



“HDIL Q1 FY18-19 Earnings Conference Call”

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**MANAGEMENT: MR. SARANG WADHAWAN – CHAIRMAN AND
MANAGING DIRECTOR, HDIL
MR. DARSHAN MAJMUDAR – CFO, HDIL**

Moderator: Ladies and Gentlemen, Good day and welcome to the HDIL Q1 FY18-19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Sarang Wadhawan – Vice Chairman and Managing Director of HDIL. Thank you and over to you sir.

Sarang Wadhawan: Good morning everyone. Welcome to the concall for HDIL first quarter results ended 30th June 2018. The results in a nutshell are the total income of the company is 171.34 Crores up from 89.85 Crores last year. The PBT is at 30.48 Crores compared to 8.83 Crores. The PAT is at 24.7 Crores compared to 7.75 Crores last year. The debt of the company has reduced from 2010 Crores to 1849 Crores.

Overall, the quarter has shown growth for the company due to some large transactions related to FSI as well as TDR income. The consolidated figures for the quarter are 171.34 Crores the total income compared to 47.98 Crores. The PBT is at 30.36 Crores compared to 8.7 Crores. The PAT is at 24.58 Crores compared to 9.66 Crores. On an overall debt level, the consolidated debt is at 2412 Crores compared to 2445 Crores. I think we are open for questions. So please go on.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We have a first question from the line of Harshit Dhawan from Individual Investor. Please go ahead.

Harshit Dhawan: I wanted to ask the management what all is management doing to restore confidence among investor as it is already beaten down and lot of negativity around HDIL?

Sarang Wadhawan: I do agree with your question that yes stock has been beaten down and there was a news item which had come out in the last quarter related to one of our subsidiaries Guru Ashish consideration which was taken to the IBC by one of the bankers. On an update the resolution plan for Guru Ashish has been filed with the NCLT the resolution plan will be looked at by NCLT and the decision on the same shall be taken. The project will then be taken over by the applicant and a resolution to that effect where HDIL is concerned with respect to the high court cases will be sort. Once that issue is sorted out I am pretty sure the negative news about HDIL and its subsidiary will definitely go down. Overall the company is trying the real estate market is still not in the best position with respect to sales for residential apartment. However, we are seeing a lot of interest with respect to B2B transaction, with respect to FSI and TDR sales. We are hoping that over the next quarter we should be able to monetize some of our assets and pair our debts. I think that one should be definitely brought to mind is that HDIL right now is looking at rapid deleveraging and that is the aim of the management that once the debt comes to a particular level we should be able to focus more on project execution.

Moderator: The next question is from the line of Indraneel Gujral from Individual Investor. Please go ahead.

Indraneel Gujral: Sir as far as I know you have permission to sell the Ghatkopar land from Bombay high court, you have raised money from mortgaging assets of some effects?

Sarang Wadhawan: Mortgaging what?

Indraneel Gujral: 42 acres land of Somerset Construction Private Limited, so in I see we have about 500 odd Crores, 600 odd Crores coming in these two transactions only, so what is exactly the need to issue warrants and how far will the warrants be issued in the future?

Sarang Wadhawan: Let us very clear that today the company needs to deleverage rapidly in the light of all the situation that the banks are facing today in the economy. I think it is important that companies like ours that have long gestation projects that have exposure to PSU banks need to deleverage and get out of that arena that is the call that the management is taking that the exposure to institution that can drag you to the IBC court or to NCLT that exposure needs to be limited. I think you are right we have received approval from the Bombay high court for sale of one of our assets in Ghatkopar which we are hoping that before this month end we should be able to close that out and repay the banks and if that happens that would be a substantial deleveraging on our part, but at the same given point in time you have to understand the real estate scenario is such that the promoters want to stand by the company and at the same given point in time want to make sure at no given point is there an opportunity for any banker to drag the company towards NCLT. As of now what is going to happen the company is going to go towards this path and deleverage as much as possible. We are looking at the closure of the transaction for Ghatkopar immediately and the reason for issuance of warrant is that at any given point in time the company needs the money the promoters are standing by.

Indraneel Gujral: I feel in general there is a lack of transparency from the management like a sight example there was a public notice of Allahabad bank that two properties Palghar property and another property are being mortgaged or having auctioned on 22nd of August. There was no clarification on that issue, there was no announcement that the permission has been given to sell Ghatkopar land, there was no information to investor that money has been raised from Maharashtra cooperative bank. So why the management is not keeping the individual investor informed?

Sarang Wadhawan: The Company is currently involved in litigation in the Bombay high court and as per that we have to seek permission from the high court for sale of assets of the company. We have applied for that one public notice and then the resolution to that to come out two to three months to get the permission which you finally got. This is going to be a long-drawn issue till the Guru Ashish resolution plan is not closed out. At the same time when Allahabad bank went out with the auction we are in talks with the bank at all given point in time even today we have been in touch with the banks we are looking at withdrawal of that said notice maybe in the next two

days' time. At every juncture it is quite impossible for us to let the investor know every move that we are making with the banking sector today. Yes, overall I do understand the fact that the investor would like to know something which is deterrent to the company, but these are individual negotiations that happen with the bank currently in today scenario. And if we are able to sort out this issue without creating any further problem for the company I think that is the call that the management takes if it is required and if it is necessary then the same should be disclosed. If an auction comes out the same auction notice came be withdrawn in the a days' time by the bank as well. So we do not find a resolution we would like the investors to be kept away because every information that goes out from the company has a bearing on the price of the stock and we do not like to comment on market speculation or we do not like to comment on anything till the time we have not found the resolution.

Moderator: We have a next question from the line of Nitin R from Cap stocks. Please go ahead.

Nitin R: So the first question regarding this Allahabad bank issue my first question is regarding Allahabad bank issue and till date as per what you have said we have not got a onetime settlement?

Sarang Wadhawan: In Allahabad Bank there is already a onetime settlement in place. The auction notice was due to certain delayed payments to Allahabad Banks we have sorted out the issue out with the bank and hopefully in the next two days' time we should be able to able to get a withdrawal notice of the auction notice.

Nitin R: Sir in Q1 of 2017 it was disclosed that we have a few assets one is Malad and Panvel, can you just elaborate on what these assets are?

Sarang Wadhawan: Malad which one?

Nitin R: Malad, Panvel. It was disclosed that we have land in these three places.

Sarang Wadhawan: I think what you are referring to the SRA projects of the company. The company has an SRA project in Malad we are looking monetization of those assets whatever assets are there with respect to the company ownership are all disclosed in the balance sheet. I think they have disclosed in the work in progress as well. So whatever assets are there remain with the company. Today company is also looking at monetization of these assets and acquisition of new assets as well. So as and when those changes happen I think what we can do is include that in the investor relation presentation and I will update the investor accordingly.

Nitin R: Okay based on some of rough calculations we are like Rs. 950 crores to pay the bank this year. This is including the onetime settlement can you provide the road map on how we are going to pay this money back, how much would give in from the warrant issue?

Sarang Wadhawan: The money which has come in from warrant issue has already been deployed towards repayment of debts for the company their money has helped in further closures of OTS with the bank along with that monetization of assets which the company is trying to do currently we have close to about 300 Crores of debt that will be repaid hopefully by this quarter end. So as an ongoing process you will see that this debt which is the PSU debt will be repaid over this year and we are definitely hoping that with the efforts that we are putting in towards monetization of assets this should be repaid immediately.

Nitin R: No this Rs. 300 Crores refers to the money we are paying back to J&K bank right. Any clarity on bank of India loan 150 Crores who again dragged us to NCLT?

Sarang Wadhawan: They have already approached their board for the onetime settlement we have made the upfront payment to the bank of India and bank of India on sanction of the onetime settlement will withdraw the case in NCLT.

Nitin R: I do not want to irritate you by asking you questions regarding each bank but again regarding Union Bank we had default on that onetime settlement?

Sarang Wadhawan: Let me just save you the hassle whatever banks today NCLT and the IBC code has become a toll for the bankers to get the money to get the money from companies that have defaulted. Today yes the bankers need to be paid and the company is making all efforts towards payment to the banks. At some point in time due to repayment issues or due to cash flow issues there could be a banker who could take but at that time the company make sure that the company make sure that the payment is made to the bank and it is withdrawn and also please try and understand that because of what is happening in the banking sector most of the bank employees also are scared because if they do not take or show any action they can be reprimanded. We are seeing what is happening with the cases in CBI which have already gone in with some of the bankers. So most of the bankers just do take the action to prove that they have taken an action it is not the fact that they are not talking to us or not closing out the issue with us but just the fact that they have to show that certain action has been taken. Please do not get worried on the fact that yes, the bank has taken the company to NCLT under the IBC code irrespective our negotiations and our payments to the banks are going on as we speak.

Nitin R: No as of today after default being rectified relating to the Union Bank?

Sarang Wadhawan: Yes with the Union Bank also we have sort an extension we have made another payment to Union Bank they already taking it to their committee for approval and we are hoping that the approval will be there with us in the next couple of days.

Nitin R: Next question is regarding the sale of fixed assets we have shown a profit of about Rs. 72 crores cash flow is that the sale of the Ganagapura property or is it some other property?

Sarang Wadhawan: Which figure are you actually referring to if I may ask again?

- Nitin R:** Under the cash flow section towards the end.
- Sarang Wadhawan:** You are talking about the proceed from sale of investment?
- Nitin R:** Yes sir. Under Section-A the cash flow from operating activities, loss on sale of fixed assets.
- Sarang Wadhawan:** I do not know where you are looking at there is no loss on sale of fixed assets as per our cash flow statement which has been uploaded.
- Nitin R:** I mean the profit on fixed assets cash flow statement consolidated.
- Sarang Wadhawan:** Whatever we have uploaded there is no profit or loss from sale of fixed assets. Anyway, if you have a particular question why do not you email it to us and we will reply back to that email?
- Nitin R:** But your investor relation officer email address is not working sir?
- Sarang Wadhawan:** So, why do not you one thing why do not you call us on the landline after the call and we will make sure that somebody gets in touch with you. We have your number I think Mr. Nitin your number we have on with us somebody will get in touch with you immediately.
- Moderator:** We have a next question from the line of Indraneel Gujral from Individual Investor. Please go ahead.
- Indraneel Gujral:** Mr. Sarang Wadhawan they are about 8 to 9 subsidiaries of the company. These subsidiaries are again having a shareholding in other 8 to 9 subsidiaries which are all having address of one of HDIL offices. There needs to be some clarity on the nature of assets of the subsidiary and again I think this is series of companies which the subsidiaries are own and those company in turn own each other and some of them are owned by you .I checked that Somerset which helped in mortgaging one of their assets of the company is in turn own by subsidiary of HDIL. There is a lack of clarity on what these subsidiary own in turn I found a series of company like 7, 8 companies they have shareholding of each other only and a few of them in turn are owned by you and the promoter group. I think there is lack of clarity on the nature of assets and liability of all these subsidiaries.
- Sarang Wadhawan:** If you look at our balance sheet the entire liabilities, assets everything with respect to the subsidiary is included in the consolidated balance sheet. All the individual account also of the balance sheet of the company are attached along with it in the printed copy. So, in case if you need any further clarification our CFO – Mr. Darshan Majmudar can guide you with respect to any other subsidiary issue that you might have.
- Indraneel Gujral:** These subsidiaries in general I might be able to get book value of the assets from the information with me but I think it is important that the management precisely defines the land banks that are owned by these subsidiaries, so a proper market valuation of these assets could be done.

- Sarang Wadhavan:** Let me be very clear we are a real estate company that acquires land and on based on the development right available to that land as well and the market valuation differs. Today every piece of land that the company has certain value acreage wise and has a certain value post development approval wise. It is very difficult for us to put a market value based on the acreage, but it is easier for us to put a market value based on the FSI component. The valuation for Real Estate Company seems to be a little different than any other company. We do conduct market valuations for all our assets, however, in our books we actually take the book value of the assets based on historical cost. So, that is why there is a disconnect with respect to the valuation of the assets that a company has.
- Indraneel Gujral:** I agree I think what I am asking here not the market value, but list of every property that the company owes directly or indirectly to its subsidiary, subsidiary of the subsidiary. There needs to be divergent of information that at least a detail of each piece of land has to be given off.
- Sarang Wadhavan:** While I do appreciate your suggestion, but you have to understand certain assets of the company undergo change and there can be legal issues with respect to other developers or other people who can create issues with those assets once they get to know our involvement in such assets. So, we have to be very careful about the information we disclose with respect to certain assets and as such we could not divulge those details till the time the entire legal diligence is complete on those assets. While the company make advances towards certain land pieces makes advances towards FSI, however, it is at certain given point in time only that we actually bring it forward that yes this assets form a part of company's total land bank.
- Indraneel Gujral:** Okay I am not asking you to disclose all of them but at least assets that are not litigated assets like?
- Sarang Wadhavan:** That forms part of our work-in-progress.
- Indraneel Gujral:** But at least there needs to be a split so at least the individual investor or anyone looking at the balance sheet or anyone looking at the balance sheet any shareholder I am not looking for a market value from you, but I at least expect that there should be detail so I could do a calculation myself a book value will not help me anything what we need as investor are detailed. We are not asking you for the market value, but what we are asking for is at least detail of all un-litigated properties.
- Sarang Wadhavan:** So, we can share that on an individual basis or we will take a legal opinion if it is possible for us to share that on an investor relation presentation.
- Indraneel Gujral:** Even the un-litigated you will need a legal opinion on sharing those?
- Sarang Wadhavan:** Just to explain this further, it is very critical for us to ensure that no further litigation or further issues are created in properties. You know litigation on properties can come even after you have received approvals from the government. We have to be very careful on these matter with

respect to land, but your understanding it is simpler to just put it out there, but it can create issues for the company. So, we have to be very careful I will discuss this further with my legal department and after we have confirmation then we will be able to disclose this.

Moderator: The next question is from the line of Nitin R from Cap stocks. Please go ahead.

Nitin R: How much inventory of TDR do we have now it was around 1.5 million last quarter?

Sarang Wadhawan: We have close to about one million which is there with us and we will try monetizing that over the next two quarters.

Nitin R: And this quarter what was the rate at which the TDR was selling?

Sarang Wadhawan: TDR is selling in different locations at different prices. It ranges anywhere from Rs. 4000-4500 going to about Rs. 5000 this quarter.

1Nitin R: Could you please provide today as such today on which our projects are in construction going on?

Sarang Wadhawan: We have a few projects where construction is going on we have a couple of projects where construction is being restarted and the projects are being re-launched. Today we are focusing more on asset monetization, but construction also is execution is one of the areas that the company is known for and we will endeavor to make sure that the project although delayed but they will be delivered to the individuals. Today, I think for us what is critical is to make sure that we reduce our debt and that is what we are currently focusing on.

Nitin R: You have said that we are still generating TDR from Kurla in the last conference call, so could you please tell me what is actually going on in Kurla because the last year drawn was that the airport authority has cancelled our project and about 17,000 units of SAP were actually lying vacant with us, so could you please tell me what is going on that front?

Sarang Wadhawan: With respect to the airport project the company has created and is currently creating 26,000 units of the 26,000 units agencies like MMRDA and MSRDCCL have already taken certain units from us, however we are still awaiting the state government's decision on the balance units irrespective whether or not the government takes the unit in their possession and hand them over to the airport or to whichever agency requires them for the city, the TDR is being generated from these locations. The company duty towards this is just to generate TDR and hand over the vacant tenement to the government. What the government does after that is the SRS prerogative.

Nitin R: So, of these 17% units which have been created how much of them are still with us, can you just provide us the breakup?

- Sarang Wadhawan:** We currently have close to about 14,000 units still with us which are under construction where TDR is getting generated and which will be completed over the next 9 months' time. Hopefully, in the next nine months we should be able to generate further TDR from there and as and when the government decide to hand it over whichever agency we will hand over those units to those agencies.
- Nitin R:** So, 14% units have been created they are ready to occupy is that a current status?
- Sarang Wadhawan:** They are in various stages some building are 70% complete, some buildings are 90% complete they are in various stages of construction.
- Nitin R:** And this Ekta Nagar project what is going on there can we monetize that land is that how it works?
- Sarang Wadhawan:** We are trying our level best to monetize all assets and not one single asset is where the company is not trying to get some cash flow from. However, there exist certain liabilities with respect to completion of rehab units, completion of certain rehab tenements which is currently going in once the rehab is completed and the sale portion is free from all liabilities we should be able to monetize that assets.
- Nitin R:** So, that means we have recreations in Ekta Nagar also in Kandivali?
- Sarang Wadhawan:** Yes, we are creating the units out there. We are already starting the work on the rehab as well. So, it is a process which continuous in every project where rehab is created and certain FSI is generated towards the sale and every project goes through that and that is what we are doing in Ekta Nagar as well.
- Nitin R:** So, rehab component is incomplete.
- Sarang Wadhawan:** Yes, the PAP component is getting generated as well as the rehab component under construction.
- Moderator:** Thank you very much sir. Sir there are no further questions.
- Sarang Wadhawan:** Thank you everyone for joining us I hope I have answered all the questions if there are any further questions, you are get in touch with our team directly and we will be glad to answer any of your other questions.
- Moderator:** Ladies and gentlemen on behalf of HDIL that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.