



## “Sobha Developers Q3FY11 Conference Call”

January 24, 2011



**MODERATORS: MR. MR. J C SHARMA  
MR. S BAASKARAN  
MR. SHALEEN SILORI**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY 2011 results conference call of Sobha Developers hosted by ICICI Securities Limited. As a reminder, for the duration of this conference all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should 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. Shaleen Silori of ICICI Securities. Thank you and over to you Sir.

**Shaleen Silori:** Good evening everyone. Welcome to the third quarter results conference call of Sobha Developers. We have with us Mr. J.C. Sharma, Managing Director and Mr. S. Baaskaran, CFO of Sobha Developers. Sir, congratulations on a good set of numbers and over to you.

**J.C. Sharma:** Good evening ladies and gentlemen, once again we welcome you all for this concall for declaring our results for Q3. We also thank ICICI Securities for hosting this call. We are happy to share with you that Sobha during the calendar year 2010 sold real estate space worth Rs. 1000 Crores. We will be the first company from South India to have achieved this milestone. The last three quarters of the current financial year has been the best ever in the company's history. We have done even better than what we have achieved in the financial year 2007-2008 for the corresponding period. Our new sales are higher, our realizations are better. We have generated significantly higher cash profit, moreover we have far better visibility on our ongoing projects both is real estate and contracts. For your ready reference we have also uploaded our presentation for this quarter and you can refer to the same. As far as performance of the current quarter is concerned we have recorded a topline of 365 Crores out of which Rs. 230 Crores have come from real estate operations, Rs. 30 Crores from land and land development rights monetization, Rs.99 Crores from constructing and manufacturing activity and Rs. 2 Crores by way



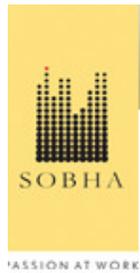
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of miscellaneous income. We are also happy to inform that our topline is up by 17% compared to the corresponding period of the last year and cumulative topline for the nine month is up by 56% compared to the corresponding period of the last year, however essentially there is a drop in our topline by 15% due to significant revenue which came from the sale of land or development rights in the preceding quarter. Recurring business operations have gone up by 4% essentially. The real estate operations have contributed 73% to our topline and the balance 27% has come from the contact. We are also happy to inform that our operating margins from real estate have started now going upwards. We have done more than 36% margin in our real estate operations and manufacturing and constructing business continues to give on a cost plus basis 15% margins which we have been enjoying from Infosys and other clients for such a long period. When we come to real estate specifically we have done 705,000 square feet of new sales in the last quarter. The cumulative sales recorded during the nine months of the current financial year is 2.12 million square feet which is 47% more as compared to the corresponding period of the last year. During the third quarter we have launched projects in Bangalore, Pune and Trichur totaling about 4.03 million square feet. We plan to launch further 11 million square feet in the coming quarter. As on date, we are executing projects to the extent of 8.64 million square feet. Out of this 7.49 million square feet is on our account as salable area and we have already sold 4.42 million square feet out of that; 3.07 million square feet remains to be sold. In addition to this, we have 0.18, rather 187,000 square feet of unsold apartments from the completed projects. We expect to realize from our existing customers about 924 Crores and the unsold apartments should give us at current prices about 1567 Crores revenue as we move forward. We hope to complete this project by incurring a cost of about 1274 Crores which will leave us at current selling prices an operating cash surplus of about 1217 Crores. The average selling price on the sales already made in the first nine months had come to Rs. 3946 per square feet which is 5% higher than the average realizations we have achieved in the first six months. We are confident that our



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selling prices will be around 4000 rupees or a little bit more as we move forward. During the third quarter, we have completed and handed over four projects which on an area basis were about 2.11 million square feet and in the first nine months we have completed five real estate projects measuring about 2.21 million square feet. We hope to complete six more projects in this quarter which will be equivalent to about 2.01 million square feet. When we come to contracts and manufacturing we have done a billing of about Rs.99 Crores in the current quarter which is 41% higher than compared to the corresponding period of the last year. The cumulative billing on account of construction and manufacturing division for the nine-month is Rs.284 Crores which is 25% higher than compared to the corresponding period of the last year. We are well on our way to achieve this 400 Crores turnover from the construction division. Currently we have 6.53 million square feet of contractual projects on hand to be delivered over a period of next two years. We have also received new orders of 6.94 million square feet for which work would be starting soon. We see significant growth coming from our contracts and we have to do a billing of about 1000 Crores rupees in the coming two years or so from the construction division alone. During the current quarter we have completed and handed over 6 contractual projects and cumulatively in the last nine months we have delivered 13 contractual projects measuring 1.36 million square feet. The net debt as on December 31, 2010 stands at **1204 07:57** Crores and debt equity ratio stands at 0.67. The present cost of borrowing is about 12.67%. The company continues to focus on both growth and reducing the debt. During the quarter we collected Rs.330 Crores from our customers both on account of real estate and contracts and we incurred 286 Crores on operations. This quarter we had to incur higher expenditure on account of completion of some of the projects and little bit of higher outflow on the taxation side as well. We are quite positive that real estate market has clearly started showing all signs of improvement; Bangalore promises to have a great future. There has been improvement in the macro environment due to increased hiring like the IT sector and good expectations of high increments as well. We are also aware of



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the fact that there are short-term challenges faced by the industry primarily on account of increase in interest rates as well as increasingly lesser availability of credit limits from the banking sector. We are confidently positioned to face such eventuality with superior cash flow expected from the operations as well as availability of adequate funding limits from the banks. We continue to enjoy the confidence of the leading banks and financial institutions of India. As things stand today, we have delivered 39.9 million square feet consisting of 16.5 million square feet of real estate and 23.4 million of contracts. We are executing 8.64 million square feet in real estate and 6.53 million in contracts. We hope to start work on 11 million square feet on real estate and about 7 million square feet on contracts in the coming quarter which will provide further visibility to our business. As you are aware, we have already become a 1000 Crores brand in home space and we look at the future with optimism and confidence. Once again, we thank you all for your participation and we now leave the floor for discussion. Mr. Baaskaran CFO is also there with us to answer all your queries. Thank you once again.

**Moderator:** Thank you very much Sir. The first question is from Umnesh Sharma from Macquarie. Please go ahead.

**Umnesh Sharma:** I had two questions, one was regarding your launches planned for the next 12-18 months, what square footage can we expect and what exact areas would you be looking at in geographies. The second question was regarding your debt, you rightly mentioned that with a rising rate environment what are your principal refinancing requirements for the next 12 to 18 months and what is your expectation on what interest rates can be brought in?

**J.C. Sharma:** We have 11.31 million square feet of new projects to be launched in the next few quarters, this includes existing locations and new locations, kindly refer to page 11 where we have given details of all these projects and the status as well built up areas of the individual projects also. As far as the cash flow related things are concerned currently we have the banking limits to the extent of 415



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Crores, we have offer letter received for loans against some of the projects which were not funded to the extent of 230 Crores; we have given details of the same in page 16. As far as repayment is concerned till March 31, 2012 we are supposed to repay 550 Crores as per the contractual obligations we have with the banks. This we are confident that with the banking limits available and the cash flow available from the operations we should not have any issue.

**Umnesh Sharma:** Followup question to that, I am just looking at your future launches, given the pick up in launches what can we expect the delivery volume per year to go up from this year onwards and are you comfortable that this will settle down in the medium term?

**J.C. Sharma:** We have been delivering on an average 6 million square feet of both real estate and contracts. Over a period of next three years or so we wish to take our real estate delivery as well to about 6 million square feet on an annual basis. Our current operations factories, the backward factories and the construction equipment what we own is good enough to scale up to about 10 million square feet annual delivery.

**Moderator:** The next question is from Abhishek Bansal from Credit Suisse. Please go ahead.

**Abhishek Bansal:** I missed the breakup of your real estate revenues; out of this 2.6 billion how much is on real estate and how much from land sales?

**J.C. Sharma:** 230 Crores is from real estate operations and **4 14:32** Crores is from the land monetization.

**Abhishek Bansal:** Did you do any land purchase as well during the quarter?

**J.C. Sharma:** No.

**Abhishek Bansal:** What was the customer advances number as of December 31.



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- J.C. Sharma:** 157 Crores.
- Abhishek Bansal:** The Pune land sale that was done during the last quarter, the balance money has been received during this quarter?
- J.C. Sharma:** No, the 10% is still pending.
- Moderator:** The next question is from Sandeep Mathew from BNP Paribas. Please go ahead.
- Sandeep Mathew:** Just a quick question on your cash flow situation if I may. You had mentioned that you generated positive cash flow of about 300 Crores in the first nine months, if I am not mistaken you have done about 160 Crores of land sales, so if I look at it your core real estate and contractual business put together has only generated about 140 Crores, is this number correct.
- J.C. Sharma:** Yes.
- Sandeep Mathew:** This number appears to be fairly low in light of this significant sales volume and the contacted sales of the company as done over nine months, so I was trying to understand when should we be anticipating a significant improvement in the operation cash flow situations in the company?
- J.C. Sharma:** If you are comparing apple to apple what you said is very clear that there has been a right, then monetization also and then there has been some operating cash flow positive at 300 Crores realization also, at the same time in the last nine months, to be able to get the new projects which are yet to be launched we have already invested about 80 Crores on these new launches, so while on the one hand you are generating some operating cash flows on the other hand you need money to prepare yourself for the launches.
- Sandeep Mathew:** Can you confirm there were no significant land purchases in the first nine months of this year?



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- J.C. Sharma:** No.
- Sandeep Mathew:** Second on the cost side, obviously I guess the raw material cost has significantly gone up, can you give us a sense for what sort of cost pressures you are witnessing going ahead and how is that impacting your margins?
- J.C. Sharma:** The margins are not getting affected at all to begin with. As far the cost pressure is concerned it is there, from now plan approval to the material cost to the wage increase and the salary increase but to that extent there has been an improvement in the realization also which currently stands on an average about 4000 rupees per square feet for the first nine months and this has ensured that the current construction cost this is an average about 2000 rupees or so is well protected and we continue to protect our operating margin which rather has started showing some improvement in our EBITDA and PBT.
- Sandeep Mathew:** Just to put it in another way how much was this construction cost say nine months back, you said right now it is 2000, so how was much was it then?
- J.C. Sharma:** The construction cost has gone up by 10% in the last nine months, from about 1800 rupees or so, it is now hovering at 2000 rupees.
- Moderator:** The next question is from Samar Sarda from Anand Rathi Securities. Please go ahead.
- Samar Sarda:** A couple of questions from my side, in your press release you mentioned the target is to achieve some 6 million square feet of sales every year, just wanted to understand how would you want to go about it because you have been doing roughly between 2-3 million square feet of sales?
- J.C. Sharma:** That is both real estate and contracts put together.
- Samar Sarda:** The debtors have been continuously going up.



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**J.C. Sharma:** It has to be there at the initial stage that is why this quarter as expected the debt reduction could not take place but when we look at **big projects 19:20** which are getting completed and where apartments are getting registered, there is no deficit balance.

**Samar Sarda:** How much of these debtors would be from real estate like the 401 odd Crores?

**J.C. Sharma:** About 87 from real estate balance from contracts.

**Samar Sarda:** How much money is expected to come in Q4 from real estate?

**J.C. Sharma:** We did first time in the last quarter 100 Crores sales, real estate front also first three months of the last quarter, so hopefully we should be collecting similar kind of money, about 300 Crores in this coming three months from real estate alone.

**Samar Sarda:** Do you foresee any significant policy changes in Bangalore happening?

**J.C. Sharma:** There is a discussion going on where they may reduce some asset size overall, but at the same time they will permit TDR also and they are making the approval related laws and some more user friendly. All these things will not matter at all in the overall picture; see the overall scenario of Bangalore remains quite positive. In the first nine months, the BNP Paribas report says that Bangalore has absorbed 9.7 million square feet of commercial space and again it is leading the absorption on all-India basis by 1:2, so in that kind of environment, price is hovering about 4000 rupees per square feet and home loan availability remaining very much there this time, we feel that of course somewhere the cost is going up but there is a demand also which is likely to remain substantial.

**Moderator:** The next question is from Mahesh Nandurkar from CLSA. Please go ahead.



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**Mahesh Nandurkar:** First of all you mentioned that over the next few quarters you expect to launch about 11 million square feet of space, what sort of average realization do you expect across this 11 million?

**J.C. Sharma:** It should be more than 4500 rupees; Delhi should give us the higher realization, Bangalore will give us the lower than the current realization, Chennai should continue to give us the current realization. In Bangalore, we are going to launch some 100 or odd row houses which should give us higher realization. The residential apartments also should give us a higher realization, so there can be 5-7% quarter-on-quarter average realization improving as we move forward.

**Mahesh Nandurkar:** While the rising prices or levels of realization do not seem to have any negative impact on our sales volumes, but what is the trend that you are seeing in the industry, do you expect any sort of price correction of any type or price stabilization in the Bangalore market?

**J.C. Sharma:** You see for technical reasons if it happens we do not know, but whatever little bit we hear from the market the land prices continues to remain on a higher side, the steel prices currently they are up and are around 38,000-39,000 rupees, cement prices also remain firm and we may have to give again an annual increase in the coming quarter, so the net effect of that means the selling prices may not come down much and today we are getting higher realizations not because we have increased the prices indiscriminately, it is the product mix where the high-end apartments are also being sold with the low-end apartment.

**Mahesh Nandurkar:** The other question was pertaining to slide #22 where you mentioned four projects which you have completed in third quarter FY 2011; I just wanted to know when did you launch these projects, if you could give us examples of couple of them.

**J.C. Sharma:** Of course yes, this is the Sobha Chrysanthemum was launched around three-and-a-half to four years back, Althea was launched about three years back,



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Amethyst was also launched about three years back and Malachite was also launched about three years back.

**Mahesh Nandurkar:** Do you have any debt reduction target for March 2011 or for March 2012 that you are working towards?

**J.C. Sharma:** Yes, definitely we feel that we need to bring down our debt further to 0.5 to 0.6, at the same time we feel that we should not be overlooking the growth opportunities as well, so this quarter we have not been able to reduce the debt as we planned but going forward we feel that most of my plan **elected investment 25:09** are over and we should be getting higher realization vis-à-vis the construction cost requirement which should help us in reducing the debt and bring it down to 1100 Crores or so soon.

**Mahesh Nandurkar:** You mentioned that you will look at growth opportunities as well meaning you will be looking at further land acquisitions I guess?

**J.C. Sharma:** No, growth opportunities from the ability to launch projects. We have not been able to launch projects in some of the cities where we had planned few years ago, now that dream is getting realized and hopefully this quarter or latest by next quarter we should have presence in seven cities.

**Moderator:** The next question is from Tejas Sheth from Emkay Global. Please go ahead.

**Tejas Sheth:** I just wanted to know what will be the economic interest in the 11.3 million square feet which you are planning to launch.

**J.C. Sharma:** If you go through the slide Bangalore project, Pune project and Coimbatore project we have 100% interest. In case of Trichur we have 70%, Chennai 100%, Mysore 100%, Gurgaon township 100% -as a group housing and in case of townships about 64%.

**Tejas Sheth:** Just wanted to know the location of this Sobha Alysium?



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- J.C. Sharma:** It is on the **(indiscernible) 26.58** about one-and-a-half to two kilometers from Manyata Technology Park.
- Tejas Sheth:** Okay Sir because that is a huge project, 2.9 million square feet, what is the **(indiscernible) 27.09** there around 2400 rupees a square feet?
- J.C. Sharma:** We are realizing today 4000 rupees, some **80 (indiscernible) 27.12** has been launched there. Average realization will be more than 4000 rupees there.
- Tejas Sheth:** Okay. What would be your contractual billing this year; would it cross nearly 550 Crores?
- J.C. Sharma:** This year we have done so far 274 Crores out of that about 100 Crores we have done in the current quarter and in the next quarter we hope that there should be further growth of about 30% or so, it should be crossing 400 Crores which was our target in the current financial year.
- Tejas Sheth:** Sorry, I was asking for FY 2012?
- J.C. Sharma:** We should be crossing comfortably 500 Crores because of the visibility what we have.
- Tejas Sheth:** Sir on the new launches what are your target sales in real estate **sales 28:06** for FY 2012?
- J.C. Sharma:** For FY 2012 we should be doing far better than FY 2011, hopefully we should be talking about this in the next quarter in the yearly results.
- Moderator:** The next question is from Shreenivas Rao from HDFC Mutual Fund. Please go ahead.
- Shreenivas Rao:** Can you give us an update on the Delhi project?



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- J.C. Sharma:** We already stated in this presentation also that we are on the final stages of approval in case of the township which is the larger one, we have already got the environmental approval also and we have got this license, the next phase also is done, now we are only waiting for the demarcation to take place, when demarcation happens we are in a position to launch the project.
- Shreenivas Rao:** You have planned a launch sometime in October?
- J.C. Sharma:** We were planning to launch this quarter only a bit early, let us see, by March it should be done.
- Shreenivas Rao:** How much money have you spent on this Sir?
- J.C. Sharma:** We have already spent in Delhi on ETC, ITC our shares and other things about 450 Crores rupees.
- Shreenivas Rao:** Last quarter you had actually taken project development expenses, so there was additionally in this quarter also, third quarter?
- J.C. Sharma:** Very little.
- Shreenivas Rao:** What is the status of the Pune project?
- J.C. Sharma:** Pune project phase II was launched in the last quarter and the third phase in Hinjewadi and one project in Baboli (ph) we hope to launch in the coming quarter.
- Moderator:** The next question is from Puneet Jain from Goldman Sachs. Please go ahead.
- Puneet Jain:** In your presentation you had mentioned that your **30:14** cash flow is 301 Crores, is it before interest payment or after interest payment.
- J.C. Sharma:** It is before interest payment.



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- Puneet Jain:** My second question was you had mentioned that your total launches are 4 million square feet for the previous quarter; did I get this number right?
- J.C. Sharma:** Yes, you are right 4 million square feet new launches.
- Puneet Jain:** But the details which you have provided add up to much lesser, if I go to slide #21 of the presentation in which you have provided for new project launches, are these the initial phases?
- J.C. Sharma:** Projects have been launched during the first nine months and this Forest View and the other projects which are almost 2.01 million square feet have been launched in the current quarter.
- Puneet Jain:** Your forest view sale that is the total number of apartments is 492.
- J.C. Sharma:** We have launched 2 million square feet but offer for sale is in phased manner where we offer only 9 lakh square feet.
- Moderator:** The next question is from Gunjan Prithyani from JP Morgan. Please go ahead.
- Gunjan Prithyani:** I have a couple of questions one on your land sales, what would be the margin on the land sale that we have done of 30 Crores in this quarter?
- J.C. Sharma:** About 20%.
- Gunjan Prithyani:** For the last nine months till this financial year we have done around 150 Crores of land sales, do we stick to 200 Crores target for this year and are you looking to do another 200 Crores in FY 2012 as well as you have been guiding earlier?
- J.C. Sharma:** We are now not focusing on the land sales. Some of the suggestions may still happen in the coming quarter but as such the focus on land monetization is over and focus on operation is increasing.



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**Gunjan Prithyani:** Sir, given the political situation currently in Karnataka, do we see any risk to the new launches that are being planned in Bangalore?

**J.C. Sharma:** Rather, this new government it is two-and-a-half years old has already taken such an initiative of e-filing the plan approvals and giving plans within a certain period augurs well for us. It is becoming more developer friendly as we move forward. As far as demand is concerned political involvement what we are seeing today gives us scope for positive optimism that Bangalore market is going to do well. In the last three quarters Bangalore has already absorbed close to 10 million of commercial space, a record in its history and going forward also, the absorption rates have improved as far as the south east and northern parts of Bangalore is concerned.

**Gunjan Prithyani:** Sir just to check the number that you have given in the press release of 6 million square feet sales target for FY 2012 what exactly is that, 6 million real estate sales?

**J.C. Sharma:** I think it is 6 million square feet of delivery and execution including **concept** 33:52 (ph).

**Gunjan Prithyani:** What would be our sales target for FY 2012, any broad guidance on that?

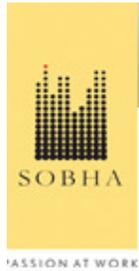
**J.C. Sharma:** I think it will be appropriate after this current year's performance is over and we achieve **3 million** square feet we should be in a position to give target for the next financial year and hopefully by that time there will be clarity about the new launches also to give us comfort.

**Gunjan Prithyani:** Lastly on your contracting revenue given we have 1000 Crores of outstanding billing right now so that should basically come through P&L over the next two years, so what would be our contracting guidance for the next two years?



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- J.C. Sharma:** We should be doing 500 Crores plus contracts in the coming financial year and in the next financial year also there should be further growth from them because new contracts still should come and is coming here also.
- Moderator:** The next question is from Arun Agarwal from Religare Capital Markets. Please go ahead.
- Arun Agarwal:** I have a couple of questions, one you mentioned that during the quarter you had to pay some higher taxes, can you please explain what are the kinds of amount that we spend on taxes, why was it higher?
- J.C. Sharma:** 20 Crores was the income tax in the current quarter, this was 10 Crores more than what we had planned and otherwise we have invested on the new project launches where the approval related costs needs to be incurred upfront.
- Arun Agarwal:** Approximately how much was the amount spent here?
- J.C. Sharma:** About 40 Crores rupees we have in the current quarter besides normal operational cost and the interest repayment.
- Arun Agarwal:** The next question is related to the target 3 million square feet sales during FY 2011, if you see we have sold already around 2.1 million square feet and we need to sell around 9 lakh square feet during fourth quarter. Can you please explain what would be the key project figures we can expect such kind of sales volume?
- J.C. Sharma:** We feel that we should be able to repeat whatever we have achieved so far in the first nine months and we are launching in new cities as well which should bring us that incremental sale of about 200,000 to 250,000 square feet making it 3 million square feet of fresh sales in the current financial year.
- Arun Agarwal:** Sir any project wherein we have clear visibility which is going to be launched in another two months from now?



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**J.C. Sharma:** It is about launching projects in all the big cities, that looks a bit nearer, Delhi, though we are new that is NCR one approval comes, this demarcation we should be in a position to launch. As far Chennai there is also for preliminary whatever requirements needed have been complied with and it should be launched in March. Let us see, we are keeping our fingers crossed.

**Moderator:** The next question is from Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** For this third quarter how much was the interest cost capitalized?

**J.C. Sharma:** Out of about 40 Crores we have we have **(indiscernible) 37.44** 16 Crores and about 24 Crores has been capitalized.

**Sameer Baisiwala:** I see that during the third quarter we launched about 2.44 million square feet and we presold 0.7 million square feet, I was just wondering that how does the company think about this presales, do you want to sell 60-70% off it in first three, six months or do you want to really stagger it over a period of time?

**J.C. Sharma:** Sameer Ji what we have done, this launch of Forest View where approval is in place for about 1.3 million square feet but **open 38:29** for sale is limited to 900,000 square feet and depending upon the response we will make the other wings operational and construction will be done only on this 900,000 square feet and it has been designed accordingly, so depending upon the response being a construction company ourselves we will take the call, but if we are achieving 3 million and getting in to the newer cities hopefully presales will keep increasing and execution capacity also accordingly will keep going up.

**Sameer Baisiwala:** No I am just wondering that is it a case of pricing ourselves out of the market where you are taking the selling price close to 3900 or 4000 rupees per square feet, had this been a little lower we could have achieved a better asset turn, so is it a margin versus asset turn choice and companies going towards margins?



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**J.C. Sharma:** No it is not like this, it is all the location and from the place the product what you are selling you continue to sell products at 2700 also, 3000 also and 8000 rupees also sort of a thing. The blended realization is better because you got better location in the current financial year where new sales have happened at a higher price giving this kind of an average, but **accepted 39:55** we are not going to lose momentum on the square feet sale also and at the same time we are very conscious in every call and every interaction we maintain that we try to maintain our operating margin be it on real estate front or construction front and despite pressures on input cost we are achieving that 35% or plus margins on our real estate operations and the pricing is distinct based on that sector.

**Sameer Baisiwala:** Just one final question on the lower FSI that you mentioned, is it now pretty much cast in stone, is it final or is the regression still evolving?

**J.C. Sharma:** It is like that the special committee formed by the government **40:47** they have recommended and the SUD Department, BDA Corporation they have already approved and they have taken the content of the developers as well who in principle have said that they do not mind because it will help us in taking the right decision because the plants get approved without getting the NOC from Bescom (ph) or environment or from KEB and other things, so that way lot of time gets saved, so we had looked at that convenience and have allowed this little bit of FSI sacrifice which landed between 0.25 to 0.5 on an average being made up by the TBR and TBR are available in Bangalore at around 450 rupees per square feet.

**Moderator:** The next question is from Sastha Gudalur from Alchemy Shares. Please go ahead.

**Sastha Gudalur:** Sir, you have a lot of land in Hosur, around 35 million square feet and also in Cochin you have around 47 million square feet. I just wanted to understand what is your plan with regards to these locations, when will they be launched and what is the timeline basically?



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- J.C. Sharma:** In case of Kochi we have a **memorandum 42:13** of understanding with the government of Kerala to have a high tech city, unfortunately this government has its own internal issues and once it comes to the industry department and most of the other departments in principle have given us approval, due to certain political reasons, we are not able to take it forward, it should happen in the next financial year. Also, land, we have taken, because of one large SEZ project for a large industrial house has supposed to have come near our land, now that is getting deferred, so may be at some point of time when we find that rates have been very low at the time of application some kind of township we will plan but before that we need to get in to some kind **of specific for 43:03** other location keeping Hosur as low priority area.
- Sastha Gudalur:** Secondly how are sales looking for the month of January, is it following the same trend of the last quarter?
- J.C. Sharma:** It is following the same trend of the last quarter.
- Sastha Gudalur:** Sir you mentioned you had around 34 Crores of land sales in the current quarter, could you tell me in which location they were sold?
- J.C. Sharma:** One location in Chennai and two locations in Bangalore.
- Sastha Gudalur:** Last question, regarding your Chennai land bank once again you have a huge amount of land in sriperumbudur and Tambaram, so the current launches which you are making are they in Tambaram or is it in Sriperumbudur?
- J.C. Sharma:** There is another parcel in Senneerkuppam and another parcel in Sothupakkam where we will be launching the projects first. These are relatively larger plots where we hope to launch again after starting the project.
- Moderator:** The next question is from Chirag Danani from HDFC Securities. Please go ahead.



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- Madhukar:** Hi, this is Madhukar from HDFC Securities. I wanted to know what is the amount of interest paid in the first nine months, you said that you have generated a positive cash flow of 301 Crores; I wanted to know that amount after payment of interest?
- J.C. Sharma:** I think it is about 125 Crores.
- Madhukar:** Is that the interest payment?
- J.C. Sharma:** Interest paid.
- Moderator:** We have a followup question from Tejas Sheth from Emkay Global. Please go ahead.
- Tejas Sheth:** Sir, this followup question is again on the previous question, you said 125 Crores was interest payment, so 175 Crores is from the actual real estate business of which 160 Crores is the land sales? So we are generating from the real estate business, are you planning any land sales as of today or for FY 2012, do you see positive cash flows coming in FY 2012?
- J.C. Sharma:** **45:55** construction cost.
- Tejas Sheth:** Sir what would be the construction cost for the 11 million square feet which you are planning to launch?
- J.C. Sharma:** The current construction cost is on an average **7-2000** rupees, more of less projects we have of all size, we have villas, we have high-end apartment, we have village apartments and future projects also reflect the same thing 8.64 and **11.6 within 46:43** square feet also, but at the current price it should be around 2000 rupees but it keeps going up.
- Moderator:** The next question is from Abhishek Bansal from Credit Suisse. Please go ahead.



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- Abhishek Bansal:** Sir, in your press release you mentioned that you have done land monetization of 34 Crores, how much was collected out of the 34 Crores during the quarter?
- J.C. Sharma:** Full money has been collected.
- Moderator:** The next question is from Adhidev Chattopadhyay from Edelweiss. Please go ahead.
- Ashish Agarwal:** This is Ashish. Sir just wanted your launch plan for Gurgaon and what kind of margin are we looking at from this project given that we have a JDA over a year and we have 64% interest in this particular project.
- J.C. Sharma:** As I was telling someone in today's concall also, normally we wish to work on a 35% margin and here also all indications say we should be able to protect the 35% margin on our Gurgaon launches also.
- Ashish Agarwal:** Just to understand we have a 2000 rupees cost of construction and 64% would be our revenue share, would that be correct?
- J.C. Sharma:** You are right.
- Ashish Agarwal:** That would mean that I would need to sell at 3150 just to break even, so my selling price would have to be around 4200 rupees a square feet to obtain a margin of 35%, so given that this is sector 103-106, so there can I get a realization like 4200 because I understand 4500 is the price that we see in the key parts of Gurgaon.
- J.C. Sharma:** I think there is a small confusion here to what you are saying. As far as the group housing is concerned we have 100% ownership so that 2000 **joined 48:50** (ph) by 2005 and 2006 does not apply. As far as township is concerned here we have 64% share, the plotted **share** today happening is much further down G-99 and opposite that I am told is being sold at about **14, 1450 49:30** per square yard, so that is the land value only. On that if we do the construction



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it goes further up, so about 4500 one can realize only on the project sales per square feet.

**Ashish Agarwal:** **49:34**. On the overall volume guidance for the full year where we are looking at 3 million square feet and we have done 2.1 million square feet as I got it I understand that some bit of our volume guidance would be met by newer cities and newer launches but as I see it from the details that you have given in slide #10, we have two projects where the plans have been sanctioned which I presume would be ready for launch, most of the projects appear to be at various stages of approval, so would you see that as some kind of risk maybe or how would you look at that kind of a situation?

**J.C. Sharma:** It is a very practical question, how many **(indiscernible) 50.31** and how much time we take from that angle we find that in most of the cases we should be in a position to launch the project, since we are working for this quarter launch in all the three new cities which is Chennai, Mysore and NCR as far as township is concerned group housing may take little bit more time, but we may launch the township part sort of a thing, once that launch takes place then the guidance will also be in place.

**Moderator:** Ladies and gentlemen, that was the last question. I would now like to hand over the conference back to Mr. Shaleen Silori for closing comments.

**Shaleen Silori:** Well thanks everyone for participating in this conference, Sir any last comments?

**J.C. Sharma:** We feel that yes this is the time where on the one hand the market is apprehensive about short-term liquidity as well as increase in the interest cost, market is also waiting for tomorrow's RBI policy where there may be some small increase in the repo, reverse repo rate also, but at the same time, we also feel that structurally the underlying demand in 2011 appears to be even better than what it was during the peak period. We are well positioned. We have good number of that visibility project, visibility location, visibility price clarity also,



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every project which we have started has met with good response and we feel that in the future as things stand today both on our real estate residential space as well as on our **construction 52:25** business looks brighter than what is used to be on a quarter-on-quarter basis and again thank you once and again for the questions you have asked, for listening to us and asking good questions.

**Moderator:**

Thank you very much, on behalf of ICICI Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.