



## “HDILQ4 FY17-18 Earnings Conference Call”

**May 30, 2018**



**MANAGEMENT: MR. SARANG WADHAWAN – VICE CHAIRMAN &  
MANAGING DIRECTOR  
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RELATIONS)**

**Moderator:** Ladies and gentlemen, good day and welcome to the HDIL Q4 FY17-18 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 an operator by pressing '\*' then '0' on your touchtone telephone. Please note this conference is being recorded. I now 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. We have just uploaded the results on to the NSE website, the BSE website the results are still getting uploaded. So since the results are already on the NSE website I think we can go ahead and discuss the same.

The revenue from operations for the quarter ended 31<sup>st</sup> March are at 41.31 crores, the total income is at 47.98 crores, the PBT is at 8.7 crores and the PAT is at 9.67 crores. On the overall year front as far as financial year end in 31-3-2018, the revenue from operations are at 387.75 crores, the total income was at 401.61 crores, the PBT was at 60.44 crores and the PAT was at 96.69 crores.

Looking at the market conditions within the real estate sector in Mumbai, we have seen a downturn in the income of the company, also primarily due to the DP2034 which has just come into existence now in the last month. The company was not able to accrue income from its TDR sales which form a good portion of our revenue. However now subsequent to the DP2034, the BMC releasing the same, we have seen that the TDR income is starting again. We are hopeful that over this first quarter and the coming quarters we should be able to see an uptake in demand in that TDR segment.

The company is also trying to monetize a few land parcels to ensure that the debt is brought down. On the last year front on a consolidated basis our debt which was at 2581 crores has been brought down to 2445 crores. In the first quarter also we have been able to reduce the debt quite substantially, the first quarter of this year. However, to add to it the promoters have subscribed to the warrants and the promoters have made the payment to the company for the warrants and the same has been utilized by the company for the repayment of its debt.

On the overall front, the real estate scenario still is in a weak phase. We are seeing a bit of pressure from the PSU side, the public sector banks are still under pressure and that there is an issue of credit availability in the market. However, the company and its promoters are trying to organize the funds from wherever they can to ensure that the projects do get completed. Certain projects have picked up, the TDR from couple of projects has started accruing and overall, we are pretty hopeful that this year of 18-19 will be a better year than the one that ended in March 2018. Over that I will open the floor to questions if any.

- Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Lalit Thakar from Internal Broking Limited. Please go ahead.
- LalitThakar:** I want to know that the company had announced some plan for fund raising, so can you give more clarity on whether it is equity or what exactly it is?
- Sarang Wadhawan:** As a policy so to speak every year we take an enabling resolution from the board for raising funds through either equity or through FCCB route. We have not utilized that enabling resolution or that resolution to raise any funds. If in the future, we do see an opportunity in capital markets to raise money through the qualified institutional placement route we will definitely look at fund-raising on that perspective.
- LalitThakar:** My second question is that some six-month back you have announced that, you have shared that some land sale you are trying to attempt of 500 crores for which you have received 50 crores, so what is the status of that deal?
- Sarang Wadhawan:** Which transaction?
- LalitThakar:** Six months back there was some 50 crores and the company has issued some advance for some land sale of 500 crores. Basically, what we understood is that the company is trying to bring down the debt from 2500 crores to 1500 crores, so at that point of time you had shared this thing some land sale of 500 crores.
- Sarang Wadhawan:** The way the company works is that we try to monetize assets and FSI and TDR and the proceeds are utilized for debt reduction. Also one of the segments is the residential segment where we sell flats. If we do have any sales occurring in the FSI or the TDR market, we do inform everybody about them. However, if certain transactions are in the pipeline we would rather keep quiet on it right now and inform the exchanges directly on the closure of the transaction.
- LalitThakar:** It is heartening to hear that some debt has come down in this quarter also, so what kind of debt we can expect to come down in this one quarter?
- Sarang Wadhawan:** I can not give a forward guidance on the quarter before the quarter ends. But the company is looking at monetizing a couple of assets for which it has received approvals and for which there are prospective buyers in place. We are hoping to close the transaction before this quarter end and substantially bring down the debt.
- Moderator:** The next question is from the line of SuprakashKundu, an individual investor. Please go ahead.
- SuprakashKundu:** In last conference we discussed about some debt reduction and asset sale, what is the update?

- Sarang Wadhawan:** We are currently looking at monetizing of assets. We are in talks with a couple of our clients for monetizing of two of our properties. Once we achieve closer on the same we will inform the exchanges and the investors will be informed accordingly.
- SuprakashKundu:** What is the net asset value of our company?
- Sarang Wadhawan:** The net worth of the company is 11,572 crore.
- SuprakashKundu:** Any new launch?
- Sarang Wadhawan:** We are looking at launching a couple of residential projects in the next month or so. We are working towards organizing the funding for the construction for the same. This will probably be in the same segment of budget homes that we have done earlier for our Mulund property, so hopefully we should be able to give you another launch maybe in the next 20 days or so.
- SuprakashKundu:** What is the update news about planet HDIL?
- Sarang Wadhawan:** Planet HDIL a development in Virar, we are currently working on the plans for that and along with it we have interest from a couple of other developers for a joint development. We are looking at all possibilities for monetization of that land parcel and it forms the major chunk of our portfolio and as such looking at the demand which is coming in the affordable housing and specifically through the Prime Minister AwasYojana, we are looking at starting that project also in the near future.
- SuprakashKundu:** What is current news about Privilege Power and Infrastructure?
- Sarang Wadhawan:** PPIPL is a subsidiary of the company and as such the holdings of Virar and couple of other projects are in that subsidiary. It's a subsidiary of the company, there is no revenue currently in the company and whatever revenue comes in, is consolidated with the balance sheet of HDIL.
- SuprakashKundu:** What is the issue of Andhra Bank 226 crore debit?
- Sarang Wadhawan:** Andhra has no exposure left with us. Andhra Bank had taken us to NCLT over one outstanding of about 49 crores. That amount has since been paid. There is only an outstanding of about 5 crores which will be paid in the next seven days' time.
- SuprakashKundu:** The IDBI Bank 40.33 crores?
- Sarang Wadhawan:** The company has already taken an one-time settlement from IDBI Bank and the company is paying its debt through the OTS.
- SuprakashKundu:** And Bank of India 250 crores?

- Sarang Wadhawan:** If you are going to ask me all individual banks I think it's better you come and speak to our CFO and take an update on the entire debt schedule with respect to the company.
- SuprakashKundu:** Update news about Guruashish Construction?
- Sarang Wadhawan:** Guruashish is in NCLT right now. It is under the IPC code. As of today the board of the company rest with the resolution professional. We have approached NCLAT against the termination order of MHADA, the hearing for which is slated for tomorrow. Hopefully we should get some sort of respite from the NCLAT. On successful hearing of the Guruashish issue we should be able to either, the company will get an approved resolution plan or we are also looking at alternatives which will be discussed with the resolution professional in the near future.
- Moderator:** The next question is from the line of Nithin Ranjit from Capstock. Please go ahead.
- NithinRanjit:** My first question is regarding as per the latest annual report we have close to Rs. 750 crores to pay-off to the banks this year and about a year back most of these banks have dragged us to NCLT and you have done some sort of one-time settlement. So my question is whether the old repayment schedule or else have they given you a new schedule?
- Sarang Wadhawan:** Most of the banks today are utilizing NCLT to get money from any company which owes money to them. As of today, the banks that deal with HDIL are giving us one-time settlements and are actually helping us come out of these issues. Most of the banks are amiable and have supported the company throughout its loan tenure. We have rescheduled some of the loans; we have restructured some of the loans and as of such certain individual banks put pressure by going to NCLT or trying to use the threat of NCLT. However, with one-time settlements we have settled with most of the banks and we are very hopeful that in the near future we will not have any other bank trying to take us to NCLT.
- NithinRanjit:** But that means we won't have to pay Rs. 750 crores in this financial year.
- Sarang Wadhawan:** I cannot discuss the actual amount that the bank will close the OTS at because every bank has its own policy for one-time settlement. We are working with individual banks on every single one-time settlement and as per schedule we are repaying the banks. Some banks give us longer tenure, some banks give us shorter tenure and the amount to be adjusted also is calculated as per banks policy. So while the figure of 750 might come as what was to be given to the banks over the year. The figure changes on the approval of the OTS.
- NithinRanjit:** This OTS can expand from the maximum period which you are extending to 3 to 6 months.
- Sarang Wadhawan:** Not necessarily, it depends from bank to bank. If certain banks do have a larger exposure, they do give us an extended timeline for repayment. Certain banks where the exposures are small they do want to close the OTS is within six months' time, generally that the principle.

- NithinRanjit:** My next question is regarding this land sale which you have done at Santacruz at which the corporate park was actually planned, so my first question is on whether we have received the consideration on whether the land we have sold is the entire land parcel or whether there is still land more to be sold?
- Sarang Wadhawan:** No, the transaction which was done was for sale of FSI in that particular joint venture. The transaction amount has not been received as of yet. It is linked to certain approvals, certain environment approvals are still pending in that project and as such on receipt of those approvals we will receive the money from them.
- NithinRanjit:** There is no more FSI to be sold in Santacruz?
- Sarang Wadhawan:** No, we are trying to include a couple of other land parcels into that scheme and if we are successful we will have certain additional FSI coming but as of now whatever the balance FSIs we have sold.
- NithinRanjit:** That means we do have more FSI to be sold in Santacruz itself?
- Sarang Wadhawan:** We can yes, we can get additional FSI there as well.
- NithinRanjit:** Recently this as per the Mumbai Development Plan the FSI was increased to three, so does that mean that the 2 million odd sq.ft. of the area which we hold becomes irrelevant or we can't dispose it off does that mean?
- Sarang Wadhawan:** The change in DP2034 which has come in and which will become applicable post 8<sup>th</sup> of June because right now it is in the objectionsuggestion period. There is a one-month period where now DP2034 will become active. We are looking at an every individual project to project increase in FSI which is also now certainly linked to roadways and other infrastructure criteria. We cannot as of today judge the exact change that it will make to the total ongoing projects of the company or to the additional lands that the company has. Over a period of time we will definitely come to know as to what changes are going to become applicable to us.
- NithinRanjit:** My question was regarding the TDR which we hold. We do hold 2 million sqft of TDR right?
- Sarang Wadhawan:** Yes. No the TDR what happens is the TDR is already being generated from Kurla. There is no change as far as FSI is concerned with respect to the 3-11 scheme of the SRA. So there may be no additional TDR which will be generated from Kurla based on the change into DP2034 and also sends this is slump TDR it is not linked to any major issues. Yes, we are still looking at the same value of monetization with respect to the TDR even if there are major changes in DP2034.
- NithinRanjit:** We hold 2 million sqft of TDR in our inventory, right?
- Sarang Wadhawan:** Yes.

- NithinRanjit:** Since FSI was increased to three there won't be any demand for the same. The other developers can simply bring more FSI without buying any TDR.
- Sarang Wadhawan:** TDR forms an integral component with respect to the total FSI which will be utilized. Point 5 has to be brought in through TDR, developers although can do have the option of increasing their premium, by making premium payments to the government. The point 5 of the TDR does not change.
- NithinRanjit:** Last question is regarding the asset monetization which the company has been doing. Any updates regarding the land in Kochi or Hyderabad or Baroda?
- Sarang Wadhawan:** We are currently working on that. We will update you as soon as we are able to close the transaction.
- NithinRanjit:** We do have 6000 acres of land in Virar belt, right?
- Sarang Wadhawan:** 4000 yes.
- NithinRanjit:** Apart from Ghatkopar land do we have any other land within the island city of Mumbai which we can dispose-off
- Sarang Wadhawan:** I will upload the investor presentation on the website. You can download that which gives a clear profile of the lands where the company has. Company does have enough land assets and we are actively trying to monetize those land assets to reduce our debt. If there is an opportunity available rest assured the company will make full effort to ensure that the asset is monetized.
- NithinRanjit:** That means we do have land within Mumbai to sell off?
- Sarang Wadhawan:** Yes we do.
- NithinRanjit:** Apart from the Virar land?
- Sarang Wadhawan:** Yes we do.
- Moderator:** The next question is from the line of Suprakash Kundu, an individual investor. Please go ahead.
- SuprakashKundu:** Actually we know our HDIL property is in Delhi, some joint venture what is update news about this property?
- Sarang Wadhawan:** Currently you are talking about the Delhi property?
- SuprakashKundu:** Yes sir.

- Sarang Wadhawan:** The Delhi property is currently we are working towards monetization of that as well. That company has since been de-subsidiarized and they are trying to see if there is any monetization that can happen although that company does owe HDIL money, as of now. We are trying to get that money out from its HC Infracity.
- SuprakashKundu:** How much money, the total value?
- Sarang Wadhawan:** I think it's about, it's anywhere between 25 to 42 odd crore. We will come back to you with the final figure.
- Moderator:** The next question is from the line of Nithin Ranjit from Capstocks. Please go ahead.
- NithinRanjit:** My first question is regarding this the repayment schedule with J&K Bank. I think they haven't given you the one-time settlement repayment?
- Sarang Wadhawan:** Right. We are trying to monetize one asset for repayment of J&K Bank and we are almost on closure of that transaction. Hopefully with that transaction closed J&K Bank will get paid off in full. So it will not be a scheduled payment, it will be a one-time payment to the bank.
- NithinRanjit:** The entire amount Rs. 275 crores will be paid.
- Sarang Wadhawan:** You said the figure I didn't.
- NithinRanjit:** This MHADA issue any clarity regarding that because they have taken some land.
- Sarang Wadhawan:** MHADA issue has been highlighted quite actively in the newspapers as well. We are currently in NCLAT and the hearing on the MHADA is slated for tomorrow. Hopefully if we do get the order in our favor the MHADA issue will get sorted once and for all. So I think we can come back to you or you will obviously come to know through the media with respect to the developments on the MHADA issue.
- NithinRanjit:** They had retaken 10 acres of land from us, so does that mean that there would be any impact on any write-backs to the P&L side in case favorable order isn't passed in our favor?
- Sarang Wadhawan:** No, basically in the account of the subsidiary which is Guruashish Constructions, MHADA had to sign an agreement with Guruashish, upon Gurusashish's termination of the agreement MHADA has retaken possession of the land where it had given to Guruashish for development. Some of the lands which have been taken back, the company has approached NCLAT against MHADA's termination itself of the agreement since the company was in moratorium, MHADA could not have terminated the agreement for which we are in NCLAT. Hopefully, tomorrow we will get some clarity as the NCLAT has formed a question of law whether during moratorium any proceedings can take place against the company.

**NithinRanjit:** Last question is regarding this high court order which has barred HDIL from selling its assets and how does that playing on with our asset monetization schemes which we are.....?

**Sarang Wadhawan:** Let me just clarify that the High Court has not barred HDIL or its promoter's from selling any assets. It has clearly stated that HDIL in its usual course of business can monetize its assets so there is no bar on HDIL from selling any of the assets unless a specific perspective buyer asks us to take concurrence from the High Court there is no need for us to go to the High Court.

**Moderator:** The next question is from the line of Lalit Thakar from Angel Broking Limited. Please go ahead.

**LalitThakar:** I have just one more question. What I'm saying is that finance cost has come down significantly if I look at the fourth quarter its just 75 crores so if I annualize it is only 300 crores whereas the earlier figure was around 425 crores. So since the debt has not changed but the finance cost has come down, is that the rate of the interest has dramatically come down for the company?

**Sarang Wadhawan:** No, primarily the interest rates yes, what we have been able to do also is bring down the interest rates by restructuring a couple of our loans as well, also we have been making payments to the banks. However the finance cost which has reduced drastically I think you should be a little happier about the company bringing its cost down rather than questioning that.

**LalitThakar:** I'm appreciating it.

**Sarang Wadhawan:** I do really appreciate the fact that you brought it up. We are working towards active debt reduction and yes the finance cost will keep coming down. We are looking at monetization and bringing down our debt further. So while this figure is at 300 for the year we will definitely give you a breakup if you would like of the finance cost. Also the other thing is that since the OTS's have been done there is no interest provision also to be made.

**LalitThakar:** You have always been little candied and just mentioning that what kind of debt you are foreseen for the company going forward. But this time I am seeing there is slightly reluctant say on that front. So if any number can be tentatively shared it will be helpful.

**Sarang Wadhawan:** No reluctances'. We have gone through quite a turbulent time over the last one-year and the entire industry has with no credit available from the banking sector, also the company has not gone to any other institution or NBFC to raise further capital. We have been through our own sources, internal accruals and monetization of asset bringing the debt down. We are looking at a serious amount of debt coming down over the next two quarters. I think closure of transactions is important as of now and that's what we are concentrating on. If we are able to close the transactions as we envisage you will see a bigger drop in debt over the next two quarters than you have seen in the entire year last year.

- Moderator:** The next question is from the line of MS Arun from Capital Market. Please go ahead.
- MS Arun:** What is the TDR inventory we have?
- Sarang Wadhawan:** We have close to about 1.5 million sqft of TDR.
- MS Arun:** What is the unsold inventory we have in the budget home segment?
- Sarang Wadhawan:** Out of 243 flats we have already sold about 222 flats and 45 people have already taken possession of their flats.
- MS Arun:** What is the new launches you talked about, where it is coming from?
- Sarang Wadhawan:** We are looking at launching budget homes Phase 2 as well. We are also looking at another launch in one of the central suburbs where we will be looking at launching close to about 1 lakh sq.ft. to initially test the market and then our second phase of that same project will be about 4 lakh sq.ft. after that. So we are looking at probably another 5 to 5.5 lakh sq.ft. within the budget home segment over the next two quarters.
- MS Arun:** What is the prospect for TDR additions going forward?
- Sarang Wadhawan:** I think the two factors which held the TDR back, one was primarily 2034 which there was no clarity up on, so developers and other purchasers were little apprehensive of buying TDR. Also the Bombay High Court embargo on any new construction has since been lifted by the Supreme Court in the last three months, so because of that with new constructions now starting again, we are seeing and uptick in TDR demand. It's just started and with clarity now coming on 2034 I am envisaging that over the next six months time we should have a good uptick in TDR sales.
- MS Arun:** You have got enquiry, what is the TDR rates going on?
- Sarang Wadhawan:** Right now I don't want to give such figures because then the estimate start building up on the entire inventory. But we can safely state that anywhere between Rs. 4000-4500 a sqft is what TDR is selling at. It can go higher with 2034 now coming in as well.
- Moderator:** The next question is a follow-up from the line of SuprakashKundu, an individual investor. Please go ahead.
- SuprakashKundu:** Actually income tax issue, any update?
- Sarang Wadhawan:** We have received two ITAT orders in our favor which has kind of given us some respite. We have applied for another two years appeal in ITAT. As of today, there is no pressure in terms of favorable ITAT orders in place we should not have any problem on the income tax front.

- SuprakashKundu:** How much money fees in income tax department account?
- Sarang Wadhawan:** How much is with the income tax department?
- SuprakashKundu:** Bank account fees money how much?
- Sarang Wadhawan:** We had deposited close to about 125 odd crores with the income tax department because of the ITAT orders on certain years the refund has become due. However because of liability in the subsequent years that amount is still been held back. We have appeal in the ITAT again and on successful closure of those issues company may be entitled to a refund on the income tax.
- Moderator:** The next question is a follow-up from the line of Nithin Ranjit from Capstocks. Please go ahead.
- NithinRanjit:** You had just said that the TDR inventory as of today stands at 1.5 million sqft, so last quarter you had said that it was 2 million does that mean that we have sold 500,000 sqft of TDR over the last quarter?
- Sarang Wadhawan:** The company also utilizes its own TDR for its own projects as well, so certain inventory can be utilized to complete our own projects.
- NithinRanjit:** I just went through your results and found that the changes in work in progress for the year stands at Rs. 499 crores. So does that mean construction activities is going on or does that mean that the entire Rs. 490 crores is happens to be the interest accumulated?
- Sarang Wadhawan:** It is partly interest accumulation which has happened and the construction activity in some of the project is continuing like rehab projects wherever we are constructing, construction is going on.
- NithinRanjit:** Whom should I contact for details regarding your land bank because I did go through your previous presentations and couldn't find much information?
- Sarang Wadhawan:** What you can do is write us an e-mail to Mr. Manoj Gupta, he is [manoj.gupta@hdil.in](mailto:manoj.gupta@hdil.in) and he will reply back to all your queries.
- Moderator:** Thank you. Ladies and gentlemen this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you.
- Sarang Wadhawan:** Thank you everyone for joining us. I hope I have answered all the questions. If you have any other questions you can e-mail Manoj Gupta at [manoj.gupta@hdil.in](mailto:manoj.gupta@hdil.in) and we will make sure that we reply back. Thank you.
- Moderator:** Thank you very much sir. Ladies and gentlemen, on behalf of HDIL that concludes this conference call. Thank you for joining us and you may now disconnect your lines.