



“HDIL Q1 FY-18 Earnings Conference Call”

August 11, 2017



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Moderator: Ladies and gentlemen, good day and welcome to the HDILQ1 FY18EarningsConference Call. As a reminder, all participant lines will be in the 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 an operator by pressing “*”then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Hari Prakash Pandey – Senior Vice President for Finance and Investor Relations from HDIL. Thank you and over to you, sir.

Hari Prakash Pandey: Thank you moderator. I welcome all of you to the conference call for the first quarter of financial year 2017-2018.I have along with me Mr. Sarang Wadhawan,he is the Vice Chairman & Managing Director of the company and Darshan Majmudar – the CFO and Company Secretary of HDIL.

I am just giving an introductory thing. This is my last conference call with HDIL. Now I hand over the call to Mr. Sarang. He will give you an opening remark and then we will open up the floor for the Q&A.

Sarang Wadhawan: Welcome everyone. Thank you for joining in. Well, this is my first conference call and I just thought I will come in and say hello to the investors. We had quite a few exciting news items over the last few weeks. Also with the results today it would, I thought it would be better if I was on the call to explain and take your questions. I will ask Mr. Majmudar to declare the results and explain the results to you and after that I think, I can take the question and answers. Thank you.

Darshan Majmudar: Hello everyone, this is Darshan Majumdar. The first quarter results for the consolidated as our turnover is **85.82 crores 2.05** and the other income is 3.82 crores consolidated the amount is 89.64 crores and the PBT is 7.87 crores and EBITDA is about 16.34 crores as of 30th June. That gives the profit after tax of 7.10 crores and debt as on 30th June stands to 258 million. That is about my total. The sales, our accounting policy is I think, I am sure Hari must have briefed to you about that we are following project completion method. But for this quarter, first quarter we have the Budget Home which we had launched during the last quarter and we have completed about 75% and as per the institute guidelines of Chartered Accountants we have followed percentage completion method to recognize the sales which based on 75% completion method. So, that is about the composite of my turnover as well as and brief summary the results. So, we are now...

Sarang Wadhawan: I think we are open to questions, if there are any questions you can.Moderator you can actually put them forward.

Moderator: Sure, thank you very much. We will now begin with the question and answer session. We have the first question from the line of Saurab Kumar from JP Morgan. Please go ahead.

Saurab Kumar: If you could just explain basically the news around all this loan, restructuring and whatever is going on. So, if you can just explain where do we stand in respect for the 3 loans on the Central Bank of India, Union Bank of India and the United Bank and what are you doing to essentially kind of take this company out of some sort of liquidity crisis if I may that the company faces right now?

Sarang Wadhawan: Well, I am happy to report that Central Bank of India has already approved our one-time settlement scheme. We have already made payment of the first instalment towards that OTS and we have 6 months to pay off that loan. One thing that should be noted about that OTS is that it will be paid through the project accruals itself. We were awaiting Central Bank to issue this OTS, so that the NOC's can be issued to customers. There is close to about 30 crores of funds which are to be collected and deposited into the accounts. So, I am hopeful that over the next 6 months' time because the work on the side is progressing that loan will get exhausted by itself. As far as Union Bank of India is concerned everybody is aware that one of our subsidiary Guruashish Constructions faced the NCLT order and the appointment of the IP. However, please note that we have already filed the petition in the NCLAT. We are also in talks with Union Bank of India as of now to ensure that we can get an OTS approved which we are very hopeful that over the next weeks and Union Bank had their results today and could not take a call this week. They would be open to getting the OTS approved next week. We are trying our level best. However, if the OTS does fail we will definitely go to NCLAT in appeal and try and set aside this order because this order has its own issues and I think the NCLAT would be would favour us. As far as the liquidity position is concerned, everybody is very well aware of how the market is panning out with bank credit growth not taking place and banks not funding the real estate sector. To an extent we have to look at other avenues of financing, refinancing as well as construction of the projects. What we are currently looking at is asset sale and we have been able to close one of the asset sales where we have received the first tranche of payment which was helpful us getting the Central Bank OTS. We do have certain collections coming over this quarter which should be able to help us get the OTS's in place with Union Bank and we are very hopeful that we will adhere to the timeline given by the bank. I do not foresee any further issues but unfortunately the NCLT route is being misused by companies and by banks altogether. You have small companies like even security services companies who are actually going to NCLT against company's, big companies and filing these cases and trying to get orders from the NCLT because since it is the fast-track mode the NCLT generally does not give beyond one hearing and reserves the order and then passes an order. This is turning out to be quite a huge task for all companies to adhere to payment schedules and to adhere to other issues. But I think some resolution, we are hopeful some resolution will come out of this. In the meantime, we will try our level best to ensure that no further cases are filed or at the same time if there are banks that are looking at approaching the NCLT or insecure or other smaller companies that are creditors that are looking at approaching NCLT we will settle those issues out.

Saurab Kumar: So, credit side that you have a credit line right now from another bank right now or no?

Sarang Wadhawan: Yes, we do have a credit line available from another bank. But the point here is that do we utilize the credit line to pay off one bank or do we utilize that to ensure that the bank that is giving us the OTS comes to terms with the OTS that we require. I think one of the things that we have to look at is we were able to get Central Bank or get from Central Bank an OTS by giving them 10% of the amount and then beyond that we have paid them another 10%. So, in this manner I think banks are looking at as long as you keep funding them over a period of time and 6 months is the maximum time that the banks are willing to give. I think we should be able to get OTS's from the banks.

Saurab Kumar: And sir, just on your debt reductions so, Hari had mentioned in the last call as your debt should decline from about 2,400 crores to something in the vicinity of 1,500 crores to 1,600 crores by the end of this year does that guidance still stand in tact or ...

Sarang Wadhawan: See Saurab, the guidance is still stand. You have to understand something that the attachment of the accounts by the Income Tax department actually forced this account to go into NPA. Beyond which because of what was happening in NCLT the bank also Forex recovery was forced to go into NCLT may be for whatever reason it might be. However, as per the guidance which was given last time by Hari we were going to monetize through an asset sale and then bring our debt down which still remains because this asset sales is helping us get the debt down. It may be over a period of 2 months-3 months but when the payments do actually come to us these payments should be utilized to pay off banks. It is not going to be utilized for any other reason. So, the guidance still remains it is only the mechanism that because of this issue coming up that now our focus is more towards repayment of this loan rather than where we would have actually like to pay.

Saurab Kumar: But by the end of this year you should still hit ...

Sarang Wadhawan: Yes, we will still abide by the guidance that we have given and we are very hopeful that we should be able to monetize even further and further asset sales and ensured that the debt comes down as we had given the guidance to the market.

Saurab Kumar: And just one last question what was your pre-sales for this quarter, 25 crores? Pre-sales, the total sales?

Sarang Wadhawan: The pre-sales for this quarter, Budget Home sales we were able to sell close to about 48 crores in this quarter.

Saurab Kumar: And no TDR sales?

Sarang Wadhawan: No, TDR sales.

Moderator: Thank you. The next question is from the line of Gaurav Joshi, who is an Individual Investor. Please go ahead.

Gaurav Joshi: Just wanted to check if I heard it right, Mr. Hari mentioned that this is his last conference call is he moving out of the company?

Sarang Wadhawan: This is Sarang Wadhawan here, I am the Vice Chairman and Managing Director, yes, Mr. Hari Pandey is moving on and henceforth for the next couple of quarters Darshan Majmudar and myself, we will be taking the conference calls.

Moderator: Thank you. The next question is from the line of Amin Nayani, who is an Individual Investor. Please go ahead.

Amin Nayani: Just need to know, you just told us about there is one asset sale, can you please elaborate on that? What is the total amount on that and how much we received?

Sarang Wadhawan: We have been able to sell one of our properties in Bombay, in the Bombay suburb, I would not like to disclose much we are still in the agreement stage. We are looking at raising about 500 odd crores from that asset sale that money would be utilized primarily for debt repayment.

Amin Nayani: And how much we received till now?

Sarang Wadhawan: We have received 10% as of now.

Amin Nayani: And what is the repayment cycle. So, when will, can expect to receive 500 crores from that?

Sarang Wadhawan: See, the point here in is there is diligence currently going on the property. Once the diligence is complete we should be in a position to actually guide the market as to when we are going to receive the balance amount. But yes there is an asset sale which we have worked on and that is going to be utilized to pay off the banks.

Moderator: Thank you. We do have a follow up question from the line of Saurab Kumar from JP Morgan. Please go ahead.

Saurab Kumar: Just two final things. One is on this Virar project. So, does that guidance of 2 million to 3 million square feet FSI sales which you have guided towards at least that was the guidance that they have given that still stand that you can to these 2 million to 3 million square feet FSI sales and just what is the total TDR inventory you are carrying on your balance sheet?

Sarang Wadhawan: As of now, yes. As far as Virar is concerned we are looking at monetizing and looking at asset sales. We are currently in the process of the final consolidation. There are a few pieces of land which need to be acquired which we are currently acquiring. The approvals have already been taken, the environment approval is in place. So, as soon as we are ready we are going to launch that asset sales and try and maximize as much as we can. As far as our TDR inventory is concerned we are close to about 2 million square feet of TDR which is there in the company.

Saurab Kumar: So, this TDR inventory is with you? It is not to be generated it is just like there with you as of today?

Sarang Wadhawan: Yes, it is with us.

Saurab Kumar: And the TDR price will be today about Rs. 4000?

Sarang Wadhawan: It is about Rs. 4000.

Saurab Kumar: So, you have 800 crores of inventory?

Sarang Wadhawan: See, the point here in is that while we might have the inventory others should have the funding to actually buy the TDR. And keeping in mind the fact that the Bombay High Court has restricted new projects because of whatever the issues with the dumping yard are. I think that is one of the major reasons why TDR demand is little skewed.

Moderator: Thank you. That was the last question.

Sarang Wadhawan: Thank you everyone. I think I have been able to give some clarity on the way things have transpired with the events that I have unfolded last week. We are always available to your questions. If there is any other question you can always e-mail us and we will be glad to respond to you. You guys all have our numbers as well and I think if there are any questions please call us at any given point time. Thank you for joining us.

Moderator: Thank you very much. On behalf of HDIL that concludes this conference. Thank you for joining us ladies and gentlemen you may now disconnect your lines.