

Transcript

Conference Call of SOBHA Developers Limited

Event Date / Time : 28th July 2010, 05:00 PM IST

Event Duration : 43 min 41 sec

Presentation Session

Moderator: Good evening ladies and gentlemen. I am Gopal, moderator for this conference. Welcome to the conference call of SOBHA Developers Limited. We have with us today Mr. J.C. Sharma, Managing Director, Mr. S. Baaskaran, CFO and Mr. Kishore Kayarat, Company Secretary of SOBHA Developers Limited. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone key pad. Please note this conference is recorded. I now would like to hand over the conference to Mr. Dhruv Sabharwal of Tata Securities. Please go ahead, sir.

Dhruv Sabharwal: Thanks Gopal. Good evening everyone. On behalf of Tata Securities, I welcome you all to SOBHA Developers Limited quarter 1 fiscal year 2011 results conference call. I would like to offer my sincere thanks to the management and the participants for sparing their valuable time for the call. Without much further ado I would like to hand over the call to the management to discuss the results. Over to you, sir.

J.C. Sharma: Good evening everybody. This is J.C. Sharma from SOBHA Developers, with my colleagues Mr. Baaskaran, Mr. Kishore Kayarat, Mr. Balamurugan and Mr. Ramesh Babu. We are once again happy to share with you our performance for the first quarter for the financial year 2010-11. Before we go into the financial year, I would like to express our sincere thanks to Tata Securities, Mr. Dhruv Sabharwal and Mr. R. Shri Shankar for hosting this call and for all of you for sparing your valuable time. For the first quarter, we have recorded a top line of Rs.319 crores, out of this Rs.226.5 crores has come from the real estate operations and Rs.89.1 crores has come from our construction and manufacturing activities and Rs.3.4 crores income has arrived through the partnership income, which is also primarily the real estate income. Top line income is significantly higher by about 88%, than what we have shown in the corresponding period of the last year. If

you look at the overall performance, total top line, it is about 78% higher, because in the preceding quarter there was some little bit extra increase in the construction income. The first quarter real estate operations contributed about 72% of the revenue and the balance 78% has come from our contracts and manufacturing division. We continue to enjoy about 35% and about 58% margin in both the segment. On a standalone basis, sequentially also this quarter, we have recorded an income of about 22% more than the preceding quarter. During this quarter we have sold 670.883 square feet, 670,883 square feet from all the regions we operate. And we are confident of selling 3 million square feet in this current financial year. The volume achieved during this quarter is up by 168% compared to the corresponding period of the last year and about 6% compared to the preceding quarter. The Bangalore market has contributed about 72% of the total sales. And the balance 28% has come from the other three regions. As on date, we have on the real estate about 9.09 million square feet of ongoing projects. Our share in that is about 7.77 million square feet. We have already sold 5.06 million square feet and we have about 2.7 million square feet of unsold inventory to be sold as on 30th of June, 2010. The average selling price in the quarter has been about Rs.3800 per square feet, due to an increased improvement in the product mix, in this space. Please note that in the last year, we realized about Rs.3000 per square feet. While our cost of the material, primarily steel and cement, continues to remain stable. We have noted, manpower was increased in the current quarter. This is due to an increase in the salary and wages as well as new recruitment which have taken place in the current quarter. Our manpower cost, if you look at it on year on year basis, has gone up by about 50% and on quarter on quarter basis, it has gone up by about 10%. During the first quarter, we have also monetized a small portion of land, billing about 5.8 crores. We are fairly confident that we should be achieving our target of monetizing land in extent of Rs.200 crores in the current financial year. And we hope to share this information in the current quarter. With results on the continued interest on the real estate market, we are going ahead with our new launches. We have already launched about seven projects in last eight months. We hope to launch another three projects of about 1.76 million square feet in this coming quarter. On contracting side, in the first quarter we have handed over four projects. We have about 4.45 million square feet on hand to be delivered over the period of next 1-1½ years. And we have bought about fresh committed orders of 6.75 million square feet on contracts; primarily these contracts have come from Infosys, where

currently we are executing all of their projects. From second quarter onwards, we should be recognizing higher revenue on contracts, than what we have recognized which was about 89 crores. As far as our cash flows are concerned, first quarter we have shown a positive cash flow of about (inaudible) and we feel that going forward; our cash flows can only improve. As far as money received from Purna Partners are concerned, in this quarter we have further identified projects worth 35 crores rupees. And currently, we have to identify further projects to the extent of about 66 crores. Our net financial exposure which currently is less than 1400 crores was bit higher at about 1411 crores as on 30th June 2011, primarily on account of that one time dividend payment of about 30 crores and certain investments we have made in the new projects, which we are going to launch in this coming financial year. As far as the repayment is concerned, we have 123 crores of repayment already done in the last quarter. We have sanctioned limit to the extent of about 291 crores at the end of the first quarter. And our further applications are getting processed to the extent of more than Rs.400 crores from the various financial institutions. The current carrying cost expense at 12.5% which was above 15% in the financial year 2007-08 and above 15% in 2008-09 and above 14% in 2009-10. We are reasonably confident that we should be achieving our target of 3 million square feet of new sales as well as we will achieve a target of crossing revenue on the contract side in excess of Rs.400 crores in this financial year besides monetizing the land in excess of Rs.200 crores. We also feel that external environment remains reasonably positive for the industry. We have already uploaded our presentation on the basis of this first quarter result, which you can see on our website whenever you have the time. We once again would like to thank all the participants and would now leave the floor for question, answers. Thank you.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone key pad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

The first question comes from, Mr. Abhinav Sinha from CLSA.

Abhinav Sinha:

Hi. Sir, my question is first on your new project sales. You have said you've sold some, launched some 1.88 million

square feet of new projects in last eight months, how much of this is sold?

J.C. Sharma: How much of this is sold?

Abhinav Sinha: Yeah.

J.C. Sharma: It will be very difficult at point of time, but to say that, out of the ongoing inventory of 9.09 million, 5.71 million is (inaudible), balance remains to be sold. About 2350 apartments have been sold in inventory and about 2000 and odd apartments need to be sold.

Abhinav Sinha: Okay, but just on a thumb rule basis, as you've seen Dew Flower sales as well as Garrison sales, is it at least 50% sold or not even that much?

J.C. Sharma: Garrison more than 50%. Dew Flower is 30%.

Abhinav Sinha: Okay, so out of this 1.8, around 1 million is sold?

Speaker: Before we conclude this call, we will come back to you, quickly we are doing that.

Abhinav Sinha: Okay, okay. And secondly on, you mentioned that you have invested certain amount in new projects, which led to higher debt, what exactly is in relation to?

Speaker: It's to the plan sanction charges, development fees, joint development fees, where I am going to launch the project, where I need to pay the money prior to the Government to get the plan approval and all those costs are included in that.

Abhinav Sinha: Okay, approximately how much is that amount, 5000 crores or something?

Speaker: No, no, about 40 crores.

Abhinav Sinha: About 40 crores. Any other expenses this quarter apart from that?

J.C. Sharma: No, no, we forgot to mention that in the current quarter we have taken a charge of 15 crores rupees as a provision (not sure) our transactions in NCR. But, for that purpose we would have been higher by 15 crores further.

Abhinav Sinha: Okay, okay, this is pre-launch expense.

J.C. Sharma: Yeah, yeah.

- Speaker:** And your question of how much has been sold on this launches, (inaudible) square feet, out of this 1.8 million square feet (inaudible).
- Abhinav Sinha:** Can you come again sir, your voice is breaking.
- Speaker:** 6 lakhs square feet we have sold.
- Abhinav Sinha:** Okay, 0.6 million.
- Speaker:** Yeah, 0.6 million we have sold.
- Abhinav Sinha:** Okay, okay, thanks.
- Moderator:** Next question comes from Mr. Srinivas Rao from HDFC Mutual Fund.
- Srinivas Rao:** Yeah, hello sir. Hello.
- J.C. Sharma:** Good evening sir.
- Srinivas Rao:** Yeah, good evening sir. Can you tell us the status of this Delhi project sir?
- J.C. Sharma:** The status of Delhi project is that, we hope to start the project before December 2010. We have got the environment clearance. And in the first phase we hope to launch about 50 acres of township and the first phase of group housing scheme. The developable area as far as township is concerned, will be of more than 3.5 million square feet. And in case of group housing, it will be more than 1½ million square feet.
- Srinivas Rao:** And what other approvals are pending sir?
- J.C. Sharma:** Nothing, nothing. We have to just go ahead and start the preliminary work and somewhere in the township, modifying the plans than what we had designed about 1½ years back.
- Srinivas Rao:** Okay, okay. And sir, on this land sale, in the quarter you sold about 5 crores worth land is it?
- J.C. Sharma:** Yes, Srinivasji.
- Srinivas Rao:** And sir on the cash flows, you gave this statement, amount outstanding from apartments sold, what will be that number?
- J.C. Sharma:** We have already given in our presentation, from sold and unsold after meeting all our construction costs, the positive

cash flow to be generated from this real estate projects should be about 1098 crores as it stands today.

Srinivas Rao: This will be over a period of 18-24 months?

J.C. Sharma: You are right sir.

Srinivas Rao: Okay. And what was the cash flow in the first project sir? Your voice was breaking at that time.

J.C. Sharma: 77 crores positive cash flow from operations, without considering interest.

Srinivas Rao: Okay. And what would be interest outflow sir?

J.C. Sharma: 46 crores.

Srinivas Rao: Okay, okay sir. Thank you.

Moderator: Next question comes from Mr. Adhidev Chattopadhyay from Edelweiss Securities.

Adhidev Chattopadhyay: Good evening sir. Could you give us the break up of your EBITDA margins across the real estate and the contracting businesses?

J.C. Sharma: Contracting business normally it is giving us more than 15% and real estate is giving more than 35% and more or less it is in alignment with that.

Adhidev Chattopadhyay: Okay. And my second question is, how much of fresh contracts did you mention you've received this quarter for your contracting business?

J.C. Sharma: Yeah, 6.75 million square feet.

Adhidev Chattopadhyay: And what would be the value of these contracts roughly?

J.C. Sharma: Roughly, both ongoing and this thing, new projects, will be about 833 crores.

Adhidev Chattopadhyay: Okay. And just to clarify, Infy has recently bought a 200 acre SEZ in Sarjapur, so does that also form part of this contracting order book or are you looking to get some contracts from there also?

J.C. Sharma: No, no, Sarjapur also is there.

Adhidev Chattopadhyay: Okay, okay, thank you.

J.C. Sharma: Thank you.

- Moderator:** Next question comes from Ms. Karishma Solanki from Antique Stock Broking.
- Karishma Solanki:** Sir, can you, the revenue that was recognized from Purna Partners last year was 124, so the remaining 100 crores, can we expect that to come the next quarter, some of it, the 35 crores?
- J.C. Sharma:** Yes, in this quarter something may come out of that.
- Karishma Solanki:** And the entire 100 crores will be recognized in FY 11?
- J.C. Sharma:** Yes, definitely yes.
- Karishma Solanki:** Okay. And sir, can you give us the value of this 0.67 million square feet of sales booked in 1Q and the corresponding value in 4Q?
- J.C. Sharma:** I think it is already there in the net, the region wise for this quarter, for the preceding quarter and for the last quarter, last year's quarter, it is there. Last preceding quarter it was 635,000 square feet, in the year on year basis it is first 250,000 square feet versus...
- Karishma Solanki:** No, sir the value, not the volume...in terms of value.
- J.C. Sharma:** Value as I said was about (inaudible).
- Karishma Solanki:** Hello?
- J.C. Sharma:** Value wise, this quarter it is about 3800 versus average realization of about Rs.3000 last year.
- Karishma Solanki:** Okay. And sir, you said in another next three quarters you would be launching about 1.7 million square feet or in the next quarter sir?
- J.C. Sharma:** No, only in this quarter. Only in this current quarter, in the current quarter.
- Karishma Solanki:** Sir, which projects are there, which locations will you be launching, Chennai?
- J.C. Sharma:** Some of them, I have given in my presentation itself, SOBHA Marigold is there. And already we have launched in Coimbatore SOBHA Turquoise Row house of about 200,000 square feet.
- Karishma Solanki:** Okay, alright thank you sir.

- J.C. Sharma:** Thank you.
- Moderator:** Next question comes from Mr. Saurabh Kumar from JP Morgan.
- Saurabh Kumar:** Hello sir.
- J.C. Sharma:** Good evening Saurabhji.
- Saurabh Kumar:** Good evening sir. Sir, on this 15 crores charge which you have taken, what exactly is that?
- J.C. Sharma:** It is certain taxes, this is IDC related charges on 139 acres of land, which we will not be developing, right, we have taken the charge.
- Saurabh Kumar:** So, it's basically you have marked down the value of the land?
- J.C. Sharma:** No, we have not marked down. We have not at all marked down. In totality, we are getting...
- Saurabh Kumar:** Why is this a loss charge? I am just trying to understand that.
- J.C. Sharma:** There were certain, when we had the whole Gurgaon projects on hand, including 39 acres and 32 acres as well as 149 acres of township, there were certain cost pertaining to EDC-IDC. Now, we are, fully they are paying and instead of doing joint development on group housing, we will be doing only a development in our banner as far as group housing is concerned, on 20 acres. So, when we relinquish our 39 acres rights, there were certain payments to be made to HUDA, Haryana Urban Development Authority, though they have not been made, but we have taken that liability in our, this quarter.
- Saurabh Kumar:** Okay, and that liability is 15 crores.
- J.C. Sharma:** Yes.
- Saurabh Kumar:** Okay fine sir, got it. And sir, I may have missed it, but you were saying that this year your contracting revenue will be excess of 400 crores?
- J.C. Sharma:** Yes sir.
- Saurabh Kumar:** And 1Q you have done 70 crores.
- J.C. Sharma:** 1Q, we have done 89 crores.

- Saurabh Kumar:** Okay, 89 crores, it's maybe an error, sorry sir. Okay, I am done.
- J.C. Sharma:** Not problem.
- Moderator:** Next question comes from Ms. Madhurima Nandhi from Mint News Paper.
- Madhurima Nandhi:** Hello Sharmaji.
- J.C. Sharma:** Hello Madhurima, how are you?
- Madhurima Nandhi:** I am good sir. Sir, I am sorry, but this 1098 crores that you mentioned sometime back in response to a question, is that the quotient of receivables right now, if I am not mistaken?
- J.C. Sharma:** Yes, that is the balance money which will accrue to us, once these projects get completed, sold out and as this construction cost get incurred on these projects.
- Madhurima Nandhi:** Over the next 18 to 24 months.
- J.C. Sharma:** You are right, ma'am.
- Madhurima Nandhi:** Sir, also typically receivables, we always calculate in terms of days. Would it be possible for you to kind of throw some light on, basically for how many days the receivables are on SOBHA's balance sheet at this point of time?
- J.C. Sharma:** Yes, we have already given it on the net. Our receivables have gone up in this quarter by about 30 crores. And primarily that is on account of the new sales which had taken place.
- Madhurima Nandhi:** Okay. In terms of days, we don't know?
- J.C. Sharma:** We can do it on the basis of the moving average sales.
- Madhurima Nandhi:** Okay, okay, sure. Thanks. Thanks sir.
- J.C. Sharma:** Thank you.
- Moderator:** Next question comes from Ms. Neetika Singhal from B&K Securities.
- Neetika Singhal:** Hello sir.
- J.C. Sharma:** Hello.

- Neetika Singhal:** My question pertains to the 0.6 million square feet of new launches which you said is sold, from out of the 1.8 million square feet of new launches. Sir, what is your average selling price for this 0.6 million square feet which you have sold?
- J.C. Sharma:** I've not done the break up of the new project and the old project. But, what we are saying is this, because of this improved product mix, whatever we have sold that is 671,000 square feet approximately, the sales realization is above Rs.3800 per square feet, which is about 30% higher than what it used to be in the last year.
- Neetika Singhal:** That means on the 0.6 million square feet sold out of the new launches, must be at a very, very high rate?
- J.C. Sharma:** No, there have been some new sales happening from the ongoing projects as well of the mid end to high end. Last year we were selling mostly homes that are of affordable in nature. Hillview apartments got sold out, Sunscape and others which had relatively speaking, lower realization.
- Neetika Singhal:** Okay, okay sir. Sir, my other question is with regards to the new project in the NCR which you are talking about. Sir, that NCR project; any idea of the launch price at which it would be launched?
- J.C. Sharma:** Yeah, we are planning by this year end.
- Neetika Singhal:** Sir, any idea of the price at which it would be launched.
- J.C. Sharma:** No, only at the time of launch, we will be deciding that.
- Neetika Singhal:** Sir, I am actually trying to understand, sorry for asking again this question, 15 crores charge which you say you have taken yet in this quarter, sir you have just relinquished your rights of developing the joint developers part.
- J.C. Sharma:** Yeah, yeah, over the phone it will be difficult to explain. But, primarily what we are trying to say is this, the group housing scheme was under joint development with the landlord. Now, the group housing, what we will be doing, it will be all on the lands purchased by us.
- Neetika Singhal:** So, you will be giving a bigger share of revenue, means revenue sharing will be in the form of...
- J.C. Sharma:** Then we don't have to build on behalf of the landlord, and whatever we will be building, we will be selling in our name.

- Neetika Singhal:** He will be earning for the land which he is providing, he will be getting some sort of cash as revenue sharing?
- J.C. Sharma:** As I said, it is very difficult that way to explain. You can give me a call; I'll be able to explain later the whole transaction.
- Neetika Singhal:** Thanks a lot sir.
- J.C. Sharma:** Thank you.
- Moderator:** Next question comes from Mr. Abhishek Ranganathan from MF Global.
- Abhishek Ranganathan:** Good evening sir.
- J.C. Sharma:** Good evening.
- Abhishek Ranganathan:** Sir, my question pertains to, one is our land sale target and also this particular transaction which we did for this quarter, this is pertaining to land in which particular location and which are the year mark passes of land for achieving the 200 crores revenue from land sales for this year?
- J.C. Sharma:** This is small monetization what we have done. This was sold in Bangalore. The property is in the Bangalore East. As far as what we are going to monetize, before this happens, we have a confidentiality clause, so we are sorry.
- Abhishek Ranganathan:** You are looking at, earlier you had mentioned as Coimbatore or what I am trying to understand is not a particular location, but city or something of that sort.
- J.C. Sharma:** We have that kind of a non-disclosure clause with the buyer when he is doing the due diligence.
- Abhishek Ranganathan:** Sir, and what would be the number of units you have as unsold inventory?
- J.C. Sharma:** Around 2200.
- Abhishek Ranganathan:** And out of which how many are Bangalore?
- J.C. Sharma:** Bangalore inventory will be how much? Unsold? I'll let you know. Bangalore, 943 units unsold.
- Abhishek Ranganathan:** 943 units unsold. Right sir. And one last question is that in the sense that our average realization has improved because of the improved product mix, but if we are to

compare at like to like, some ongoing project from the past, are we seeing any optic in realization from there?

J.C. Sharma:

I feel as such customers are accepting the prices which are currently there in the market. And at these prices, transactions are taking place and volumes are becoming better and better on a month on month basis.

Abhishek Ranganathan:

Right sir, but does that translate into, what I am trying to understand is does it translate into any kind of price increase apart from any statutory increase?

J.C. Sharma:

No, we have not increased the prices of any of our projects as far as we are concerned.

Abhishek Ranganathan:

Right. Thank you.

J.C. Sharma:

Thank you.

Moderator:

Next is a follow up question by Mr. Srinivas Rao HDFC Mutual Fund.

Srinivas Rao:

Sir, this is question is on Bangalore residential market, you are looking at selling about 2 million square feet. We hear 2-3 other developers also have a similar number, whereas our understanding is you are a tier leader, so can you tell us what is happening and what is your estimate on number of units or million square feet that is likely to be launched and sold?

J.C. Sharma:

By others?

Srinivas Rao:

No, no, for overall market?

J.C. Sharma:

For overall market. Srinivasji, you must reckon that in the year 2008 and 2009, hardly anyone launched any projects. So, from 2010, almost every developer now has started launching the projects. Now these projects will continue for next 2 to 3 years or maybe even more. I feel that the top ten developers, most of them, you are right, they are contemplating launches between about 600 to 1000 square feet to about 3 million square feet.

Srinivas Rao:

Okay. So, what do you think would be the market size, Bangalore, in terms of million square feet or units square residential per annum?

J.C. Sharma:

I think we are in a different orbit now in 2010-11 versus what historically we have seen in the last 2 to 3 years. Hopefully, if you take into account all the CREDAI members 140 or so and other small developers here and

there sort of a thing, about 40,000 plus units must be getting sold in Bangalore.

Srinivas Rao: Okay. And you said that different orbit, what is the reason sir? What is happening?

J.C. Sharma: I think basically the Bangalore market is being driven by this IT sector. And that hiring as well as the increase in salaries has been significantly better in this financial year.

Srinivas Rao: Okay, okay. Right sir. Also, are you looking at buying a land sir now?

J.C. Sharma: No, Srinivasji, we are not looking at buying the land.

Srinivas Rao: That's it, thank you and all the best.

J.C. Sharma: Thank you sir.

Moderator: Next question comes from Mr. Sameer Baisiwala from Morgan Stanley.

J.C. Sharma: Sameerji, good evening.

Sameer Baisiwala: Yes, good evening sir. Sir, any update on the large Kochi projects?

J.C. Sharma: Yes Sameerji we would like to work on from the next financial year onwards.

Sameer Baisiwala: Okay. And when you say work, is it launched or is it the background work?

J.C. Sharma: It's the background work, because here there is going to be some kind of a role of a master developer.

Sameer Baisiwala: Sure. Sir, I don't think we can hear you.

J.C. Sharma: Hello, hello.

Sameer Baisiwala: Yes, we can hear you now.

J.C. Sharma: Right.

Sameer Baisiwala: Sorry, I missed the answer you were saying about the master developer.

J.C. Sharma: Right, what I am trying to say, this in Cochin. Cochin, we hope to start the work from the next year. And since we would not like to develop everything, we would also like to do the role of a master developer cum developer.

- Sameer Baisiwala:** Okay, okay. And the other question is how comfortable are you with respect to achieving 50% net debt to equity by the end of this year?
- J.C. Sharma:** Reasonably confident, because we have a clarity on the land monetization now. And we also have a clarity of the receivables, where the sales have taken place on the contracting business also and the average realization as well sort of a thing. So, we feel that we should be able to achieve that 0.5 to 1 in this year.
- Sameer Baisiwala:** Okay. Sir, just thinking about your target to sell 3 million square feet in the current year, your opening unsold inventory from the ongoing projects was roughly 3.3 or 3.4 million square feet and plus your new launches, which are actually quite a few of them. So, how should we think about this 3 million and a) could you achieve more than this? And can you break this 3 million into ongoing projects versus the new launches?
- J.C. Sharma:** You are right. We have already done about 600,000 square feet of sales from the new launches kind of a thing. And going forward we feel that we would like to peg ourselves to the 3 million. We have not included the likely sales benefit from NCR launch in this 3 million figure. And we feel that going forward with new launches may contribute about 1 million to 1.5 million square feet and from the old projects the balance can be sold.
- Sameer Baisiwala:** Okay. And just one final question on the two very near term launches, one is Kondwa in Pune and the other is Marigold in Bangalore, any thing that you can share on the pricing front?
- J.C. Sharma:** Right. We have had one Hillview, where this new project is coming up in Bangalore and the existing Carnation is there. The new project will be of a smaller size apartment, but realization will be bit better than the existing projects what we had sold in the very recent past.
- Sameer Baisiwala:** Okay. So, versus the neighborhood projects of yours, you expect little bit better pricing over there?
- J.C. Sharma:** Yes sir. Yes.
- Sameer Baisiwala:** And for Kondwa expense versus sales?
- J.C. Sharma:** The same thing, the same thing. We hope about 10% more realization should happen from this Ivory project.

- Sameer Baisiwala:** Okay, perfect. Thank you so much.
- J.C. Sharma:** Thank you sir.
- Moderator:** Ladies and gentlemen, to ask a question, please press * and 1 on your telephone key pad.
- Next question comes from Mr. Samar Sarda from Anandrathi.
- Samar Sarda:** Good evening sir.
- J.C. Sharma:** Good evening Samarji.
- Samar Sarda:** Just a small question, in fact a clarification. You said you recognized roughly 35 crores from Purna Partners in this particular quarter.
- J.C. Sharma:** No, we said we have recognized rather not recognized the right word. We have finalized one project where 35 crores rupees of theirs will be invested.
- Samar Sarda:** Okay, so that will happen basically in second quarter?
- J.C. Sharma:** In this quarter, in this quarter.
- Samar Sarda:** Okay and the remaining 65 odd crores also would happen?
- J.C. Sharma:** In the current financial year.
- Samar Sarda:** In the current financial year. Yeah, that's it sir. Thanks.
- Moderator:** Next question comes from Mr. Jayesh Gandhi from Morgan Stanley.
- Jayesh Gandhi:** Good evening sir.
- J.C. Sharma:** Good evening, Jayesh bhai.
- Jayesh Gandhi:** Sir, couple of questions, one is that sir, assuming we do this monetization of land, would you be writing off the interest which we are capitalizing as well?
- J.C. Sharma:** Come again? Of course, of course, I got the point. Whenever, we are monetizing the land, whatever interest which has been capitalized on that, if that land is getting monetized or brought into the project, it comes with that interest cost.

- Jayesh Gandhi:** Okay. As the cost you will write up, but progressively would you be continuing the policy of capitalizing part of the interest cost?
- J.C. Sharma:** We have been trying with our auditors and with our tax consultants whether we can do something on this regard or not. They say that if you do it also, you will have a problem, because the money is not being spent on the projects. So, it has to be pre se done like this.
- Jayesh Gandhi:** No, the reason I asked is that while we are paying interest, we are also paying tax and I don't know if there is an opportunity for us to save tax?
- J.C. Sharma:** We are working on that. So far, we are getting into the 20% or so only. So, not unduly worry.
- Jayesh Gandhi:** Right. And my second question is regarding IFRS. What happens next year? How do we manage IFRS transition?
- J.C. Sharma:** We have already set up a team; already have appointed our statutory auditors in way to guide us and who have given us the roadmap for that. We feel that, yes, they have income recognition method. After this IFRS comes into the picture, definitely we will have an impact in the recognition of your income. But, since we do not have that kind of a commercial related income, probably we will not be impacted as much as what others might get. But, coming back to this basic question, we will also be required to share our new sales realization money, the margins and other things and we may have to file the income tax based on the Indian GAAP only. So, probably the investors and the market will be asking both the questions, what is the top line, bottom line as per the Indian GAAP and what will be and what was the top line, and bottom line as per the IFRS kind of a thing.
- Jayesh Gandhi:** Correct, correct, so next year sir, would there be a material difference between what we launch and sell, pre-sell and what we deliver?
- J.C. Sharma:** There may be, there may be some changes. There may be changes.
- Jayesh Gandhi:** Would the difference be more than 10%-20% or you think it will be higher?
- J.C. Sharma:** It all depends upon the project to project, at what stage you are in recognizing or not recognizing the revenue.
- Jayesh Gandhi:** Right, wonderful. Thank you sir.

- J.C. Sharma:** Thank you Jayesh bhai.
- Moderator:** Next question comes from Mr. Gaurav Pathak from ICICI Securities.
- Gaurav Pathak:** Yeah hi sir just one question. What is the stage of construction for your ongoing unsold inventory?
- J.C. Sharma:** Ongoing unsold inventory? Right, if you look at the projects what we had launched in last eight months, it is at the basic stage. Whereas, the projects which we had started in 2008 onwards kind of a thing, most of the projects have been completed more than 2/3rd.
- Gaurav Pathak:** Okay. Okay. So, given that only 0.6 has been sold from 1.88 million square feet, it's fair to assume close to around 20-25% completion for the overall unsold inventory?
- J.C. Sharma:** You are right. You are right, sir.
- Gaurav Pathak:** Okay. That's it. Thank you sir.
- J.C. Sharma:** Thank you.
- Moderator:** Next is a follow up question by Mr. Abhinav Sinha from CLSA.
- Abhinav Sinha:** Sir, my doubt is on the 15 crores charge that you have taken NCR, is this a P&L item?
- J.C. Sharma:** It is a P&L item that is why I am saying that.
- Abhinav Sinha:** So, your EBITDA will be actually higher by that amount.
- J.C. Sharma:** You are right, you are right.
- Abhinav Sinha:** Okay, because so basically the margin drop is explained there. Okay. And secondly, on this ongoing project that you gave in your presentations, which is currently 7.78 million square feet, this is the same as last quarter. So, have you not included Dew Flower launch in this or Garrison?
- J.C. Sharma:** No, we had included in the preceding quarters, those things.
- Abhinav Sinha:** Dew Flower was included in 4Q?
- J.C. Sharma:** 31st March, I think Dew Flower was included.

- Abhinav Sinha:** Okay, okay. Thanks, thanks. That's it.
- Moderator:** Ladies and gentlemen, to ask a question, please press * and 1 on your telephone key pad.
- Next question comes from Mr. Avi Mehta from IIFL.
- Avi Mehta:** Hello Sharmaji.
- J.C. Sharma:** Hello bhai.
- Avi Mehta:** Sir, one question. I just wanted to understand, you indicated something about the receivables having increased. I just missed that, if you could just run through. Receivables are actually decreased quarter on quarter, is it the loans and advances, I believe?
- J.C. Sharma:** No, no, receivables have increased. Receivables, on this current quarter whatever we have sold; there has been an increase of about 30 crores from what it was.
- Avi Mehta:** Sir, actually what is on the website is showing a different number, anyway. And sir the loans and advances have seen an increase of about 30 crores. Is that would be an addition, that is also a new project or is it something else which has been added? Is it some work?
- J.C. Sharma:** Yeah, yeah, this is the advances given for our, this NCR and other things, for launches, they may be there.
- Avi Mehta:** Okay sir that is not taken in inventories?
- J.C. Sharma:** Yeah, yeah.
- Avi Mehta:** Okay sir. That's pretty much it. Thank you very much.
- Moderator:** Ladies and gentlemen, to ask a question, please press * and 1 on your telephone key pad.
- Next question comes from Mr. Debasish Mohapatra from Business Standard.
- Debasish Mohapatra:** Hello.
- J.C. Sharma:** Yes, Mr. Debasish.
- Debasish Mohapatra:** Yeah, good evening sir.
- J.C. Sharma:** Good evening.

Debasish Mohapatra: Sir, just want to understand, how is your debt book as of now? What is your debt equity ratio as of now? And in the wake of rising commodity prices, will your operating margins will be under constraint in the next quarter?

J.C. Sharma: Debt equity is 0.81. As far as this rising commodity prices are concerned, normally up to August, September, during this monsoon time, the construction industry has certain benefits of lower commodity prices. Prices start going up there after. But, in this southern market, as far as cement related prices are concerned, in the recent past there has been lot of new capacities added. And we are reasonably confident that prices may not go up steeply. As far as steel prices are concerned, we feel that they also are going to remain more or less stable.

Debasish Mohapatra: Okay. Thanks a lot.

J.C. Sharma: Thank you.

Moderator: Next is a follow up question by Ms. Neetika Singhal from B&K Securities.

Neetika Singhal: Sir, hello again. Sir, just one question sir. I was just going through your balance sheet numbers which you have given. Sir in the current liability, I have just seen there is a dip from 560 crores, it has come down to 550 crores. Even then, some new projects have launched and sales have happened. Just wanted to understand, sir why is it? Because, all your customer advances goes into current liability

J.C. Sharma: Current liability also includes the payments to be made to the Sundry creditors.

Neetika Singhal: Debtors.

J.C. Sharma: So, with the improved cash flows, that liability is addressing.

Neetika Singhal: Okay, okay sir. Thanks a lot.

Moderator: Ladies and gentlemen, to ask a question, please press * and 1 on your telephone key pad.

Ladies and gentlemen, to ask a question, please press * and 1 on your telephone key pad.

There are no further questions. Now I hand over the floor to Mr. Dhruv Sabharwal for closing comments.

Dhruv Sabharwal:

Thank you Gopal. Let me take this opportunity to thank the management of SOBHA Developers Limited and also all the participants for participating in this call. Thank you everyone.

J.C. Sharma:

Thank you.

Moderator:

Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

- 1.This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.