



# ‘Sobha Developers 1QFY14 Conference Call’

August 8, 2013



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*Sobha Developers Limited*  
*August 8, 2013*

**Moderator:** Ladies and gentlemen, good day and welcome to the 1QFY14 earnings conference call of Sobha Developers hosted by Ambit Capital Private Limited. As a reminder for the duration of the conference, all participants' lines are in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rakshit Ranjan. Thank you and over to you sir!

**Rakshit Ranjan:** Thank you. Good afternoon everyone. We welcome you all to the conference call of Sobha. We have with us the senior management team represented by Mr. Sharma and Mr. Ganesh. I would now hand over the call to Mr. Sharma to give an overview of the quarterly performance and then we will open the call for Q&A. Over to you sir.

**J.C. Sharma:** Good evening ladies and gentlemen. It gives us immense pleasure to communicate with you all via this concall hosted by Ambit Capital post declaration of our 1Q financial results. As you all are aware, the real estate environment had worsened in the last quarter at a macro level. Our Indian economy had decelerated and it is facing a tough challenge of slower economic growth. In this environment and in this backdrop, you have to see our performance where we have done very well in the Bangalore market, in the Chennai market and in the Kerala market and we have shown deceleration of our sales in the Gurgaon market.

We have already communicated to you that the company had achieved 0.92 million square feet of fresh sales valued at Rs.6.03 billion, sales volume had grown by 10.2% and value had grown by 25.7% YoY. Our average price realisation of Rs.6548 per square foot has increased by 14.1% YoY and our average price realisation excluding taxes of 6015 had also increased by 13% YoY. During 1Q 2014, we launched two new projects and we also released about half a million square feet of area from existing projects for sale. We completed and handed over to contractual projects measuring about 0.13 million square feet of developable area. We are pleased to report that our products have been received well in the cities where we currently operate about 78% of our new sales value emanates from product valued at Rs1 crore and above.

I would like to share the financial update as well as for the first quarter now. The consolidated revenue of Rs4.63 billion had shown a growth of 7% YoY; however, if you look at the revenue from our core operations, because in this quarter there was no land monetisation whereas in the last quarter we did about 95.6 crores of land monetisation. So if we take that land monetisation out, it grew by 37%. Income from our core real estate operations stands at 3.47 billion for the quarter ended June 30 versus 2.42 billion excluding land monetisation for 1Q financial year 2012-13, which is a growth of 44%. Our contractual revenue also had grown by 19% which stood



*Sobha Developers Limited*  
*August 8, 2013*

at 1.14 billion had compared to Rs958 million for the corresponding period of last year. Real estate again had contributed about 75% while contracts and manufacturing have contributed the balance 25%. The EBITDA for this quarter stood at Rs1.4 billion against Rs1.2 billion during 1Q 2013. EBITDA growth had been 17% YoY, but if you look at the profit from sale of land of the last quarter, it has grown at 34%. The EBITDA margin for the quarter was at 30%. We also would like to highlight that, in this quarter, we had to provide one time about 10 crores rupees towards writing off of constructing revenue vis-à-vis one party with whom we were under arbitration where the party had given 5.5 crores towards one-time settlement, plus the remaining payment what we were required to make to the contractor in our interior factory.

The EBITDA for the quarter also should be looked at from the perspective that we have taken a one-time increase in our salaries and wages, which were to the tune of about 12% in this financial year. The sales incentives also were paid in the first quarter and we account them on a cash basis. The depreciation for the quarter has increased to Rs165 million from Rs126 million mainly on account of addition to capex interest for the quarter has marginally increased to Rs39 crores vis-à-vis Rs37 crores in the same quarter last year. The profit before tax for the first quarter stood at Rs843 million against Rs696 million for corresponding quarter of last year. Profit before tax had grown by 21% YoY and the growth in PBT over last year, if we exclude the impact of the sale of land of the last quarter, had been about 55%. The profit after tax after considering the minority interest stood at Rs501 million compared to Rs449 million for the corresponding period of the last year a growth of 12%. The PAT has grown 12% YoY and the growth of PAT over last year excluding the sale of land is at 46%.

While considering the PAT you must also recognise that while consolidating the numbers of the subsidiary companies where Sobha had 100% stake due to the timing mismatch while we could not recognise the revenue on consolidation we had to provide the income tax liabilities where our tax provision had been to the extent of 40% this quarter. Despite the improvement in sales and price realisation, the revenue recognition was lower by Rs322 million, profit before tax by Rs83 million and profit after tax by Rs55 million on account of the new guidance not issued by the Institute of Chartered Accountants Of India. We are also pleased to inform that unbilled revenue as of June 30, 2013 is Rs19.7 billion on the sales made so far, out of that we expect that a minimum to Rs5.11 billion will get recognised in this financial year. In addition to this income from new sales will also contribute to the revenue.

As far as our cash flows are concerned, we collected Rs6.15 billion and spent Rs4.83 billion in operations resulting in a surplus cash flow of Rs1.32 billion. This has been utilised by the company towards servicing of interest and capex of Rs128 million and the expenses incurred towards commercial real estate of Rs159 billion against the targeted expenditure of Rs750 million consisting of our St. Mark's Road project which started in the last quarter, some



*Sobha Developers Limited*  
*August 8, 2013*

payments made towards APMC and on Thrissur where we are constructing a commercial mall resulting in an overall excess cash withdrawn to the tune of Rs50 million. The gross debt for the company had decreased by Rs50 million, but this has been met by a decrease in the cash balance when compared to the preceding quarter. The company had been consistently generating positive cash flows from operations on a QoQ basis. The operating cash flow of Rs1.32 billion shows a marked improvement when compared with the corresponding period of the last year where the operating cash flow stood at Rs72 million excluding the land monetisation. In addition to this, the company had also over the last four quarters on a QoQ basis been able to generate surplus cash flows after servicing the interest on our borrowings and payment of income tax.

The net cash flow and the EBITDA margin is, after considering as I have said, annual increase in the salary and wages of around 12%. We repaid loan to the extent of Rs1.83 billion which includes some prepayment. Our net debt as of June 30, 2013 is at 12.3 billion against Rs12.21 billion as on March 31, 2013. The strong operational cash flow generated in 1Q has helped us to maintain the debt:equity at 0.56. We also expect that this improved cash flow generation will sustain in the coming quarters and the debt:equity ratio will be within the rangebound limit of 0.5 to 0.6. The current cost of debt is 12.93% which has reduced from 13.45 as of March 31, 2013. During the next nine months, the company has a repayment commitment of Rs2.92 billion; however, we have the good fortune of having unutilised sanctioned limits where we will be in a position to withdraw to the tune of Rs13.96 billion from the various banks. During this quarter, the loans to the extent of Rs0.82 billion had been refinanced at lower interest rates. As far as the real estate outlook is concerned we are currently developing about 27 million square feet in six cities, with living area of car park, common areas, amenities, etcetera and the leasable area of about 0.26 million square feet of the share of JV partners.

Sobha's share of total saleable area of ongoing projects is 15.94 million square feet. Out of our share we already sold about 8.43 million square feet and 7.5 million square feet remains to be sold. In addition to this, 0.14 million square feet of area is to be sold on completed projects. We expect to realise around Rs21.42 billion from our existing customers and further amount of Rs59.73 billion from the unsold inventory based on our current selling prices. We also expect to incur an expenditure of Rs45.85 billion towards the entire ongoing development. Based on current estimates, this will leave a healthy operational cash flow of approximately Rs35.3 billion in times to come. Out of the real estate collection of Rs4.92 billion in 1Q, Rs3.93 billion was collected out of sale made as of March 31, 2013. We are looking to launch the following projects during the second quarter of this financial year. The total saleable area of about 1.2 million square feet where Sobha will have its share of about 0.85 million square feet, these projects are one project in Bangalore on HAL road, another project in Calicut, and one another project in Mysore.



*Sobha Developers Limited*  
*August 8, 2013*

As far as commercial real estate is concerned, we are currently now taking up construction activities on our St. Mark's Road project and preliminary work is going on, on APMC project where we hope to start the actual work only in the first quarter of the next calendar year. As far as our cost on these projects is concerned, we have incurred about Rs159 million in the last quarter. From the contracting side, we have ongoing projects measuring 11.41 million square feet of area with unbilled value of about Rs7.28 billion in hand to be delivered over a period of the next two years. We are pleased to share that we bagged two prestigious contracts—one from Dell India and another from Bosch India for constructing their office buildings in Bangalore valued at approximately Rs1.63 billion. Currently, the Infosys share in our total contract in the last quarter was 65% and 35% got contributed from the other contracts; historically it had been about 85%. As on date we have delivered 315 projects totaling about 56.38 million square feet in a span of 18 years. We are grateful to all our stakeholders and well wishers who help the company in making this a reality.

Thank you once again for your participation and request you to put forth your questions from now.

**Moderator:** Thank you very much sir. First question is from the line of Akshay Rao from Edelweiss Capital. Please go ahead.

**Aashish Agarwal:** Thank you. Good evening, sir. This is Aashish Agarwal from Edelweiss. Thanks for the opportunity. Sir, actually I had a couple of questions. First is with respect to the inventory that we are having on our books. You have shown us there is significance skew towards the higher value stock which at the current sales run rate is a four-year inventory. So my first question with respect to the same is what would be the broad breakup of this inventory by project and going forward what is the likely launch mix in terms of ticket size and is there a plan to introduce incentives and accelerate sales in these projects?

**J.C. Sharma:** See, I do not know how you are computing 7.5 million square feet is the area, which remains to be sold and we are going to add another 1.2 million square feet in this current quarter. We are targeting new sales of 4.2 million square feet in this financial year, out of that about 0.92 million square feet has already been achieved. So by that reckoning 3.3 million square feet we should be selling and roughly we have released about 4.66 million square feet of inventory for sale and the construction also will be happening in those products which are being offered for sale. Take for instance in case of Gurgaon like the Phase III, Phase IV, is not yet open for booking and no construction activity is going on. So the expenditure will be incurred on all these projects depending upon the sales pattern and as we have said 78% of the new sales comes from 1 crore plus this is the price which had become acceptable because we believe to sell three bedroom plus



*Sobha Developers Limited*  
*August 8, 2013*

kind of an apartment in the current environment where there happens to be a good demand and for that this kind of an inventory we consider as reasonable.

**Aashish Agarwal:**

Sir, I was looking at the slide #10 which said that inventory about 2 crores we have about 3.5 million square feet. So, compared that with slide #11 which says that the sales rate that we have had in the quarter for above 2 crores apartments is about 0.2 million square feet. So that essentially means that we have inventory for about 17 quarters at the current sales rate in this ticket size?

**J.C. Sharma:**

That is because in Gurgaon where I am developing 153 acre of land the product, which is not available for sale but approved is also considered as part of the inventory because you have paid all the approval fees, all the EDC, IDC fees for this project kind of a thing, leaving the debt market in all other markets we do not have enough inventory above Rs2 crores.

**Aashish Agarwal:**

So in terms of future launches that you have planned to have in this year would you have a similar launch profile as you have the current sales mix or would there be a skew one way or the other?

**J.C. Sharma:**

No as far as the future launches are concerned there are no projects of this size and scale what we are talking about as far as what we have been doing in Gurgaon currently and so at the same time in the future also, the focus on a project above 1 crores or so will continue.

**Aashish Agarwal:**

I accept that, the second question that I had was with respect to the cash flow now this quarter has obviously seen very good cash receipts but debt has obviously inched up marginally. So while we understand that cash accruals will pick up as projects gets sold, but capex is also likely to pick up. So given the same when do we see some free cash flow to equity and if you could also give some details on the 48 crores land payment I had missed it in the opening statements?

**J.C. Sharma:**

See you are always generating free cash flows from your operations and meeting all your operational outflows including interest including taxes kind of a thing, with residual money either you are using it to reduce the debt or paying dividend one time what you are doing or deploying it in improving your quality land banks are towards the capex and the commercial asset. We have already set a budget of 75 crores as far as investment in commercial estates is concerned and we will be well within that parameter. As far as the capex is concerned the 10-12 crores every year, we hope to spend and this kind of a momentum should continue as more and more new projects get launched and along with that the incremental requirement will be there. As far as the land bank is concerned about 10 acres of land we have taken on joint development from our existing partners in Gurgaon besides that we have another five acres of land in the note, which we have



*Sobha Developers Limited*  
*August 8, 2013*

purchased and also for the joint development residual payments we have made in Kerala for our Cochin and Calicut primarily this 47 crores had been expended for that purpose.

- Aashish Agarwal:** The five acres in north I missed that one sir.
- J.C. Sharma:** Five acres of land had been purchased in Bangalore in the north direction and then there were two or three land parcels in Kerala on joint development for which we have paid the residual money.
- Aashish Agarwal:** Got that and just finally one last question on the new launches planned in Kerala, when do we see the launches happening and what is this scene on approvals over here?
- J.C. Sharma:** One project should get launched in this month itself in Calicut and another project should get launched in October 2013 in Kochi. The Kerala market has been holding on beautifully as far as we are concerned you have seen already we sold about 63 crores worth of 150,000 square feet in Thrissur alone which is the smallest of all the markets we will be entering in due course and this year the maximum growth should happen from Bangalore, Chennai and Kerala market only.
- Aashish Agarwal:** What will be the broad ASPs in Calicut and Vyttila on these projects?
- J.C. Sharma:** This we will be announcing at the time of launch, but there will be around the kind of product otherwise we are selling in Thrissur or in Chennai or in Bangalore kind of a thing. So the average realisation will not to be coming down with these launches.
- Moderator:** Thank you. Next question from the line of Anand Agarwal from Jefferies. Please go ahead.
- Anand Agarwal:** Good evening sir and thanks for taking my questions. Sir, I have a few questions firstly on the Gurgaon, 10 acres that you mentioned, can you just elaborate a bit more on this on what this is? I mean is this again on the same parcel of land that we are developing or is it somewhere else?
- J.C. Sharma:** No, it is on the same parcel of land, which we are developing from the same landlord we have added where we will be launching a project hopefully in the third quarter of smaller size villas and row houses on JD basis.
- V. Ganesh:** This is on joint development basis.
- Anand Agarwal:** Okay, because we had given up some part of this land back to the landowners so we have gone and taken it back now again.



*Sobha Developers Limited*  
*August 8, 2013*

**J.C. Sharma:** That was about two years back and those were group housing schemes. These are again villa project, villa or the horizontal projects.

**Anand Agarwal:** What is the total spend on land that you are looking at in FY14? Could you remind me again?

**J.C. Sharma:** We have always maintained that investments in land will be in alignment with our cash generation capability and the debt:equity which we need to maintain around 0.6 and so the land opportunity will be looked at keeping those things into mind.

**Anand Agarwal:** And thirdly, did any new projects cross the recognition threshold in P&L this quarter because your margin seems to have gone up significantly on a QoQ basis. Now I just want to understand what has driven this and whether this is sustainable for the coming quarters also or if the margins will come down in the next quarter?

**V. Ganesh:** As far as the projects which got recognised this time, first time, couple of projects got recognised and the revenue from that was about 32 crores.

**Anand Agarwal:** Just on the margins what really impacted the margins which took them higher because if I were to adjust even for the 10 crores and the margins would have been somewhere closer to 32% this quarter?

**J.C. Sharma:** You are right.

**V. Ganesh:** When we explained last quarter the main impact of the margin drop was because of the Gurgaon first-time revenue recognition which was lower margin, because of new accounting guidelines you will see that lumpiness of revenues coming in when you recognise first time and that constitutes a significant part which ended up with the margin mix slightly going down compared to normal average. Now there has been a high realisation which we are able to absorb the extra cost and maintain the EBITDA margin of 30%.

**Anand Agarwal:** Okay so you expect to continue going forward as well. Okay and on the tax rate I partly understood what sir mentioned, was it because of some losses in other subsidiaries?

**V. Ganesh:** There are two parts to it—one there is a 1.5% increase in tax rate because of the change in rate effective April 1, that is for everybody, second is what happens is in accounting side when you consolidate the revenue of subsidiaries inter-company profits are eliminated; however, for the income tax purpose the standalone entities are taxed on their profit and so when you consolidate, while the profits get eliminated, the tax on the eliminated profits remains. So the effective tax rate becomes 41%.





*Sobha Developers Limited*  
*August 8, 2013*

- Anand Agarwal:** Okay so but by the end of the year we should be back to the normal tax rate?
- V. Ganesh:** This is a timing impact over a period it should come to normal.
- J.C. Sharma:** It need not be by the end of the year kind of a thing but you are right when the consolidation of the Sobha standalone entity with the subsidiary entity on 100% realisation is concerned it will be the same but as things stand today Sobha as a contractor writes each booking income in a standalone P&L account which gets eliminated on consolidation but with the tax being paid by the standalone entity and whatever income they are showing and Sobha whatever it had paid on a standalone basis, everything gets aggregated.
- Moderator:** Thank you. Next question is from the line of Atidev Chattopadia from HDFC Securities. Please go ahead.
- Atidev Chattopadia:** Thanks for taking my questions. I have got a few questions. Firstly just wanted to understand I believe you have launched some 20:80 scheme for the project in Gurgaon if I am correct. Could you please elaborate on the nature of this scheme if possible please?
- J.C. Sharma:** We have not launched neither in Gurgaon or anywhere else a 20:80 scheme.
- Atidev Chattopadia:** Okay thanks. Second my question was what is the number for unbilled receivables as part of other current assets as of this quarter? I believe there was a spike at the end of the financial year on account of the revenue recognition pattern so has that come down now?
- V. Ganesh:** Yes it has come down 412 crores.
- Atidev Chattopadia:** Okay and going forward for the year, do we expect the figure to come down further or remain under current levels roughly as more and more projects hit the revenue recognition?
- V. Ganesh:** Going forward it will be coming down only because more projects will fall under the new guidance note going forward. So under the new guidance note, the debtor level will be reduced.
- Atidev Chattopadia:** Okay and could I just have the number for customer advances at the end of this quarter?
- V. Ganesh:** Customer advances are about 671 crores.
- Moderator:** Thank you. Next question is from the line of Gaurav Pathak from Standard Chartered. Please go ahead.



*Sobha Developers Limited*  
*August 8, 2013*

- Gaurav Pathak:** Congratulations for the good set of numbers. I just wanted to figure out on that 322 million loss due to lack of revenue recognition in the quarter. Do we expect that we will be able to make it up within FY14?
- V. Ganesh:** No it is not a loss on revenue recognition, do you understand, because of new accounting standard the way your account revenue has got changed from last year.
- Gaurav Pathak:** Yes and so this lower revenue book this quarter will it get accounted for within FY12 or you think.
- V. Ganesh:** No, it depends, it may not get recognised fully within the year, within the project period it will get equalised but it may not get utilised within the quarter of the same financial year.
- Gaurav Pathak:** If we compare it on a like-to-like basis then we need to add this compared to last few quarters to get a P&L comparison on the revenue booked.
- V. Ganesh:** That is the reason why we give that, even last quarter also we had given it, because when you do a comparison, it is not an apple-to-apple comparison unless you gross it up for the effect of the revenue accounting change.
- Gaurav Pathak:** Sir in terms of the broader backdrop that you are talking about, do you still feel that 4.2 million guidance still stands or you think they could be downside to it?
- V. Ganesh:** I think as far as the guidance of 4.2 million square feet goes we are still confident of achieving it.
- J.C. Sharma:** Yes we are confident that we will be achieving this 4.2 million guideline as well. As far as the value part is concerned, we are quite confident the trend is absolutely positive as far as the volume part is also concerned because a good number of launches have been planned which should result into our achieving this number.
- Moderator:** Thank you. Next question is from the line of Punit Jain from Goldman Sachs. Please go ahead.
- Punit Jain:** Good evening everybody. My question will be do you have any target of operating cash flow for this particular year and your real estate project expenses increased a lot in this quarter, so how do you see that panning out?
- V. Ganesh:** See as far as the real estate expense going up for the current quarter with launches and it goes into the current project the amount being spent on that it is increased because more project have been launched and that is the impact of it and with the sale you can see the sales increasing revenue recognition coming up this will get neutralised. As far as the year cash flow goes, we



*Sobha Developers Limited*  
*August 8, 2013*

hope we will sustain the cash flow generation and we do not see any drop in the cash flow generation perspective.

**J.C. Sharma:** Punit to answer your question in simple words we do hope that in this financial year we will be spending more on the construction cost and we will be recognising higher revenue and we will be generating higher cash flows as well. This should naturally result in also generating higher operating cash profit also in the current financial year.

**Punit Jain:** So the number of 700 million in this quarter, is there any reason why this could change going forward? Can it go down going forward given the fact that first quarter is supposedly the weakest? So going forward possibly this number should be higher as we move forward on a quarterly basis?

**J.C. Sharma:** We do believe that yes while the first quarter from the sales point of view and from the result point of view has traditionally been or the first half weaker than the second half but going forward as more and more cash flows come and more and more revenue gets recognised, this 70 crores, what you are talking about after meeting the interest and your income tax liabilities, should go up only.

**Punit Jain:** Okay and second thing is that like you mentioned that the environment is slightly challenging so are you seeing any trends, which are affecting your projects in any particular geography or how are the recent trends compared to the previous quarter.

**J.C. Sharma:** We have said that seven except the NCR market we should be doing better in all our markets and that kind of a trend we see in the second quarter as well so far. So we had factored while giving our guidance in the last financial year closure that 4.2 million and this kind of a scenario looks like as things stand today, there is no need to revise our guideline or anything whatever we have stated to you now also and in the preceding quarter as well.

**Punit Jain:** Okay just one more small question, this write-off of 63 million has been recognised as part of other expenditure?

**J.C. Sharma:** No, it is recognised as part of operating cost contract and manufacturing project expenses. Whatever has been spent has been written off immediately.

**Moderator:** Thank you. Next question is from the line of Ankit Mistri from Crisil. Please go ahead.

**Ankit Mistri:** Good evening sir. I wanted you to throw some light on your Chennai project in terms of what kind of sales volume we have witnessed in the first quarter?



*Sobha Developers Limited*  
*August 8, 2013*

- J.C. Sharma:** As far as Chennai is concerned, we did about 100,000 square feet of new sales and value terms it is about 51 crores in the first quarter.
- Ankit Mistri:** Sir what kind of average realisations have we seen there?
- V. Ganesh:** It is about 5118 rupees.
- Ankit Mistri:** What is the status of your Vyttila project now?
- J.C. Sharma:** Cochin Vyttila as I said in the next quarter hopefully in the month of October that project will be launched.
- Ankit Mistri:** Okay so the approvals and all are in place.
- J.C. Sharma:** Approvals are in the process but it should happen by that time.
- Ankit Mistri:** And in your sales volume in Chennai have you seen any slowdown or it has remained more or less the same as the previous quarter?
- J.C. Sharma:** No we have not seen any slowdown as far as the sales volume in Chennai is concerned. We should be doing much better in the second quarter vis-à-vis what we have achieved last year same quarter in the Chennai sales volume.
- Ankit Mistri:** Okay and other question is as a company I wanted to understand how do we see the upcoming land acquisition bill to impact the acquisition of land going forward?
- J.C. Sharma:** I believe that as far as the acquisition of the smaller land parcels by the private developers is concerned it will have minimal impact. Only one when you go above 50 acres or above 100 acres, lots of challenges will be there.
- Ankit Mistri:** So do we expect any increased cost associated with this above 100 acres?
- J.C. Sharma:** I think once the macro environment improves, land will also become one of the very scarce commodities for a company or for government to acquire at a low price which India had been doing and enjoying historically as things stand today. So that kind of an increase definitely you can expect on the new acquisition.
- Ankit Mistri:** And some kind of delays is also expected if this comes up.



*Sobha Developers Limited*  
*August 8, 2013*

- J.C. Sharma:** I do not know the delay otherwise also because the land holdings it remains very small in the hands of the landowners and so even now also without the land acquisition act on the current laws it is very, very difficult to acquire large land parcels.
- Ankit Mistri:** And primarily which are the sources we deal for acquisition of land? Is it from the agencies authorities or is it from the private land owners?
- J.C. Sharma:** We follow almost all the processes depending upon the circumstances. Somewhere the land bankers who have accumulated the land over a period of time they give the land like what happened in Gurgaon or in some southern part somewhere you have dealt with the land accumulator who charge a small fee and take all the pains of buying aggregating and doing the legal due diligence and then giving it to us sometimes on a smaller land parcel you approach directly the landlords and complete the transaction.
- Ankit Mistri:** And what kind of land bank we are currently having?
- J.C. Sharma:** I think it is already given in our presentation it exceeds 2550 acres.
- Moderator:** Thank you. Next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** Thanks, good evening everyone. Just on the land bank I see from QoQ, from this quarter to the first quarter this year, there is not any change in your land bank while you have spent about roughly 47 crores and you told about those three projects that you have added.
- Company Speaker:** If you look into that we have launched two projects, one is in St. Mark's Road property in Bangalore and other one is Sobha landscape one plotter development project in Bangalore both put together about 12 acres of land parcels in addition to that as Sharmaji said there is one parcel in North Bangalore we added and one more parcel in Gurgaon. So net off it will remain the same only.
- J.C. Sharma:** The 9 acre parcel, 5 acre parcel versus about you are close to 2 acre parcel in St. Mark's Road and 10 acre on this plotter development kind of a thing it had evened out.
- Sameer Baisiwala:** Okay perfect and the second question is on the Gurgaon project if I see the sales that you did in the first quarter it was about 36,000 square feet versus all the past seven quarters when you have done more than 100,000 square feet plus and so why was there such a big slump in this project and is it project-specific issue or is it a location issue.



*Sobha Developers Limited*  
*August 8, 2013*

- J.C. Sharma:** Today as far as Gurgaon is concerned to the best of my information whatever sales which is happening more than two-thirds of the sales is happening on this Dwarka Expressway highway belt only because that is the only area which was open for sales when the new master plan of Gurgaon got approved. What we see it is not only Gurgaon the whole of NCR there is some kind of the transition or the adjustment or alignment is happening where the existing investors are waiting or looking for getting back into real estate once again, and so this transition or whatever is the alignment of cash flows has caused this kind of a temporary mismatch you call it or a slump in the sales you all but whatever inquiry again I am getting from our people things should be alright from third quarter onwards.
- Sameer Baisiwala:** I do not want to belabour too much on this point, but we hear quite a few stories on the Dwarka Expressway in particular when there were 60 litigations for land and that the Expressway is taking really long to get built may be few years. Is it something that you subscribe to or what is your expectation?
- J.C. Sharma:** The litigation on the land for construction of Dwarka Expressway to the best of my knowledge it has been addressed by all the developers who have stakes in that region and they are making concerted efforts that is the information we have been given, but otherwise also there had been multiple access to all such properties and the sales had been done with the current access only probably this overall economic environment, the investor situation and higher-than-anticipated price increase, all such things had put this kind of a temporary pause.
- Sameer Baisiwala:** On the last call you mentioned about you preparing some additional 25 million square feet for development in 2015. Any more colour you want to share on this now?
- J.C. Sharma:** Not as such now, but yes in Bangalore I think you are aware that we have some larger land parcels. With Nagondanahalli in Bangalore also another 30 acres is being readied for the project launch. Even in Cochin also per se the government had become bit more active in re-clearing I can say that way the whole approval process with revised norms, earlier the commercial area was considered high; it is a private land and we are facing similar approval. If that thing also happens in Cochin also I will open up my product in anticipation to that only a couple of projects I have taken up so that we can feed and feed that market reasonably well. So all such things will ensure that what I talked about something to start fructifying from next year onwards.
- Sameer Baisiwala:** One last question, I do not know if you want to answer this or you do not, there was this news flow about the promoters, Mr. Menon announcing that he wants to donate for charity purposes 50% of his wealth about US\$600 million. Is there any implication for the minority shareholders of Sobha and does it include his stake in the company?



*Sobha Developers Limited*  
*August 8, 2013*

- J.C. Sharma:** Not at all, what Mr. P.N.C. Menon had announced is like what you have seen vis-à-vis the Indian situation. Azim Premji is doing primarily to bring it on to 75% from the minority point of view. Other donors who have agreed to give more than 50% the top billionaires of the world. Mr. Menon also believes that of his wealth by way of equity or stake in India and outside India, he will create a vehicle where 50% of that wealth will be meant for the purpose of corporate social responsibility.
- Moderator:** Thank you. The next question is from the line of Abhishek Kirangupta from Merrill Lynch. Please go ahead.
- Abhishek Kirangupta:** Sir out of the 600 crores of new sales we did how much would be Bangalore?
- J.C. Sharma:** The Bangalore sales were about 438 Crores.
- Abhishek Kirangupta:** How much of that would be Indraprastha?
- J.C. Sharma:** That we do not share project-wise but out of 300 odd units almost one-third has been sold out.
- Abhishek Kirangupta:** Would we typically take 20% upfront?
- J.C. Sharma:** No we take only 500,000 upfront, not that greedy.
- V. Ganesh:** We take 500,000 upfront, within 60 to 90 days like you get 20-30% of the money including the booking money.
- Abhishek Kirangupta:** The cost of debt has come down. What would be the newest cost that you picked up debt for?
- J.C. Sharma:** 12% for our St. Marks Road, we have picked up loan from a public sector bank at 12% and one bank has reduced at the rate of interest 10.65%.
- Moderator:** Thank you. The next question is from the line of Anubhav Jhunjunwala from ICRA. Please go ahead.
- Anubhav Jhunjunwala:** What I was asking is that like as on March 31, 2013 we had like in the balance sheet share was around 463 crores, so any update on that number that you can provide and season for the same because according to what we understand is that in the real estate business generally the payment received the construction, so why is the possibility of such a high unbilled revenue being there?
- V. Ganesh:** If you look at Anubhav where it has come down it has come down to 472 crores and it is typically as Sharmaji is saying we give while we collect the money and when the sale happens



*Sobha Developers Limited*  
*August 8, 2013*

we give about 60-90 days for the person to pay the initial money, depending on if it is a new unit 30%, if it is a existing unit depending on which stage of completion the person is buying he has to pay the money. There is a time lag in collecting the money. If you look at it while the value looks high but all the last four quarters it is hovering around the same 470 crores mark; it was at 483, now it has come to 472.

**Anubhav Jhunjunwala:** On the launches part what I wanted to ask is in the last five quarters perhaps the launches have been comparatively subdued, and so going forward what is the plan and is there any problem given the approvals scenario in the country or may be the places where your projects basically are?

**J.C. Sharma:** Whatever little bit knowledge we have gathered from throughout India, the maximum problem the NCR and Bombay developers have faced in getting the plan approval including that of environment-related clearances. As far as the southern market is concerned it takes 6-9 months of a process to get the plan approval including environment and it is taking around that much time only.

**Anubhav Jhunjunwala:** Sharmaji, my question was focused because like in FY13 we had planned to launch around 4.5 to 5 million square feet and in the current year we have plans of around 9 million square feet, but given the last four to five quarters, the launches have not been coming at base, and so that is why that question came up from me.

**J.C. Sharma:** No harm. There may be some delays here and there. Last year in Bangalore especially you had this election-related things and the commissioner both at BDA as well as at corporation having got transferred 2-3 times the continuity was lost. This is all normal. There has been no issue in getting plans approved.

**Anubhav Jhunjunwala:** Do you have any focus on the kind of land bank or the land amount that you need to spend in the current fiscal? Is there any number that you have in your mind?

**J.C. Sharma:** As already we have reiterated that with the current lend what we have in our books including the interest capitalised debt is Rs86 per square feet. As far as the newer land acquisition is concerned you will appreciate that last year around this quarter or we had got into that HCL property by paying some advances and we are launching the project, similarly about two quarters back also we started by dealing with our Calicut guys and our Cochin guys and some of these joint developments here in Bangalore and it has started fructifying. So what I have been reiterating every time is that these are the opportunistic things where we believe that we can sustain and improve our topline and bottomline by availing of this opportunities which Sobha did not avail of till 2011-2012. So the things started from 2012-2013 this quarter also have invested about 47





*Sobha Developers Limited*  
*August 8, 2013*

crores going forward, depending upon the cash flows comfort and opportunity and the size of the thing we will be looking at such opportunities and at the same time we will also ensure that the debt:equity also we will maintain and keep around 0.6.

**Anubhav Jhunjhunwala:** Last question, coming back to my first question, now is there any kind of breakup that you can provide that for 470 crores. How much would be from construction and how much would be from real estate, unbilled revenue thing?

**V. Ganesh:** Unbilled is only for real estate, nothing on construction. We account only on billing basis.

**Moderator:** The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

**Prakash Agarwal:** Good evening sir. Just on the quality of projects we see one plotted development coming in the quarter, and so do we have more such plotted development in the year?

**J.C. Sharma:** Good evening Prakash. As things stand today, it is not there.

**Prakash Agarwal:** Is my understanding correct that the plotted development margins are better?

**J.C. Sharma:** It all depends, but so far yes, they are little bit better. You are right.

**Prakash Agarwal:** Again on the P&L side we have seen sequential decline in the interest portion, so not clear how do we account?

**V. Ganesh:** We have to understand that it is already interest. It includes loan processing fees, bank charges, bank guarantee charges that is one. The second part also is that rate of interest as compared to the previous quarter has come down this quarter, and so the combined impact of that you will see. It is not only interest; it includes also processing fees for loan. We in a way charge it off that would also be part of it, bank guarantee charges; those would be there plus the impact of the interest margin also, the interest rate coming down.

**Prakash Agarwal:** We did hear about this opening comments on the 10 crore kind of one-time contractual litigation that we lost?

**J.C. Sharma:** We did not lose, this case has been pending since 2008-2009 and we had the claim on this party and party also did a counter claim which we are showing in our contingent liability. The matter was referred to arbitration, retired chief justices of the Honourable Supreme Court Justice Ahmadi, Justice Patnaik and Justice Anand, they were part of the arbitration. Things were not progressing the way we intended it to be, then the other party proposed a one-time settlement of the dues where whatever money which was outstanding from them as well as some stocks which



*Sobha Developers Limited*  
*August 8, 2013*

we had at this site we had to write off by collecting 5.5 crores from the client by way of a demand draft. On top of this about Rs4 crores we incurred because the constructor's employees were agitating that they should be made permanent and we felt that in a construction industry it will be setting a wrong precedent. So with the help of the labour commissioner, with the help of the union employees and the labourers themselves voluntarily as a good employer what was not due to them but around Rs200,000 per employee, we gave to almost 500 of these employees. The remaining amount of about these 4 crores was incurred in this last quarter. Both these things have been charged off to the profit and lost account till these have happened not as a recurring thing we are saying this is a one-time write off.

**Prakash Agarwal:** Do we have any such pending litigation?

**J.C. Sharma:** No, you can look at our annual report, it will be clear.

**Moderator:** Next question is from the line of Akshay Rao from Edelweiss Capital, please go ahead.

**Akshay Rao:** Thanks for taking my question again. Sir, this is with respect to land prices that we are seeing with respect to the industry. We have been reading news and we have been seeing that some developers are in a bit of default. The question is are we seeing any pressure on land prices or more deals coming our way as compared to before and if you could give some degree of quantification if you are seeing this?

**J.C. Sharma:** Logically, we also believe that whatever you are witnessing should result into some way softening of the land prices and then that benefit can be passed on as far as the product prices are concerned but I am constrained that despite whatever pressure we are seeing or you are seeing the rise in land prices has been maximum post 2008 as things stand today across India which is higher than the rise what you see on the product prices. Somewhere maybe a couple of transitions here and there more an exception according to me, then otherwise may happen I do not know but generally speaking you do not see with landlords succumbing and selling their lands the way you and me are expecting.

**Akshay Rao:** We may not be seeing any prices but do we have any kind of pattern where the number of prospective bidders is lower and the number of people who are offering projects are higher than before?

**J.C. Sharma:** That thing is very clear because today in the current market there are a handful of developers only. While they are investors and I would not like to talk about these set of investors who are always buying like buyers for gold kind of thing, they will buy the land but from the developers perspective you are perfectly right but there are increasingly lesser number of developers today



*Sobha Developers Limited*  
*August 8, 2013*

who have the balance sheet strength and the liquidity and support of the financial institution to back up this land purchasing.

**Akshay Rao:** If the land prices do come up hypothetically, would we see the property, the finished product prices following suit along with that or do we see the finished property prices falling first and then land prices falling? This has been something which has been going around for a long time that property prices have been rising along with the land prices. So how do you see things panning out?

**J.C. Sharma:** It is like this vision versus ground reality, normally, as far as our company is concerned we always try to convey consistently and are trying to achieve plus minus little bit here and there but we should be ensuring that when we are losing a land by way of sale of the product, we should be able to substitute it with a new land at the price where we can maintain a fair margin which should not be even the industry leasing margin in our real estate operations. With this background I personally believe that if the land prices start falling and that trend continues over a reasonable period of time somewhere looking at the balance sheet of so many developers end prices also may come down to spurt the demand but it will happen or not, you and me all of us, our own way of looking at things, ground realities remain different.

**Moderator:** Next question is from the line of Prem Kurana from Batlivala & Karani Securities. Please go ahead.

**Prem Kurana:** Sir just on our land acquisitions, we were looking at some land acquisition, NCR especially, in Noida and Ghaziabad, so given the fact that you yourself believe that NCR market is not doing well, we still go ahead with the land acquisition, are we still looking at these opportunities?

**J.C. Sharma:** We have not incurred any cost on Noida and Ghaziabad incrementally in the last two quarters and it is honestly speaking more on account of the issues from the other side than from our side sort of thing, our strong belief remains that in the NCR market where our presence is minimal, limited quantity and limited size of business we can do and sustain. As things stand today with the incremental interest or no interest in these regions remain limited and restricted till the outcome of my existing transaction is not clear.

**Prem Kurana:** We were also looking at some more markets like Hyderabad, have we made any progress in other markets where we are looking for land parcels?

**J.C. Sharma:** Of course we are getting some offers here and there but nothing concrete as such has materialised.



*Sobha Developers Limited*  
*August 8, 2013*

- Prem Kurana:** Sir, on your cash flow situation, in your remarks and your comments somewhere you said you would be doing capex of around 75-odd crore rupees during the year, and so I believe this does not take into consideration APMC projects. If you were to take that in to consideration, would our cash flow situation be somewhat different from what it appears now?
- J.C. Sharma:** What I have been telling including APMC, including St. Marks Road we should be limiting our expenditure on commercial aspects to the tune of 75 crores in this financial year. Out of that about 16 crores have already been expensed and about 60 crores or so will be planned and is targeted to be spent on all of these commercial assets.
- Prem Kurana:** This question was meant for FY2015, and so there APMC would be, the construction would be in full stream. So there you would be required to do 200-odd crore rupees because it is around 3 million square feet of area and if I am not mistaken you would be required to do around 3000 rupees a square feet and 5 years would require to do around 200 crores on an annual basis and you again have this St. Marks with you, there your capex would be in excess of 200-odd crore rupees and you are also looking at some land acquisition. So there again you would be required to put in some money, how do you see the cash flow situation in FY2015, FY2014 I understand, you would restrict your capex to around 75-odd crore rupees only.
- J.C. Sharma:** Prem, when we enter into FY2015 we will have enough opportunities to discuss that part also, every conversation every quarter consistently we have been conveying that we are conscious of our initiative towards the commercial real estate, the residential real estate and the contracting activity. We are also increasing our volume, values, cash flows, if you look at somewhere we have given a presentation where this trailing last 12 months cash flows today stand at around 2200 crores. If you look at the 600 crores of cash flows have been received purely from the core real estate and conflict operation. We are planning to sell more, we are planning to collect more, we are trying to manage our EBITDA margin, and so there are so many things which are likely to happen and within that environment we believe that even APMC-related cost also we should be able to manage within the parameters what we have been talking to all of you.
- V. Ganesh:** Just to add to what Sharmaji said if you go to slide 8 we have said that also we should be able to generate about 35 billion amount of cash flow from the existing projects over a period of time and if you look at as Sharmaji said slide 17 which talks about the 12 months cash flow received one year back, 15.9 billion has gone to 22.3 billion. So we see we are comfortable that we should be able to manage it, keeping debt:equity between 0.5 and 0.6 range and of course there are avenues. The structure is such that we can always get external funding for the commercial projects which is always open. The way it is structured is we can always get a private equity funding where there are a lot people interested today, even today, from a debt equity perspective it should not be worrying.



*Sobha Developers Limited*  
*August 8, 2013*

- Moderator:** Next question is from the line of Abhinav Sinha from CLSA, please go ahead.
- Abhinav Sinha:** Good evening sir. I have a couple of questions. First of all on the interest cost side while you were saying that you are probably getting fewer loan set even 10.5% but with the recent spike that we have seen and reaction of some banks increasing their short term rates as well, any impact that you have seen recently in the last one month?
- J.C. Sharma:** Not at all. We have not seen anything, but I will concede to your point principally that if the base rate of the banks with whom we are dealing with it goes up it does impact what we did was proactively approaching the banks with whom we have relationships and requested them to work on the reduction of the rate of interest plus somewhere we prepaid loans to some of the institutions which was high cost. So one thing which looks very clear is that the new loans which we are going to get will be lower than my current rate of interest. As far as the existing loans are concerned it all depends upon how the macro environment and the banks increase their base rate.
- Abhinav Sinha:** Any signs of mortgage rates going up that we have seen so far?
- J.C. Sharma:** No. As far as the mortgage rate is concerned we are participating in multiple exports and in my 12 years of this experience with real estate I have never seen this kind of a proactive pushing of home loans to the end buyers by almost all the banks. Take for instance, multinational banks, take for instance private sector banks, take for instance, the public sector banks, all of them are pushing, and so I do not foresee an immediate increase in the mortgage rates.
- Abhinav Sinha:** Sir just a related question with interest cost, with the commercial capex now starting do you see capitalisation of interest going back up again?
- J.C. Sharma:** I do not think that way. We are very, very aggressive in charging interest as early as possible keeping our land cost at competitive and stable sort of thing and within those parameters whatever interest is expensed it will be expensed upfront more than anything else.
- Abhinav Sinha:** So 85-90% pass-through will continue roughly?
- J.C. Sharma:** Let us see.
- Abhinav Sinha:** Couple of more questions. This is more on a follow-up on your Gurgaon project and sales mostly coming from Indraprastha in 1Q. Going forward we see that first the Gurgaon project has lost some steam, and secondly, I think there is only one last city-centric launch left now at Hale Road in 2Q. So where do you see these big-ticket launches coming up to make up for the 26 billion guidance or to keep up your ASP during the year?



*Sobha Developers Limited*  
*August 8, 2013*

**J.C. Sharma:** I think you have not seen this slide where we have given the details of the projects which are likely to be launched. We are only talking about three launches in this current quarter, about 0.92 million square feet. Thereafter also there are launches in Bangalore, there are launches in Calicut, there are launches in Kochi and there will be one launch in Gurgaon also which will get added over a period of time. So my sale does not depend upon these new launches or operations that we have been telling; it is like a factory like operation where we are able to sell directly to the end customers on a daily basis, on a weekly basis and on a monthly basis. Of course we also get impacted by the macro environment, and so we also have an inventory of about at the current level 2 years of stock which should be per se good enough to sustain the volumes and another 8 million square feet of the real estate projects, of course which includes some commercial assets also about 6 million will get added in the current financial year which should be good enough for us to sustain right the volume guidance what I have talked about, the value what we have talked about.

**Abhinav Sinha:** Actually sir, my point was that you typically like to sell over these in a span of time, say four years maybe you will sell Indraprastha, and so maybe it will not contribute going forward this year and correspondingly you will probably are you looking at ASPs coming down significantly because Bangalore was 70 to 100 this quarter?

**J.C. Sharma:** That was primarily contributed by all of you know the Indraprastha's performance but at the same time the average realisation will remain better even in the forthcoming quarter.

**Abhinav Sinha:** Last question which you may not choose to answer; this is the probably the ads that we have seen regarding the Sobha Project in the Middle East. Can you shed some light as to how much is the involvement of the balance sheet of promoters in this and any recourse to Sobha?

**J.C. Sharma:** As far as Sobha Developer is concerned it has got nothing to do directly or indirectly vis-à-vis the Dubai project is concerned and that status continues. We have always maintained that Dubai operations remain separated from Sobha Developers India and that policy continues till now, there has been no change.

**Abhinav Sinha:** How is the brand name shared, if you can remind us?

**J.C. Sharma:** It is a common brand name, the brand name has come from the Middle East. The first company which was formed in the group was Sobha Construction LLC in 1991. Sobha Developers was formed or incorporated in India in 1995 and the brand remains with the promoters. Sobha Developers does not pay anything for using this brand.



*Sobha Developers Limited*  
*August 8, 2013*

**Moderator:** We are going to take the next question from the line of Rakshit Ranjan from Ambit Capital. Please go ahead sir.

**Rakshit Ranjan:** Hello sir, just wanted to ask a question around execution. You are scaling up your execution quite clearly because if you look at your cash outflow, it has been going up. Now at the same time, are you facing any issues around labour, procurement of construction material like sand or any issues out of your control around execution?

**J.C. Sharma:** We have about 2,500-odd management staff around this time last year, and now it has gone up to 3,034 as on June 30, 2013. We have also given an increment of 12% to the management staff. As far as contract labour is concerned, their wages have gone up in excess of 15% and despite that, that is the tragedy or travesty of our Indian economy that you are not getting good-quality skilled construction worker in all the locations as and when you require which results in sometimes delay or impeding the cost because you plan your construction activity based on this labour inputs and if sufficient numbers do not turn up your overhead and other costs tend to go forward. Going forward I believe that the commodity prices which were stable despite continuous increase in the petrol and diesel prices where steel has been around 41000 or so, the cement has been around 230-240 per bag or so may increase and it may put some kind of pressure on the construction cost but we believe that reasonably we are well geared and being an execution company having worked almost in multiple cities, multiple locations these problems relating to availability of material we have been more or less been able to overcome this same related things. It may be premature but so far we are not seeing as such any problem, all other materials more or less available, labour availability will remain the key issue plus the quality of the labour as well.

**Rakshit Ranjan:** I just had another question on the macro environment for Bangalore, so the demand and supply gap in terms of number of units in Bangalore have you seen that increase more recently in terms of more supply being there and less of a demand catch up with the growth in supply or is it the other way round?

**J.C. Sharma:** There are multiple ways to interpret I think and in an environment like this we chose to interpret the way we want, that is what I find. Now in this backdrop what surprisingly we have noticed that despite IT sector's contribution quarter-on-quarter coming down with the sales funding of our project remain above 50% consistently, the NRI contribution remains around 25% consistently and more of the A-grade developers they have released more supplies. They have launched more number of projects and most of them have sold last year more than the preceding last year and this year also I believe I am talking purely from the Bangalore perspective collectively we should be doing better than what we have done last year and we will be also realising better selling prices. So there has been a generally secular demand from actual users as



*Sobha Developers Limited*  
*August 8, 2013*

far as this market is concerned which is protecting the volume as well as the margins that is my understanding of this market.

**Rakshit Ranjan:** In terms of the investor-led demand in Bangalore, do you see the proportion of investor-led buyers increasing for the city as a whole?

**J.C. Sharma:** No, because sometimes when we use this word because of a lack of ability to define the investor properly the investors as you understand in NCR market parlance versus investor what you look in Bangalore market even if there are investors, they are investors per se who may have a home but would like to own at the most one more home or who live abroad but for the parents and the family one would like to settle down in Bangalore in times to come. So these kind of people do buy but we have done research through our association where the buildings which we delivered maybe two years back, we find more than 90% occupancy. We find that above 65% of the people who live they are the first-time buyers and they are owners who live in those complexes and about the rest 30-35% of the guys they are the tenants. These are the investor community who maybe giving it on rental basis.

**Moderator:** Next question is from the line of Parikshit Kandpal from Karvy Stock Broking, please go ahead.

**Parikshit Kandpal:** Hi Sharmaji. Congratulations on a good set of numbers, following on this NRI stream when we compare with resident Indians and NRI are we seeing any higher growth from the NRI segment?

**J.C. Sharma:** We have seen clearly this trend as far as the Kerala and Chennai market is concerned but we are not seeing the similar trend as far as the Bangalore market is concerned. Sometimes I believe that maybe it will improve but probably this continuous and this kind of faster depreciation than the anticipation of rupee what you are witnessing, Parikshit, maybe allowing them to delay their decision but I believe there is a large untapped market of these buyers who can afford better homes everywhere in India and at some point of time at this prices they should be taking a favourable call.

**Parikshit Kandpal:** Somehow is not this a threat because and then if prices are increasing on an annual basis by 10%, domestic guys and affordability is increasing and because of the currency depreciation the benefit is being taken by NRI, so if the rupee reverses then you will see a marked slowdown in NRI volumes?

**J.C. Sharma:** You have to look at other way round, the guy who does not earn dollar income he constitutes 75% and he finds these prices reasonable and continues to buy vis-à-vis a guy who gets simple currency benefits and is not impacted because of the price increase due to rupee depreciation, for him, it is a golden opportunity.





*Sobha Developers Limited*  
*August 8, 2013*

**Parikshit Kandpal:** Right, I am saying when this rupee reverses will it hurt the volume is basically what I am asking?

**V. Ganesh:** If you look at our NRI it has been around 23, 24, 25%, so far it has not switched drastically, and so I do not think even if rupee appreciates which hopefully is good for the economy, I do not think the volumes for us would change significantly.

**J.C. Sharma:** May not impact.

**Parikshit Kandpal:** One last question sir, coming back to Bangalore, off late we have seen the other commercial developers who are primarily being in commercial business like Divyashree, Embassy Group and RMZ they are now venturing more aggressively into the Bangalore residential market and also within other competitor like Prestige and Prestige has leaned on a very aggressive launch program in the first quarter. They sold around 2 million. Even Prestige highlighted that they wanted to take the market. It is not growing so much, 15% on volume basis but they wanted to take some more market share from competition. How do we stack up in this entire competitive framework and what are we doing to protect our market share?

**J.C. Sharma:** That is what I have spoken when someone raised the same question that in Bangalore context in my view the volumes this year will be better than last year. At the same time I reiterate that the A-grade developers will do better than the rest. In our CREDAI Bangalore itself now we have close to 250 members, active members and when we find out from the commercial tax department this exceeds 500 numbers, and so my point of view remains that the weakest players with no access to bank credit or no credibility now, they are losing out to the branded players in which Sobha remains a pre-eminent player from consistent launches, consistent sale, cash flow point of view and that momentum should continue. We do not believe that our market share anybody is taking.

**Parikshit Kandpal:** Any of the projects do we have any promotional schemes as of now like 20:80 or some rebates?

**J.C. Sharma:** Neither 20:80 nor rebate and you will be positively surprised that till about last year sometimes 1%, 2% discount which we used to give to our Bangalore customers that has also been stopped from this year onwards and it has not yet impacted the volume at all.

**Parikshit Kandpal:** Sir in your Sobha Meritta I visited the site last month, next just to it Puravankara is coming with some project, will that be any threat to our project, we still have to sell a lot in that?

**J.C. Sharma:** No, we do not have to sell a lot in that. Hopefully the projects will get sold out faster than what you are anticipating sort of thing and as we say we are operating in Bangalore which just now we mentioned is the most competitive market as far as quality players are concerned. We give due



*Sobha Developers Limited*  
*August 8, 2013*

respect to all our competitor but our execution capability, our track record and the superior quality what we believe the customers are getting has ensured that yes we sustain and maintain what we have achieved so far, the market leadership part.

**Moderator:** Ladies and gentlemen, due to time constraints that was the last question. I would now like to hand over the floor back to Mr. Rakshit Ranjan for closing comments. Thank you.

**Rakshit Ranjan:** Thank you for all the participants on the call. I will now hand the call back to Mr. J.C. Sharma for any closing remarks. Over to you, sir.

**J.C. Sharma:** Thank you very much all of you for spending 90 minutes of your time with us. We hope that we will continue to have this kind of fruitful and productive interaction every quarter and going forward we hope that we will continue to perform as per your expectations.

**Moderator:** Thank you. On behalf of Ambit Capital that concludes this conference call. Thank you for joining us and you may now discontinue your lines.