

Q3 2011 Earnings Call - DB Realty

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Operator

Thank you for standing-by, and welcome to the Q3 FY11 Results Conference Call of DB Realty hosted by Enam Securities. At this time, all participants are in a listen-only mode. There will be a presentation, followed by a question-and-answer session. Please be advised, this conference is being recorded today. I would like to hand the conference over to Mr. Nitin Idnani. Over to you, sir.

Nitin Idnani, Enam Securities

Good evening, everyone. Thank you for taking the time to attend this call. We have today from DB Realty Limited, Mr. N. Sridhar, Group Director Strategy and Finance, and Mr. Asif Balwa, Chief Financial Officer. Over to you.

N. Sridhar, Group Director, Strategy and Finance

Yeah. Hello, everybody. I think we just finished our Board meeting and we have sent our media interaction too.

I think just to summarize the quarter, we have declared the quarterly results with the net profit margin going up by 71%, in amount of 108 crores on a consolidated basis which is an increase of 71% from last year. And for this nine months, it's around 139% up.

Turnover for the quarter increased by 25% year-on-year and the revenues for the quarter has gone up by 51%. The EBITDA margin have improved by 67% as compared to last year and the EPL growth is 48%.

Now, this increase in revenue of 15% and the profit as compared to last year is been... has been achieved in spite of the environment surrounding the real estate sector.

Given that the last quarter was not very bright but at least -- I expect the couple of more quarters also will be sluggish given the real estate environment, high interest rates, buyer security and we consider the surrounding estate sector.

The business highlights for our quarter three was that we sold close to 1.2 million square feet of space during this quarter. And it is inclusive of TDR that we have. This will result in a total revenue of 965 crores. And our total nine months revenue at 2,900 crores of the nine months of this year.

Just on that once again I'll repeat, we do not have too much of debt on the balance sheet. We're just a very low leverage company with around 0.12 at our debt equity as of 31st of December. We also repaid some of the loans that we have.

So that's about the quarter and for the nine months.

Nine results, was total profit of around 300 crores is up about by 139% if you compare with the last nine months of last year.

So that's where we are. I think we intend to continue to consolidate in this environment and be able to execute on our projects, that's one. Number two, we have the value product -- if we close to a 3.5 million square feet of sales that we had that 3.5-4 million square feet of sales.

And that's where we have got a good strong pipeline of projects that we have got right now, close to 61 million square feet. These are apart from the new projects that we have in offer, not taken into account.

So, over to you, if you have any specific questions, we'll be happy to answer between me and Mr. Asif Balwa. Over to you, Nitin.

Nitin Idnani, Enam Securities

Yeah. Sure, sir, you can start the Q&A session.

Questions And Answers

Operator

[Operator Instructions]. First question comes from Mr. Saurabh Kumar from Macquarie Capital. You can go ahead, sir.

Saurabh Kumar

Hello?

N. Sridhar, Group Director, Strategy and Finance

Yes, Saurabh.

Saurabh Kumar

Yeah, hi. Thanks for taking my question, sir. As you mentioned that next two quarters will be sluggish. Do you see any price declines as well as volume declines in coming quarters? This will be my first question.

N. Sridhar, Group Director, Strategy and Finance

Saurabh, and maybe just a general perspective on the real estate sector as of today. I think given the price liquidity conditions and the upward balance on the interest rates, I see a little bit of a kind of a slowness coming up into the marketplace, number one.

And number two, there is also the sentiment surrounding, if you actually track quarter-on-quarter for the last four quarters of 2009 calendar, you will see that in the last... as compared to that whatever we see in this quarter, there has been a little bit of decrease in the absorption rate, that means the net vacancies are depending on marginal service have slightly gone up.

Saurabh Kumar

Yeah.

N. Sridhar, Group Director, Strategy and Finance

But as we got... while the underlying demand is still healthy and strong given that we are growing and rising middle income class, aspiring population, GDP growth rates are sound, people still need -- there is a little bit of volatility in the prices. So, probably all of this will... my expectation is that there will be anywhere around 10% correction in the prices overall because we have seen that while we have been able to absorb this market pricing, it's about one of the last six months to one year, we have been selling it at prices which market can absorb.

Saurabh Kumar

Yeah.

N. Sridhar, Group Director, Strategy and Finance

And reasonably a little bit lower than our nearest competition, competition which is in play. So, I expect that overall the real estate segment will take a 10% correction, for us we go on till March 2011 we already have selling like a little bit less than that the nearest competition.

Saurabh Kumar

Okay. That's fair enough. And sir, my second question would be if you can throw some color on the Bandra project in terms of approvals required and the funding required, that would be great?

N. Sridhar, Group Director, Strategy and Finance

Bandra project, you mean to say the government colony Bandra-Kurla, right?

Saurabh Kumar

Yeah.

N. Sridhar, Group Director, Strategy and Finance

Yeah. The Kurla-Bandra project government colony is online which is say, we got the letter of intent. We have the process of making the payments for the lines which we've won through the tender. We have also given the project in terms of other project separation, planning et cetera has been put in place.

Saurabh Kumar

Okay.

N. Sridhar, Group Director, Strategy and Finance

You may be looking for some that is also an interest, a form interest in terms of -- liquidity to -- minor equity state of 10-15% in the project.

Saurabh Kumar

Okay.

N. Sridhar, Group Director, Strategy and Finance

So I think we will be all set some now in the next six months to be able to breakdown.

Saurabh Kumar

Okay.

N. Sridhar, Group Director, Strategy and Finance

Okay.

Saurabh Kumar

That's fair enough, sir. That's it from my side, sir. Thank you.

N. Sridhar, Group Director, Strategy and Finance

Thank you Saurabh.

Saurabh Kumar

Thanks.

Operator

Thank you. Next question comes from Mr. Akash Shah from Nomura. You may go ahead, sir.

Analyst

Hi, sir. This is Akash here. Just in terms recently in December, you'd put out an ad in the newspaper saying that you wanted to sell TDR. Now given that your earlier stated intention was not to sell TDR but to use them within your own projects. What has suddenly changed as to force you to start selling this TDR and that too through ads in the newspaper?

N. Sridhar, Group Director, Strategy and Finance

See, as in TDR market in Bombay, now given the current pricing and given that we had a decent inventory of TDR. So, we are going to use the TDR for projects, but there is a gating that is required, because we, for X amount of TDR depending on, which project we... so there are some TDR which we thought we could sell in the open market and that's exactly the meaning that we could sell TDR. And we could look for our profits, because the TDR usage in our earlier projects are all based on certain cost assumptions and we already brought some of them for our own projects, so that's not a problem.

Analyst

So, how much of TDR did you sell in the quarter and at what kind of price?

N. Sridhar, Group Director, Strategy and Finance

We sold close to say, compared to last quarter, I think this quarter we sold something like 603,000 square feet of TDR at an average pricing of around 2,800 or 2,900.

Analyst

All right. Thanks a lot, sir.

N. Sridhar, Group Director, Strategy and Finance

Thank you.

Operator

Thank you. Next on line, we have Mr. Abby Dey from Edelweiss. You may go ahead, sir.

Analyst

Sir, thanks for taking my question. My first question is what is the current status for the Orchid Acre project at Mira Road, which is around 18 million square feet? And second question, I'd like to know the acquisition status of the Kalachowki project and also the Prem Nagar project at Goregaon? Thank you.

N. Sridhar, Group Director, Strategy and Finance

Orchid Acre project at Mira Road?

Analyst

Mira Road, 18 million square feet.

N. Sridhar, Group Director, Strategy and Finance

It is actually plain bottom of land which is on our provision. And we are in the process of getting all the necessary required approvals to start the project.

Analyst

Right. Sir, but when we would we see like the project coming off, like any time line on that?

N. Sridhar, Group Director, Strategy and Finance

I think we will take around -- the most aggressive assumption is that we should be able to start somewhere around six months. But the most complementary could be like at least six to nine months. So, we can say six to nine months.

Analyst

Okay. And so what about the Kalachowki and the Goregaon projects. Sir, what's the new acquisitions which you've been planned?

N. Sridhar, Group Director, Strategy and Finance

Goregaon, you're taking about Prem Nagar?

Analyst

Prem Nagar, yeah.

N. Sridhar, Group Director, Strategy and Finance

See Prem Nagar, they had a promise of getting the necessary consents and approval. So, the process is working, while we have got close to out of around 8,000 odd finance. I think we have got something close to around 4,000 or plus. So we got another 3,700 to get. So the process is on. So, we expect that that promise will take something close to nine months or so from now.

Analyst

Okay. And like your Kalachowki which I believe that there are some other bidders also, along with you in the project. So, what is the status over there right now? When can we see something emerging there?

N. Sridhar, Group Director, Strategy and Finance

Till market finalized, they're still on the evaluation basis. So we believe by this month and by the February end, there would be selecting -- and in terms of the criteria what is laid down by the committee in terms of network and what are the project executed, what kind of redevelopment have been done. We have been in terms of marks, we are at the highest position at this moment. I think by the fiscal year, we could get something substantial on this, so that we are doing it and by what substantial we will be doing.

Analyst

Okay. Thank you.

Operator

Thank you. Next question comes from Ms. Meghna Kavle from Span Capital. You may go ahead, ma'am.

Analyst

Hello, sir.

N. Sridhar, Group Director, Strategy and Finance

Hi.

Analyst

Sir, could you give us a break up of the 1.17 million square feet sold with TDR -- what is the TDR content?

N. Sridhar, Group Director, Strategy and Finance

Out of 1.17 million that we sold for this quarter, I think we sold TDR to the extent of 6,50,000.

Analyst

That's for three months, and for nine months?

N. Sridhar, Group Director, Strategy and Finance

For nine months, we would have sold something close to 1.4 million.

Analyst

1.4 million and...

N. Sridhar, Group Director, Strategy and Finance

14 Lakhs.

Analyst

Sorry, sir.

N. Sridhar, Group Director, Strategy and Finance

14 Lakhs for nine months.

Analyst

14 lakhs and regarding the sales value, what is the breakup?

N. Sridhar, Group Director, Strategy and Finance

No, sales value you see, I think TDR totally would have this quarter has yielded something close to 183 crores of income.

Analyst

Okay.

N. Sridhar, Group Director, Strategy and Finance

Nine months, it will be close to around 300 odd crores.

Analyst

330. Okay. Thanks a lot, sir.

Operator

Thank you. [Operator Instructions]. Next online, we have Mr. Saurabh Kumar from Macquarie Capital. You may go ahead.

Saurabh Kumar

Sure. This TDR thing, so do we expect this TDR sales to continue in coming quarters also and how much do we have?

N. Sridhar, Group Director, Strategy and Finance

I think you may have some more TDR sales coming in the last quarter of this year.

Saurabh Kumar

Okay.

N. Sridhar, Group Director, Strategy and Finance

And may be some will flow through the first quarter of next year but after that I think some, there will be some captive utilization of TDR.

Saurabh Kumar

Okay, okay.

N. Sridhar, Group Director, Strategy and Finance

By now we are probably the largest generator of TDR and we are supplying to the market. So, the pricing has also gone up currently.

Saurabh Kumar

That's correct, that's correct. That definitely makes sense. Thank you sir. That's it from my side.

Operator

Thank you. Next question comes from Ms. Karishma Solanki from Antique Stock. You may go ahead.

Karishma Solanki

Hi. Can you us give us a breakdown of the sales volume I mean apart from TDR for the other projects as well.

N. Sridhar, Group Director, Strategy and Finance

In sales you mean? See, Orchid, apart from TDR, the biggest sales value for this quarter is of Orchid Ozone and Orchid Woods, and now it is Heights, and now it is View.

Karishma Solanki

Right. Can I have a breakdown of that how much you said in terms of...

N. Sridhar, Group Director, Strategy and Finance

Out of steady sales, amongst all these four projects something like around 4 lakh square feet.

Karishma Solanki

I mean, if you... the sales value of share in 2Q was about 1,155 crores and that's come down to 965 crores whereas the volumes, so this is on account of which project?

N. Sridhar, Group Director, Strategy and Finance

No, so you are asking for what, breakup of this project in terms of area sold?

Karishma Solanki

Yeah. I mean why have the realizations come down...

N. Sridhar, Group Director, Strategy and Finance

Yeah. Realizations have come down because essentially you see this quarter we sold 6,50,000 of TDR. The average pricing of around Rs. 3,000 whereas normal projects would sell anywhere between 12,000, 15,000, 23,000. So if we pay the 3,000 on an average, overall average for the quarter has come down to 9,600... sorry 8,250 for the quarter.

Karishma Solanki

And in MIG Colony, how much have you sold this quarter?

N. Sridhar, Group Director, Strategy and Finance

See MIG which is a soft launch and we sold close to around 30 odd square plus totally till now, because we're not aggressively pushing at this point in time. So average pricing is now close to 25,000 this year.

Karishma Solanki

Okay. And which are these two projects where your construction cost has increased and you revised the cost estimate?

Corporate Participant

These two project, there is not much differences in terms of the cost we build. We have been adding certain extra amenities in the flat for which we are studying currently, but in totality if you see there is not being a cost -- earlier the cost which was been submitted did not include the cost for the parking space as well as on the revenue side, it was also not configured. So effectively in terms of cost increasing price and we know that increase in price.

Karishma Solanki

Okay. But this is sir, well for which two projects would this be?

Corporate Participant

This was for Crown and Orchid Heights.

Karishma Solanki

Okay. So you're saying that the increase in cost will be offset by the higher realizations which you want...

Corporate Participant

Higher utilization and the parking.

Karishma Solanki

Okay.

N. Sridhar, Group Director, Strategy and Finance

And just for the previous question on the Orchid, MIG Colony we sold 5 lakh during this quarter.

Karishma Solanki

Sorry?

N. Sridhar, Group Director, Strategy and Finance

We sold 5 lakh units in MIG.

Karishma Solanki

Okay.

N. Sridhar, Group Director, Strategy and Finance

The Orchid Paradise.

Karishma Solanki

Yeah.

N. Sridhar, Group Director, Strategy and Finance

And the price that I quoted was for... if somebody paid immediate money, we gave them some after discounts on the 25,000.

Karishma Solanki

Okay. And whatever launch plans now for the next quarter or in the next maybe six months?

N. Sridhar, Group Director, Strategy and Finance

Next six months, well there, we'll wait and see because at this point in time they've got MIG, they've got a government colony. There are quite a few pipelines, projects in the pipeline. So, I don't give itself and say constitute a bigger chunk.

Karishma Solanki

Okay. So I mean you all initially you were planning to launch Views and...

N. Sridhar, Group Director, Strategy and Finance

There is also Orchid Views in Shantinagar. We have done some soft launch and we have sold some. So Orchid Views of Shantinagar in Jacob Circle, MIG Colony, these Orchid Paradise and Bandra Government Colony will launch in the next nine months...

Corporate Participant

Orchid West Views.

N. Sridhar, Group Director, Strategy and Finance

Orchid West Views in Malad.

Karishma Solanki

Right. Okay. Thank you.

N. Sridhar, Group Director, Strategy and Finance

Thank you.

Operator

Thank you. Next on line, we have Mr. Sameer Baisiwala from Morgan Stanley. You can go ahead.

Sameer Baisiwala

Thanks. Good evening, everyone. This is Sameer Baisiwala. Sir, just on the new launch plans, what's the update on Turf View Phase-II?

N. Sridhar, Group Director, Strategy and Finance

Turf View Phase-II. Yeah, B wing, no C and D, right?

Sameer Baisiwala

That's right.

N. Sridhar, Group Director, Strategy and Finance

That's right. We have sold three units during this quarter in the D wing.

Sameer Baisiwala

Okay. So this has been launched. I don't think when you're talking in the last quarter that had been pre-launched. So those towers have been launched and you have sold three units, is it?

N. Sridhar, Group Director, Strategy and Finance

Yeah, it's for three units, in a average price of Rs. 42,000.

Sameer Baisiwala

Okay. And the other question is on the government colony project. Could you update us on a couple of specifics as to out of the total upfront payment that we had to make, how much has been done? Whether the development plan has been finalized signed? And three, when should we expect the evacuation to commence?

N. Sridhar, Group Director, Strategy and Finance

Sameer, I think the government colony project is that after the award of letter of intent and the subsequent, we had subsequent clarification and supplies in particular to the government and then we have signed. We have -- not making the payments for the land. And we intend to evacuate, we've already started doing the master plans for the entire projects through HOM, that's already been commenced and that's come to a stage.

We are looking at alternate accommodation for people of government colony. And all of this will take another six to nine months, is what we think because even the term has to get over and then it will take around six to nine months from now as we see. And then we'll start building the area, the government colony -- that we are supposed to give to them.

Sameer Baisiwala

Okay. And how much has been put to work? How much money have you paid to the government on this?

N. Sridhar, Group Director, Strategy and Finance

No, we're in the process of... we have made some minor payments. The bulk of the payment for the land is getting paid in the first three quarters as well.

Sameer Baisiwala

Okay. And that would be on the back office signing of the development achievements, if I'm not wrong?

N. Sridhar, Group Director, Strategy and Finance

Yeah.

Sameer Baisiwala

Okay.

N. Sridhar, Group Director, Strategy and Finance

Because all those formalities can not be completed and then now that we have on the... so there are certain formalities that we need to

do. And signing of the development agreement we gave them the flat.

Sameer Baisiwala

Okay. And if I remember correctly, we were I mean the government is probably building the units for the people to be rehabled in Byculla and Ghatkopar. Are those ready for the people to be evacuated to those locations?

N. Sridhar, Group Director, Strategy and Finance

No. See at this point... I don't... no, at this point in time there are certain locations identified for relocating. Some of them, some of this could also be Ghatkopar, but at this point in time I don't think -- final complete decisions in terms of larger -- relocated has been taken, number one.

Number two, there had also been a huge period up to June that we may not be able to evacuate them because of the schooling and other issues that they have. So, once we finished off that portion of our development agreement, I think then we are going to sort out, this is also one is the government confirmation to us saying that once we start that they will be able to evacuate this people and it's their responsibility.

But I think it was jointly taking into account people's concern about relocation of banks, schooling and stuff like that. So, I think the entire process of clearly identifying where they will go, when they will go and when we will start, it will happen only in the next six months. But we intend to put it in place in the next six months.

Sameer Baisiwala

Okay. And sir a final question...

N. Sridhar, Group Director, Strategy and Finance

There are certain... for example, I might... regarding Ghatkopar may be they may have a point of view. I know we are keeping all of those in mind at this point in time. And we'll start the entire plan of the rehabilitation, rehab and then starting of work in the next six months so that the plan is ready by then.

Sameer Baisiwala

Okay. And just a final question on the ongoing projects, specifically Crown Heights, Turf View, do we have all the approvals which are required to come at this stage including the environment approvals in place? And did you get a stop work order on Crown because of this?

N. Sridhar, Group Director, Strategy and Finance

At this point in time, we have not received any stock notice or from anybody in spite of new targets and then stuff like that. So we have been slightly within of that. As far as Orchid Crown you said, whatever DDSL company, which keep around to whatever regulatory requirements are there. And there we have got all the necessary approvals that is necessary for us to start the work and commence work. At this stage as far as our interest rate is concerned. In terms of environment clearance, I've got one thing to comment on that Orchid Crown and there were certain observations made by the State Expert Committee which is being addressed, and suitable for us either addressable for us. So that is what we did.

Sameer Baisiwala

Okay. Great, thank you so much.

N. Sridhar, Group Director, Strategy and Finance

Thank you.

Operator

Thank you. Next on line we have Mr. Sameer Siddharth from Anand Rathi. You may go ahead.

Analyst

Yeah, hi. Good evening. This is Samar here. Sir, I have two questions in respect to the balance sheet, what is the customer advances standing on books at the end of December?

N. Sridhar, Group Director, Strategy and Finance

708 crores.

Analyst

And how much of this would be from Crown, Turf View and Heights.

N. Sridhar, Group Director, Strategy and Finance

I could not be immediately have a breakup. But whenever you want I can send it. I think we should take broadly sales percentage of these projects. I don't think so I have the breakup right now, but we can give it you.

Analyst

Okay. And what was the receivables in this quarter, receivables and construction outgo in this quarter?

N. Sridhar, Group Director, Strategy and Finance

Construction out go total construction cost is... no receivables of 410 crores, totally for this quarter end of December. And consistent... total inventory was 1.59 crores, yeah. So inventory standing is 1,591 crores.

Analyst

Okay. And sir one last thing, with regards to this the debar thing, with regards to your new project acquisitions namely the when you are talking about Bombay Central and otherwise, on that point of view you paid untill now from nine acquisition for recent approvals case?

N. Sridhar, Group Director, Strategy and Finance

Project wise if you want we'll have to there are lot many projects we need to get this detailed breakup to you, and it's.

Analyst

In societies.

N. Sridhar

Hello. What in that, what is it exactly you want to know Samar? I mean, in terms of the cost, how much we have lost?

Analyst

In terms of your new projects, like for example in Goregoan your Bombay Central project? And with regards to thees projects how

much have you actually spent on acquiring these projects in the last six months?

N. Sridhar, Group Director, Strategy and Finance

See, this would vary depending on the Bombay Central, Prem Nagar. We have reached a reasonable stage where we think lot of spend used terms of money. And in fact because we are in the process of acquiring consolidating all of this period it could be 100-200 crores, but I don't have any exact number. But... so we can give you that.

Analyst

Okay. And sir, one last question now there have been a lot of news going around over the last two, three months. So how was it actually affected sales if at all because most opportunities in South Central Bombay where ticket prizes are more than 5 crores. So what is happening?

N. Sridhar, Group Director, Strategy and Finance

See if you see the scenario right now the absorption has come down little bit and especially it has impacted pricing in sales above to the northern suburbs as compared to the southern and western suburbs number one.

Number two I think overall liquidity tightness and the interest rates, which are short up maybe just bit made dampen the settlements and obviously there is the expectation of some price correction. Because if you see there are now four

quarters of 2009 there was a huge blip there was probably best time and for real estate prices are going up the route.

But I think that was essentially you should look at it from a backdrop from how much it has gone down in 2007 and '08 and subsequently had recovered overtime. Present and today I will expect that the real estate market does mean the sales have been sluggish and they are expected to continue for next two quarters at least. And one has to take it out from there. And thereby there will be a little bit of pressure on the price there. So I would also expect a 10% correction.

Analyst

Okay, sir. Great. That's it from my side. Thanks.

N. Sridhar, Group Director, Strategy and Finance

Thanks.

Operator

Next question comes from Ms. Meghna Kavle from Span Capital. You may go ahead ma'am.

Analyst

Yeah, hi. This is Meghna's colleague Suri. I am just referring to an earlier presentation which you had on your website when you gave really optimistic, revenue and profit numbers for the ongoing FY11. But seeing I could in results those things some achievable. So what would be a revised estimate for the current year?

N. Sridhar, Group Director, Strategy and Finance

Revised estimate for the current year. See for the first nine months we have done a sale of close to 2,900 crores.

Analyst

Right.

N. Sridhar, Group Director, Strategy and Finance

And we have booked a revenue of something close to 876.9 million odd crores. Now we expect that we have to close at around 3,600, 3,700 odd crores in terms of top line.

Analyst

But that wouldn't be I mean those wouldn't come into your P&L those are standard advances. Right or you would actually...

N. Sridhar, Group Director, Strategy and Finance

No, no those are sales. So correspondingly, from the nine month number of 876, 900 crores and I don't want to give you a guidance we should end up at 1,100 and 1,200 crores.

Analyst

Okay. So the 800 odd crore profit, which was earlier spoken about in the presentation and which we've nine months we've reported about 300 crores. So that was stand early this was drastically reduced, right?

N. Sridhar, Group Director, Strategy and Finance

No, I think you are getting me wrong the point I'm mentioning is I don't give any guidance in the presentation number one. As on date we don't have any such guidance that we had given. So I really don't know about the guidance of number. Currently, we are tracking close to 300 odd crores for the nine months that you are seeing.

Analyst

Right.

N. Sridhar, Group Director, Strategy and Finance

And the next quarter also will be good according to us, because I think we have generated benefit of TDR and we have got another four projects running to fall to repay sale potential of around 90 and 80% between Woods and Ozone and Suburbia. And there has been a actually if you see pricing get improved and these projects are housing projects which is 5 to 7,000. And the reaction is very well in those areas. So I think the last quarter also should be extremely good from a P&L perspective.

Analyst

Okay.

N. Sridhar, Group Director, Strategy and Finance

And given that we also have adequate area to be sold in the market with the prices firming up actually if you see because I saw this quarter of TDR at the price of 2,850 current files are all closed to 3,500.

Analyst

Okay.

N. Sridhar, Group Director, Strategy and Finance

We intend to do well in quarter four too. And of course we have a reasonable condition maybe another maybe closer to 600 odd crores.

Analyst

Okay. Fine. I will take this offline. Okay, thanks.

Operator

Thank you. Next question comes from Mr. Mayur Gathani from Ohm Group. You may go ahead sir.

Mayur Gathani

Hi. Good evening, sir. Sir, any potential large transaction at Thane expected sir, in the coming quarters?

N. Sridhar, Group Director, Strategy and Finance

Any large potential in Thane new projects do you mean?

Mayur Gathani

Yeah.

N. Sridhar, Group Director, Strategy and Finance

Not for the next two quarters.

Mayur Gathani

Not for the next two quarters.

N. Sridhar, Group Director, Strategy and Finance

Yeah.

Mayur Gathani

Okay. Thank you.

Operator

Thank you. Next question comes from Mr. Sandipan Pal from Motilal Oswal. You may go ahead sir.

Sandipan Pal

Hi, sir. Sir, just wanted to check what is the cash outstanding as of December '10?

N. Sridhar, Group Director, Strategy and Finance

December, we have cash and cash equivalents figure will be close to 238 crores.

Sandipan Pal

Right sir. Sir, one more thing is that as per your last presentation I got it seems that maybe because of your huge ramp-up in construction your debt equity ratio is going to go up. But it has gone down, which is certainly a good thing under current situation. But just wanted to understand whether there is any substantial change in the strategy in terms of collections?

N. Sridhar, Group Director, Strategy and Finance

No, I want to clarify this once and for all. I don't know different markets, different people who understand half of it and don't understand the other half, continue to talk about debt equity, we will be raising more loans et cetera.

Let me put it together, we've got a loan outstanding consolidated debt is of 378 crores, which is only 0.12% of debt equity. We have repaid certain loans, which are outstanding. And more than anything else given that all these nonsense that are happening around LIC we have gone out and paid at least more than 50 crores or 60 crores of that amount as prepaid, not because they asked us to prepay or anything we just said when we have network of 3,500 crores and only 0.12% is debt, why carry certain issues around debt, which were raised by people. People don't understand, so they make statements.

Sandipan Pal

Right.

N. Sridhar, Group Director, Strategy and Finance

That's number one. So as of now, yes, going forward, we will raise specific construction finance for our projects, but in no way it will be very huge.

Sandipan Pal

Okay.

N. Sridhar, Group Director, Strategy and Finance

We intend to exit this year also at less than 0.2%, 0.2 of debt equity.

Sandipan Pal

Right sir. Thank you.

N. Sridhar, Group Director, Strategy and Finance

Thanks.

Operator

Thank you. [Operator Instructions]. Next on line, we have Mr. Abhishek Singh from B&K Securities. You can go ahead, sir.

Abhishek Singh

Hi. Good evening, everybody. I'm really sorry sir, I'm repeating this question because I just joined a bit late. Can you please give me the revenue break-up once again for this quarter?

N. Sridhar, Group Director, Strategy and Finance

Revenue break-up as we sold close to 1.2 million square feet of space during this quarter out of which 6,50,000 was TDR and rest was across on the other projects.

Abhishek Singh

Okay. And the other projects mutually constituted of Woods and...

N. Sridhar, Group Director, Strategy and Finance

Other point that you may want to know... this quarter's average realizations per square feet has come down essentially because the TDR component of 6,50,000 was sold, which carries a price tag of Rs. 3,000 a square feet as compared to other per square feet rate of 8,000, 10,000, okay?

Abhishek Singh

Okay. Fine. And regarding the particular Orchid Crown, what you basically said was, what I got to understand is like there has been some issues with the environmental clearance, the department. But what can be, we take as the worst case scenario in that?

N. Sridhar, Group Director, Strategy and Finance

There are no worst case or a best case scenario when you do a transaction of this size and this magnitude. It's a very sound project based on our approvals and compliances that we are -- normally we do. So, there is no such stock notice orders specifically issued for us. There have been certain environmental issues raised by the State Expert Advisory Committee and which we are addressing at suitable forums.

Abhishek Singh

So till when can we expect a reasonable answer I mean?

N. Sridhar, Group Director, Strategy and Finance

This has been for example environmental clearance in India we sorted overtime and throughout the entire country. For example, if you could raise an issue about Lavasa after four five years.

Abhishek Singh

True.

N. Sridhar, Group Director, Strategy and Finance

So our life is such. So at the end of the day one needs to look at it from a different perspective, but as per a market crown and the project is concerned that among the 25, 30 projects that I am doing currently, number one.

Number two, we don't have any stockholder bookings et cetera for that. We have currently done all of the work and we continue to do the work within the available approvals that we have at this point in time.

Abhishek Singh

Okay.

N. Sridhar, Group Director, Strategy and Finance

Which we have. So I don't envisage any big issue around that.

Abhishek Singh

Okay. And just one thing going forward. Are you I mean concerned about the kind of correction that we have seen in the prices, especially in the Central Bombay part in that?

N. Sridhar, Group Director, Strategy and Finance

See, I think, I am concerned, you are concerned the world at large is concerned because I think as of watching I was incidentally asking someone else why the other real estates not... last revenue through dramatically. But the point is market behaves based more on sentiments and the feeling around. I don't see any big reason for the correction except that the entire customer segment as hug getting because of the news flow and the sentiment around the sector. We obviously continue to be very bullish and even the reconfirmation of analyst on our stock and our evaluation based on all the data that we have given, kind of looks to be very upbeat.

Abhishek Singh

Okay. So no particular pockets of Mumbai where you have are more concerned rather than just change in a bit of strategy, which can drive you northwards or southwards of the locations?

N. Sridhar, Group Director, Strategy and Finance

When we look at it, if you look at the price absorption, if you look at Mumbai city most of this price correction price is mostly within Eastern suburbs as compared to Western suburbs. I mean, both would correct but the correction is more in the Eastern suburbs I think you look at the South and the North here and that's one view that you can take. But then you also have -- also see the affordable housing demand is sustained and it's growing.

Abhishek Singh

Right, but...

N. Sridhar, Group Director, Strategy and Finance

When I say demand it's affordable means any flats which are sold between 3 to 4,000 to 6,000 per square feet there is a sustaining demand out there, which is the progress that has been Western suburbs on Andheri, Virar, Dahisar, Mira Road et cetera. So these are the kinds of projects that's very sustaining and we are quite a few close to 35% of our portfolio is around this range.

Abhishek Singh

Okay.

N. Sridhar, Group Director, Strategy and Finance

So I don't connections these probably bound to happen, but it will happen in pockets. Even though overall tight liquidity and interest rates bias that is there I think probably price correction I think there will be a 10% correction overall industry scenario.

Abhishek Singh

Okay, okay. And just before leaving I mean this, TDRs what you have sold this time include some a bit from the Orchid Hill project of ours also, right? If I am not

N. Sridhar, Group Director, Strategy and Finance

No no.

Abhishek Singh

It's totally completely from Mahul.

N. Sridhar, Group Director, Strategy and Finance

Correct.

Abhishek Singh

Okay, okay. That was from my side. Thanks a lot sir.

Operator

Thank you. Next question comes from Mr. Puneet Jain from Goldman Sachs. You may go ahead sir.

Puneet Jain

Hello, hello, good evening, everybody. This is Puneet. Hello, hello can you hear me?

N. Sridhar, Group Director, Strategy and Finance

Yeah, yeah. We can hear you.

Puneet Jain

Yes. My first question is that what is the balance TDR inventory you have at this point of time?

N. Sridhar, Group Director, Strategy and Finance

You asked a very profound question. I think we have some another 2.5 lakhs square feet of TDR that's the 2.5 million that's what I am saying, 2.5 million of TDR actually generated and sold.

Puneet Jain

So sir, what will you have in terms of the re-inventory?

N. Sridhar, Group Director, Strategy and Finance

Re-inventory out of the TDR certificates and DCR gets given every month.

Puneet Jain

Okay.

N. Sridhar, Group Director, Strategy and Finance

Re-inventory will be close of another 4 lakhs square feet.

Puneet Jain

Okay. Second is my view on, like you mentioned on TDR pricing with the pricing has increased to more than 3,500 compared to say 2,800?

N. Sridhar, Group Director, Strategy and Finance

Yeah. The prices are in the range of 2,800 to 3,000. Now the prices are at the range of around 3,500 but then, see pricing of TDR to the extent of demand, supply and absorption.

Puneet Jain

Yes.

N. Sridhar, Group Director, Strategy and Finance

And lot of business has gone out and in anticipation of buying TDR constantly we are under pressure to buy the TDR. So that is why there is an upward bias on the price.

Puneet Jain

Sir, what has been the moment on a Q-on-Q basis in December quarter compared to the previous quarter?

N. Sridhar, Group Director, Strategy and Finance

In December quarter we sold 6,50,000 square feet of TDR.

Puneet Jain

Okay.

N. Sridhar, Group Director, Strategy and Finance

As compared to some 4.5 lakhs or 5 lakhs square feet in the previous quarter.

Puneet Jain

Okay. And the second thing, the second question is with respect to dealership pricing, in two specific projects like Orchid Views and Orchid Woods. So what is the pricing in Orchid Woods right now and how has it changed, because you are running a campaign called as challenge...

N. Sridhar, Group Director, Strategy and Finance

See like outright challenge for me it was based on the fact that we gave, what we gave in terms of carpet and build up and we did not have any hidden cost, number one. Number two, any price which is below the market and subtract to projects nearby without any competitor. These are the two subjects that we need to be keep in mind when I answer this questions.

The average price realization while the current pricing close to Rs. 10,700 are included. It is at least 10% lower than... at least 10% lower than nearest competition around that place. For the kind of quality that I am giving. D B Reality has a substantial ability to be able to absorb price deviations given that about acquisition, non-acquisition cost is not as that high as compared to a competitor.

So that is where we are. So even in the overall market corrects the 8 to 10%, we will not see this price just because it's already selling

at those prices.

Puneet Jain

Okay. So business to my next question in terms of strategy, do you maintain a certain volume target that if you don't spend a certain amount of volume you will do some casual adjustment or how do you look about?

N. Sridhar, Group Director, Strategy and Finance

See we are always ready to be able to sell. See our motto has been as I always mentioned we'd like to carry apartment and residential units as talking place. And we have to keep selling them to generate cash. Because that's a best model, because we generate cash imported in other project generate against them.

So we have the ability to and also given the unique model that we are in terms of our redevelopment revenue under projects that we are in non currently that most of the approvals in place. That gives you that flexibility to able to absorb any price corrections in the market place.

So this means about just to react and should be able to develop. So if your question is do we have the ability to absorb and move on the answer is yes we have the ability.

Puneet Jain

I am not talking about ability, I am talking about what...

N. Sridhar, Group Director, Strategy and Finance

Would I drop the price just to increase volumes?

Puneet Jain

I think if

N. Sridhar, Group Director, Strategy and Finance

You will have to do corrections to the extent what the market can absorb so that will be across on the entire real estate sector.

Puneet Jain

Sir, how do you think about it do you want to have certain amount of volume every quarter or in case you see a drop in volumes because of?

N. Sridhar, Group Director, Strategy and Finance

No we will get the flexibility. We will be more focused on salary every quarter.

Puneet Jain

Okay. So there has been some drop in third quarter compared to second quarter. So if association perceives in fourth quarter, will you do some pricing adjustment or you will wait for some more quarter before you look at the pricing?

N. Sridhar, Group Director, Strategy and Finance

See I think the next few quarters are going to be sluggish. And you were not heard I made two statements. I expect the quarters, next couple of quarters to be sluggish and price correction to the extent of 10%. So we will begin to have the ability to maneuver this to be able to sell in the market place.

Puneet Jain

Okay. Okay. Thanks a lot.

N. Sridhar, Group Director, Strategy and Finance

Thank you.

Puneet Jain

Thanks.

Operator

Thank you. At this time, there are no further questions from the participants. I would like to hand the floor back to Mr. Nitin Idnani for the final remarks. Over to you sir.

Nitin Idnani, Enam Securities

I would like to thank the management for taking the calls. And also all the participants for taking the time to attend the same. Thank you so much.

N. Sridhar, Group Director, Strategy and Finance

Thank you.

Operator

That does conclude our conference for today. Thank you for participating on Reliance Conference Bridge. You may all disconnect now.