



“HDIL Q2 FY2018-2019
Results Conference Call”

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

Moderator: Good day ladies and gentlemen and welcome to the Q2 FY2018-2019 earnings conference call of HDIL. 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. Sarang Wadhawan, Vice Chairman and Managing Director from HDIL. Thank you and over to you Sir!

Sarang Wadhawan: Good evening everyone. The results of HDIL for the second quarter ended September 30, 2018 are as follows. The total income of the company stands at on a consolidated basis 304.09 Crores, the PBT stands at 67.15 Crores, which is up 121.12%, the PAT stands at 54.46 Crores compared to 24.58 Crores on a sequential basis. The debt of the company stands at 2151.97 Crores compared to 2412.10 Crores. The debt to equity is at 0.18 Crores compared to 0.21 Crores. The EPS is at 1.20 Crores to 0.57 Crores.

There has been an accelerated debt reduction of about 215 Crores, which is about 12% on a consolidated level. This has been done through primarily sale of development rights of one of the projects of our company called Berkeley Square we have sold the development rights ahead and repaid bank loans. If there are any questions I would like to take them now please. Thanks.

Moderator Thank you very much. We will now begin the question and answer session. The first question is from the line of Indraneel Singh from Gujral Hotels. Please go ahead.

Indraneel Singh: Congratulations on the various OTSs made and monetization of the Ghatkopar lines. My questionnaire is for the OTS with Allahabad Bank and Bank of India what are the interest haircuts we have received and like what are the upfront payments that we have done and what does the repayment schedule looks like on that?

Sarang Wadhawan: Allahabad Bank we have been able to repay the bank about 34.71 Crores in the last quarter, Bank of India was also repaid close to 40 odd Crores, the OTSs for the both the banks are in place, Bank of India term is a one year repayment, the OTS will be paid over a period of one year. We are hoping that through asset monetization, which the company is looking at sale of certain other assets we will definitely be able to repay these OTSs on time; however, there could be delays based on the liquidity position and the position of the HFCs today in the market; however, we are definitely trying to monetize assets as quickly as possible.

Indraneel Singh: My second question is regarding Ravijyot, what is the status of the equity and debt compensations that we have received right now for Ravijyot and what is the amount that is pending on both equity as well as the debt issue to them?

Sarang Wadhawan: The investment has been redeemed on par, so there is no further money due from Ravijyot.

Indraneel Singh: What is the amount we have received from Ravijyot?

Sarang Wadhawan: You have caught us off guard with question regarding one of the subsidiaries, so why do not you do one thing after the concall we will definitely get in touch with you and give you the details of the transaction.

Indraneel Singh: This is regarding the Kurla rehab project, how many vacant units are there right now and what is the compensation we have received and what is expected more if more on the units are taken up by the government?

Sarang Wadhawan: Well Kurla the total number of units at only the premier plot are about 18500 units out of which we have been able to hand over about 5000 units odd to the government. The government has utilized those units either for the metro rail for Dhansa or for the Sahar Elevated Road. As of today we are trying to convince the government to utilize those units for further infrastructure or other proposals. The issue of Mahul also came up yesterday where in the newspapers it was highlighted that the Mahul residents totaling to about 5500 families will be rehabilitated in Kurla. We are in active talks with the SRA as of now as well. So once we get directions from SRA or the state government, the handing over these tenements has to be done either from Mahul or for Tansa pipeline we will definitely get them ready and be able to give it to SRA. As of today most of the TDR is being generated from the Kurla project; however, because of the amendment to DC regulation over the last year TDR has not been generated further because DC regulation was not clear on indexation or on the other factors. Now as of today the DCR has been implemented, it came into force today and we are moving our TDR files as we speak for issuance of other TDR. We will definitely start the premier completion again once we receive directions from SRA and apply for the TDR.

Indraneel Singh: My question was regarding the compensation that we are yet to receive and how much we have received?

Sarang Wadhawan: Compensation comes in form of TDR there is no monetary compensation, which comes to the company, once the work is completed.

Indraneel Singh: What is the kind of TDR we can generate?

Sarang Wadhawan: We can generate close to about 2 to 2.5 million square feet of TDR further.

Indraneel Singh: My next question is regarding the Guruashish resolution plan, which is I think approved by the committee of creditors, so can you share any details on what the resolution plan is like?

Sarang Wadhawan: We are not prevail to the resolution plan since being promoters we are barred under section 29(A) of the IBC; however, whatever we have heard or we have been able to get the details the resolution plan has been submitted to NCLT, but there happens to be a MHADA issue of termination of the proposal, which has been highlighted everywhere. We have approached NCLAT and also we had approached the Supreme Court regarding the same; however, what has transpired is the NCLAT has taken all written submissions and hearings are complete. We are expecting the order from NCLAT to come in the next few days whether during the moratorium MHADA had the right to terminate the agreement with Guruashish or not. Once we have clarity on that question, which the Supreme Court has framed we will be able to then take the resolution plan further with NCLT and hopefully once the resolution plan is accepted Guruashish comes back into force.

Indraneel Singh: That is all from my side.

Moderator: Thank you. The next question is from the line of Nitin R from KAP Stock. Please go ahead.

Nitin R: First of all I like to congratulate you on a great quarter. My first question is regarding a part of corporate parkland was actually sold by us about a few quarters back have you received the compensation I believe there was some involvement which were required?

Sarang Wadhawan: Are you talking about the Santa Cruz corporate park?

Nitin R: Yes exactly a part of that was actually sold.

Sarang Wadhawan: We have signed agreements with respect to sale of that development right; however, the approval process has taken a little longer than expected because of MOEF clearance. We are expecting MOEF clearance in the next month or so. Hopefully once that is in place we will be able to get the proceeds from that sale.

Nitin R: Have you monetize the entire part or just the first part we monetize?

Sarang Wadhawan: Only a part of the entire project has been monetized what we required for completion of the project has been monetized, further TDR as well as further development rights do accrue in that project as and when we are able to get clearances we will be able to inform you accordingly.

Nitin R: My second question is regarding the construction progress at Whispering Towers and the other project, it was intimated that we would start construction by somewhere in August I believe that has not happen can you share timeline on when the construction would actually happen given the banking situation that we have?

Sarang Wadhawan: Let us be forthright and put forth that yes construction delays have taken place with respect to three of our projects, which is Palghar, Majestic in Bhandup as well Whispering Towers in Mulund. The projects have been stuck primarily because of issues related to either approvals or related to BMC problem. We are trying to sort those issues out, which we are confident that this month we should be able to sort those issues out and restart construction. Now we have enough fund flow available to ensure that the projects achieved their logical conclusion, so hopefully this month end we should be able to start at least two of our projects, which have been delayed for quite a while.

Nitin R: Last question was regarding this requisition, which has been filed by KBJ Builders at the Mumbai High Court does that have any material significance for other company because not much information has been given out in the public?

Sarang Wadhawan: No, KBJ has filed against Guruashish.

Nitin R: Will that have any material significance?

Sarang Wadhawan: There are nine plaintiffs who have approached the High Court for respite to protect their property, which was the development rights, which was sold to them by Guruashish. They have approached the High Court against MHADA who had terminated the agreement with Guruashish. Once NCLAT approves that MHADA had no right to terminate the agreement and the resolution plan goes through these proceedings initiated by any developers will automatically fail.

Nitin R: May I know when the next date of the NCLAT hearing is because again not much information is available in the public domain?

Sarang Wadhawan: NCLT or NCLAT?

Nitin R: NCLAT because NCLT I believe they are not giving orders.

Sarang Wadhawan: The NCLAT we are expecting pronouncement of orders in the next couple of days.

Nitin R: That is all from my side. All the best Sir.

Moderator: Thank you. The next question is from the line of Atik Shaikh from D&A. Please go ahead.

Atik Shaikh: First question is you just mentioned about the two of your projects that would be restarted construction would be restarted could you please mention which of those two?

Sarang Wadhawan: We are looking at Whispering Towers and Majestic Towers both to start by this month.

Atik Shaikh: As per last quarter you had around a million square feet of TDR in balance, how much do you have now?

Sarang Wadhawan: We continue to hold the TDR; however, due to DC amendments we have not been able to monetize the same and hopefully now with the DC regulations coming in place situation improving we should be able to monetize it.

Atik Shaikh: What would be the monetization plan apart from TDR are you monetizing any of your assets be it in the form of land bank or getting into JVs?

Sarang Wadhawan: You have been trying to get in touch with me for the last couple of days sorry about that; however, I have maintained very clearly that

the company is in an accelerated deleveraging mode and whatever the company is able to monetize we are going to go out ahead and monetize it whether it would be in the form of sale of development rights, sale of TDR, joint ventures or development management agreement we are hoping to all and at this point in time we have no forms of monetizing any asset.

Atik Shaikh: Apart from that you mentioned about Palghar, Bhandup and Mulund Whispering Towers, there are I believe also other projects that are stuck because of some of the other factors, so what about plan to restart those projects?

Sarang Wadhawan: I think the only other project where we have the completion schedule to be maintained is galaxy and galaxy already we are in the midst of handing over possession of one of the wings in the next seven days time. The other two wings we have already been talking to the customers directly and we should be able to hand over within that project, we should be able to hand over the second wing, which is a D wing in the next two months time. It is a process, which we are following yes there have been delays not just because of approvals, there have been delays because of other issues, financing issues from HFC, financing issues from banks, which the company through which sale of assets has been trying to mitigate and I think we have been pretty successful till now trying to mitigate these issues. However, I think as we go along over this quarter you will see that most of the projects will come back on line.

Atik Shaikh: Another question is there were some talks going on with Adani.

Sarang Wadhawan: I said save something for the interview as well.

Atik Shaikh: Is it possible today?

Sarang Wadhawan: Why do not you call me?

Atik Shaikh: I will give you a call.

Moderator: Thank you. The next question is from the line of Suprakash Kundu, an individual investor. Please go ahead.

Suprakash Kundu: I have one question about budget homes; last time I called you, you told some new project is launched about this year, any news about the budget homes?

Sarang Wadhawan: We have had issues as I said earlier related to the development control regulations of Mumbai, which have been held back for a while. SRA and BMC had back approvals due to transitional policy phase, now that the regulations have come into force, I am sure over this month we should be able to get some approvals with respect to budget homes as well and we should be able to launch the second part of our budget home scheme maybe in 2019.

Suprakash Kundu: Thank you.

Moderator: Thank you. The next question is from the line of Harshit Dhawan, an individual investor. Please go ahead.

Harshit Dhawan: Congratulations for the good set of numbers. Right now we are just talking about cleaning up the company's books and all the stuck projects, so what is your vision for five years down the line, what about the growth, when will the growth come for the company?

Sarang Wadhawan: Currently we are in a different mode where we envisage that the pressure that the market and the industry is feeling and the pressures exerted from the banks and other institutions need to be dealt with beforehand. I think we have enough land bank, I think we have enough material available with us for a 10-year plan for the company. I do not think growth is going to be an issue for the company five years down the line because we do have the land bank available with us, but right now what is important is monetization of assets and debt reduction and I maintained it very clearly over the last one-and-a-half year that, that is where the company's focus is going to be, we are going to continue to focus on debt reduction, we will be able to monetize the assets, get into joint ventures or DMs with individuals or companies that have the capability to execute projects on time along with us and start developing these projects by ourselves. I think right now our scope is to look for the next two years rather than five and get out of all the issues related to the Indian banking system rather than be involved in between them.

Harshit Dhawan: Your commitment is certainly very nice and been seeing the commitment by the promoters that put in money, so just a forward looking statement as in what do you feel like the sales would be in future and some forward looking this one, which you can give?

Sarang Wadhawan: Our industry has gone through a lot over the last eight years from 2010 when the market started correcting, eight years has been a tough call for everyone of us and with amendment in policies and amendment in regulations coming every year disrupting the industry and with other sort of directions coming either from courts or judicial authorities it has been a tough last eight years for us. I do think that times are going to improve. I do believe that we are seeing

a change; however, this time shall also pass, like a kidney stone that will also pass, we will come through it, but these pains are going to remain for a while, so I think for us right now our focus is the two-year focus, our land bank monetization will continue, our land bank development will continue and once we are out of the issues related to Indian Banks I think we will be able to look further.

Harshit Dhawan: Thanks a lot. All the best anyway. All the best for the future. Hope we grow the company well.

Moderator: Thank you. The next question is from the line of Nitin R from KAP Stock. Please go ahead.

Nitin R: I just went through your presentation and that is found that our Majestic tower project the sale building is complete by only 35%, Whispering Towers I believe is complete by only 18%, so what could be the total amount, which would be required for us to complete both of these malls only the sale part?

Sarang Wadhawan: Mr. Nitin why cannot I send you an e-mail with the entire project completion cost separately.

Nitin R: At least rough estimate would be, so just for my calculation.

Sarang Wadhawan: A benchmark figure if we do take about Rs.2000 and Rs.2500 a square feet. You have to understand it is a mixed development for a simple reason that right now if you see the construction of sale building is 36% that is primarily because the RCC work is currently going on. After that the finishing work is going to take, so there are various costs, which need to be, if I give you a benchmark figure it is

not going to work why do not I work out a proper cost analysis on the two projects and forward that to you.

Nitin R: We did try to contact your office, but we never get these details available, so that is why I am asking you just to give a rough estimate, even a rough estimate?

Sarang Wadhawan: Our CFO and CS Mr. Darshan Majmudar is here with me right now who has heard you. I would request you to kindly send us an e-mail and you will get a reply on this immediately.

Nitin R: If the figure on the collection pending which are being acquired from these projects is that number available with you?

Sarang Wadhawan: The collection pending from Whispering is close to about 400 odd Crores, the collection pending from Majestic also is to the tune of about 400 odd Crores.

Nitin R: This is excluding the part, which we have not sold right Sir?

Sarang Wadhawan: The sales, which have already incurred, but because of the construction delay has not been collected, these are already incurred sales.

Nitin R: My next question is regarding this Kurla land there we build about 17000 units, you have said that the government has already taken 5000 units from us, so the whole question is just to estimate the potential cash flow apart from the monetization of land, can you just tell me when was the last time the SRA, the government had taken these apartments from us after 2015 I believe that was the time when they had last taken it up?

Sarang Wadhawan: I think in the last one year they took about 500 apartments for MMRC from us.

Nitin R: What would be the estimate value of those 500 units?

Sarang Wadhawan: You need to understand the fact that when they take these apartments it is only linked to the TDR. The TDR is issued proportionately so if there is a balance TDR, which has to be issued to the company based on handing over the premises, which is about 5%, 2%, 8% whatever the ratio is decided with SRA in our agreement that much TDR will be issued to the company. Now if the government does take the entire 17000 there is a huge quantum of TDR, which will get generated to the company to the tune of about 2.5 to 3 million odd square feet, now that is what exactly we have been after the government trying to enforce on them that kindly take over these tenements, issue them to either Tansa pipeline, issue them to Mahul or wherever you want to at least issue the TDR to us. There is no problem in getting TDR issued for the work that we have done; however, there is still be TDR left balanced still they take over the premises, which is what we have been after the government that please take them over and hand over the TDR to us.

Nitin R: This February it was said that we are close to 2 million square feet for TDR inventory, now it is down to about 1 million, last quarter I asked you when you have said that reaction needs much of a TDR for our own use, but not much construction is actually going on, so where is the TDR actually going?

Sarang Wadhawan: The construction may not go on, but the CCs are still issued, so whatever we generate we try and utilize on to our own property to get the CC issue. Now tomorrow I do get into let us say for a project

like Whispering or any other project where TDR is generated and we utilize ourselves now that will count towards the CC of the sale of building, so that is how the TDR is either utilized towards the sale building or it is sold in the open market.

Nitin R: The slab completion is actually going on?

Sarang Wadhawan: Yes.

Nitin R: That is all from my side.

Moderator: Thank you.

Sarang Wadhawan: Operator if we do not have any further questions we would like to close the call please.

Moderator: Thank you. Would you like to add any concluding remarks Sir?

Sarang Wadhawan: I just want to thank everyone for the faiths they have showed in HDIL and its promoters we will try and live up to the expectations and see that we can achieve our target of accelerated deleveraging and hopefully give you better results in the next quarter as well. Thank you so much.

Moderator: Thank you Sir. Before we conclude I just want to let you know we have one participant waiting to ask a question, should we take that and then close?

Sarang Wadhawan: Yes please.

Moderator: Thank you. The next question is from the line of Nitin R from KAP Stock. Please go ahead.

Nitin R: Last quarter it was announced that we will be doing another round of warrant issue have we like set the price for that?

Sarang Wadhawan: No, we have not set the price for it, the promoters cannot put in the money into their company right now because in one financial year we can only issue 5% of the equity, so once we do come close to the promoters putting in the money and at that given point of time the price will be decided.

Nitin R: Thanks.

Sarang Wadhawan: Thanks everyone.

Moderator: Thank you. On behalf of HDIL that concludes this conference. Thank you for joining us. You may now disconnect your lines.