"Sobha Limited Q2 FY-16 Earnings Conference Call"

November13, 2015

MANAGEMENT:	**MR. J C SHARMA – VICE CHAIRMAN & MANAGING DIRECTOR, SOBHA LIMITED** **MR. SUBHASH BHAT – CHIEF FINANCIAL OFFICER, SOBHA LIMITED** **MR. KISHORE KAYARAT – COMPANY SECRETARY, SOBHA LIMITED** **MR. BALAMURUGAN – HEAD - INVESTOR RELATIONS, SOBHA LIMITED**
MODERATOR:	**MR. MOHIT AGRAWAL – INVESTMENT ANALYST, IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Sobha Limited Q2 FY16 Earnings Conference Call hosted by IIFL Capital. As a reminder all participants' lines will be in listen-only mode and there will be an opportunity for you ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing '*' then '0' on the Touchtone phone. Please note that this conference isbeing recorded. I would now like to hand the conference over to Mr. Mohit Agrawal. Thank you and over to you, sir.

Mohit Agrawal: On behalf of IIFL, I welcome you all to the conference call of Sobha Limited. Today from the management we have with us Mr. J C Sharma – Vice Chairman & Managing Director; Mr. Subhash Bhat – CFO of the company; Mr. Kishore Kayarat – Company Secretary; and Mr. Balamurugan – from the Investor Relations.

Mr. Sharma will be joining us in a couple of minutes. In the meantime, I request the management to start their opening comments. Over to you, sir.

Subhash Bhat: It gives me immense pleasure to communicate with you via this con-call hosted by India Infoline post our declarations of Q2 results. Let me start with the market outlook. The announcement of our results was preceded by government announcement of the liberalization in the FDI norms for the construction sector. This for the second time in less than a year that FDI norms have been relaxed. This recent government initiative comes close on the ease of downward revision in the REPO rates by RBI. With these measures, the government has given a flip to the demand revival in real estate sector and we hope to see it materializing soon.

While we are optimistic about witnessing the trend, reversal in the coming quarters, the first half of the Fiscal FY16 continued to be a difficult one, for the sector.

Coming to our operational performance. Bearing in mind the tough environment in which we are operating our operational performance for Q2 was satisfactory. As intimated earlier we had sold 0.85 million square feet of new area valued at Rs. 5.33 billion, out of which Sobha's share of sales value is at Rs. 4.95 billion. Our major market Bangalore continues to contribute a significant portion of our overall sales volume and followed by Chennai and other locations.

Coming to the inventory. At close of Q2 FY16 our unsold inventory on completed projects is only 0.23 million square feet, out of which 0.12 million square feet of inventory comprises of plotted development. The unsold inventory on projects nearing completion is only 73,560 square feet which is about 4% of the total saleable area for these projects.

The company is of the view that its unsold inventory levels are adequate and its unsold inventory especially in Bangalore is not high compared to the projects under execution.

Considering the relative lower level of our unsold inventory, we believe that the concerns raised about the same by various people are not reflective of the ground reality.

Let me come to the financial performance now. The financial performance of the company during Q2 FY16 has been mixed. On the positive front there has been improvement in the revenue from contractual and manufacturing operations and despite a higher proportion of contractual and manufacturing operations the overall margins have been sustained. The cash flow positon has improved with the company generating net operational cash flow of Rs. 1.43 billion. The debt levels has stabilized and the debt-equity ratio stood at 0.83% as of September 30, 2015. The cost of debt has declined from 12.5% in Q1 FY16 to 12.14% in Q2 FY16.

However measures across the board broad parameters. There have been a marginal decline in the financial performance of Q2 as compared to Q1 of FY16. The primary reason for the same is slower sales in projects, which have reached the revenue completion threshold. This dip in financial performance will get corrected in the coming quarters as revenue from Sobha Dream Acres project will cross the revenue recognition threshold and contribute to the topline and the bottom-line of the company.

Coming to the JD project that we announced in the operational update at NCR. The existing residential project of the company namely Sobha International City project in NCR is a secured and a low-density villas community. The company presently has limited range of products in NCR region comprising of villa and lower house development and does not have products in the lesser ticket size in form of apartment. Company has entered in to a joint development agreement with the existing JD partners of NCR projects for development of 39.37 acres in NCR on a revenue sharing basis under the group housing schemes.

The company is proposing to launch group housing project in the month of November 2015 with a total saleable area of 3.21 million square feet. The project will be one of the largest ever group housing development. The proposed development is located in close proximity to the Indira Gandhi International Airport, Delhi and Dwarka Expressway. And it is also adjacent to the existing villa row house project of the company which is currently under development.

The project will offer apartments of 2-BHK and 3-BHK in the range of 1,400 to 2,400 square feet. The company is confident that the project will be well received.

Coming to the cash flow. During second quarter of FY15-16 the company has collected Rs. 6.12 billion and spent Rs. 4.69 billion in operations resulting in a surplus cash flow of Rs. 1.43 million. The company has utilized Rs. 856 million towards servicing of interest and taxes; Rs. 429 million towards advance and refundable deposits for land general and commercial CAPEX resulting in a surplus cash flow of Rs. 136 million. However, the company also utilized Rs. 826 million for dividend payout resulting in an overall excess cash withdrawal to the tune of Rs. 690 million that is Rs. 69 crores during the quarter.

Coming to the debt. In order to retire certain high cost we issued NCDs to the extent of Rs. 200 crores. It will be used for operations. Our repayment commitment during next two quarters will be approximately Rs. 277 crores. We are also hopeful that the benefits of the rate cut by RBI it will be passed on to the fullest extent to the company availing construction finance.

Coming to the debt the loans repayment made during second quarter was Rs. 3.49 billion. The net debt as of 30 September 2015 is at Rs. 20.97 billion. The debt-equity ratio stands at 0.83 and the current cost of debt is 12.14%.

Two of the financial highlights for Q2 financial year 15-16 we would like to share the following key highlights of the company's financial performance for the second quarter.

Consolidate revenue of Rs. 4.56 billion as compared to Rs. 6.77 billion during the corresponding period last year and Rs. 4.63 billion during Q1 of FY16. It has declined by 33% year-on-year and 1% on sequential basis. Income from our real estate operations stand by Rs. 2.85 billion versus Rs. 4.75 billion for Q2 of FY15 and Rs. 3.5 billion during Q1 FY16 stood on 40% year-on-year and 18% on sequential basis.

Contractual and manufacturing revenue for Q2 however stood at Rs. 1.67 billion as compared to Rs. 1.97 billion during Q2 of FY15 and Rs. 1.12 billion during Q1 of FY16. It is a drop of 15% year-on-year however a growth of 49% on a sequential basis.

The real estate operations contributed about 62% while the manufacturing and contract operations contributed 37% and the remaining 1% came from other income. The EBITDA for second quarter stood at Rs. 1.21 billion against Rs. 1.73 billion during Q2 and Rs. 1.31 billion during Q1 of FY16. This is a decline of 30% year-on-year and a 7% on sequential basis. The EBITDA margin for the quarter was 26.5%.

The profit before tax for Q2 FY16 stood at Rs. 621 million as against Rs. 949 million for the corresponding period of the last year and Rs. 722 million during Q1 FY16. It is down 35% year-on-year and 14% on sequential basis.

The profit after tax after adjusting for minority interest for Q2 of FY16 stood at Rs. 401 million against Rs. 594 million for the corresponding period last year and Rs. 450 million during Q1 of FY16. It is down 33% year-on-year and 11% on sequential basis.

Coming to our contracts business. With respect to our contracts business we have ongoing projects measuring 9.09 million square feet to be delivered over a period of next two years. During Q2 of FY16 the revenue from our contractual vertical has shown a growth of 49% as compared to the previous sequential quarter of Q1 FY16 and our contract pipeline remains strong with an order book of Rs. 740 crores to be executed over next two years.

We expect a steady stream of revenue from the contractual activity in the coming quarter. During the first half we have completed and handed over four real estate projects of 1.74 million square feet and 7 contractual projects of 2.37 million square feet during H1 of FY15-16 measuring a total developed area of 4.11 million square feet.

As of date we have delivered 375 projects totaling to about 74.64 million square feet in a span of 20 years. We are grateful to all stakeholders who are with the company in making this a reality.

We thank you for your participation and request participants to put forth questions. I would like to introduce Mr. J. C. Sharma who has just joined the call.

J C Sharma: Good evening everyone and Happy Diwali and New Year.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.

Puneet Jain: Sir, I have got a couple of questions. My first question is especially with respect to cash flows. So there has been some improvement in cash flow on a quarter-on-quarter basis, but that improvement is not getting reflected in the reported financials. So could you throw some light as to why this is happening between reported P&L and some improvement in cash flow?

Subhash Bhat: Puneet, the reason for this is that we have said in our operational update also, the sales are happening in projects, which have not reached to the revenue threshold. So we have seen some amount of slowdown in the projects which are already crossed the revenue threshold. So we should see improvement in the P&L and all this cash flow translating into the revenue in Q3 and Q4 of this year.

Puneet Jain: So does it mean that Sobha City will receipt the revenue recognition in Q3 or Q4?

J C Sharma: Dream Acre, Sobha City is already into revenue.

Puneet Jain: Yes sir Sobha Dream Acre, yes.

Subhash Bhat: Yeah Dream Acre should get by we are expecting by December of 2015. so certainly between Q3 and Q4 it should hit the revenue recognition.

Puneet Jain: Okay and my second question is with respect to festive demand. If some idea can be obtained as to how have the festive season behaved this time, that will be very helpful?

J C Sharma: The demand in this festival season has also been bit subdued only. It is not on the expected lines. That much we can say.

Puneet Jain: And any change with respect to quarter-on-quarter and what does it mean for your launches planned because your launches also have not changed for the last two quarters, if I will compare Q1 to Q2 presentation, the upcoming projects have remained more or less similar?

J C Sharma: You are right. We plan to launch this NCR Delhi Project in this month itself. It should be launched any moment, any time kind of thing so that should happen. As far as, the Cochin launch is concerned, another large one we have got all the approvals, the Coastal Zone Management Authority CZMA they have to communicate their approval, which they have done to the Planning Authority, for us to start the launch work. So, Cochin also should happen. In Bangalore also the Kogilu project more or less it is approved once the approval is received in our hand, we will plan to launch. So these are the three major projects we hope that in this financial year we should be able to launch. Since Winchester has already been launched in Chennai, the Sholinganallur project is deferred to the next year.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyayfrom Elara Capital. Please go ahead.

Adhidev C: Just to start off see your contracting revenue is how much you are expecting as a ballpark this year are expected to be same as last year or you expect it to be a little lower?

J C Sharma: We do expect that the second half will be better than the first half, but we will not be able to do what we achieved at Rs. 800 crores plus, constructing and manufacturing revenue in the last year, that may not be achieved.

Adhidev C: So sir like at 10% lower or 20% lower or like it will be just touch and go thing like any?

J C Sharma: It is too early to communicate.

Adhidev C: But is this contingent on any large project starting or it is just an ongoing project?

J C Sharma: No, it is not contingent on any large project starting. The visibility is there but from this visibility whatever revenue we can recognize we find that we may not be able to reach at the numbers what we have had in the last financial year of that Rs. 800 crores.

Subhash Bhat: Yeah and it is dependent on milestone delivery. So the milestone delivery is not only in Sobha's hand it goes along with the project teams and the site or from the clients side also.

Adhidev C: And sir, from your real estate like based on whatever is still to be recognized, so far, so how much minimum do you expect to be coming in or assuming no further sales in this project from whatever is due for recognition in second half?

J C Sharma: About Rs. 395 crores.

Adhidev C: That is Rs. 395 crores?

Subhash Bhat: Rs. 395 crores, about Rs. 400 crores. Rs. 400 crores assuming nothing else is sold.

Adhidev C: Okay this is including, sir Dream Acres two phases will come into revenue recognition?

J C Sharma: Yes.

Adhidev C: Okay and secondly, a question on the debt levels, now where do you see this ending up for the full year now?

J C Sharma: We believe that the debt levels have stabilized now, so there is a possibility from now onwards of the debt levels to start coming down. The last quarter cash flow reflects, that this dividend of Rs. 83 crores onetime payment in one quarter like we had the debt going up by about Rs. 70 crores. So this trend should continue and from now, onwards the debt should start showing a declining trend. Of course, we need much better cash flows and more numbers of new unit sales, to show significant improvement. But our belief is whatever is required to be done we will try to see that our debt equity levels of the 0.6 we achieve by the end of the next financial year.

Adhidev C: And just finally, on our Sarjapur Road property, Hoddasiddhapura,so when are we expecting launch for this project?

J C Sharma: It may take another two quarters at least.

Adhidev C: So only in FY17 this would come up.

J C Sharma: Beginning of FY17 you are right.

Adhidev C: Okay and anything on any further development on Chennai thatSholinganallur?

J C Sharma: Yeah, already I have said Winchester we have launched we will be also launching this in the next year only.

Adhidev C: Okay and similar with Cochin next year only know 17?

J C Sharma: Next year, no, this financial year Cochin will be launched.

Moderator: Thank you. The next question is from the line of Sandipan Pal from MotilalOswal Securities. Please go ahead.

Sandipan Pal: Sir, my first question is regarding your Gurgaon launch. So two related question is how confident are you to get a good response given the market is weak? And second, is that with this launch and now you are saying that Cochin might also get launched in this financial year. So is our guidance of Rs. 2,600 crores more or less seems to be achievable now, despite 1H run rate being subnormal?

J C Sharma: See we keep our fingers crossed andwe are getting good feedback like we are getting in the Dream Acres series. It is a product, which will complement our existing project. We remain one of the very, very few developers who have completed our Villa projects phase wise, the way we have committed to our customers which is a rarity in the NCR market, people have started taking suggestions and the feedback is positive.

At the same time we are not hiding the fact that NCR market is still, are not yet fully out of the woods, say an except some new launches, which have shown good results, otherwise the normal sales are still subdued. But this location is good, the price point we hope to keep it competitive and the way the amenities are also being provided, we are confident that there has to be a significant improvement in our numbers from this quarters as far as NCR is concerned.

Sandipan Pal: Sure, and any comment on the guidance part?

J C Sharma: The guidance part as we said at the time of our operational update, we remain cautiously optimistic because while we worked hard to fulfil the projects get launched and all out efforts are being made, but despite interest reduction despite a right economic per se showing some reflection on the motor cycle sales or in four wheeler sales, that kind of optimism is not seen in the real estate across India now. So we have to keep our fingers crossed that is I will repeat and reiterate.

Sandeepan Pal: Okay and the second question is regarding your cost estimate. I think you have footnotes to account I mean mentioned that there has been some revision in cost. So is it still the kind of impact of input cost rising or more or less kind of budget mismatch or do you I mean see going forward also cost escalation will remain and over in?

J C Sharma: It is not as such to be worried. Generally, costs are stable as far as new projects are concerned. We have delivered 1.70 million square feet in the last quarter. So when we do this final costing of the projects which are getting completed, there is some small cost overrun here and there. So once it gets reviewed it gets reflected. But in the overall scenario this kind of a cost increase or no increase will be within the tolerance limit of not more than 1% or less than 1% even.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: First of all can you give some color on what kind of construction spend you are targeting in the quarters ahead given that the new launches are coming in?

J C Sharma: See construction spend per se it will remain as budgeted. The new launches because the timing is sometimes uncertain as and when the new launches take place somewhere the approval related cost goes up.Thereafter at the initial expenditures on the new sites is very low for the first couple of quarters. So, we do not foresee huge change in our construction outflow than what so far we have been showing in the last two quarters.

Puneet Gulati: So around Rs. 270 crores, Rs. 280 crores quarterly outflows is what one can safely assume?

J C Sharma: Yes roughly. It should go up slightly with the Dream Acres work starting off, but not very much.

Puneet Gulati: Okay what kind of construction cost are you able to target now in Dream Acres?

J C Sharma: Our normal construction cost of a multistory/ high rise building of about 20 story is about Rs. 3,250 rupees also are targeting that the Dream Acres what we will be doing should have a saving of minimum 15% or even more.

Puneet Gulati: And the mivantechnologyhas now commissioned here?

J C Sharma: 100% it is not mivanit is a pre-cast where the wall, the slab the staircases and all the elements will be precast at the factory and then will be taken to the site and installed. All of you are welcome to see the work in progress. It is now producing the slabs so you can visit it and have a look at it.

Puneet Gulati: And factory is at site only?

J C Sharma: Yeah at the site.

Puneet Gulati: And lastly, you have given that the residential market has remained weak and the commercial has been picking up, any thoughts of entering the commercial leasing business?

J C Sharma: Not, not immediately. The APMC project as we have been showing for last two years this is the only project where we hope that somewhere Sobha will be entering in a big way, otherwise it will take time for us to get into the commercial leasing segment.

Puneet Gulati: But your share of sale is just about a 1lakh square feet, is it not?

J C Sharma: You were mentioning this St Marks Road?

Puneet Gulati: Yeah St Marks Road.

J C Sharma: I am telling APMC. Yes, St Marks it is 200,000 square feet saleable area, our share is 100,000 you are right, APMC is 2 million.

Puneet Gulati: So what is the status on APMC?

J C Sharma: Status on APMC again the government authorities they have to give a khata in their name and that they have not been able to do it for last two to three quarters.

Puneet Gulati: So in terms of construction progress there?

J C Sharma: No, until and unless they do not give the khata, we cannot apply for the plan sanction.

Moderator: Thank you. The next question is from the line of Abhishek Gupta from Bank of America. Please go ahead.

Abhishek Gupta: Mr. Sharma, the first question is how much of this 1.93 million which is your share in Gurgaon are you planning to launch in November?

JCSharma: It will be done in the first phase if I remember it correctly, there will be four or five towers, which will be selling. Idea is to sell this 2-bedroom, 3-bedroom apartment of all the sizes starting from 1350 onwards up to 2400sft. It is on the one secluded place where this project can be launched is started and handed over without any problem.

Subhash Bhat: And this is a revenue share it is so we will be selling the entire….

J C Sharma: The difference between the International City and this project is where the International City's area sharing this project of 40 acre is revenue sharing.

Abhishek Gupta: Okay and it is ongoing I mean as you keep selling or is it front-ended, back-ended?

J C Sharma: Yes.

Abhishek Gupta: And how far it is from the villa project?

J C Sharma: Across the road.

Abhishek Gupta: Oh, it is across the road, okay. So it sits right there. And basically I am trying to get a sense that if you do come up which we are all hopeful of a successful launch, assuming that you do a 0.4 million square feet. I am just trying to understand what kind of cash flows can you generate given that you are talking about your 2 bedroom is about a Rs. 1 crore and your 3 bedroom should be Rs. 1.75 crores?

J C Sharma: You have done a beautiful arithmetic. See in this quarter because November already, half the month is gone, so there will be only booking money. The cash flows will start coming from the next quarter onwards only. But because of its superior location and the complementary nature of the product and our having started delivering the first phase of this villa project to the customers we do hope that this project will show better performance, accessibility wise also it is better than our International city, because it is access from 75 meter road and the two sides is Delhi boundary, front is International city and the fourth one is the panchayat land. So in future also we do not foresee any projects coming up in the near vicinity to compete with this project.

Abhishek Gupta: Which new project should hit revenue recognition in the next two quarters other than Dream Acres?

Management: Sobha Elan, Coimbatore also.

Abhishek Gupta: Okay and have we taken any price increase in Dream Acres since launch?

J C Sharma: Very minimal not as such.

Abhishek Gupta: So Mr. Sharma, we launched it in February right and we are sitting in November so we are minimal. So this year the remaining years launch is Gurgaon, Cochin and that small project in Bangalore, anything else?

JCSharma: No, these are the three major projects we hope to launch. There may be one plotted development in Mysore that can be launched.

Abhishek Gupta: The Jettihundi only, okay.

J C Sharma: That also will be launched.

Abhishek Gupta: And sir, the EBITDA going down this year would be again the mix between revenue from real estate being a little softer compared to the contracts, which is the reason or anything else?

J C Sharma: EBITDA is still okay, the contractsalso are contributing reasonably well. We are not worried about the EBITDA as much as worried about the operational performance of improving the numbers in this environment.

Abhishek Gupta: So that everybody is struggling but we will wait for one more quarter.

Moderator: Thank you. The next question is from the line of Saurabh Kumar from JP Morgan.

Saurabh Kumar: Hi sir, my question is on your debt. So our debts since 2014 has gone up from roughly about Rs. 1,200 crores to Rs. 2,100 crores now. And our EBITDA has not changed in fact not changed across any of the quarters since that. So just wondering would you at least look to sell some of this excess land you have acquired over last two years maybe sell some land as part of your portfolio just to get your credit matrix basically improved, your net debt to EBITDA right now is something like 4.3x. So I was just wondering this is not a very comfortable situation right now so?

J C Sharma: As far as operationally debt-to-EBITDAyou talked about they are there for you and me to understand and appreciate. As far as the land monetization is concerned, there may be some opportunities not because of our initiatives but because of the third party initiative, which may happen actually we are keeping our fingers crossed. If that happens that means some monetization may happen.

Saurabh Kumar: But on your own you are not looking to sell any asset right?

J C Sharma: Not aggressively.

Saurabh Kumar: And your guidance of moving towards this 0.6x net debt-to-equity by 2017, will imply at least Rs. 400 crores reduction from current levels.

J C Sharma: You are right.

Saurabh Kumar: So that is what you expect to generate in FCF over next one and a half years, will that be right?

J C Sharma: See we believe that whatever projects we are talking about once they come for revenue recognition the Dream Acres will continue to keep giving every year for next 6, 7, 8 years good cash flow because the land cost is at a lower price, margins are relatively better, costs are relatively low. So the launches in Delhi, the launches in Cochin, the launches in Bangalore one large project in Sarjapur Road also should happen in the first quarter next year. All these things should help us say from now onwards, because most of our investments have been done. So henceforth, the reduction on the debt and overall improvement in the balance sheet networth both these things should help us to bring it down to the level we have envisage for ourselves.

Saurabh Kumar: Okay and one more question on your launches also. You had this Cochin and Gurgaon launchplanned for this year, so Cochin anyway is high value and Gurgaon especially the NCR market is not doing that great at least that is what we understand. So just in that context as your Bangalore sales remain where they are, you will probably end up with something like Rs. 1900 crores, Rs. 2,000 crores of pre-sales for this year. So I am just wondering what gives you that extra confidence that you can raise Rs. 600 crores of sales from these two projects?

J C Sharma: Let us wait and we are also acknowledging as everybody knows that yes, the current operational performance has been subdued in alignment is in line with whatever we people are aware of. But both these projects are unique in nature and some where the feedback as far as NCR product is concerned remains quite positive, the location advantage and that I keep repeating the product complementing kind of an advantage should help us. Theaccessibility has become much better and to the people to whom are we selling they are not primarily investors. So the cash flows from the existing projects also have been relatively good. So our experience even except that the market it is inhas not been that bad. How far it will bring the required numbers we will wait for the two quarters and we will be there again to talk about.

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

Sameer Baisiwala: Sir, on contractual business what you have is I think about 9 million square feet and above. What is the total revenue potential of this?

J C Sharma: About Rs. 750 crores unbilled.

Sameer Baisiwala: Yeah unbilled that is right. So you said Rs. 1250 crores?

J C Sharma: Rs. 740 crores. So Rs. 7.4 billion unbilled revenue on this project ongoing contracts.

Sameer Baisiwala: Okay and I guess whatever is billed has already been realized right because?

Management: Yeah that part of the P&L.

J C Sharma: Yes, even except may be the last month billing will be pending.

Sameer Baisiwala: Okay so this probably is going to be good enough only for one year in a way to say because that is what we are doing Rs. 700 crores to 800 crores every year now?

J C Sharma: You are right. In this we do not include the retail component. Say for example our interior dividend it has about likely to do about say Rs. 100 crores this year. So in that but we have included will be about Rs. 15 crores to Rs. 20crore of unbilled revenue of a large client. Rest goes to the retail. So that logic applies in so many other smaller sized projects. Here what we are taking is as11 project sites and where we will be there for at least two to three quarters to complete the project.

Sameer Baisiwala: Okay but I am not quite sure sir whether I have fully understood this. But if you say that this is going to take I think you said in your remarks that about 2 years to get fully delivered and if the potential is what you just mentioned, then are we looking at structurally declining contractual business even for next two years from this year?

J C Sharma: No, let me put it that way. What I said was the retail sales is not included, (a).and(b) like say for example if you are getting an order it comes first with the civil work. Then the finished order is given so it is not included. Then the metal work and glazing work comes, it is not included. So what visibility we talk about we started in Nagpur. Say for example it will be a small civil work of Rs 10 crore the project size is 700,000 square feet there. So as far as the visibility is concerned, we do not foresee any problem but whatever order we get from the client at that point of time even for the excavationworks will get included in the order book and billed at par as on 30 of September 2015. Am I clear?

Sameer Baisiwala: I think that is a lot better. So if I were to include these three component retail, civil and glazing which is not part of this, then I mean ballpark where does that number go, does it double from Rs. 7.4 billion or does it go 30, 40% up?

J C Sharma: It is also a good point. Normally the structure brings you about Rs. 1000 the electrical plumbing finishes it will be another Rs. 500 your glazing works and interior works if at all we have been given that also will bring another Rs. 300 to Rs. 400.

Sameer Baisiwala: Okay and when you say 7.4 you are referring only to the structural work, which is Rs. 1000?

J C Sharma: No what we have in hand. 7.4 is the balance work to be executed as on date combined value of the unbilled revenue.

Sameer Baisiwala: No sorry just one more. Also on Dream Acres, Sharmaji is it possible to share how much is presently the unsold inventory that you have over there, and when would you be launching the next phases?

J C Sharma: We have divided the Dream Acres in 5 phases. In the first phase, we have about 2,000 units of 2 million square feet. We have already done more than 50% of that.

Sameer Baisiwala: Okay and so therefore how long do you think will you take to fully exhaust this?

J C Sharma: It depends upon the pace. We believe that the way so far the performance has been there, if it sustains in next five to six years' time the sales will happen and the execution may take six to seven years.

Moderator: Thank you. The next question is from the line of Anand Krishna from Infina Finance. Please go ahead.

Anand Krishna: Sir, I just wanted to understand from you; your reading of this new FDI norms and whether you are actually planning to take up any of those liberalized policy for your benefit in the near future?

J C Sharma: See as far as we are concerned, we are not right now thinking because we have enough of projects. If you look at our Page #10 of presentation, I think where we talk about 42 million square feet of developable area, 28 million square feet of saleable area, and 25 million square feet ongoing projects under development where 10 million square feet has been sold and 15 million square feet remains to be sold. I mean that we are going to add Delhi, we are going to add Cochin, and we are going to add Bangalore one small project and one another large project on 25 acres and not all these lands will require any capital from the PE.So we are not looking for right now. However, as far as our opinion is concerned, we are aware of the problem this industry has been facing. Primarily, this is where most of the developers have taken loan at a higher rate of interest, primarily where the PE guys they have not been able to get the exit because some infrastructure has not happened despite three years have passedand they have not got an exit because they did not understand the real estate market the way they presumed. Now here is an opportunity of cleaning it up. Who will take how much kind of haircut we do not know, but at least viable projects will get funded, those projects will get completed, the people who have invested they will get delivery of the projects and since we believe that these will come with an equity tint. So far it has been the NBFC funding or private equity with the structured finance (+20%) kind of a return, which they are not getting if it gets converted into equity I believe it is win-win.

From other way of looking into the prices have remained stable and they cannot come down. Economy is likely to do well, interest rates can only come down so I personally believe that this will bring that kind of a strategic liquidity push which should help the sector as a whole and which is a good sign.

Anand Krishna: Okay and you think that the commercial space will be more impacted by this or basically be more benefited by this or how is it?

J C Sharma: See in case of commercial space, what a little bit we have seen, there is a difference. In case of residential space they come at upfront.You have the land, they come under construction level. In case of the commercial space most of the transactions if you look at from Blackstone to all of the guys, they have capitalized on completed projects where they have replaced LRD and because they have been able to replace the LRD, despite not getting the public equity route these companies are doing relatively better. I am talking about in Bangalore context prima facie so I believe that they may not have that kind of benefit as much as the residential sector related PE players are concerned.

Moderator: The next question is from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.

Adhidev C: Sir, just wanted to have an update on the Thrissur Mall. I believe we have opened it, I think just on Diwali or pre Diwali the mall. Would you just give us some update on what is the rental income you are expecting, who are the tenants and how this will, will it be added depreciation, which will pull down my PAT if you can get some idea?

J C Sharma: We are likely to launch now on 10th of December. There was some approval delay from the fire authorities. As far as the mall was concerned they did not get some approvals and the Lifestyle also they did not get some approval. From our side we are ready sort of a thing. These kind of people they are getting themselves ready. The feedback is on 10th of December now we are launching the mall.

Adhidev C: Okay, so like any what is the sort of occupancy rental and what rental income you are expecting and how the accounting works?

J C Sharma: I think let the launch happen we will be sharing it in greater detail with our next quarterly update.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

J C Sharma: Thank you participants. Happy Diwali once again and Happy New Year. We believe that the industry still has the required strength to bounce back. Looking at the kind of external changes,which have happened in the recent past, when we look at the future we believe that things can only improve from now onwards. Of course investors have shown lots of patience, you have shown lots of patience and hopefully from the second half onwards things will begin to look much better. Once again Happy Diwali and Happy New Year.

Moderator: Ladies and gentlemen, on behalf of IIFL Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.