

Operator

Ladies and gentlemen, good day, and welcome to the DLF Limited Q1 FY 2014 Earnings Conference Call. We have with us today Mr. Ashok Tyagi, Group CFO; and Mr. Saurabh Chawla, ED-Finance. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Chawla. Thank you, and over to you, sir.

Saurabh Chawla

Thank you. Good afternoon, ladies and gentlemen, and welcome to our quarterly one FY 2014 call. Just to quickly run through our performance during the quarter, we did about 1.8-odd million square feet of sales during the quarter, amounting to about INR2,400 crores. This is in comparison to the last quarter, which is the Q4 quarter of FY 2013 of about INR1,240-odd crores. But the meaningful aspect of this particular quarter was that last year, for the whole year, we did sales bookings of about INR3,800 crores, and in this quarter, we've done about INR2,400 crores.

This also needs to be looked into from the perspective of the medium-term strategy that we had articulated in February of 2013, where we had indicated that during the fiscal year 2014, as we ramp up some of our new launches in Gurgaon and some other destinations across the country, we will see an uptick of sales booking and this is in line with that particular strategy.

On the rent side of our business, we've done about 0.4 million square feet of net leasing. This is compared to about 0.18 million square feet of net leasing in Q4 of FY 2013. This, again, is in line with our three-year strategy, where we had articulated that we'll be doing about 1 million square feet to 1.5 million square feet of net leasing, on an annual basis, and this is, specifically, related to the office side of the business, the SEZ business that we have.

Our rental income for this quarter stood at about INR435 crores, out of the total annuity income of about INR480 crores. Again, this is in line with our annual guidance that we had articulated per annuity income of touching about INR2,000 crores for the fiscal year 2014, and for the next three years, taking that annuity income to about INR2,800 crores by end of FY 2015.

Completions during this quarter were about 5-odd million square feet, which were handed over to the customers. This is compared to the 9 million square feet, which we did in the last quarter, but the meaningful take away from this is that we continue to perform on the ground by handing over completed properties to our customers.

Current projects under construction are about 52 million square feet. On the non-core side, we – during the quarter, we had one closure of the Wind Energy business that we had contracted to sell. We received INR215-odd crores during the quarter. One payment, which was supposed to actually come within the quarter, but basically hit us after the quarter, was about another INR525 cores, which actually in July. So in a nutshell, again, we had committed that wind will close in the quarter, which has done.

We also completed our IPP and we garnered about INR1,863 cores with the new equity issuance that we did.

On the operating performance side, as I articulated earlier, we done in Phase V about 1.07 million square feet of sales, at an average rate of about INR18,500. This includes the very well received sales in Crest, where we had sold a little more than 800,000 square feet at about INR17,500. Also, during the quarter, we did a test marketing of Camellias. A lot of skepticism was elicited by the analysts, in February, whether Phase V has that kind of embedded value. We have demonstrated that and we believe that not only this value is sustainable, but will grow as we put in lot of investments on the infrastructure and connectivity in that area.

Rest of the country saw existing stock sellout as normal, no major launches that happened during the quarter in rest of the country other than of course, a launch, which was very well received of MyPad apartments in the City of Lucknow.

On the leasing side, we are still conservative in our outlook given what's happening on the economic scene. But yes, on a net leasing basis, our performance is in line with our annual and three-year guidance.

This time around, we have just changed the format of our presentation, basically, to give little more granularity on various lease properties and also, residential projects across the country. So I would just leave the presentation, but just to give you a good progress report card, I think that's the slide, which is the last slide, which is important, and I just again want to reemphasize on that aspect is that we remain committed on our three-year medium-term plan. We have indicated ourselves by demonstrating our

ability to sell at price points that were not being assumed at the time of February analyst meet.

So on the sales volume, in Phase V, we've done about 1.1 million square feet, against a target of about 1.5 million square feet. In New Gurgaon, we will be doing some of the launches and the exist – launches during this year, and we are committed to meeting about 2 million square feet to 2.5 million square feet of sales booking in new Gurgaon, and same goes for Delhi and Rest of India.

On leasing, against a target of 1 million square feet to 1.5 million square feet, we have done about 0.4 million square feet, and the current momentum is good enough for us to meet this guidance.

On wind – on the non-core, Wind is on the large – the large transactions of Wind Energy are already closed. IPP is already done. On Aman, we have opened up the process again, after the removal of exclusivity to Mr. Adrian Zecha. As we speak, we have now very active engagement with about five to six new bidders other than Mr. Zecha, and we are very confident that not only we will close this transaction in a short period of time, but it could be also a value accretive from our earlier target.

On Insurance, this was something, which was not planned, but we have achieved the divestment of our Insurance business to Dewan Housing. This is, of course, subject to the IRDA approval, which we are hopeful that it should come forth in quarter three.

The net debt number is INR20,369 crores. And this is against the annual target of about INR17,500 crores. Within the presentation itself, we have demonstrated that even if there is any transaction, which may, for any reason, flow into the next fiscal year, we should still be able to achieve our number of INR17,500-odd crores.

During the quarter, we have done some of the new fresh loan raisings, and these have been raisings that are – that have been done with a positive movement of about 50 bps on the cost side of it. Again, to allay a lot of concerns in the capital markets that interest rates are going to hurt us. Short end of the interest rate curves, actually, they do not have that dramatic an impact on the bank financings to us, which are basically based on the base rate that the banks really give to us. We are not there in the capital markets on the short end of the curve.

During the quarter, we have – our credit rating has been improved from a negative to a stable platform. And as we speak, we are now on a threshold of doing our first CMBS offering from DLF on certain of our retail assets, which we hope we should be able to complete over the next two months to 2.5 months. That's where what our performance score card is.

In a nutshell, again, I just want to summarize that all – we are fully committed to meeting our three-year medium term target of taking our EBITDAs to about INR8,000-odd crores, reducing our debt to below INR10,000-odd crores, and improving our quality of debt having only that portion of debt, which is based on rentals just serving them, and making our development side of the business almost debt free.

So we are open for questions that you may have. Ashok is here to answer any of your queries. Thank you.

Q&A

Operator

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Puneet Jain from Goldman Sachs. Please go ahead.

<Q - Puneet Jain>: Hi, good evening. My question is actually with respect to debt targets. Now, you have a net debt target of INR17,500 crore by the end of this fiscal year. Do you also have any gross debt target? And can you also split reductions, maybe slightly more granular depending how much could be in this quarter and how much could be in the quarters subsequent to that?

<A - Ashok Kumar Tyagi>: Okay. So Puneet, hi, Ashok here. Honestly, given the fact that we have not always adhered to granular quarterly targets in the past given the time cycle for closure of some of these deals, it will be honestly misleading, if I were to give you granular quarterly targets.

The effort on all of these pieces continues to be completely on stream. So, we do believe that we should have a bulk of this effort done in the next two quarters, with only some regular workflow issues into the Q4. But honestly, since these – all of these deals tend to be complex affairs, we will take each deal by the timeline that it needs to close. So, honestly, that is where it is, but overall, given the deal pipeline and Aman, possibility that exists on the table today, we do believe pretty confident on this INR17,500 crore.

<A - Saurabh Chawla>: Also just, Puneet, as I had articulated to you earlier, the gross debt will come off a little slowly, because we do not pay well in advance of that interest reset date or the maturity date of that debt. It attracts a lot of prepayment penalty. So, it is not practical for us to immediately utilize the cash and pay down debt. As soon as the maturity dates arrive or the interest reset dates arrive, those debts are really paid off.

<Q - Puneet Jain>: But by end of this year, could it go down in line with net debt, or could there be some more differences?

<A - Saurabh Chawla>: There could be a slight difference, but yes, our target is that the gross debt or net debt number should be – should go down in a similar fashion.

<A - Ashok Kumar Tyagi>: Yeah.

<Q - Puneet Jain>: Okay, okay. Thanks a lot.

Operator

Thank you. The next question is from the line of Mahesh Nandurkar from CLSA. Please go ahead.

<Q - Mahesh Nandurkar>: Hi, good evening. First of all, congratulations on significantly improved disclosures on the presentation. I really appreciate that, and we hope you continue on the same path and be on par with the best in the industry standards.

My question pertains, once again, to the debt reduction target. During the first quarter, we had this equity issuance of around INR1,800-plus crores, plus INR200 crore of asset sales realization, so that adds up to about INR2,000 crore. But as against that, even after adjusting for the forex impact, the actual net debt reduction was INR1,500 crore, which basically implies that INR500 crores were absorbed in the business operations.

So the business operations still continue to sort of suck in cash. And if INR500 crore is the rate at which it is sucking in the cash, then, I really sort of wanted some explanation as to how you aim at achieving the INR3,000 crore further debt reduction in the next nine months?

<A - Ashok Kumar Tyagi>: Okay. So, Mahesh, it's a good question. Honestly, the way the breakup happens is that, from an operational standpoint, and by operations, I mean, sales less construction, less interest, less – or less overheads. We had a breakeven quarter last quarter. And honestly, last couple of quarters have been more or less breakeven.

Where we've been finding it difficult to fund from operations is the outflow on account of the rental CapEx buildout. The usual land buyings grow government charges and in this particular quarter, there was once in a year, the net tax payment on account of self assessment tax and residual TDS payments, which was I think INR220 crores entry which happens only once a year, but anyway, be that as it may.

Going forward, the target, Mahesh, is that hopefully, this INR400-odd crores of the land growth CapEx delta that we have, on a continuing basis, needs to be eliminated, and this will get eliminated across two pieces. One, as the buildup of new sales launches goes, hopefully, our gross collection, on a monthly basis, should move from the current INR500 crores, INR550 crores a month range to the INR700-odd crores a month range.

As an example, the INR2,500 crores that we sold in Q1. In Q1, honestly, we only got the booking amount for these. On a regular basis, this would itself add about INR200 crores, INR250 crores a quarter, cash flow on the collections front and more, once it'll keep on adding up.

B, our rental CapEx should virtually dry up, once the Mall of India in Noida is commissioned by September-October. So, a large part of that INR130 crores, INR150 crores a quarter is actually going to fund the Mall of India in Noida. Even from a land standpoint, except for the twice a year payment that we need to make to HSIIDC for the new golf course land, which is under a deferred payment scheme, we believe that residual land buy, even in New Gurgaon and Chandigarh, is now virtually coming down to a very, very minimal two digit numbers, because if any contingency-led buying is involved, we prefer to go the collaboration and joint development route.

So, hopefully, this INR400 crores number itself should come down, and the collection should move up by almost an equivalent amount. Our internal target is that, while you will still see some bleed in Q2, essentially, also on account of the dividend payout, from Q3 onwards, this should be a complete breakeven. And hopefully, you will start seeing this actually in Q4. That is the anticipation for the year. You will see some residual bleed in Q2, but hopefully that should be the last that you see of it.

<Q - Mahesh Nandurkar>: Okay. And since you mentioned that you are looking to up the cash collection rate from INR550 crore a month to about INR700 crore a month, that refers to your development business only, right? I mean.

<A - Saurabh Chawla>: Correct.

<A - Ashok Kumar Tyagi>: Yes. The improvement in rental collections will obviously be slower, but so this primarily is driven by development business, and we could have a couple of big kickers potentially on strength of this subvention proportion of the collection that comes into the subvention route.

<Q - Mahesh Nandurkar>: Okay. Okay. I have actually few more questions, I'll come back in the queue.

<A - Saurabh Chawla>: Sure. Thank you, Mahesh.

<Q - Mahesh Nandurkar>: Yeah.

Operator

Thank you. The next question is from the line of Anand Agarwal from Jefferies. Please go ahead.

<Q - Anand Agarwal>: Yeah. Good afternoon, sir.

<A - Ashok Kumar Tyagi>: Good afternoon.

<Q - Anand Agarwal>: Sir, I have a couple of questions. Firstly, sir on the margins in the Crest project. I mean if I see your presentation, the margin works out to be only 41% that you're talking about. So just wanted to get a sense, I mean since this project is being sold at around INR17,500 a square feet, why would the margins be so low?

<A - Ashok Kumar Tyagi>: Okay. So on Crest, two points. One is that these numbers are not accounting numbers; these are broad MIS numbers, trying to quote what would have happened if they would have gone through the POCM route as in the past. So in some sense, you should always take these numbers at some degree of approximation.

Part B, the margin over normal construction costs for Crest, we believe should continue to be north of 65%. We don't foresee any challenges in that. The reason we have been conservative in this upfront square of margins on account of three issues, Anand. One is that this is based itself on the current pricing, but big construction cost, as envisaged, hopefully, the subsequent two launches of Crest or two or three launches of Crest would be at higher price point that's part A.

Part B, we don't know what the eventual mix of subvention to regular payment plans would be, because while subvention gives us faster cash, the subvention cost does need to be booked through the POCM margin route. So if it's a 25% subvention mix, it's a different realization; if it's 40%, it will be a different realization, though, obviously, you get the cash upfront, but that would have been savings in the interest column, not in the EBITDA column that is the second piece.

The third is that a – the Crest involved one small piece – one piece of land, historically, which was not in DLF, but in a subsidiary company, and which was valued not at cost, but at slightly higher price, so even some of that is overflowing into this, but overall, clearly, we anticipate Crest to generate a 65-odd% margin over construction costs, let the end markdown further by whatever is the extent of subvention cost that eventually happened on that piece.

<Q - Anand Agarwal>: Okay. And just I mean given that we've been fairly successful in the Phase V launches, is there any possibility that we might increase the 1.5 million square feet of sales target for this year or we will want to restrict it to that much on this?

<A - Ashok Kumar Tyagi>: So honestly, I think Anand, we'll be more clearer – actually, we'll be clearer answering this question about a quarter from now. What we are doing is ultimately this. We have clearly moved Camellias from a "test marketing phase" to a launch phase now. We are targeting doing a certain number of Camellias, almost on a quarterly basis.

We have moved ahead and awarded the contract for commencement of construction of Camellias to a global player. We are also very close to awarding the contract for Crest, and once – and we are continuing to invest in that, the infrastructure including the road and the metro. So my view, honestly, Anand is that in the next three months or four months, once you know all of these things are completely in place, that is the time to evaluate whether potentially this can be accelerated or this should be restricted to the number that we have right now.

<Q - Anand Agarwal>: Okay. Thank you.

Operator

Thank you. The next question is from the line of Abhishek Kiran Gupta from Merrill Lynch. Please go ahead.

<Q - Abhishek Kiran Gupta>: Good evening. Thanks for taking my question. Two. What is the price the test marketing Camellias that you have achieved? That's one. And second, do we still have our FY 2014 new sales at 65 billion or is that number changing? Thanks.

<A - Ashok Kumar Tyagi>: So, on the second one, while obviously, our internal guidance is higher, the guidance that we always communicate to the analysts and the market is north of INR6,000 crores, which is the guidance we stick with.

Regarding the plight of Camellias, while we did launch the Camellias at slightly lower price in the initial few apartments, the exit price of Camellias, as of June end, is now a basic selling price of about INR25,000 a square foot, plus some PLC.

<Q - **Abhishek Kiran Gupta**>: Wonderful. Thank you.

Operator

Thank you.

<A - **Ashok Kumar Tyagi**>: And, sorry. Just to clarify that site has our conventional timely payment and moving rebates, but on a gross basis, that is the price.

<Q - **Abhishek Kiran Gupta**>: Okay.

Operator

Thank you. The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

<Q - **Sameer Baisiwala**>: Hi. Thanks. Good evening. Ashok, you're just trying to tie up the number. Last year, you sold about INR3,800 crores of new sales. This year you are targeting INR6,000 crores plus and versus that your collection number that you mentioned was about INR700 per month, that takes us to about INR8,500 crores in a year?

<A - **Ashok Kumar Tyagi**>: Yeah. So A, INR700 per month includes the rental as well, Sameer, that's part A. Part B, the collections are also A, not just on account of the INR6,000 crores this year, of the INR3,000 crores previous year. There is still regular collections in the Capital Greens and some of the projects that were launched earlier, where the first 60% or 65% money came in, but subsequently, it was all staggered with construction stages. So be it a Okhla or be it a Capital Greens, those regular collections will keep on flowing. And C, as I mentioned that for both Crest potentially the next round of New Gurgaon launch, et cetera, we do hope to see at least a certain mix of subvention as well of at least 25-odd%.

<Q - **Sameer Baisiwala**>: Okay. And when you were comparing this with INR500 crores, did INR500 crores also include the rental income?

<A - **Ashok Kumar Tyagi**>: Yeah, the INR500 crores also include the rental income. So our current development collection is about INR300 crores to INR400 crores a quarter – a month – sorry, a month.

<Q - **Sameer Baisiwala**>: Okay. Wonderful. Just with your permission, one more question. Question one, this is slide number 18, where you have the debt reduction plan mentioned over there. So I'm just curious that given your high confidence of being able to close Amanresorts in a short period of time, then why not have Aman also over there and net debt being going down to almost INR16,000 crores?

<A - **Saurabh Chawla**>: Sameer...

<A - **Ashok Kumar Tyagi**>: Mr. Chawla.

<A - **Saurabh Chawla**>: Sameer, you're absolutely correct. That's a miss from our side. The two slides got mixed up. The other slide had that number and we targeted net debt number, including of Aman, is less than INR15,500 crores and that's why if we look at the statement I made, below that is our guidance continues to be INR17,500 crores, but we potentially can go down to about INR15,500 crores.

<A - **Ashok Kumar Tyagi**>: Yes. Sameer, INR15,500 crores will happen if the land divestiture of INR1,770 crores and Aman both were to happen.

<A - **Saurabh Chawla**>: Yeah.

<A - **Ashok Kumar Tyagi**>: And since in all fairness, both – the motley of deals which comprised INR1,770 crores and Aman, are both hopefully in a very strong WIP situation, but not confirmed, in a sense money not in the bank. We would still stick with the guidance INR17,500 crores, but your point is completely correct, which Saurabh also reconfirmed that if both happens, the number will be lower.

<A - **Saurabh Chawla**>: And I'll circulate the slide again which was a correct slide.

<Q - **Sameer Baisiwala**>: Okay. Excellent. Thank you so much.

Operator

Thank you. The next question is from the line of Ashutosh Narkar from HSBC. Please go ahead.

<Q - Ashutosh Narkar>: Hi. My question is on the cash flows. If you could guide, Ashok, on the timeline over the next three or four quarters' time, when do we see breakeven of the free cash flows where we'll be able to pay off the interest payments? Probably that would be the turning point for...

<A - Ashok Kumar Tyagi>: So I think – as I mentioned, our collections, currently, are in the INR500 crores to INR550 crores a quarter range, which in most, actually in every month, to the best of my knowledge, are sufficient for paying out the interest, construction and other routine expenses. Our deficit in terms of cash flow has primarily been in the areas of land, CapEx and government charges.

So as far as your issue of when do we hit a complete breakeven even on those, as I articulated, our anticipation is you should see it happening in Q3.

<Q - Ashutosh Narkar>: Q3 of this year?

<A - Ashok Kumar Tyagi>: Of the current year. Yes, that is correct.

<Q - Ashutosh Narkar>: Sure. And the other question was can you tell us, excluding the deferred land payments, what are the statutory charges we are making each quarter? Or what is our anticipation over FY 2014 and FY 2015?

<A - Ashok Kumar Tyagi>: You are talking about the land-related government charges?

<Q - Ashutosh Narkar>: Yes, please.

<A - Ashok Kumar Tyagi>: We'll have to revert back. I don't have this number right away. We'll revert back to you on this, yeah.

<Q - Ashutosh Narkar>: Sure.

<A - Ashok Kumar Tyagi>: Rajiv will revert back to you on this.

<Q - Ashutosh Narkar>: And so, excluding this, what would be the deferred payment we are making each year or each quarter?

<A - Ashok Kumar Tyagi>: So the deferred payment, there is only one land on the deferred payment, which is the golf course land from HSIIDC, which we pay about INR300 crores a year in two half yearly installments.

<Q - Ashutosh Narkar>: Okay, sure. I'll talk to Rajiv later.

<A - Ashok Kumar Tyagi>: Yeah. Thank you.

Operator

Thank you. The next question is from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.

<Q - Abhishek Saraf>: Yeah. Good afternoon, sir. Thanks for taking my question. Just I wanted to have some idea on the CMBS deal, like what are the – what are the liabilities that are expected to be termed out and how much will be the duration of the liability increased by and will it also imply lower interest rates. So just some color on...

<A - Ashok Kumar Tyagi>: I'm sorry. I think I missed the first half of your question, could you just repeat it? Sorry.

<Q - Abhishek Saraf>: Sir, I just wanted to know the details of the CMBS deal that...

<A - Ashok Kumar Tyagi>: CMBS deal, okay.

<Q - Abhishek Saraf>: ...you are presently looking upon, so I mean what amount of liability is expected to be termed out and what will be the increase in duration of the liability and will it also imply lower interest rates? So some color on that will be helpful.

<A - Saurabh Chawla>: Yeah. So basically, what we are right now working on is two retail assets of us. And we should be able to raise on those two assets of about INR900 crores to INR1,000-odd crores. These currently, in a normal circumstance, would give a term of about 4.5 years to five years, which will actually increase to about eight years to nine years of terming this out. The amortization, which usual goes in, is 100% in 4.5 years to five years, will become actually only 50% over a period of nine years. That's the broad metric of this offering.

The rating of this would be anything between AA, AA minus. And we – even in the current context, the indication is that we should be able to do an offering of about anything between 10.75% to 11% on this in the current environment. As the bond markets settle down, obviously, this will be a little better. So, right now, we are almost ready to hit the market, as soon as the bond market settle down, that's the time we will do that.

The main buyers for this are not mutual funds. The main buyers of such products are insurance companies, pension funds, and insurance companies are actually life insurance companies and provident funds. So, they are the investors who prefer to invest into long-term debt, which has a little higher coupon vis-à-vis 10-year treasury, but has a pretty high rating in the market as such.

<Q - Abhishek Saraf>: Okay. Sir, just one thing, what will be the interest differential, you said that expected on CMBS is around 10.75% to 11%, but currently on the liability for these assets will be like around 12.5%, 13%, 13ish%?

<A - Saurabh Chawla>: Yeah, so that will be absolutely. So, it will be a difference of 150 basis points to 200 basispoints, let's see where we land up. You are correct there.**<Q - Abhishek Saraf>**: Okay, fair enough, sir. Sir, just with your permission, just small question, if I may ask?**<A - Saurabh Chawla>**: Sure.**<Q - Abhishek Saraf>**: Just, if you can just give me the reason why your tax rate has shot up to 32%, I think that...**<A - Ashok Kumar Tyagi>**: Okay.**<Q - Abhishek Saraf>**: [indiscernible].**<A - Ashok Kumar Tyagi>**: So, the tax rate, on the operational part of the business, is about 23.5%.

<Q - Abhishek Saraf>: Okay.**<A - Ashok Kumar Tyagi>**: The reason the tax rate is higher, because on the wind farm disposal deal, we made a book profit of about INR70 crores, but because there was already 100% tax depreciation on that deal, so the entire consideration was virtually taxed out.

<Q - Abhishek Saraf>: Right.**<A - Ashok Kumar Tyagi>**: So, the book profit – the pre-tax book profit was INR75 crores, but the taxed out was

about INR45 crores. So that was the reason why that deal gets taxed, say, almost 55%, 60%, which is the reason why the weighted average tax rate moved up 23% to 32%.**<Q - Abhishek Saraf>**: Okay, fine.**<A - Ashok Kumar Tyagi>**: So that's a one-time deviation. Our guidance on tax rate continues to be in the mid-20s%,

you know.**<Q - Abhishek Saraf>**: Okay. Thanks a lot.**<A - Ashok Kumar Tyagi>**: Okay.

Operator

Thank you. The next question is from the line of Samar Sarda from Kotak. Please go ahead.

<Q - Samar Sarda>: Yeah. Hi. Good evening. I had a couple of questions. One, with regards to the subvention scheme at the Crest, like you sold round about INR1,450 crores of stock. Now by when is this amount expected? And how much of this amount would be expected in your subvention scheme?

<A - Ashok Kumar Tyagi>: Okay, so, we – as – I mean the subvention moneys are due by August end, and honestly, while obviously about 40-odd% of the customers have ticked off this subvention box in the application form. Really, we'll only know by August end of how many of them actually avail subvention, and if any of them, they will move back into a construction linked payment program. So, honestly, we'll be able to give you a more accurate view of how many customers availed of the Crest subvention by August end.

<Q - Samar Sarda>: Sir, but assuming like 100% of the customers do avail of this scheme at the end of the deal, like whatever the percentage, what will be the amount collect – you'll get upfront from the banks in this case?

<A - Ashok Kumar Tyagi>: Okay. So, assuming that if 35% odd customers of the total customers, which is almost 90% of the customers who ticked off subvention avail of this, we'll have about 90 subvention to 100 subvention cases, and that amount should be in the range of about north of INR400 crores.

<Q - Samar Sarda>: Okay. Great. And secondly, sir, if you could tell me what is cost of running the company like employee expenditure, and the other administrative expenditure, because the numbers, we get in our Annual Report as well as the quarterly presentation, I think net numbers, net of capitalization as I understand?

<A - Ashok Kumar Tyagi>: Yeah. So, if you look at the cash flow, the total expenses that we do on what we call loosely overhead, which is all the people costs, your – some of your traveling, living, administration costs, marketing expenses, not brokerage, but other marketing expenses, et cetera. Our average ratio runs in the range of between INR50 crores to INR60 crores a month.

<Q - Samar Sarda>: INR50 crores to INR60 crores a month? Sir, but if we like just total this number and see that...

<A - Ashok Kumar Tyagi>: It's about INR600 crores a year.

<Q - Samar Sarda>: The employee cost only?

<A - Ashok Kumar Tyagi>: The entire overhead cost.

<Q - Samar Sarda>: Sir, but then in the P&L, the recognition part is like the administrative expense as of FY 2013 was some INR1,200 crores for the administrative expense, and round about INR600 crores for the employee expenditure?

<A - Ashok Kumar Tyagi>: Okay. Actually, the – a lot of expenses including brokerage all actually get booked through that route, which normally would be netted off from collections or from the sales quantum in the way we report our numbers to the analysts. So if you want, we could do a detailed recon, and you could take it offline this. We'll do a detailed recon for you, for the way the overhead numbers from a material standpoint exist vis-à-vis the way they are booked in the printed accounts. We'll be happy to take you through it.

<Q - Samar Sarda>: Okay, sure. And sir, if I could just ask a small macro question, like what steps are you taking to improve sales with regards to your South India projects, like be it Bangalore, Chennai or Hyderabad, because those markets are relatively performing better, but our sales are pretty low, like our stock is also less?

<A - Ashok Kumar Tyagi>: Okay. So in my honest view, those markets are performing better only in the minds of the observers and analysts, not in the real world. In fact, in the real world, NCR continues to be possibly the strongest performing market in the country. Our projects that have been launched there in terms of two in Chennai, two in Bengaluru, one in Kochi and a plotted launch in Hyderabad have all done reasonably well. But in all centers, we aren't seeing such a huge fillip in the sales there. I mean, honestly, the demand that we see in NCR continues to be very good. We saw excellent demand in Lucknow. We see good demand in Chandigarh, but the projects in the South continue to progress well, but they will take their time from an adoption standpoint.

<Q - Samar Sarda>: Sure. Thanks a lot.

Operator

Thank you. The next question is from the line of Gunjan Prithyani from JPMorgan. Please go ahead.

<Q - Saurabh Kumar>: Hi sir, this is Saurabh. Sir I actually had two questions. One is on the project details that you've given in the addendum slides. I just want to know could you also provide a number as to what will be the value you will receive on finishing your under construction inventory and what will be the cost to finish this inventory?

<A - Ashok Kumar Tyagi>: Okay. So – okay, we'll discuss it and see if that's the number you want to share right now.

<Q - Saurabh Kumar>: Okay. Thank you very much. And the second question was, on this land divestitures, which you have of INR1,700 crores.

<A - Ashok Kumar Tyagi>: Sure.

<Q - Saurabh Kumar>: Could you possibly detail as to what these will be, I mean this is a pretty significant number, so...

<A - Ashok Kumar Tyagi>: Well basically, it's – two major transactions.

<Q - Saurabh Kumar>: Yes.

<A - Ashok Kumar Tyagi>: One of which we have already discussed in the past, May time, this is the potential refund from the government on our Dwarka land. I mean, it's the matter, which has been under discussion with the Delhi government for a long time. We continue to be – to remain hopeful about it, but it will close, hopefully, when it will. We don't know when. But that has been baked in, because we do believe that we are making all the right – in terms of taking all the right steps, in terms of engaging with them.

Part B is that we have signed an agreement for divestiture of a plot of land in Hyderabad, and that is again is north of INR500 crores. So that has been baked in. We have received a small advance from there – from the buyer as well, but that's again, subject to some governmental approvals and okay. So in both of these cases, we believe that they'll take time, but I think eventually, this money should come. The balance will be smaller transactions.

<Q - Saurabh Kumar>: So Dwarka you are confident on closing in FY 2014, is it?

<A - Ashok Kumar Tyagi>: Dwarka – the reason – coming to the earlier point of why we haven't put both Aman and these lands in our target is that we're working on both. We hope that hopefully at least, one of these two will close, so that we hit that INR17,500 crores number.

<Q - Saurabh Kumar>: All right. Thank you very much.

Operator

Thank you. The next question is from the line of Gaurav Pathak from Standard Chartered. Please go ahead.

<Q - Gaurav Pathak>: Yeah. Hi, sir. Congratulations for the good set of numbers. I just want to ask on the annuity portfolio this 3.7 million square feet under construction, what does it include beyond the Mall of Noida? And do you know what's the overall CapEx

plan, given that, we still have 5 million square feet of unleased space, would you take a break for the next one to two years from CapEx on the annuity side, and just focus on exhausting the existing inventory?

<A - Ashok Kumar Tyagi>: So. Of this 3.7 million square feet, 2 million square feet is Noida, you're right. The balance 1.7 million square feet is a combo of some semi-built towers in some of the erstwhile DAL projects, which honestly, we are ourselves progressing on a very slow pace in the absence of firmer leasing demand. You're right. So it's really that, frankly.

<Q - Gaurav Pathak>: And sir, in terms of the CapEx plan, will you be taking it on hold once the 3.7 million square feet...

<A - Ashok Kumar Tyagi>: Beyond this 2 million square feet of Mall of India, Noida, I think I'd say the total CapEx requirement for closing out some of those DAL semi-finished building will actually not be very significant, but we will incur that CapEx only once we see a line of sight for the demand.

<Q - Gaurav Pathak>: So essentially, it's going to be a very slow CapEx plan?

<A - Ashok Kumar Tyagi>: Yes. The CapEx plan, as I mentioned earlier, once Mall of India, Noida finishes, you should see a drop in the CapEx spending of the Leasing division. It will obviously, at some stage, you don't need to be revved-up again as the leasing demand fixed up, but for the interim period, you would see a slowdown in the CapEx on the leasing operations.

<Q - Gaurav Pathak>: And sir, what was the land acquisition in this quarter and what's the plan for the full year?

<A - Ashok Kumar Tyagi>: As I mentioned, our total land acquisition for this quarter was about INR100 crores – about INR100 crores.

<Q - Gaurav Pathak>: Okay. And for the full year, what's the target?

<A - Ashok Kumar Tyagi>: For the full year, we anticipate that we should have in the range of INR500 crores to INR600 crores will be the total outflow for the year.

<Q - Gaurav Pathak>: Okay. Sir just one housekeeping question, just 120 million square feet of land bank in Gurgaon, this excludes 25 million square feet-odd under development in Gurgaon, right?

<A - Ashok Kumar Tyagi>: No, this 120 million square feet will include everything which has not been handed over. So this will include the area under development.

<Q - Gaurav Pathak>: Okay. Thank you.

<A - Ashok Kumar Tyagi>: Thanks.

Operator

Thank you. The next question is from the line of Sandipan Pal from Motilal Oswal Securities. Please go ahead.

<Q - Sandipan Pal>: Yeah, thank you. Good afternoon, sir. Sir, just wanted to check on the hotel business, because you mentioned about how much loss or profit the hotel business is contributing to your consolidated profit. So this quarter, I noted that actually net profit is around INR10.4 crores vis-à-vis around INR65 crore to INR70 crore loss every quarter till FY 2013. So just wanted to know, is there any significant improvement in that segment? Or is that one of the reason why EBITDA margin has gone up?

<A - Ashok Kumar Tyagi>: Okay. So, the notes to accounts always mention the non-core losses. And one is the loss on account of the insurance business, which has also dropped slightly this quarter. And B is the fact that you are right, we don't – we have never reported INR70 crores loss, but we do report a smaller loss, but generally, our losses reported in the hotel operations. However, this particular quarter, both riding on improved operations, as well as a slightly better exchange translation, our Silverlink or the Aman operations have turned in a profit this quarter, which is a reason you see that INR10 crores profit.

<A - Saurabh Chawla>: So just to highlight on the Aman side of it, which contributes the majority of the stuff over here, we should hit our EBITDA number of about INR20 million for this year in Aman, and the first half of this calendar year has been exceptionally good, with most of the properties actually doing 15% to 20% better RevPAR than last year. So given the operating metrics of Aman, that's why there is a substantial interest as the new bidders come on board and they look at what the operating metrics of Aman is. This year, we are – they are slated to open actually four properties across the globe. So significant improvement in the operating metrics and we continue to add value to the whole property of – or whole business of Aman.

<Q - Sandipan Pal>: Okay. Got it. Sir, just one more thing is that in your notes to account you have mentioned in the exceptional item that other than that wind mill transaction, where we have booked a profit of INR73 crores, there has been another transaction where we have booked a loss of INR68 crore. I just wanted to check which is this transaction?

<A - Ashok Kumar Tyagi>: So there is one particular – it's not a loss, it's a provision for...

<Q - Sandipan Pal>: Yeah.

<A - Ashok Kumar Tyagi>: ...that we have made, because one of the divestiture deals under discussion, right now, is that the anticipated agreed amount with the buyer, it appears, would be about INR60-odd crores lower than the cost at which we are carrying that asset in our books.

<Q - Sandipan Pal>: Okay. Okay.

<A - Ashok Kumar Tyagi>: Thank you.

<Q - Sandipan Pal>: Thank you.

<A - Ashok Kumar Tyagi>: So it's like provisioning for the foreseeable loss.

<Q - Sandipan Pal>: Okay.

Operator

Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

<Q - Atul Tiwari>: Yes. Sir, against the INR24 million of pre-sales done in the quarter, how much is the customer advance or the booking amount that has been received?

<A - Ashok Kumar Tyagi>: So the booking amount would actually be a smaller number. I think it will be around of INR100 crores.

<Q - Atul Tiwari>: Okay. But isn't it more like 15%, 20% of the sales value or is it usually lower than that?

<A - Ashok Kumar Tyagi>: No, no, no. The booking amount is not more than 4% to 5% of sale value. Maybe less than that.

<Q - Atul Tiwari>: Okay, okay.

<A - Ashok Kumar Tyagi>: Like an example in Crest, the average apartment was costing about INR6 crores and the booking amount is INR25 lakhs.

<Q - Atul Tiwari>: Okay, okay. And sir, how much is the customer advance number on the balance sheet in total? Is that readily available?

<A - Ashok Kumar Tyagi>: We don't have it. It will be a part of this other current liability column. Unfortunately, the new Schedule VI tends to confuse everything. So I'll have Rajiv revert back to you offline on this one.

<Q - Atul Tiwari>: Okay. Not an issue. And sir, my last question is on the receivables. In your cash flow statement, we see a big negative number against trade and other receivables of around INR1,033 crore. So why the receivables have gone up so much in the quarter? On slide 15, consolidated cash flow statement.

<A - Ashok Kumar Tyagi>: So – while obviously we'll get to you – revert to you offline on greater detail, but a part of it could be that because of the Camellias' launch and the fact the Camellias is a part of the integrated Phase V project. The launch of Camellias that the price at which it's finally been launched, could have led to – I mean I think has led to an increase in what is properly known as unbilled receivables. So I think about INR700-odd crores of that is unbilled receivables increase. Balance we'll revert back to you through Rajiv.

<Q - Atul Tiwari>: Okay. So roughly INR700 crore of Camellias revenues has been booked in the quarter, in the P&L statement?

<A - Ashok Kumar Tyagi>: Actually, unfortunately, the way the computation work is far more complex. So two things happen. A, the unbilled receivables will go up; B, the advance from customers on this current liability side also tends to go up by almost a matching number, so it's almost by a contra entry, so which leads to an increase both in the other current assets as well in the other current liabilities. But if you have the patience, we could offline take you through the complete accounting to help you understand how this entire thing works.

<Q - Atul Tiwari>: Okay, sir. And sir, very quickly, what is the status of construction of Primus and Regal that we launched last year?

<A - Ashok Kumar Tyagi>: The Primus and Regal are both in construction. The contracts have been awarded absolutely.<Q - Atul Tiwari>: Okay.<A - Ashok Kumar Tyagi>: Yes.<Q - Atul Tiwari>: Okay.<A - Ashok Kumar Tyagi>: In Skycourt, the contract has been awarded, and I think construction has commenced.<Q - Atul Tiwari>: Okay, sir. Thank you.

Operator

Thank you. The next question is from the line of Prakash Agarwal from CIMB. Please go ahead.

<Q - Prakash Agarwal>: Yeah, good evening. First one, clarification on your net debt reduction target, it is INR15,500 crores to INR17,500 crores, right?

<A - Ashok Kumar Tyagi>: INR17,500 crores right now.

<Q - Prakash Agarwal>: Sorry, INR17,500 crores?

<A - Ashok Kumar Tyagi>: Yeah.

<Q - Prakash Agarwal>: So, this again, I'm reconfirming it, so it excludes the Aman, because there were some clarification being made?

<A - Ashok Kumar Tyagi>: As we explained that, it has those land divestitures of almost INR1,800 crores.

<Q - Prakash Agarwal>: Yeah.

<A - Ashok Kumar Tyagi>: And Aman is also the same value. If both happen, it will be INR15,500 crores, but right now, we are assuming that we will have some successes and some maybe you know par successes. So, right now, from a guidance standpoint, we would appreciate if the analysts prepare themselves, what should have been the half number. If we do better than that, then that is all to the good.

<Q - Prakash Agarwal>: Understood. Great. And first question – and you normally have a slide on the economy. So, what's your take on economy, and could the slowing economy be a risk to the land sale, as well as the New Gurgaon sale, given the ticket sizes?

<A - Ashok Kumar Tyagi>: So – I mean in all fairness, at least till Crest, most of our sales launches have met with the right – with actually extremely strong fund. So if I take Skycourt, Ultima, and Lucknow, and what – and Crest and this last one Camellias, I think all of them have met with success. But you're right that there is an economy out there, which is what it is. So, obviously, what's in the economy does tend to make buying decision that much more difficult, but we do believe that if the product is right, the developer is credible, and the location is right, real estate in some sense is becoming the one of the most preferred investment classes given the fact that the financial markets, both in the debt and the equity side, are what they are. So, hence we do believe that as long as our products are right, and the location is right, we should continue to see good responses to our launches.

<Q - Prakash Agarwal>: Okay. And you don't see a risk to your numbers of 7.5 million square feet and especially, the 2.5 million square feet in New Gurgaon given the fact that they're all priced around INR2 crores?

<A - Ashok Kumar Tyagi>: We, right now, do not see a risk to the sales booking number of INR6,000 crores for theyear.**<Q - Prakash Agarwal>**: Understood and second...

<A - Ashok Kumar Tyagi>: And I don't give you the square footage honestly, here.**<Q - Prakash Agarwal>**: Right. Okay. And secondly, question on this margins. I mean, this is around...

Operator

Excuse me, this is the operator. **<Q - Prakash**

Agarwal>: Yes.

Operator

Sir, I'm sorry to interrupt. We have participants in queue.**<Q - Prakash Agarwal>**: This is my second question please. Hello?

Operator

Please go ahead.

<Q - Prakash Agarwal>: So, just wanted, I mean we are back to 40% margin, so what are the projects, higher margin projects we have taken for this quarter?

<A - Ashok Kumar Tyagi>: So, as you know that all new projects will, unfortunately, only get revenue recognition after four quarters to six quarters, but because of the Phase V being integrated projects, Camellias launch and its entire pricing and its potential impact on the entire stock and the EBITDA, et cetera, will continue to be a major driver for revenue recognition for the next few quarters till such time that Crest and other projects till hit their threshold. So, Camellias would be – Camellias along with the older projects will continue to be the main driver for EBITDA recognition in the next few quarters.

<Q - Prakash Agarwal>: No, for this current quarter, we are at 40%, so is Camellias be a part of it or?

<A - Ashok Kumar Tyagi>: Yes, because we had launched the Camellias this quarter, so Camellias is a part of it, right.

<Q - Prakash Agarwal>: Thanks. And all the best.

<A - Ashok Kumar Tyagi>: Yep.

Operator

Thank you. Ladies and gentlemen due to time constraints, we will take the last question from the line of Akshay Rao from Edelweiss. Please go ahead.

<Q - Akshay Rao>: Hi, thank you. Thanks for taking my question. I have two questions. One is you mentioned that you'll be having Camellias that will be sold on a regular basis and on a quarterly basis. So, A, what would be your sales rate that you'd be looking for from this project?

<A - Ashok Kumar Tyagi>: We had – as we had said earlier that we were planning to do about 1.5 million square feet of sales in Phase V. We have done about 1.1 million square feet in the first quarter itself. So, the balance north of 400,000 square feet is what we should hopefully be selling on – from Camellias.

<Q - Akshay Rao>: For this year?

<A - Ashok Kumar Tyagi>: Whole year. Yeah.

<Q - Akshay Rao>: Okay. So basically, I mean – so Camellias and Crest, which were supposed to be Q4 FY 2013 launches, but happened in this year, so the next phases would happen, say, in the next financial year, is that the right way to look at it?

<A - Ashok Kumar Tyagi>: So, Crest will obviously be a phased launch, because the Phase I has been fully sold out. Camellias, there's no phased launch; it is selling a certain number of apartments on a regular basis every quarter. And our target remains ballpark 1.5 million square feet of Phase V scale on an annual basis.

<Q - Akshay Rao>: And my second question is on minority income, so you mentioned about a target of INR2,000 crores for FY 2014, this would exclude any annuity income from the Wind Power business, because that has been sold, is my understanding correct?

<A - Ashok Kumar Tyagi>: Yes. Yes, absolutely.

<Q - Akshay Rao>: So, I mean right now, you have about INR430 crores of lease revenue coming in from rental business, so that is – that's sort of made up about INR1,850 crores, so we're expecting about INR150 crore additional lease revenue come in from maybe new escalation as our new spaces being leased so far?

<A - Ashok Kumar Tyagi>: Actually, it will be a combination of three or four things. It will be escalation. It will be the residual leasing that was done last year, which goes into rent commencement mode now. It will be some additional leasing in the first half this year, which will get into rent commencement mode and it could be some very early stage rental recognition from Mall of India, Noida.

<Q - Akshay Rao>: Sure, sir. Thank you so much. So that's my question.

<A - Ashok Kumar Tyagi>: Okay.

Operator

Thank you. I would now like to hand the floor back to the management for closing comments. Please go ahead sir.

Saurabh Chawla

Okay. Thank you, everybody, for the call, and of course, we are available offline. So you can shoot us your emails and we hope to answer all your queries by end of the day, today itself. Thank you.

Operator

Thank you, gentlemen of the management. Ladies and gentlemen, on behalf of DLF Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.