Management Discussion

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you. Thank you again. Good morning, good afternoon, good evening to all of you, as per the time zones from which you have logged in, and welcome to the conference call Q1 FY2027 results and business update. Firstly, thank you all for taking time out to attend this call.

A few business updates. We continue to invest in all upcoming projects just to ensure that we have smooth execution and we progress on our project pipeline. Our annuity portfolio continues to perform well with a near 100% occupancy rate together for Commerz I, II, and III, as well as Oberoi Mall. Sky City Mall, which just completed its first year, achieved an occupancy of 82%. And hopefully, going forward, within this year, we should also reach near 100%. We started our journey outside MMR with our project in NCR by launching Three Sixty North. This marks an important milestone in our growth journey. We are confident and excited about the opportunity that lies before us.

With this, I now open the floor for question and answers. And both Saumil and I will be happy to take your questions. Thank you.

Questions & Answers

Operator
Thank you. We will now begin the question-and-answer session. [Operator Instructions] Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Praveen with Morgan Stanley. Please go ahead.

Praveen Choudhary - Analyst, Morgan Stanley
Thank you very much. First of all, big congratulations, Vikas and Saumil, on your success with Three Sixty North. My one question is about the sustainability of sales. So the way I think about it, if you do Phase 2 next year, at least in FY27 and '28, you should be running at INR100 billion, INR120 billion of sales easily. We had earlier expected probably INR60 billion, INR70 billion. So the question is mainly the sustainability of this kind of business volume at a very high margin or without sacrificing margin of 50-plus percent that you have been generating for so many years. Can it be achieved, or there are some considerations? And also, I wanted to check related to that question is, will you sell the Phase 2 of Three Sixty North like Phase 1? Or would you sell it slowly, like Three Sixty West to optimize the pricing? Thank you so much.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Hi, Praveen. Thank you for your kind words. Firstly, for Three Sixty North, our strategy was that we wanted to get into a new market. And obviously, we ourselves were overwhelmed with the kind of response we got, we were frankly not expecting. And we simply decided that we will honor each and every customer that comes into play. So whatever we had in terms of offering, we opened the entire booking and let people have that. The next phase strategically will be launched only next year. And there are multiple reasons.

If you see the value that we've sold is good enough to take care of our entire construction, in fact, more than that, much, much more than that. And so this project, as far as financial closure goes, is complete. Next phase, how we launch, when we launch, and at what price we launch, we still want to discuss that internally. And your assumption about NCR added to Mumbai, those numbers

obviously will go to whatever you're presuming, or maybe even beyond that. And see, margins have got nothing to do with how much you sell. It's how you strategize your product. Firstly, it begins with how you buy your land, how you strategize your product, and then how you approach the market. So we are very confident that our margins will continue going forward.

And yeah, so did I miss out on any of your question?

Praveen Choudhary - Analyst, Morgan Stanley
No, I broadly got it. I just wanted to understand if a very high level of sales that we are achieving in FY27 will be maintained and can be done in terms of execution, in terms of construction, and so on? Or there are some constraints?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
No. In fact, Praveen, we believe that we have cracked the code as far as volume and quality is concerned. So as a company, we feel we can build more and we can build better than what we did. So the way we've built our entire team of contractors who we outsource, is really solid. And so we are very ready to be doing volume and at a very good quality.

Praveen Choudhary - Analyst, Morgan Stanley
Thank you. That's all from me. Thank you.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thanks.

Operator
The next question comes from the line of Puneet Gulati with HSBC Bank. Please go ahead.

Puneet Gulati - Analyst, HSBC Bank
Yeah, thank you so much, and congrats on a fantastic launch in Gurugram. My first question is with respect to the litigation which has now emerged. What is the progress there? And are you seeing any signs of customers asking for their money back as yet?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So again, I don't want to talk about the litigation because it's prejudiced. But there is absolutely no -- we have customers who refused to take a refund of the deposit that they've given...

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
EOI deposit.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
EOI deposit that they've given us. They want to wait if there's any cancellation, please give us and also. Here, we are pushing them to take their monies back because we have no flats to offer, but people on the contrary are waiting. So very humbling, very, I would say, very thankful to God with the way all this has panned out.

Puneet Gulati - Analyst, HSBC Bank
That's very nice to hear. Secondly, if you can talk a bit about where are you in terms of approvals for Adarsh Nagar? And what should one presume as a potential timeline of launch?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So Adarsh Nagar continues to be -- we are hoping our Q3 launch. We had last time said it will be anywhere between Q2, Q3. We are hoping for a Q3 launch. We so wanted even Three Sixty North to be the Q1 launch, we missed them by a few days. So, given how our industry works, I always keep a cushion of a quarter here and there, but it looks like Q3 is when we will launch Adarsh Nagar.

Puneet Gulati - Analyst, HSBC Bank
So what approvals still to take from your perspective?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Some -- like how we want to build, as build approvals, typical IOD and all of that.

Puneet Gulati - Analyst, HSBC Bank
Okay. And lastly on Ritz-Carlton, what's the time line for that?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So I think we said that either within the end of this financial year, we should be ready. I would say 80%, 90% of interior work is done. And it's just the last mile that we are finishing.

Puneet Gulati - Analyst, HSBC Bank
Great. That's it. Thank you so much and all the best.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you, Puneet.

Operator
The next question comes from the line of Gaurav Khandelwal with JPMorgan. Please go ahead.

Gaurav Khandelwal - Analyst, JPMorgan
Hi, good evening, gents. Thanks for taking my questions. Most of my questions are answered. I just wanted to check one thing on the cash flow statement. So the new disclosure is really helpful. But for the INR786 crores, which we've paid towards upcoming development properties, are these mostly for Three Sixty North? And also for context, can you tell us what was the QoQ and YoY number?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Hi, Gaurav. I think I'll let Saumil answer this.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Yeah. Hi, Gaurav. So as far as NCR is concerned, out of the INR786 crores only, it was only about close to INR200 crores that related to NCR, the balance linked. The QoQ and YoY number, we can work on that, and we can discuss that with people separately. But as far as NCR is concerned, that's only INR200 crores out of the INR800 crores.

Gaurav Khandelwal - Analyst, JPMorgan
Got it. Thanks for that. And just another question. When I look at the residential operating margins for this quarter, that's closer to 51%, 52% compared to 55% in the last three quarters. So what is driving the lower margin? Is this cost impact due to higher commodity prices? Or what is it that is driving a lower margin?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
So typically, what happens, Gaurav, is my overall margin will always depend on what the overall mix of the projects that are coming in through revrec. So -- and not all projects, as you would appreciate, work at the same margin. So they are all high margins, but not everybody works at the same margin. So, for example, if I have anything from Three Sixty West coming in, then that comes in from -- with really good number, with a really good margin. So it all depends on which projects are there within that. Some will be less or some will be higher. So we have project margins ranging from about 43%, 44% to 65-odd percent. So, depending on the mix, which comes in, that's where that number goes up or down. Nothing extra in terms of cost or on account of cost impact or anything, because those budgets are always there. So you will see we use estimates for the purposes of our percentage accounting method. So those costs are always kind of -- you have contingencies which are built-in into the budget. So those don't really impact as much.

Gaurav Khandelwal - Analyst, JPMorgan
Got it. So it's purely a function of sales mix, then in that case?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Correct. Correct.

Gaurav Khandelwal - Analyst, JPMorgan
Cool. Thank you so much. Appreciate this.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Thank you so much.

Operator
The next question comes from the line of Pritesh Sheth with Axis Capital. Please go ahead.

Pritesh Sheth - Analyst, Axis Capital
Yeah, hi. Thanks for taking my question. Largely on NCR. Firstly, in terms of the size of the project, I think when we announced, we announced that the potential to be 2.6 million square feet on carpet area. Right now, we have sold 1.4 million approx, does the size remain same, 2.6 million, or has there been any change since this was acquired two years back? And is all these area RERA approved, or some of this area will also come from the higher floors, which we are planning to build there?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Correct. You're very right, Pritesh. In fact, you have also answered that in your own question. If you -- even prior to this, somebody asked about a Phase 2, so there is obviously going to be a Phase 2 for this, and that is the balance area. So that will come in later. In the current phase, as much as we had gotten RERA approval for, we launched, and when we get the RERA approval for the balance space, we will bring that also.

Pritesh Sheth - Analyst, Axis Capital
Okay. Okay. And the size remains same, 2.6 million square feet on carpets?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Correct.

Pritesh Sheth - Analyst, Axis Capital
Okay. Fair enough. And some of the sales were also for older Ireo customers, how would be the -- I mean what would be the cash flows that we would be getting from them?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
No, no, no. So. Pritesh, the 2.6 million basically is the net effective area available to us. This does not cover the Ireo customers.

Pritesh Sheth - Analyst, Axis Capital
Sure.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
So even the number which we announced of 1.4 million, that does not cover the Ireo customers.

Pritesh Sheth - Analyst, Axis Capital
Okay, fair enough. And in terms of the pipeline now, sustaining this INR8,000 crores, obviously, we have a balance phase here, but otherwise, how should we think about the future pipeline? Have you already started evaluating proposals now that we have almost sold half of the project, and probably you would need pipeline for sustaining the sales in future. So how should we think about business development in NCR from year on? Would it be this year or probably next year, we'll probably close something in NCR?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So Pritesh, business development -- this is Vikas, business development for us is every day job. And we are what we really did back then, of course, again, like I say, that it was not expected. But all we want to tell is that we also know how to play this volume game, and we know how to build in quantity and build quality as well. So obviously, we've enjoyed this ride, and we will continue to do that. For us, like I said, business development is an everyday job, and you'll see similar action in many other projects of ours.

Pritesh Sheth - Analyst, Axis Capital
Sure. That's helpful. That's it from my side. All the best. Thank you.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Thanks.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you, Pritesh bai.

Operator
The next question comes from the line of Akash Gupta with Nomura Holdings. Please go ahead.

Akash Gupta - Analyst, Nomura Holdings
Hi, am I audible?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Yes, Akash. Hi.

Akash Gupta - Analyst, Nomura Holdings
Hi sir. Congratulations on great performance for Three Sixty North. My question was on the launch

pipeline that we have for the balance part of the year. In addition to Adarsh Nagar, how are we thinking about the other projects in terms of launches and approvals for the balance part of the year?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So again, we spoke about all our projects. Today, we have Aurelius, which is on Peddar Road. We'll be launching that. We have two towers, one each in Pokhran Road and Kolshet which we will launch within this year itself, then we have a project in Alibaug that we will launch. So a lot in the pipeline, I mean, again, yeah.

Akash Gupta - Analyst, Nomura Holdings
Understood. My second question is on the Three Sixty West, it has been slowing down since the past three quarters. I mean, we sold four units in the second quarter FY26. Now we're down to one unit. And we are also bringing in new Adarsh Nagar inventory this year. So how should we think about the offtake in Three Sixty West? And by when are we planning to consummate the entire inventory?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So again, a lot of resale has happened rather I wouldn't call it resale, sales by our erstwhile landowners/partner in Three Sixty West. So the flats are selling.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
It's just that, like now we are the only ones left with inventory. So you will see some momentum there also.

Akash Gupta - Analyst, Nomura Holdings
Understood. Thanks for that. And then just a final question on the revenue recognition on the residential front. It's slightly lower than the past three quarters, roughly INR8.8 billion versus the last three quarter rate of INR14 billion to INR13 billion. Can I know like what's the reason behind the drop in 1Q FY27?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Yeah. Hi, Akash. It's Saumil. So it depends on two things. So, for example, where we are selling finished units like in the case of Three Sixty or in the case of Mulund, there the revenue recognition will happen once the final payments from the customers are received and the possession is handed over. As far as the other projects are concerned, there the revenue recognition happens on the basis of percentage of work done. So that's the only dichotomy, which is there. So at times, for example, in Mulund, if somebody pays you on 5th of July instead of 30th of June, then that recognition gets deferred to the next quarter. So it's only a question of how that -- basically, the order book is there. The only thing is how it flows through the P&L, that's all.

Akash Gupta - Analyst, Nomura Holdings
Understood. That's all the question I had. Thank you so much.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you.

Operator
The next question comes from the line of Rahul Jain with Elara Capital. Please go ahead.

Rahul Jain - Analyst, Elara Capital
Hi, sir. Just a quick clarification on Three Sixty North. The gross bookings of INR80 billion plus I mean, all the allotments related to these bookings are done? Or are there any pending allotments that are there?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
In the sense of, allotments are, I mean.

Rahul Jain - Analyst, Elara Capital
Allocation.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Allocations are all done.

Rahul Jain - Analyst, Elara Capital
Yeah, allocations.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Yeah, all done.

Rahul Jain - Analyst, Elara Capital
Okay, okay. So it's completely encashed from the code routing in a way.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Yeah, yeah.

Rahul Jain - Analyst, Elara Capital
Okay, thank you.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you.

Operator
[Operator Instructions] The next question comes from the line of Karan Khanna with Ambit Capital. Please go ahead.

Karan Khanna - Analyst, Ambit Capital
Yeah, hi.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Hi, Karan.

Karan Khanna - Analyst, Ambit Capital
Thanks, Vikas. Hi, Vikas. Congrats on the good from my side. Firstly, given the success that you've seen in Gurugram, and in a recent interview, you also mentioned you would like Gurugram to become a bigger market than Mumbai. Given that context, what kind of discussions are you having with landowners in the market in terms of BD? And perhaps what kind of partnerships are you evaluating in the market? And if you can talk a bit about how are you looking at the opportunities in Delhi and Noida as well, and price points or segments that you would like to operate into in the entire NCR market over the long term?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
So Karan, like I said earlier, that business development is literally an everyday job for us. Now our focus has increased, and we have now started including NCR, both Noida and Gurgaon for that. We continue to get offers, but we are mindful on what we want to do, how we want to do for us, land, location, everything is really important. And I can only answer it in this many words, can't tell you specifically what BD project we are pursuing, we do it all the time. And you will hear over time. In terms of markets, we work on -- we work in a market like Thane where sale prices are anywhere between INR20,000 and INR25,000 on carpet. So we are happy to work within those markets.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
If you have a market like that, we want to ensure that these are growing markets. And there's a large enough land parcel for us to monetize over time. And that's exactly what we will do when we go to either Noida or Gurgaon. And what I like about that market and what prompted me to say that was that I feel that that market has both width and depth, and we really want to play that market. That's about it.

Karan Khanna - Analyst, Ambit Capital
Sure. And then secondly, on the price hikes, can you talk about the quantum of price hike that you have taken in the past few months to absorb any inflationary impact owing to the input cost inflation? And how is the absorption of the price hikes in the market? And a follow-up, if you look at Eternia, where your realizations have actually crossed Enigma during the quarter. So given that you have more launches planned in Mulund, what kind of price points are you looking at in terms of future launches in this market?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So Karan, our strategy is always to be proactive when it comes to pricing, if you see what we've done in both Goregaon and Borivali, we increased our price, and in fact, I must say that the markets have helped us. All the apartments that are being resold in Borivali and Goregaon continue to sell at higher prices, buildings that are being complete are actually setting new benchmarks. So I must say that my customers know how to sell my apartment better than I do because they literally lead the price increase.

And so for us, it's not like we wait for any external factor, we ensure that there's a constant price hike, and that's why there's no -- like no knee-jerk reaction on increasing a price just because external factors are not favorable or anything like that. So it's all planned. We always have contingency also planned. We have price increase planned, and we exactly know when to increase the price, all of that. So we do that.

Karan Khanna - Analyst, Ambit Capital
Great, thank you, Vikas. So that's it from my side. Thank you.

Operator
The next question comes from the line of Harsh Pathak with Motilal Oswal Financial Services. Please go ahead.

Harsh Pathak - Analyst, Motilal Oswal Financial Services
Yeah, hi, good afternoon, Vikas and Saumil.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Hi, good afternoon.

Harsh Pathak - Analyst, Motilal Oswal Financial Services
So first of all, many congratulations on the NCR performance. So my first question is on the launch pipeline. Vikas, you just mentioned that we have the Peddar Road project, the new phases at both the Thane projects, the Alibag and I think Dadar is also in the pipeline. So which of these projects will come up in FY27 and which would get launched in FY28. And is there a possibility that this Nirmal Lifestyle project in Mulund will get launched in the FY28 pipeline as well?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
The projects that I named all of them are in FY27, there's a good possibility that we might bring in Mulund also and -- within the '27 because now we don't have any project in Mulund other than these two that are continuing to sell and they are ready. So we are ready as far as designs are concerned. We are already on an approval stage. So even if let's say we get our approvals within the next three months or four months, we can still look at a launch in the last quarter. So we play that out. But we have enough and more happening in '27, not thought of '28 as yet, or at least don't want to announce '28, it's too far-fetched.

Harsh Pathak - Analyst, Motilal Oswal Financial Services
Understood. And regarding the NCR balance inventory, I think in one of the media interviews, you mentioned that INR16,000 crores is the total GDV of the project. So are we thinking to launch the entire inventory in one go next year or maybe we might launch in a staggered manner?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Harsh, I really hope you are right in INR16,000 crores, but I mentioned INR14 crores. I'll still try to get INR16 crores, now that you've told me -- set a new target for us. No, on a serious note, sorry, what exactly was your question? I got a little fluxed in your INR16,000 crores versus my INR14,000 crores.

Harsh Pathak - Analyst, Motilal Oswal Financial Services
Yeah. So my question was, are we thinking to launch the entire balance inventory in one go next year? Or we would be doing in more staggered manner over the next two years, three years?

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Honestly, we have not thought we will think through and we'll see how we play that out. We've really not thought through. It will depend on multiple factors: where are we in terms of our construction, what phase are we in. Our first objective is to get the show apartment ready. We know we are doing something really special, once that apartment is ready, I'm sure people will appreciate what we've done. And we'll look at that reaction and then decide. But it's really -- it's there in the offering for the next year for sure. How much, what price, I can't say that today.

Harsh Pathak - Analyst, Motilal Oswal Financial Services
Sure, Vikas. Thanks a lot for taking my questions.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you.

Operator
The next question comes from the line of Abhishek Lodhiya with Antique Stock Broking. Please go

ahead.

Abhishek Lodhiya - Analyst, Antique Stock Broking
Yeah. Hi, Vikas and Saumil. Just one question. So basically, we kept on harping about the execution challenges, right? And now we are talking about value with volumes. So how we are planning about the execution, the contractor side, the labor side, or -- so that's what I think I want to understand.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
So, like I've been telling people that we believe that we now have cracked the code as far as execution is concerned; we can build volume with quality. And that's exactly what we intend to do. We have our systems in place. We've been in the business for too long now, and we know how to build quality, and at a decent speed, and this is what we've been working on. If you really see, we are probably amongst the few developers who are, as we speak, constructing almost 18 towers, which are anywhere between INR60 crores and INR65 crores, so at various levels of construction.

So again, we already are doing volume. And now it's just a case of replicating. We have an excellent team in place. We have our external partners. And that's it. So we are at that stage today. I would say we've hit some sort of a tipping point where we can now really go into our next phase of expansion. And again, our brand is helping us. We are able to easily -- the way we were received in NCR. I feel confident now that, yeah.

Abhishek Lodhiya - Analyst, Antique Stock Broking
Just one question, Saumil: on our Sky City Mall, right? So occupancy has increased, right? And I think the revenue has not been in sync with that. So anything to read on that?

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
No. So what had happened was in Q4 of last year, there was a lot of true-up, which we did for the -- for all the retailers who had come in since launch. So that is why there was a little bit of a bump up in that quarter because of that. And that is why that number, despite a lower occupancy, might look to be higher than what the revenue for this quarter was. But yeah, I don't want to read anything more than that. So -- that would have been a one-time thing, which has played out. From here onwards, I think you can consider this as a base.

Even this, I will not consider as a base because what happens is when we say this is the occupancy for the quarter, this is typically the occupancy at the end. There are many retailers who -- some -- for all the new things which have started during the quarter, some will be for three months, some will be for two months, some will be for one month. So if you look at our numbers for Commerz I or you look at our numbers for Oberoi Mall, which is a more comparable asset, there, they don't move around as much. So that's where, once you hit steady state, then it works slightly differently. So maybe give it a few more quarters for the mall to reach steady state, then I think then you will get a fair estimate of how much that mall will make every quarter.

Abhishek Lodhiya - Analyst, Antique Stock Broking
Thank you. All the best for the coming quarters.

Saumil Daru - Chief Financial Officer, Oberoi Realty Limited
Yeah. Thank you.

Operator
Thank you.

Abhishek Lodhiya - Analyst, Antique Stock Broking
Thank you.

Operator
Ladies and gentlemen, we would take that as the last question for today. I would now like to hand the conference over to Mr. Oberoi for the closing remarks.

Vikas Oberoi - Chairman and Managing Director, Oberoi Realty Limited
Thank you all for taking time to take this call. We look forward to hearing from you on an ongoing basis. Please feel free to reach out to us or our Investor Relations team as and when you have any questions. Thank you again. Thank you all for your continued support.

Operator
[Operator Closing Remarks]