



“Housing Development and Infrastructure Limited Q4 FY16 Earnings Conference Call”

May28, 2016



**MANAGEMENT: MR. HARI PRAKASH PANDEY - SENIOR VICE
PRESIDENT, FINANCE, HOUSING DEVELOPMENT AND
INFRASTRUCTURE LIMITED.**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Housing Development and Infrastructure Limited Q4 FY16 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to the Mr. Hari Prakash Pandey Senior Vice President, Finance and Investor Relations HDIL. Thank you and over to you, Mr. Pandey.

Hari Prakash Pandey: Thank you Moderator. Good evening and I welcome all the analysts and investors and other market participants for the conference call for HDIL for the fourth quarter of financial year 2015-16. Let me start by giving the numbers for the year and for the quarter. The consolidated revenue for the fourth quarter about 348 crores. The PBT was 68.92 crores, EBITDA stood at 82.66 crores and the PAT was 56.14 crores. If I compare it to the last year 31st March, 2015, the turnover has gone up by around 114%. The PBT as against 45.94 crores is around 68.92 crores. EBITDA has gone up from 58.34 crores to 82.68 crores. PAT has gone up from 31.9 crores to 56.14 crores.

Now let us look at the yearly numbers for March 2016. Our top line stood at 1192 crores as against 1083 crores a growth of 10%. The PBT stood at 290 crores as against 297 crores. The EBITDA stood at 354 crores as against 371 crores last year, but PAT has improved to 266 crores from 218 crores. So overall the top line has been grown by 10%. The PAT has grown by 21.72%. In terms of the performance of the company on the sales trend actually up for the ongoing project. During the quarter, we have sold around 3,31,450 square feet for various ongoing projects aggregating to around 364 crores of the sales from ongoing project. So if you look at last, the trend of ongoing sales in last 4 quarters, we have always been targeting more than 350 crores number and this quarter we have reached around 364 crores trend of a sales. In terms of the other numbers which are the details about the debt of the company and everything, our gross debt has declined by approximately 190 crores and the gross debt now stands at 2982 crores, so we are below 3,000 crores. The net debt is at 2,730 crores, so gradually we are on our path of debt reduction from the peak level of debt as we have given in the presentation from 4,137 crores, now we are down to less than 3,000 crores. The total debt decline for a period of 1 year either on 248 crores, the debt decline over a period of last 3 years is around 27%.

There are two more important steps which we are approved by the board today. One is the capital infusion by the promoters. The issuance of warrants to promoters wherein they will put in 150 crores subject to shareholders' approval, so that will also further help to kind of deleverage the balance sheet plus the two large transactions one which have spoken in the last quarter also, HDIL is now nearing the completion part. We hope to close it in this quarter plus we are also generating some incremental FSI in our Paradise City Project in Palghar which is approximately around 6 million square feet there also we are in active discussion to sell that FSI also. In a sense, these two large transactions will also further help to reduce the debt as we

move ahead. Apart from this some of the other details for the key development for the quarter, during the quarter, we have sold TDR worth approximately 3,50,000 square feet. The pricing was around 3,750 Rupees on an average price. The consolidated cash flow from operations was positive at 295 crores and we have been able to consistently keep our operating cash flow positive and that is the reason every quarter you see a decline in the debt.

In terms of other large project like the project in Berkeley Square, the redevelopment component will get completed in this quarter and the shifting of tenants will commence in this quarter. There also we are exploring an option whether we can sell an FSI. All in all a good year last year, challenging in terms of the sales, but gradually the market is improving in terms of both in terms of construction, availability of liquidity, interest rate. So we see an overall improvement. And with this 3 or 4 FSI sale transactions which are at various stages of discussion and negotiation, I think we are very well placed in terms of our debt and we would look at a number of close to 2,000 crores by the end of March, 2017, so last year we set a target of 2,500 crores and we were very close to at around 2,700 odd crores and this year we feel that with the kind of transactions what we have in the pipe line we can look at bringing down our debt to somewhere around 2,000 or sub 2,000 crores by the end of March, 2017. Apart from this on a construction side, the approval parts have been improving actually. We just have a new BCR which has again come out for objections, suggestions hopefully that will also help the industry as we move on. So overall, the industry is recovering well. The presales is still on a softer side, but we have been able to maintain a target of more than 350 crores every quarter and the TDR sales are doing well for us with a target of around 3.52 to 4 lakhs square feet what we set for every quarter and I have also given details of some of the FSI transactions which we are envisaging to look at it plus the infusion of capital by the promoters in the company which will also help to significantly expedite the whole deleveraging process. With this, I open the forum for the Q&A. I would request all the participants to ask one question at a time and if we have a time left, we will come back and take the questions again. Thank you.

Moderator: We have our first question from the line of Saurav Kumar from JP. Morgan. Please go ahead.

Saurav Kumar: Sir for FY17, what do you think how much of your residential projects come into revenue recognition like you get DOC and you hand over.

HariPrakash Pandey: Thank you Saurav. Thanks for the question. FY17, if you look at our presentation one is a Paradise City project which was delayed for one and a half year or so also now we are getting into completion mode for that. We will try and hand over at least 500 apartments in the first 3 or 4 months of this quarter. Paradise city will start taking it in terms of project completion basis, in terms of the revenue recognition. The other residential project is metropolis we are gradually handing over in phase wise manner. One phase wing we have already booked in two wings, further we will recognize the revenue. The Premier Exotica, the large project I think the revenue recognition will happen. I think this 3 projects in revenue recognition will happen plus the top line will come as I have said from the TDR sales and then the 2 or 3 large FSI sale

transactions which we are discussing. So one is Planet HDIL. Second in Paradise City and if we are able to conclude something in Berkeley Square because Ghatkopar there also we are exploring an option of FSI sale.

Saurav Kumar: One more question if I may sir your net debt is at 2700 crores and if I add up like this Palghar plus Planet HDIL plus the warrant plus the 250 crores odd number we need to get from DK Realtors and some TDR sales. I get to a number of like close of 1,11,00 crores from all this. So I was wondering like should not your net debt fall slightly more?

HariPrakash Pandey: As we said, as I started by saying that we will look at at-least 2000 cores or sub 2,000 crores number, but some of these transactions are also on the process of like they take a time for due-diligence and for closure, but the way we are placed I think at this point of time I think we look at around 2000 crores or some 2,000 crores kind of a target for us in terms of the net debt.

Moderator: We have a next question from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari Basically this 150 crore of money from warrant. Is this 150 crore total worth of share or this is 150 crore is first 25% premium what the promoters have to pay to the company?

HariPrakash Pandey: No 150 crores is a total infusion which they are paying for quarter 25%.

Abhishek Bhandari: Okay. Sir, given that it indicates that promoters if you are going to have a lot of confidence in company, so why not buy share from the open market directly probably for some amount like 1% or 2% which was sold earlier that will also give a lot of confidence to some of the investors who are still worried about that aspect.

HariPrakash Pandey: I think the promoters have taken a first step in terms of infusing the capital in the company because at this point of time the focus is to retire all the NCDs what we hold on the books actually and we have come to outstanding is now less than 300 cores because once the NCDs are knocked off then we can work on our ratings again actually. So it is basically the need actually. The need was that the thought process was that the infusion in company would be much more significant rather than buying from open market 1% or 2%. As of now I think that is the first step they have taken and hopefully they have a lot of confidence in the company which shows by this infusion of capital and may be in future they may take that call.

Abhishek Bhandari: Sir, last question, what is the total debt repayment for '17?

HariPrakash Pandey: As I said that the total obligation we want to bring down our debt to below 2000 crores as I have said there are 3 or 4 transactions which are in pipe line which are closure to the completion. In terms of what is the repayment is around 450 crores.

Moderator: The next question is from the line of Samar Kalra from Kotak Security. Please go ahead.

- Samar Kalra:** Sir, a couple of questions one like we are hearing some names with regards FSI transactions and Vasai-Virar, we have heard Shapoorji, we have heard about couple of more names, in fact it also have some Chinese developers coming there, you could throw some light on that.
- HariPrakash Pandey:** As I have said that Samar there is an interest for buying an FSI and we are actively people to people they are actually. I would not like to say the names, but I would say that we are in an advance stage of discussion for Planet HDIL to sell the FSI and we are confident that once that FSI transactions goes down there will be benchmarking for the rest of FSI also which will take place, so please wait for this quarter to end and we will definitely give the name of the client, but as I have said that we are in an active discussion at an advance stage for sale of a FSI. As far as the Chinese developers yes there has been lot of interest especially after the 'Make in India' campaign and lot of people have come and met us and shown the interest in developing all other land parks, which is in Vaitarna and those areas. We are actively speaking to couple of them also, but as of now we have not reached to any definitive agreement or any documentation, but there is an interest for all of our land parcels especially for industrial park, especially with so much of infrastructure activity happening with Delhi-Mumbai freight corridor, elevated corridor and bullet train running from Virar to Ahmadabad, there are a lot of interest on those land parcels and there is a discussion I would say but we have not reached to any conclusion as of now.
- Samar Kalra:** Without taking the name, can we like understand to that like when you say advance stages like a term sheet might have been signed and then due-diligence going on so that the transactions might complete in the next 3 months?
- HariPrakash Pandey:** I will stick to saying an advance stage whatever you have said is all something which happens through a due-diligence actually. So I would stick to an advance stage of discussion. Once it closed, we will let you know, but as I have said that we are in advance stage of discussion and closure to completion of transactions
- Samar Kalra:** My second question is on your operations like last 2 years from the last 30 months the operations have been improving considerably well that has been coming down because of operations under construction project also connections were up like some Rs. 6 billion to Rs. 7.4 billion in FY 16, but sir any confidence with regard to new launches from the company like what is the management/ promoters thought because you have been discussing a lot of FSI sales, even on some of your Bombay City projects and any thought process you could share on possible launches the HDIL could do in Bombay City over the next 12 months or 18 months?
- HariPrakash Pandey:** See our business involves both selling of FSI and launching of residential segment itself. When we sell FSI that is also a part of our business. Obviously, it also shows that if lot of people are discussing with us on FSI both in Bombay and outside Bombay that means the market is maturing enough and people are again started to look at land. If you look at our business model from 2007 till 2010 largely we were an FSI seller. Yes, there has been an interest as I have said in couple of our projects in Bombay. Now it's always a call in terms of what best suited for us.

As of now I started by saying that the residential segment is improving, but the pace is slow. So it all depend on what is the cash flow, what is the need, what is an interest caused which we are paying and how do we place ourselves, so for next 2 years how do we look at our business. So at this point of time we feel that FSI sale is a better option, but we will never ignore the residential launches also, so the options are open for us both. We can either do a residential sale or we can launch an FSI.

Moderator: We have a follow on question from the line of Abhishek Bhandari from a Macquarie. Please go ahead.

Abhishek Bhandari: No High Court order of saying new construction format in Bombay today, has that in any way impacted demand for TDR or pricing for TDR?

HariPrakash Pandey: Yes the High Court order has kind of slightly impacted the overall new launches I would say and it would be a denial to say that there is no impact on the TDR also because of the High court the new projects are not taking off. The I.O.D. CCs are not getting issued, so yeas there has been a slight impact in terms of the TDR also especially for new projects, but then there are lot number of under construction projects which were considerably slowed down in last 3 years, so now they are coming back actually and there is not much of a TDR supplying the market to impact the pricing, but yes there has been some impact in terms of the new launches because of the High Court orders.

Moderator: Sir there are no further questions in query now.

HariPrakash Pandey: Okay fine. Thank you for asking questions. We have put in the results from the website. We would like to take any more questions, I know it is a Saturday, so lot of people may not be there, but we are happy please drop us an email for any query if you have and if there is any further discussion, we are happy to take any further discussions. Thank Moderator for organizing the call and thank you once again and good evening to all of you.

Moderator: Ladies and gentlemen on behalf of HDIL that concludes this conference. Thanks for joining us you may now disconnect your lines.