one more project in Bangalore in this financial year right. If all these things do fructify definitely the overall performance will be significantly better than what we had achieved in the last quarter. As far as achieving the 4.2 million square feet in volume terms, it may not happen, but definitely we should be back to doing this 1 million square feet plus of new sales from this quarter onwards and with new launches definitely will help us in achieving that target.

Punit Jain

And these launches in Kerala are they scheduled to happen in February or are they scheduled to happen in March?

J.C. Sharma

One this month, one next month.

Punit Jain

Okay and in case of Bangalore, you mentioned that you got approvals for both the projects.

J.C. Sharma

Rather we have got in principle approval for all the three projects including the Gladiola, but we do not wish to crowd the launches one after another, so we will be focusing on Silicon Oasis for this month also, next month we should be launching one of the two products and thereafter the next quarter that the remaining projects also will be launched. Hopefully in the next quarter Chennai also will come in, Coimbatore also will come.

Punit Jain

Okay and in case of Bangalore like in the past it has taken a lot of time for you to launch properties in Bangalore because of slow approval process, so have you started working on any launches for second half of FY15 as well in Bangalore because nothing is fair in your sheet as of now?

J.C. Sharma

You are right because we saw that sometimes pre-maturity though with good intention we had given this at launches, so we are working on new launches as well but there may not be that kind of the delay what we have experienced in the last year and along with this quarter's results there will be more clarity about those launches.

Punit Jain

Okay would you like to quantify or should we wait for end of this quarter?



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J.C. Sharma

You should wait for end of this quarter.

Punit Jain

Okay, also last year Q4 was very strong in terms of cash flows, do you think it's a seasonal trend or last year Q4 was abnormally strong in terms of cash flows?

V. Ganesh

I don't think its quite seasonal trend, but I think it is the factor of mainly how the billing pattern work for various projects and how it scales up and one has to wait and see how it pans out.

J.C. Sharma

See we keep giving the rolling 12 months cash flows which gives you that clarity and comfort. For the last four quarters, we have crossed Rs. 2500 crore of collection vis-à-vis Rs. 1900 crores what we achieved that way for the same 12 months prior to that financial year that is calendar year '12 versus calendar year '13. Going forward also we believe that incrementally that the cash flow should be improving.

Moderator

Thank you very much. The next question is from the line of Ashish Agarwal from Edelweiss Securities. Please go ahead.

Ashish Agarwal

So this is about the market arrangement sir, earlier we use to rely largely on internal sales team, is it correct that we have also started engaging external brokers and if you could elaborate on your thought process and the arrangement that you would be having with them and how it may impact our margin profile?

J.C. Sharma

See, as far as the brokers are concerned, they were always welcome, but they had been no separate wing from our side. At the time of a launch of Silicon Oasis, suggestion came that we should have got together and invites rich people, which we have done. Except that at current stage there has been no new initiative.

Ashish Agarwal

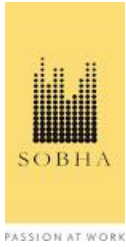
Okay second is on the launch strategy and then on the land markets, on the launch strategy I mean we are getting feelers from lot of developers especially in the Western India that launches would be held back till post-election because buyers sentiment remains somewhat subdued, would you see a similar thing happening in Bangalore and do you still intent to go ahead with a launch plan as you mentioned?

J.C. Sharma

We intent to go ahead with our launch plan that we have mentioned.

Ashish Agarwal

and then just a last question on the land markets, previously earlier con-call we have discussed that you are seeing a fair bit of supply coming in the land markets, but pricing has still not given way, so if you could just give update as to how the land markets are currently behaving in terms of supply and in terms of pricing strength?



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J.C. Sharma

See the clear title land whatever feedback we are getting continues to rise despite whatever slow down we are seeing as far as the product with apartments are concerned, that's a cause of worry as far as for the growth of the healthy market because ultimately it leads to higher selling prices. We believe that most of the bigger launches which we plan from now onward we have already tied up. The lands are available and we should be able to launch them at a competitive price if the markets become good, margins can only increase otherwise that historic margins whatever we have been achieving above 35% should be sustained where the inflationary pressure will continue.

Moderator

Thank you. The next question is from the line of Sandeep Pal from Motilal Oswal. Please go ahead.

Sandeep Pal

My first question is regarding your 21 million square feet of additional project which you are currently evaluating given that in current substances probably the projects which are above 1 crore ticket fairs are impacted more, so these new projects are more on the mid-income side, can you give us some flavor on this?

V. Ganesh

See right now I don't think we are finalized what is an inventory mix of product which would bring in. As we go in next one to three year we will be planning about depending on how the demand shapes up we will look at it. Having said that if you look at it from whatever there is a slowness our view is that again where the project of about 1 crore, the initial response has been good and the current pace up is as per expectation, it is just because that delay in approvals it got delayed launches tended to have inventory mixed skewed more towards 1 crore, but as far as the what product it would come what I would do I think as we go along and we will decide how the market and then take a call on that.

Sandeep Pal

so according to you currently I mean what my channel check suggest is that probably you know its Rs. 50-80 lakhs bracket project are moving I mean okay in Bangalore but in the premium project which are little higher in the ticket size that getting impacted at least in terms their velocity which it was may be a year ago, so do you differ from that in terms of your outlook?

J.C. Sharma

I personally do not believe that is also bit over exaggerated, the slowdown is felt by all the developers in all categories of the products currently they have. At the same time there are buyers in almost all the categories, what we are trying to convey is that the last year most of the project which we launched they were also higher value to somewhere we did not have whatever is our traditional that Rs. 1 crore around that kind of the product in good numbers. With this new launches, we will have a healthy balance and we also believe that the current prices that with we are selling they are reasonable in all the market where they are operating which should give us the kind of volume. Normally we have been expecting in a tough environment or in a normal environment which gives us volume growth, value growth, as well as the margin sustenance.



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Sandeep pal

Thank you sir, and just one more on the number side I found that in your slide number 25 for the Mysore project, sellable area has come down actually, so are you actually planning to launch it in phases and right now want to release only part of the property because in last quarter?

J.C. Sharma

Yeah we are launching in phases, first we are launching 7 acres, about 300 plus apartment and thereafter right. We will be launching in this 2nd phase. We are taking two approvals that way for the same project.

Moderator

Thank you. The next question is from the line of Prem Khurana from B&K Securities. Please go ahead.

Prem Khurana

Sir just wanted to understand your I mean thought process on Pune, how do you see Pune market in the overall scheme of things because it has been more than 2.5 year we do not launch any new projects there, does it mean that the market is so bad, we don't consider to launch any. I mean we are not looking at launching any new project in this market and even the fall that we have seen in Pune market or other western region, it seems to be somewhat higher than the industry average I mean at least Pune seems to be doing better than most of the other western region I mean micro markets.

J.C. Sharma

You may be right, but as far as we are concerned we have not been able to crack the Pune market as we have been able to do in other markets. Next year hopefully we should have newer project launch in Pune as well and improvement in our volumes and sales.

Prem Khurana

Sure. And just one bookkeeping question, this time we have had around Rs. 80 odd crores of revenues coming from three new projects, and for the fourth quarter we are looking around Rs. 350 odd crores of numbers, so does it mean we will get to see a very big jump in revenue recognition next quarter because if I will break down your...

V. Ganesh

I think we are saying 355 comes from new revenue recognition, we are saying from the current what was sold was there, I would like to recognize, its not apple-to-apple comparison, we compared it to a different thing.

Prem Khurana

Okay, so out of this 22 billion at least 350.

V. Ganesh

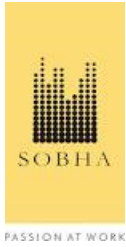
Exactly.

Prem Khurana

Okay and over and above you would get to have some I mean if you want to sell some in these projects you will get to have some more?

J.C. Sharma

Over and above this whatever new sales you are doing to the extent whatever percentage had been completed if at all it has exceeded 25% then the revenue will get recognize. So why did you



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collected 10% of the cash also, so booking money if it is there, so there are so many now a days hurdles for us to recognize the revenue.

Prem Khurana

Okay sure and sir just one last, could you please share your views on the Silicon Oasis, how has been the response till now?

J.C. Sharma

See it's a good point when we are conveying that this quarter onwards we should be back to the 1 million square feet new phase, we believe that the launch of this Silicon Oasis which had been the only launch in this quarter so far and the likely launches of other projects in Bangalore as well as in other cities give us that confident that with the performance of the last quarter was more as an aberration, so hopefully we should be doing a better with a new launches which includes Silicon Oasis contribution.

Moderator

Thank you. We will be taking the last question from Punit Jain from Goldman Sachs. Please go ahead.

Punit Jain

Sir if I look at the previous quarter, in second half the amount of revenue that was supposed to be recognized was close to Rs. 5 billion, and in this quarter its Rs. 3.55 billion, so which means that in this quarter a lot of recognition came from sales which came in this quarter?

V. Ganesh

No I think you know 355 is not out of 5 billion you have to understand that, part of the sale of current quarter also contributed to 355. So you can't take the 5.5 by September and say 355 out of that you cannot say that. We are saying as sale made up in December, unrecognized likely to come so you cannot equate from September and derive that.

Punit Jain

Okay but clearly which means that the revenues from real estate should at least 3.55 plus at least 25% more than 3.55?

V. Ganesh

This assume that the progress of both to be happened assuming those kind of pace at work we actually get 355 plus depending on new sale whatever was happened mix of sale whether it comes from a project where the revenue is recognized or not, the total revenue of realization would turn out to be.

Punit Jain

Okay just one of the last question, when is Thrisur mall starting and what could be potential income from that in FY15?

J.C. Sharma

We hope to complete it in this quarter right and the rental should start from the coming financial year.

Punit Jain

What is the area and what is the average rental which you have been able to achieve?



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J.C. Sharma

See it is 300000 square feet with the multiplex basically let out and then some of the other areas also has been let out, but we will be able to share it only once it is completed.

Moderator

Thank you. I now hand the conference over to the management for their closing comments.

V. Ganesh

Ladies and gentleman thanks a lot for taking your time out on Saturday evening. It is a pleasure. And please feel free to call either me or Bala for any questions you have. Thank you.

Moderator

Thank you very much. Ladies and gentleman on behalf of Axis Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.