



“HDIL Q2 FY17-2018 Earnings Conference Call”

November 14, 2017



**MANAGEMENT: MR. SARANG WADHAWAN - VICE CHAIRMAN &
MANAGING DIRECTOR, HDIL**

Moderator: Ladies and gentlemen, good day and welcome to the HDIL Q2 FY17-2018 Earnings Conference 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 would now like to hand the conference over to Mr. Sarang Wadhawan - Vice Chairman & Managing Director from HDIL. Thank you and over to you, sir.

Sarang Wadhawan: Good evening everyone. Welcome to the second quarter results of HDIL. Just to run through the numbers, the consolidated income of the total income of the company stands at 163.06 crores, the PBT stands at 16.36 crores, the EBITDA is at 24.80 crores, the profit after tax stands at 60.97 crores. The profit being higher, profit after tax is higher is due to the reversal of provisioning of income tax of approximately 44 crores. The debt of the company as of today on a consolidated basis stands at 2,549.11 crores which is a reduction of 1.39% from the quarter of 30th June. As of today, the net worth of the company stands at 11,544.36 crores.

We have had a very interesting quarter. Over the last 3 months we have been able to monetize certain assets, we have been able to conclude certain FSI transactions. The income which has been accounted for has been due to the sale of FSI of one of the company’s assets at Santacruz that income has been accounted for in this quarter. We have also been able to reduce debt over the last 2 quarters and current debt on a consolidated basis stands at 2,549.11 crores.

I think what we can do is take the question and answer session, so that if there are any particular questions, I can answer them at that time.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Sir, my first question is essentially what is the total amount of FSI sales and other land sales you have done during the quarter?

Sarang Wadhawan: We have been able to sell close to about 3.5 lakh square feet of saleable area in Santacruz for which the company monetize that FSI and got the income of about 160 odd crores.

Saurabh Kumar: So, that is the only one, right? No, other TDR?

Sarang Wadhawan: No, we have not monetized any other assets as of this quarter. We are hoping in the next quarter since things are improving in the market, I think we should be able to start monetizing our TDRs as well.

Saurabh Kumar: And the Ghatkopar property, will that be monetized or ...?

- Sarang Wadhawan:** The company plans to launch the Ghatkopar property that is Berkeley square which we had targeted in the affordable housing segment which will be launched under budget homes. We are targeting that we should be able to make about 25 to 30 square meter apartments in Ghatkopar, in a price range of close to about Rs. 99 lakh to a crores. So that is the plan for the company, come first of January we should be ready to launch that we have already received requisite approvals to that effect and we are hopeful that we will have a good amount sales in that prospect.
- Saurabh Kumar:** And just on this issue on income tax, whatever those litigation you had with income tax which was causing all these issues with NCLT in the last quarter. So, is that issue resolved right now or ...?
- Sarang Wadhawan:** See, the problem with income tax continues, although we have been able to get orders from the ITAT which are beneficial to the company. However, certain appeals which were lying with the CIT appeals continue. We are approaching ITAT for resolution of those issues as well and we are hopeful that over the next quarter or so we should be able to sort that out.
- Saurabh Kumar:** So, once that sorted you can make those payments with those banks, right?
- Sarang Wadhawan:** Yes, we are any ways irrespective through our other subsidiaries or other companies still making payments to the banks. We have been able to sort out most of our banking issues. I believe people are aware that Andhra had approached NCLT and we have been able to sort out the issues with Andhra bank as well. So, on the 16th of this month Andhra will be withdrawing that petition.
- Saurabh Kumar:** And lastly, I noted you are doing a preferential allotment of 200 crores in the company. So I am guessing, will that be used for debt reduction or ...
- Sarang Wadhawan:** All moneys that are being put into the company by the promoters will be utilized for debt reduction. Let me just reiterate that we had in the last AGM approve the same warrants to the promoters but unfortunately due to delay in the payments from the promoters which was a 15 day period where we had to make 25% of the payment that could not be made. However, subsequent to that 5 days later we were able to make at least 30% of the payment to the company with the company has utilized towards debt repayment which will be shown in the current quarter. Now, that payment has been made by the promoters, so hence once these warrants are approved that money will be utilized to show that 25% has already been given.
- Saurabh Kumar:** So, basically this quarter may be the debt will come down by about 150 crores?
- Sarang Wadhawan:** We are hoping that, yes by about 150 odd crores. The company is working towards resolution of other loans as well and we are hopeful with the kind of transactions that we are looking at which I cannot diverge details now. December quarter should be a pretty fine quarter for us.

- Saurabh Kumar:** And finally what is the cash, I am just trying to figure out what is the net debt in the company now?
- Sarang Wadhawan:** The net consolidated debt is 2,549.11 crores.
- Saurabh Kumar:** So, that was the netted not the gross debt
- Sarang Wadhawan:** No.
- Moderator:** Thank you. We take the next question from the line of Ram Babu, an individual investor. Please go ahead.
- Ram Babu:** Sir, is there any progress on budget homes, sir?
- Sarang Wadhawan:** We are looking at giving possession of budget homes this month end in Mulund or the site is almost getting ready and I am hopeful that by the 30th of this month we should be able to handover possession.
- Ram Babu:** No, I mean, in April you have told that there will be new launches in under budget homes ...
- Sarang Wadhawan:** I thought you was mentioning specific to the Mulund one. See, as far as the budget homes strategy of the company is concerned, the company has earmarked certain projects including the one in Ghatkopar, Mulund Phase-II of the Nest also will be coming up over the next couple of months. So, we are hoping that the 1st of January we should be able to launch Phase-II of the Nest as well. Pant Nagar in Ghatkopar should be a big one in the affordable housing segment and we are right now currently finalizing the plans for another project of ours under budget homes in Vikhroli. So, over the next 3 to 4 months you are going to see the budget homes is going to play the lead role as far as affordable housing segment of the company is concerned and we are hoping that that would be a very positive sign for us.
- Ram Babu:** And one more question sir, is there any progress on the Union Bank issue, sir? Whether they have withdrawn the case?
- Sarang Wadhawan:** Yes, Union Bank has already withdrawn and all the applications that they had submitted to NCLT.
- Moderator:** Thank you. We take the next question from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** Sir, just a follow up on this income tax issue. So, when do you expect this to get resolved fully?
- Sarang Wadhawan:** See, we have now received a stay order from the Principal CIT as well. That stay order at least as far as the demands are concerned from the income tax those have been stayed but with that

stay order we are actually now going to approach the ITAT this week and hopefully by December we should be able to find the resolution to this problem. It all depends on the ITAT scheduling may be it could be December or January. But we are hopeful of finding a resolution at least by end of January.

Saurabh Kumar: If I recall this is for different fiscal years, right?

Sarang Wadhawan: This is for the years from 2009-2010 going all the way up to 2015-2016.

Saurabh Kumar: So, you got favorable orders for all of these years?

Sarang Wadhawan: For 2009-2010, 2010-2011 and 2013-2014 we have received favorable orders. For 2012-2013 the orders has to go back to ITAT. So, I think once we have the ITAT order in hand, we should be able to sort out most of the income tax issues. Also you have to understand that even though ITAT went, even though the department went to the High Court. The High Court actually did not admit their plea, which is beneficial to the company and we are hopeful that based on that the ITAT again will give us a favorably order probably in this month or the early next month.

Saurabh Kumar: Sir, basically hopefully by January at least all the accounts will be ...

Sarang Wadhawan: Yes, we should be able to sort out and also we are also in our petition putting in that the ITAT should actually stay the orders of holding back or open up our bank accounts which have been frozen by the income tax department.

Moderator: Thank you. We take the follow up question from the line of Ram Babu, an individual investor. Please go ahead.

Ram Babu: Sir, what is the pre-sales for his quarter, sir?

Sarang Wadhawan: As of now the pre-sales figures we have been able to do limited amount of sales in the Nest. This quartet the company concentrated more on the FSI transactions. We are looking at also monetizing other non-core assets. So, the pre-sales were not very high, the figure I think we will send it across to you may be in the next 10-15 minutes.

Ram Babu: And sir, in the newspaper along with the Andhra bank there were debt issues with other banks also for bonds repayment, correct? Any other banks also have any issues?

Sarang Wadhawan: No, none of the other banks. See, what the company is doing is finding a resolution for all banking issues. We have been successful in doing, so with most of the banks that have had their own issues but in the scenario in which the market is today and we are looking at the banking sector where it is situated. It is difficult for companies because of the condition the market is in. However, the company by monetizing its assets and by doing sales of FSI, I think has been able to come out of the issues over this quarter we are going to try and reduce debt

even further. We are hoping for a couple of transactions to close out by December 30th, 31st of December which should be able to bring down a debt figure quite drastically.

Ram Babu: One more thing sir, do not you think because of these default issues in future getting loans will be difficult for the company, sir?

Sarang Wadhawan: Sir, I honestly right now for the company the priority is to come out of the issues that the company is in currently. In the future the company internal accruals are strong enough to ensure that the company should not take further debt or create this kind of a position again.

Moderator: Thank you. We take the next question from the line of Anil Nayani, an individual investor. Please go ahead.

Anil Nayani: What is the price, what is conversion for, so we are converting warrant, so what is the price for that and also please tell us timeline.

Sarang Wadhawan: See, as per the SEBI rule the price would be the 2 week average of high and low from the date of the board meeting which would be the preceding 2 weeks. We will look at that pricing once we get it. As of now, I will not be able to comment on the pricing because approvals have been issued today itself.

Anil Nayani: And why it has not been issued?

Sarang Wadhawan: The approval has been taken today itself.

Anil Nayani: And what is your timeline from you sites for conversion, fully conversion of these?

Sarang Wadhawan: No, warrants will be converted fully, as of now the promoters have or I have already put in a specific about 30% of the amount already. This would have already been converted but due to certain delay from my end despite taking the approval from the AGM on the warrants we were unable to deposit that money which we have done by a 2 or 3 days delay but now since technically we have to go back to the investors to ensure that I get this approval of warrants again. However, the money has already been given to the company and the company has utilized that for debt repayment.

Anil Nayani: And there is the news that you are divesting 50% of shareholding in your Ravijyot Financing. So, can you please give some details for this amount we are getting from this?

Sarang Wadhawan: See, Ravijyot as of today the company HDIL has given certain loan to Ravijyot which will be repaid by the company. The problem with Ravijyot is that there are certain environmental issues on the land which they own. We have had an issue there and that is why to instead of getting HDIL as a parent company involved in that issue without it is best that the company we are divest in that company and the same the loans will be repaid by Ravijyot to the company.

The money whenever it comes in through Ravijyot will definitely be utilized again for debt repayment.

Anil Nayani: And is there any plans to offer FSI sale in Virar next quarter?

Sarang Wadhawan: I think the current market is we are seeing a lot of traction in the land segment and the FSI segment that is why we were able to successfully conclude our FSI transaction in Bombay. We are looking and monetizing our land assets in Virar as well. We do have the approvals but the appetite for people and quantum available to us are 2 different issues altogether. While the Virar quantum is much larger on our side the appetite for people out there is a little smaller. We are trying to monetize those assets as well the moment we are able to, we will inform the investors accordingly.

Anil Nayani: And we had earlier target of 1,500 crores of that by end of this financial year are we open for that?

Sarang Wadhawan: I am open for that and I am still hoping that the transactions that I am envisaging to conclude over the next 2 quarters would be able to bring our debt down to that level.

Moderator: Thank you. We take the follow up question from the line of Ram Babu, an individual investor. Please go ahead.

Ram Babu: Sir, is there any new launches or new projects which you launch in the forthcoming month?

Sarang Wadhawan: I think Mr. Babu, if you look at the presentation which we have put up on the website of the company, we have reiterated that we will be launching by 1st of January we will launch our project in Pant Nagar under budget homes and we will launch Phase-II of Mulund also under budget homes of our project called the Nest. We are definitely looking at launching of our other project in Vikhroli as well but since we are still getting approvals on that project it would not be correct to divulge further details on that.

Moderator: Thank you. We take the next question from the line of SrimanG, an individual investor. Please go ahead.

Sriman G: I have a question regarding RERA. So how many projects are we registered with RERA or still we are in a process of RERA?

Sarang Wadhawan: We have registered all our existing projects under RERA. All projects where current construction is going on have already been registered. Projects where we are doing FSI sales obviously cannot be registered under RERA. So, almost all of, I think all of our projects have been registered.

Sriman. G: And when it comes to this budget homes, how big were those projects like in terms of square feet or in terms of money?

- Sarang Wadhawan:** Our strategy is pretty clear as far as budget homes are concerned. Current segment that we are targeting is about the Rs. 50,00,000 segment for 25 square meter apartments. We have had great success from our project called Nest in Mulund and now that we have seen what flat size is actually fit into the budget, we are looking at launching our Pant Nagar project which will obviously looking at Ghatkopar and the pricing that will definitely change and it will be a little much higher. So, we are looking at probably between the 75,00,000 to 1 crores segment for a 30 square meter apartment, which I think fits well into the rate of Ghatkopar as well.
- Sriman. G:** Earlier I used to see lot of projects under constructions. So, when they will be open to the market?
- Sarang Wadhawan:** See, certain while we have to adhere to the fact that due to certain issues with approvals where the government was concerned, certain projects got delayed. We have been able to start those projects, we have been able to try and complete them. There have been delays on projects which we have already spoken to our investors. Today, the market is different whether the ticket size fits in or not, construction definitely will have to pick up pace and we will ensure that construction picks up. But launching those projects with a budget of 1.5 crores to 2.5 crores it is a little difficult to sell right now. We will definitely trying our level best but hopefully may be over the next month, month and half or 2 months we should be able to start selling those projects as well.
- Sriman. G:** In terms of working on those projects, is still work going on?
- Sarang Wadhawan:** Yes, the work going on, whether work going on our projects at different stages certain projects have been delayed we have to accept that fact. But the fact is that our process is continuing, we have up changed our methodology of construction. We are now giving all contracts with material to the contractors. So, that is a big change that we have done in our system. We should be able to now as per our submissions to RERA be able to achieve the completion of those projects.
- Sriman. G:** So, when you say what is the timeline you are expecting?
- Sarang Wadhawan:** We have given all those timelines in our RERA submission.
- Sriman. G:** So, if you want to share with ourselves
- Sarang Wadhawan:** I think, I will not be able to say because there are several projects I will not be able to say it on the con-call.
- Sriman. G:** Let me ask you this like probably another 1 or 2 quarter probably will you be able to now put it into the market 3 or 4 projects?

- Sarang Wadhawan:** I think the projects continue irrespective. The construction continues irrespective. So, it is not whether I complete the project in the next 2 months that I will be able to launch it I can irrespective launch the project and start the sales without any issues.
- Moderator:** Thank you. We take the next question from the line of Sameer Dubey from Idea Mint. Please go ahead.
- Sameer Dubey:** I wanted to know what is the relevant date for the purpose of the warrants issues, whether it will be today's date?
- Sarang Wadhawan:** It will be today's date. It is always the board date.
- Sameer Dubey:** So, today with the date, basically it has been the relevant date for this quarter?
- Sarang Wadhawan:** It is relevant date and 2 weeks prior high-end low will be the date of the actual pricing.
- Sameer Dubey:** So, do you expect to conclude this in December itself or would it be longer.
- Sarang Wadhawan:** We have already made the payment of approximately 30% to 35%. So we are hoping that over the next 3 months' time we should be able to conclude this transaction.
- Moderator:** Thank you. We take the next question from the line of Anil Nayani, an individual investor. Please go ahead.
- Anil Nayani:** So, when we expect revenue recognition from a recent project we start?
- Sarang Wadhawan:** From our existing projects or which projects?
- Anil Nayani:** Existing projects because there are around ...
- Sarang Wadhawan:** The company has due to change in the regulations where the Chartered Accountants Institute is concern. The company has for all projects launched after April 2017 changed the revenue recognition percentage completion. All projects prior to April 2017 will still fall under the project completion and after April 2017 will be percentage completion. So, projects like the Nest and affordable housing segment all of them will now be under percentage completion, while all the other projects which were launched earlier will be accounted for in project completion method. So, as and when the projects get completed as when the revenue will be recognized.
- Anil Nayani:** So, in last meeting you said the revenue recognition will start for Palghar project.
- Sarang Wadhawan:** So, Sector-1 and Sector-3 yes, we recognized the income but for other sectors we still have to recognize the income for Palghar since we received the OC for Sector-1 and Sector-3 we were able to recognize the revenues for that.

- Anil Nayani:** So, it will be in which quarter, Q3 or Q4?
- Sarang Wadhawan:** Palghar will be staggered over the next few quarters. We have other projects as well which will over a period of time we recognized with project completion method. We also have TDR income which over the next few months will be recognized as and when it is sold. So, say for the company it is important to follow a set methodology of project completion only based on when the liability is transferred or whenever the OC is taken from the government. We cannot recognize for the revenue before that. So, as and when we are able to do so we will recognize further revenues.
- Moderator:** Thank you. We take the next question from the line of Ranjit V. A., an individual investor. Please go ahead.
- Ranjit. V. A.:** My question is regarding this disinvestment scheme which you have been planning. How much amount of money do you expect to gather from this?
- Sarang Wadhawan:** The divestment into the subsidiary of the subsidiary primarily these subsidiaries had taken a loan from the parent company for certain investment that loan will definitely be returned back to the company. The amount is not much, I think it is anywhere between 20 crores-40 crores odd we will check up on that amount and that money will be return back to HDIL, which would be utilized for debt repayment.
- Ranjit. V. A.:** And one more thing sir, last conference call also you had mentioned about some disinvestments, can you share further details regarding that?
- Sarang Wadhawan:** The company over a period of time invested in certain companies which it felt had the opportunity to primarily generate certain revenues for us. But over a period of time certain projects got stalled or where the company has ended up not making the kind of profit that it envisaged over a period of time. So, the board has taken a decision that is better that the company divest its stake in those companies where the future income does not seem probable over the next few years. It is better to take your money and repay you debt rather than waiting for those projects to take off.
- Ranjit. V. A.:** One more question is regarding this settlement with bank, can you provide some details regarding the repayment schedule?
- Sarang Wadhawan:** Well, I will not be able to provide the repayments schedule on the con-call. But if you do write to us we will be able to provide certain repayment schedule to you.
- Ranjit. V. A.:** And one last question is regarding pre-sales figures, it has been flat for the last one year. When do you expect it to pick up?
- Sarang Wadhawan:** I think with the kind of progress we are seeing at the Nest in budget homes, we saw a good amount of traction in the affordable housing segment. I think over the next 2 quarters you are

going to see pre-sales figures pick up quite drastically because we are looking at launching Pant Nagar as well as the Phase-II of the Nest. So, we should look at pre-sales figures picking up quite well.

Ranjit. V. A: And do you expect them to return to normalcy because previous years you used to like Rs. 300 crores of pre-sales, 250 to 300. Do you expect it to pick up to those levels?

Sarang Wadhawan: Mr. Ranjit, we are currently in a situation where the market is in its own turmoil, the banking sectors is in own turmoil. The company is trying its level best to, first and foremost the priority of the company remains debt reduction. I think the individual investors and the FII should take, we proud of the fact that despite all market conditions the company has been able to sort out its issues and has been able to reduce debt at the same time. We envisage over the next quarter's debt to come down quite drastically and the targets that I have given over the last one year to the market we were able to achieve it last year and I am pretty sure that this year also we will be able to achieve those.

Ranjit. V. A: And on more thing is regarding the pre-sales for this quarter, if you are in a position to share the details?

Sarang Wadhawan: I currently do not have those figures I will send them across to you, if that is possible.

Moderator: We do not have any questions in the queue.

Sarang Wadhawan: Thank you, everyone for joining us on this con call. I think I may have put to rest certain doubts that the investors had. It has been a good quarter and I am hoping that over the next 2 quarters you will see better results from us and we will keep you updated. If you have any questions, please do not hesitate to contact us and please stay in touch. Thank you.

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