MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW

Global economy

The world economy has strengthened as lingering fragilities related to the global financial crisis subside. In 2017, global economic growth reached 3%, the highest growth rate since 2011and growth is expected to remain steady for the coming year. Labour market indicators continue to improve in a broad spectrum of countries, and roughly two-thirds of countries worldwide experienced stronger growth in 2017 than in the previous year. At the global level, growth is expected to remain steady at 3.0% in 2018 and 2019.

The improved global economic situation provides an opportunity for countries to focus policies towards longer term issues such as low carbon economic growth, reducing inequalities, economic diversification and eliminating deep rooted barriers that hinder development.

Global trade rebounded in 2017. In the first eight months of the year, world merchandise trade grew at its fastest pace in the post-crisis period. The rebound springs predominantly from stronger import demand in East Asia, as domestic demand picked up in the region, supported by accommodative policy measures. In several major developed economies, imports of capital goods have rebounded, as firms respond to improving conditions for investment.

Recent course adjustments in major trade relationships, such as the United Kingdom of Great Britain and Northern Ireland's decision to withdraw from the European Union and the United States of America's decisions to renegotiate the North American Free Trade Agreement and to reassess the terms of its other existing trade agreements, have raised concerns over a potential escalation in trade barriers and disputes. These could be amplified if met by retaliatory measures by other countries. An increasingly restrictive trade environment may hinder medium-term growth prospects, given the mutually reinforcing linkages between trade, investment and productivity growth. In this regard, policies should focus on upholding and revitalizing multilateral trade cooperation, emphasizing the possible benefits from trade in services.

Indian economy

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased 6.6% in 2017-18 and is expected to grow 7.3% in 2018-19.

The Union Budget for 2018-19 was announced by Mr. Arun Jaitley, Union Minister for Finance, Government of India, in Parliament on February 1, 2018. This year's budget focused on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country. As per the budget, the government is committed towards doubling the farmers' income by 2022. All-time high allocations have been made to the rail and road sectors.

India's unemployment rate is expected to be 3.5 % in 2018, according to the International Labour Organisation (ILO).

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India. Mr. Narendra Modi, Prime Minister of India, has launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to boost the contribution made by the manufacturing sector and aims to take it up to 25 % of the GDP from the current 17 %. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

India's gross domestic product (GDP) is expected to reach US$ 6 trillion by 2027 and achieve upper-middle income status on the back of digitisation, globalisation, favorable demographics and reforms.

India is also focusing on renewable sources to generate energy. It is planning to achieve 40 % of its energy from non-fossil sources by 2030 which is currently 30 % and also has plans to increase its renewable energy capacity from 57 GW to 175 GW by 2022.

India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report; and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by Pricewaterhouse Coopers.

INDUSTRY REVIEW

The real estate sector is one of the most globally recognised sectors. In India, real estate is the second largest employer after agriculture and is slated to grow at 30 % over the next decade. The real estate sector comprises four sub sectors - housing, retail, hospitality and commercial. The growth of this sector is well complemented by the growth of the corporate environment and the demand for office space as well as urban and semi-urban accommodations. The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.

It is also expected that this sector will incur more non-resident Indian (NRI) investments in both the short term and the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

The Indian real estate market is expected to touch US$ 180 billion by 2020. The housing sector alone contributes 5-6 % to the country's Gross Domestic Product (GDP). According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received Foreign Direct Investment (FDI) equity inflows to the tune of US$ 24.66 billion in the period April 2000-September 2017.

In the period FY 2008-2020, the market size of this sector is expected to increase at a Compound Annual Growth Rate (CAGR) of 11.2 %. Retail, hospitality and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs.

Sectors such as IT and ITeS, retail, consulting and e-commerce have registered high demand for office space in recent times. The office space absorption in 2017 across the top eight cities amounted to 18 million square feet (MSF) as of September 2017. In 2017, new retail space of 6.4 MSF has finished and supply of around 20 MSF is expected in 2019.

India stood third in the US Green Building Council's (USGBC) ranking of the top 10 countries for Leadership in Energy and Environmental Design (LEED) certified buildings, with over 752 LEED-certified projects across 20.28 million gross square meters of space.

Government Initiatives

The Government of India along with the governments of the respective states has taken several initiatives to encourage the development in the sector. The Smart City Project, where there is a plan to build 100 smart cities, is a prime opportunity for the real estate companies.

India jumped up 30 notches into the top 100 rankings on the World Bank's 'ease of doing business' index, thanks to major improvements in indicators such as resolving insolvency, paying taxes, protecting minority investors and getting credit. However, India still lags in areas such as starting a business, enforcing contracts and dealing with construction related approvals.

MUMBAI REAL ESTATE

Except for the brief period of demonetisation, Mumbai real estate market has shown signs of improvement and increase in off-take of inventory. Further, customers have shown a clear preference to the developers with good track record of timely delivery, quality product and with sound financial stability. This has divided Mumbai real estate market in two segments – developers who will timely deliver quality product and the other ones whose delivery and quality is uncertain. Good developers have seen regular demand throughout 2017-18.

OPPORTUNITIES AND CHALLENGES

Opportunities

As India awaits policy reforms to pick up speed, your Company firmly believes that the demand for Real Estate in a country like India should remain strong in the medium to long term. Your Company's well accepted brand, contemporary architecture, well designed projects in strategic locations, strong balance sheet and stable financial performance even in testing times make it a preferred choice for customers and shareholders. Your Company is ideally placed to further strengthen its development potential by acquiring new land parcels.

Challenges

While the management of your Company is confident of creating and exploiting the opportunities, it also finds the following challenges:

- Unanticipated delays in project approvals;
- Availability of accomplished and trained labour force;
- Increased cost of manpower;
- Rising cost of construction;
- Growth in auxiliary infrastructure facilities; and
- Over regulated environment.

COMPANY STRENGTHS

Your Company continues to capitalize on the market opportunities by leveraging its key strengths.

These include:

1. Brand Reputation: Enjoys higher recall and influences the buying decision of the customer. Strong customer connects further results in higher premium realisations.
2. Execution: Possesses a successful track record of quality execution of projects with contemporary architecture.
3. Strong cash flows: Has built a business model that ensures continuous cash flows from their investment and development properties ensuring a steady cash flow even during the adverse business cycles.
4. Significant leveraging opportunity: Follows conservative debt practice coupled with enough cash balance which provides a significant leveraging opportunity for further expansions.
5. Outsourcing: Operates an outsourcing model of appointing globally renowned architects / contractors that allows scalability and emphasizes contemporary design and quality construction – a key factor of success.
6. Transparency: Follows a strong culture of corporate governance and ensures transparency and high levels of business ethics.
7. Highly qualified execution team: Employs experienced, capable and highly qualified design and project management teams who oversee and execute all aspects of project development.

KEY DEVELOPMENTS IN FY 2018

In September 2017, your Company was selected as a successful bidder, by GlaxoSmithKline Pharmaceuticals Limited, for the land admeasuring approximately 60 acres located at Thane, Maharashtra. Your Company's bid for purchase of the said land was for a consideration of ₹ 555 Crore (Rupees Five Hundred and Fifty Five Crore only). The proposed purchase of land is subject to compliance with the term and conditions of the bid, including receipt of all statutory and regulatory approvals from the concerned authorities.

BUSINESS OVERVIEW

Despite the subdued performance of overall sector, your Company was able to sell nearly 3,22,563 sq.ft. RERA carpet area in FY 2018 as compared to approx. 3,06,225 sq.ft. of RERA carpet area in FY 2017.

Key FY 2018 highlights for the various projects are given below:

OBEROI MALL

Revenues	Occupancy
₹ 11,046.23 lakh (₹ 9,999.84 lakh in FY 2017)	99.13% (95.32% in FY 2017)

COMMERZ (OFFICE SPACE)

Revenues	Occupancy
₹ 4,533.58 lakh (₹ 4,812.03 lakh in FY 2017)	83.71% (88.47% in FY 2017)

COMMERZ TWO (OFFICE SPACE)

Revenues	Occupancy
₹ 4,808.94 lakh (₹ 2,254.96 lakh in FY 2017)	44.89% (20.33% in FY 2017)

THE WESTIN MUMBAI GARDEN CITY (HOSPITALITY)

Revenues	Occupancy
₹ 12,867.53 lakh (₹ 12,660.29 lakh in FY 2017)	80.78% (79.86% in FY 2017)

EXQUISITE (RESIDENTIAL))

Cumulative units sold	Total sales value
766 units	₹ 2,29,464.77 lakh, 100% of which has been recognised as revenue till FY 2018

ESQUIRE (RESIDENTIAL)

Cumulative units sold	Total sales value
555 units	₹ 2,01,181.97 lakh, of which ₹ 1,87,919.49 lakh has been recognised as revenue till FY 2018

A brief description of the update across each project is given below:

i) Oberoi Garden City (Goregaon)

Oberoi Garden City is the flagship mixed-use development of your Company. It is an integrated development on approximately 83 acres of land in Goregaon (East), in the western suburbs of Mumbai, adjacent to the arterial Western Express Highway and overlooking Aarey Milk Colony. The development is approximately eight kilometers from Mumbai's domestic airport and approximately five kilometres from the international airport.

ii) Mulund (West)

Your Company is developing two land parcels (adjacent to each other) of approximately 9 acres each situated at Mulund (West), Central suburbs, Mumbai.

The project comprises of two premium high storey residential towers namely, Eternia and Enigma. The project site is situated on LBS Marg, overlooking Yeoor Hills and Borivali national park to the west and Eastern Express Highway to the east. The project is your Company's first development in the eastern suburbs of Mumbai and it offers configurations in various sizes of 3 BHK and 4 BHK. The pricing sets the target audience to include Upper Middle class and NRIs.

ETERNIA (RESIDENTIAL)

Cumulative units sold	Total sales value
317 units	₹ 74,772.97 lakh, there is no revenue recognition from this project as it is yet to reach the requisite threshold limit

ENIGMA (RESIDENTIAL)

Cumulative units sold	Total sales value
135 units	₹ 52,121.01 lakh, there is no revenue recognition from this project as it is yet to reach the requisite threshold limit

iii) Sky City (Borivali – East)

Your Company is developing 25 acre land parcel at Borivali East with an estimated total carpet area of about 3.4 million sq.ft. The project site is situated at Borivali East, Off Western Express Highway overlooking Borivali National Park to the east. The surrounding infrastructure allows the site to be well connected to the rest of Mumbai.

SKY CITY (RESIDENTIAL)

Cumulative units sold	Total sales value
901 units	₹ 2,13,731.39 lakh, there is no revenue recognition from this project as it is yet to reach the requisite threshold limit

iv) Prisma

Your Company is developing Prisma, a residential building with an estimated total carpet area of about 174,633 sq. ft., which is a part of the ongoing projects within the Oberoi Splendor Complex. Prisma is conveniently located on the arterial Jogeshwari Vikhroli Link Road in the Western suburbs of Mumbai and overlooking Aarey Milk Colony.

PRISMA (RESIDENTIAL)

Cumulative units sold	Total sales value
70 units	₹ 36,410.79 lakh, of which ₹ 30,126.98 lakh has been recognised as revenue till FY 2018

v) Three Sixty West (Worli)

Three Sixty West is being developed by a joint venture entity carrying out development of a mix use project in Worli, located on the arterial Annie Besant Road, consisting of two high-rise towers; The Ritz-Carlton, Mumbai and a residential tower, by the name Three Sixty West, to be managed by The Ritz-Carlton. This development, which aims to be a global icon for Mumbai will mark the entry of The Ritz-Carlton into India's financial capital. Strategically located in Worli, less than a kilometer from the prominent Bandra-Worli sea link, the development has been designed to be a luxury landmark adorning the Arabian Sea.

THREE SIXTY WEST (RESIDENTIAL)

Cumulative units sold	Total sales value
47 units	₹ 1,75,910.43 lakh, there is no revenue recognition from this project as it is yet to reach the requisite threshold limit

Financial performance overview

Analysis of consolidated financial statements for FY 2018 is as follows:

I. Balance sheet analysis

6.40%
Net Worth Growth

54.32%
EBITDA Margin

49.99%
PBT Margin

35.51%
PAT Margin

1.92%
Cash and Bank Balances / Net Worth

A comparative table showing synopsis of FY 2018 versus FY 2017 Balance Sheet is as follows:

(₹ in Lakh)

Consolidated Balance Sheet as at March 31,	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
ASSETS				
Non-current assets	3,79,158.18	2,93,100.90	86,057.28	29.36%
Current assets	6,43,314.52	5,55,446.29	87,868.23	15.82%
Total	**10,22,472.70**	**8,48,547.19**	**1,73,925.51**	**20.50%**
EQUITY AND LIABILITIES				
Equity	6,09,237.37	5,72,596.07	36,641.30	6.40%
Non-current liabilities	83,095.62	85,533.23	(2,437.61)	(2.85%)
Current liabilities	3,30,139.71	1,90,417.89	1,39,721.82	73.38%
Total	**10,22,472.70**	**8,48,547.19**	**1,73,925.51**	**20.50%**

MANAGEMENT DISCUSSION AND ANALYSIS

i) Non-Current Assets

(₹ in Lakh)

	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Property, plant and equipments	20,623.87	22,750.94	(2,127.07)	(9.35%)
Capital work in progress	11,244.63	10,903.62	341.01	3.13%
Investment properties	76,773.46	71,536.84	5,236.62	7.32%
Intangible assets	236.97	206.92	30.05	14.52%
Intangible assets under development	18.79	47.26	(28.47)	(60.24%)
Financial assets	2,41,066.31	1,60,765.60	80,300.71	49.95%
Deferred tax assets (net)	14,578.54	12,578.69	1,999.85	15.90%
Other non-current assets	14,615.61	14,311.03	304.58	2.13%
Total	**3,79,158.18**	**2,93,100.90**	**86,057.28**	**29.36%**

ii) Current Assets

(₹ in Lakh)

	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Inventories	4,24,673.38	3,76,636.72	48,036.66	12.75%
Financial assets				
i) Investments				
a) Investments in mutual fund	1,170.05	14,253.36	(13,083.31)	(91.79%)
b) Investments - Others	179.00	7,998.65	(7,819.65)	(97.76%)
ii) Cash and Bank balances	11,672.31	34,578.69	(22,906.38)	(66.24%)
iii) Trade receivables	18,131.39	10,578.83	7,552.56	71.39%
iv) Loans	15,733.63	13,369.84	2,363.79	17.68%
v) Other financial assets	232.60	253.45	(20.85)	(8.23%)
Current tax assets (net)	1,863.84	2,312.52	(448.68)	(19.40%)
Other current assets	1,69,658.32	95,464.23	74,194.09	77.72%
Total	**6,43,314.52**	**5,55,446.29**	**87,868.24**	**15.82%**

iii) Non-Current Liabilities

(₹ in Lakh)

	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Financial liabilities				
i) Borrowings	67,864.18	74,937.77	(7,073.59)	(9.44%)
ii) Trade Payables	1,463.53	659.41	804.12	121.95%
iii) Others	8,451.03	6,404.51	2,046.52	31.95%
Provisions	165.97	170.77	(4.80)	(2.81%)
Deferred tax liabilities (net)	3,705.16	2,604.63	1,100.53	42.25%
Other non-current liabilities	1,445.75	756.14	689.61	91.20%
Total	**83,095.62**	**85,533.23**	**(2,437.61)**	**(2.85%)**

iv) Current Liabilities

(₹ in Lakh)

	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Financial liabilities				
i) Borrowings	26,585.76	11,926.51	14,659.25	122.91%
ii) Trade Payables	13,079.89	4,686.88	8,393.01	179.07%
iii) Others	96,555.60	15,594.96	80,960.64	519.15%
Other current liabilities				
i) Advance from customers	3,690.43	2,975.95	714.48	24.01%
ii) Others	1,89,803.76	1,54,504.08	35,299.68	22.85%
Provisions	42.56	200.85	(158.29)	(78.81%)
Current tax liabilities (net)	381.71	528.66	(146.95)	(27.80%)
Total	**3,30,139.71**	**1,90,417.89**	**1,39,721.82**	**73.38%**

II. Profit and Loss Analysis

A comparative table showing synopsis of FY 2018 versus FY 2017 of statement of Profit and Loss is as follows:

(₹ in Lakh)

	FOR THE YEAR ENDED MARCH 31, 2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Revenue from Operations	1,26,542.90	1,11,374.39	15,168.51	13.62%
Other Income	2,657.80	4,760.29	(2,102.49)	(44.17%)
Total Revenue	**1,29,200.70**	**1,16,134.68**	**13,066.02**	**11.25%**
Total Expenses	59,017.04	54,398.23	4,618.81	8.49%
Depreciation and amortisation	4,906.76	4,949.54	(42.78)	(0.86%)
Finance cost	686.31	557.22	129.09	23.17%
Profit before share of Profit / (Loss) of joint ventures (net)	**64,590.59**	**56,229.69**	**8,360.90**	**14.87%**
Share of Profit / (Loss) of joint ventures (net)	**361.97**	**313.93**	**48.04**	**15.30%**
Profit Before Tax	**64,952.56**	**56,543.62**	**8,408.94**	**14.87%**
Profit After Tax	**45,880.32**	**37,858.76**	**8,021.56**	**21.19%**
Basic and diluted EPS (₹)	13.51	11.15	2.36	21.17%

i) Revenue from Operations

(₹ in Lakh)

	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Revenue from projects	85,353.40	74,638.27	10,715.13	14.36%
Revenue from hospitality	12,781.53	12,574.28	207.25	1.65%
Rental and other related revenues	23,383.05	19,389.58	3,993.47	20.60%
Property and management revenues	4,204.42	3,849.53	354.89	9.22%
Other operating revenue	820.50	922.73	(102.23)	(11.08%)
Total	**1,26,542.90**	**1,11,374.39**	**15,168.51**	**13.62%**

ii) Expenses

(₹ in Lakh)

	2018	2017	INCREASE / (DECREASE)	% INCREASE / (DECREASE)
Operating costs	46,790.14	42,885.56	3,904.58	9.10%
Employee benefits expense	6,715.33	6,416.17	299.16	4.66%
Other expenses	5,511.57	5,096.50	415.07	8.14%
Total	**59,017.04**	**54,398.23**	**4,618.81**	**8.49%**

III. Cash Flow Analysis

A comparative table of FY 2018 versus FY 2017 Cash Flows is as follows:

(₹ in Lakh)

Consolidated Cash Flow	FOR THE YEAR ENDED MARCH 31, 2018	2017
Opening Cash & Cash Equivalents	23,583.89	28,583.20
Net Cash Inflow / (Outflow) from operating activities	(20,582.80)	17,382.93
Net Cash Inflow / (Outflow) from investing activities	(58,825.01)	(55,909.91)
Net Cash Inflow / (Outflow) from financing activities	65,099.99	33,527.67
Closing Cash & Cash Equivalents	9,276.07	23,583.89
Closing Cash & Cash Equivalents including Fixed Deposits having remaining maturity for less than twelve months	11,672.31	34,578.69
Closing Cash & Cash Equivalents including Fixed Deposits having remaining maturity for more than twelve months classified under Non Current Financial Assets	410.99	587.55

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

The forever changing business landscape today requires companies to continuously evolve it's HR practices. Your Company's biggest assets are our employees. Through their commitment and excellence, every year, they have helped your Company achieve new horizons of success.

The key highlights for the year were: a) Attract and engage the right talent & b) Employee Wellness.

Hiring: Over the last year, your Company received 6700+ applications of prospective employees of which we added 363 to the Oberoi Realty Limited family. The total employee strength as on March 31, 2018 was 1153. Extensive hiring was done through management campuses with over 63 campus graduates joining during this year at junior and mid management level. Continuous innovation remains one of the key focuses in identifying and hiring talent. This year your Company's hiring process was automated. The new online system allows better resourcefulness and screening of the applicants without any biases. It also helps the process run more efficiently by ruling out human interventions, physical data storage limitations, status update available on the click of a button, creating a trail of record of actions for future use, etc. Also, critical level hiring was done during the year to give impetus to existing processes and technology.

Development through Engagement: Your Company sincerely believes that employee motivation, development and engagement are key aspects to a successful talent management. Hence, competency development remains one of the key focus areas of your Company's strategy for motivation and engagement. During the year, a total of 830 man days were dedicated to competency enhancement through various technical and behavioral training programs. These programs were based on business imperatives and went through a meticulous round on selection and rejection by the management to arrive at a tailor-made development plan basis each employee's individual need.

Performance Management System: Acknowledging and appreciating its talent is important for a Company's growth story. Rewarding and recognizing consistent superior performance is essential to build a stronger Oberoi Realty Limited and create a talent pipeline. This year, your Company introduced the 'Fast Track' program for the campus hires. Your Company understands the importance of recognition and the new generation's hunger to prove themselves in a highly competitive environment. Hence, this program identifies high performers and rewards them with challenging opportunities to grow faster as compared to the rest within the organisation. This year the campus hires were fast tracked to higher roles as a testimonial of their exemplary performance.

Employee Wellness: Year after year your Company's unwavering focus remains on continuously creating an environment of fun, camaraderie & well-being for your employees.

Over eight events, both fun and CSR were celebrated ranging from festivals to world events during this year. Such programs provide a great platform with ample opportunities to get together and celebrate the spirit of oneness.

A healthy employee is essential for a highly productivity oriented organisation. Your Company wants your employees to stay healthy and want to help them get there by addressing niggling issues so that they don't grow into serious concerns. Your Company continues to encourage your employees to engage in the specially designed health program by a wellness company. This wellness Company focuses on continuously working towards a healthy organisation through its various health focused initiatives that vary from health score cards, healthy eating habits, getting fitter with physiotherapy, regular doctor visits and many such other initiatives. A total of 654 employees took advantage of this initiative to lead a better informed healthy lifestyle.

RISKS AND CONCERNS

Market price fluctuation

The performance of your Company may be affected by the sales and rental realisations of its projects. These prices are driven by prevailing market conditions, the nature and location of the projects, and other factors such as brand and reputation and the design of the projects. Your Company follows a prudent business model and tries to ensure steady cash flow even during adverse pricing scenario.

Sales volume

The volume of bookings depends on the ability to design projects that will meet customer preferences, getting various approvals in time, general market factors, project launch and customer trust in entering into sale agreements well in advance of receiving possession of the projects. Your Company sells its projects in phases from the time it launches the project, based on the type and scale of the project and depending on market conditions.

Execution

Execution depends on several factors which include labour availability, raw material prices, receipt of approvals and regulatory clearances, access to utilities such as electricity and water, weather conditions and the absence of contingencies such as litigation. Your Company manages the adversities with cautious approach, meticulous planning and by engaging established and reputed contractors. As your Company imports various materials, at times execution is also dependent upon timely shipment and clearance of the material.

MANAGEMENT DISCUSSION AND ANALYSIS

Rental realisations

The rental realisations on the space leased depends upon the project location, design, tenant mix (this is relevant in the case of shopping malls), prevailing economic conditions and competition. Your Company has set up its retail property in prime location and maintains a fresh ambience resulting in crowd pull and attracting first time kind of retailers. As far as the office space rentals are concerned, the same depends on demand and supply, general economic conditions, business confidence and competition.

Land / Development rights – costs and availability

The cost of land forms a substantial part of the project cost, particularly in Mumbai. It includes amounts paid for freehold rights, leasehold rights, fungible FSI, construction cost of area given to landlords in consideration for development rights, registration and stamp duty. Your Company acquires land / land development rights from the government and private parties. It ensures that the consideration paid for the land is as per the prevailing market conditions, reasonable and market timed. Your Company also enters into MOUs and makes advances for the land / land development rights prior to entering into definitive agreements. The ensuing negotiations may result in either a transaction for the acquisition of the land / land development rights or the Company getting a refund of the moneys advanced.

Financing costs

The acquisition of land and development rights needs substantial capital outflow. Inadequate funding resources and high interest costs may impact regular business and operations. Your Company has always tried to build sufficient reserves resulting out of operating cash flows to take advantage of any land acquisition or development opportunity.

OUTLOOK

Post implementation of The Real Estate (Regulation and Development) Act, 2016 (RERA), developers are focusing firmly on selling their existing ready inventory and finishing their near completion projects rather than launching new projects. With several smaller realty developers interested in either monetizing their land parcels on outright basis or entering into joint development or development management agreements, your Company believes that RERA shall result in a consolidation in the sector.

Overall, the Real Estate sector is showing growth as compared to last year. Consequently, the Indian real estate sector will emerge stronger, healthier and capable of long periods of sustained growth, provided adequate policy/regulatory support.

Focus on Mumbai and beyond

Your Company shall continue to explore development opportunities in and around Mumbai and also explore hubs in the nearby regions on a case by case basis. Your Company is actively scouting for land parcels in NCR and Bangalore among other metro cities.

Strengthen relationships with key service providers and develop multiple vendors.

In order to continue delivering landmark offerings to our customer, your Company shall further strengthen its relationship with key service providers, i.e. architects, designer and contractors. Your Company is also working on strategy to develop more and more vendors who can deliver product and services in line with Company's philosophy and product offerings.

Internal Control Systems

Your Company has also focused on upgrading the IT infrastructure – both in terms of hardware and software. In addition to the existing ERP platform, your Company is presently reviewing the process documentation to ensure effectiveness of the controls in all the critical functional areas of the Company.

CAUTIONARY STATEMENT

This management discussion and analysis contain forward looking statements that reflects your Company's current views with respect to future events and financial performance. The actual results may differ materially from those anticipated in the forward looking statements as a result of many factors.

For and on behalf of the Board of Directors

Vikas Oberoi
Chairman & Managing Director
DIN : 00011701

Mumbai, April 24, 2018