



“HDIL Q4 FY18-19 Earnings Conference Call”

May 30, 2019



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

Moderator: Ladies and gentlemen, good day and welcome to HDIL Q4 FY18-19 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 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 quarter ended 31st March 2019 are as follows. The total income of the company is at 33.82 crores. The PBT is at 9.22 crores. The PAT is at 7.80 crores and the debt is at 1504.05 crores.

On a consolidated year-on-year basis, the results for 31st March 2019 year are as follows. The total income of the company is at 735.81 crores. The PBT is at a 130.47 crores. The PAT is at a 105.79 crores and the debt is at 1996.43 crores. The debt has reduced this year by 18.29% on a consolidated basis and by 20.04% on a year-on-year basis on the standalone basis. This is in line with the guidance that we had given at the beginning of the year. The company will reduce its debt by 20%. We are hopeful that this trend will continue and we will be able to reduce our debt further. The company has taken certain actions with regards to monetization of its assets, which has helped in this scenario and has reduced debt. We will continue to do so and deleverage further on an accelerated basis. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Puneet Amin an Individual Investor. Please go ahead.

Puneet Amin: I just wanted to ask you that in the last concall I had asked you about the whispering tower Palghar and Majestic projects. You had told that the projects will be self-sustained. So, how are we doing on that projects right now?

Sarang Wadhawan: Palghar has started already. We are now handing over the completed units. We have in the last quarter handed over about 65 units which have been completed. We are still beginning the work on Whispering and Majestic. Unfortunately, with the current liquidity scenario which is existing with regards to the NBFC crisis there has been an issue with regards to liquidity. Bank funding is not coming to our sector as of now. So, we are trying to monetize the assets and utilize the funding. But currently whatever monetization the company is doing is towards the banks the debt is being repaid. We are hopeful that this new judgment of the high court which has come with regards to property tax where the property tax has been reduced considerably will be helpful to us. We should be able to start the Whispering and Majestic project in the coming month and hopefully I don't foresee any issues after that, but the situation in the market is pretty tough right now with sales taking a beating as well as the liquidity scenario being very tough with regards to the NBFC crisis and the bank funding. There is a lot of stress in the system currently.

- Puneet Amin:** The planet HDIL project it is not listed anymore in the ongoing projects?
- Sarang Wadhawan:** Right now, what the company is doing is monetizing its land parcels, it is also trying joint ventures because we do not want to deploy any further capital with respect to new projects, plus whatever the current projects are we intent to complete those first. Whatever land monetization is currently happening is going towards debt repayment. So, we will not be looking at new project launches at least for the next 2 quarters. What we will do is, complete our existing projects or start construction on our existing projects, concentrate a little more on the TDR business and monetize land parcels.
- Moderator:** Thank you. The next question is from the line of Subramaniam Gopalkrishnan from Kotak Mahindra. Please go ahead.
- S. Gopalkrishnan:** Yes. This is similar to what the earlier person had asked because there were some talks of JV happening that you said in the earlier quarter, for both Majestic and Whispering. So, when is it that likely to fructify or in any case you mentioned in the BSE upload today that there is a plan for raising around 200-odd million through issue of equity? So, what is the status on that?
- Sarang Wadhawan:** This \$200 million is an enabling resolution which we take every year at the beginning of the financial year primarily to check if there is an opportunity available for a fund raising. This is just an enabling resolution and it is done every year. It is not that the company intends to raise money at this price level or at the point at which the stock prices currently placed at. However, with respect to Majestic and Whispering, we have been talking for the joint venture for both the projects. They are in various stages of development; various contracts are currently being drafted. I think once we have final, since we have signed NDAs with perspective parties I will not be able to disclose the names. But we will be able to give further information may be in a months' time.
- S. Gopalkrishnan:** You are saying in the months 'time, because last couple of quarter you had said in the final stages. So...?
- Sarang Wadhawan:** See, Mr. Subramaniam, all of these issues with regards to liquidity scenario with regards to the NBFC are not just affecting HDIL, they are affecting everybody and every real estate developer in the country. Today the situation is such that HDIL is concentrating only on debt reduction with respect to monetization of assets and the funding is directly is going to the banks from one bank to the other and the debt of the company is being repaid. To utilize the capital right now for restarting the projects, HDIL is definitely putting in its best efforts to start the projects. The joint venture partners are trying to raise money by themselves as well, but we are in various stages of diligence. These projects are and have an issue with regards to historical issues with regards to customer which have already booked into these projects. We have to look at various aspects with regards to these projects before even a joint venture is entered into. So, while we are putting in our best efforts, we are looking at a completion of these projects, it is going to take a little while.

- S. Gopalkrishnan:** Is it going to meet the RERA deadline that you have mentioned in the website or?
- Sarang Wadhawan:** We have already spoken to RERA as well. We have had meetings with RERA. We will be seeking extension from RERA on this as well. The two projects that are being referred to Whispering and Majestic, they do have, we still have time with respect to those projects because the completion is in 2020 end where we can get one years' extension as well.
- S. Gopalkrishnan:** So, you are saying basically one more year from 2020 is what they want to seek from RERA, for the company?
- Sarang Wadhawan:** See, once the construction starts with the joint venture partner, it is a question of the slab cycle and question of how quickly the project can be completed.
- S. Gopalkrishnan:** Yes, some clarity would come within a month or so?
- Sarang Wadhawan:** Yes, we will be able to reply to this within a months' time.
- Moderator:** Thank you. The next question is from the line of Prashant K, an Individual Investor. Please go ahead.
- Prashant K:** See, like one of my friends they were asking for the previous projects, last time you were looking for a joint venture and a kind of a PE investor. So, what I understood you are still trying to get one, right? Any update on that part?
- Sarang Wadhawan:** See, we have already shortlisted and we have already negotiating with two different investors who are real estate developers as well. Our diligences on the project continue. They have been for the last one quarter the diligence has been on going on. We are now looking at development agreements under preparation. It takes a little while because these projects are not small projects, these are pretty large projects and for anybody to put that kind of a capital commitment, they would definitely in today's scenario be a little careful. So, while we are trying to hurry it up, we cannot push forward too far with regards to the investor and we have to have a little bit of patience with regards to that.
- Prashant K:** And also in the presentation you mentioned, we are not seeing that Planet HDIL and Ekta Nagar, both are already taken out or like you are looking only for the monetization and clear the debts?
- Sarang Wadhawan:** No, nothing of that sort. Maybe it has been missed out. If there is an issue we will amend the presentation and put it back.
- Prashant K:** Well, that is not clear in that part. Okay, fine. You were saying always about the debt reduction part, we will be looking mainly on focusing on debt reduction, but the flats are not booking and delivered, so many delays with the customers. So, how on that part we are going to proceed, because on top of everything there is customer satisfaction also, right?

Sarang Wadhawan: I agree. One of the things that the Company has been successful in doing is monetization of its land parcels to payout the debts. We will continue to do so wherever an opportunity does come over the last one year we have been able to monetize the assets. We have been able to sell certain assets in Virar. We have been able to sell certain assets in Bombay, monetize TDR and reduce our debt. This is the plan that the company will continue with the partners that the company has and the promoters has, we will continue to build those relations and sell those assets where we can get the money to be repaid to the banks.

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

Puneet Amin: Just wanted to ask that, the focusing on debt reduction is a very good thing but the problem is that we have to compromise with the customer satisfaction quality. So, won't that affect the business in the future as in it will be a huge risk factor for the customers, right? So, what are you going to do about that?

Sarang Wadhawan: I totally agree with you on that because that is one the issues that we are facing today with respect to our customers. But having said that it is better that we can face 200-500 customers rather than facing a bank who is pretty stressed out at the moment, currently in their own balance sheets. Easier to handle a customer for us right now where the customers do understand the position the company is in. If the company is able to reduce its debt and become healthy, the scenario ahead will be brighter for them, rather than the company is stressed from the banks and certain issues cropping up later on.

Puneet Amin: Yes. Doesn't the HDIL just discuss similar situation like some companies who have defaulted for their customers and they are filing in the court, for example Jai Prakash Associates. We don't want to end up in similar, right?

Sarang Wadhawan: See, the point here in is that it is a very fine line for us also to choose if there is capital which is available, disposable capital which is available to us to restart the project and finish it off on our own, I think if we are in that position we would love to do it, but currently the situation in the market is such that there is no free cash available and the liquidity scenario is very tough right now. Banks are not funding projects. NBFCs are in their own distress. So, for us right now, our focus remains that if there is an asset which can be monetized and the debt associated with that asset can be paid off, we actually prefer the banks just paying off that debt so the company becomes healthier as we go along.

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

Prashant K: Sarang, one more thing, like as the projects are, projects have all been now launched from 2017, so would you please tell about the revenue which is coming from this? From where we are getting, is it from SRA is some other parts because we have consistently saw in

appropriates and all, because as I understood there is no new projects has been launched from 2017.

Sarang Wadhawan: The point is that, you have to understand one thing about HDIL is that it is not just the SRA project or the flat sales which accounts for the revenue. There are FSI transactions which the company does, there are TDR transaction which the company does. There are other avenues or revenues streams available to the company. For the last year, the company has focused a lot more on FSI transactions rather than the residential transactions. So, the income for the last year has been accruing from the FSI transaction and TDR transactions.

Moderator: Thank you. We don't have anybody in the queue, sir.

Sarang Wadhawan: Thank you everyone for joining us for this concall. If there are any other questions you can contact us directly and we are always available to answer those questions. 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.