



Godrej Industries Limited

Q1 FY2012 Results Conference Call Transcript August 4, 2011

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Industries conference call. As a reminder, for the duration of this conference, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you sir.

Anoop Poojari: Good morning everyone, and thank you for joining us on Godrej Industries' Q1 FY2012 results conference call. We have with us Mr. Adi Godrej, Chairman of Godrej Industries, Mr. Nadir Godrej, Managing Director, Mr. Pirojsha Godrej, Executive Director of Godrej Properties, Mr. Balram Yadav, Managing Director of Godrej Agrovet and Mr. V. Srinivasan, CFO & Company Secretary of the Company.

We will begin the call with brief opening remarks from the management. Following which, we will open the forum to answer any questions you have.

Before we begin, I would like to point out that some statements made in this call may be forward looking and a disclaimer to this effect has been sent out in the conference call invite.

I would now like to invite Mr. Adi Godrej to make his opening remarks.

Adi Godrej: Thank you. I welcome you to Godrej Industries conference call to discuss GIL's operating and financial performance for the first quarter ended June 30, 2011. It gives me pleasure to share with you that the performance during the first quarter of financial year 2011-12 has been very encouraging across verticals. Our business structure, which is a unique combination of operating businesses and strategic investments, is not only highly value accretive for the Company but also enables us to consistently enhance shareholder wealth.

This time, let me begin by taking you through the key developments at Godrej Agrovet, which operates our agri-related businesses including animal feed, agri inputs and oil palm plantations. This has been one of the best quarters for Godrej Agrovet as all the business verticals delivered

significant growth in revenues and profitability. The oil palm business did exceedingly well during the quarter reporting a revenue growth of 159%. Production of Fresh Fruit Bunches increased substantially on account of higher yield from maturing plantations. Hence, softening CPO prices didn't impact the performance of this segment. I am pleased to announce that we have now been given allocations in Sangli, Kolhapur and Sindhudurg districts of Maharashtra. As the existing plantations mature and we add acreages under cultivation, we expect volumes to expand continuously. A combination of progressive government policies and a strong in-house execution capability will work favourably and we are confident of reporting superior performance going forward.

The animal feeds business also delivered healthy growth as feeds volumes increased strongly by 16%. The cattle feed segment has strong prospects as fodder is becoming scarce and grazing grounds are getting limited. We see an exciting opportunity in this space and to best exploit this we are fortifying existing brands while also launching new products and brands to maximize value. Our new products, namely Super Star Broiler Feed and Summer Kool, a Cattle Feed additive, have both received encouraging response from the market.

In this quarter, the agri-inputs segment registered a 63% increase in sales as compared to the corresponding quarter last year, as the demand for existing products has been very strong.

Coming to our oleo-chemicals business - during the quarter, this segment witnessed a growth of 28% aided by strong growth in the fatty acids and fatty alcohols segments. Exports too grew significantly, further adding to the top-line. As we continue to focus on shifting the revenue mix in favour of specialty chemicals, we expect to report healthy margins during the year. I am pleased to mention here that during the quarter our new R&D Centre was recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India.

Moving on to our FMCG business, represented by Godrej Consumer Products where we have about 21.6% equity stake – GCPL reported a 40% growth in revenues and 94% growth in Net profit during the quarter. In this quarter of financial year 2011-12, Godrej Consumer Products acquired rights for a 51% stake in pan-Africa leading hair care company, "Darling Group Holdings". This acquisition is strategic in terms of providing access in Africa where it is a market leader in hair extension products and a pioneer of the category in the region. The quarter also had several launches and re-launches across business, which was backed by sizeable marketing investments. We expect these launches to be key growth drivers going ahead.

GCPL's household insecticide category delivered another quarter of robust growth. We realized 40% domestic sales growth, growing more than twice the pace of category growth. Our domestic soaps business grew by 17% for the quarter, again growing more than twice the pace of category growth. We grew by 9% in volume terms in a category which has actually de-grown in this quarter. This is the second consecutive quarter of strong soaps sales growth. The domestic hair colourant business continues to do well and

grew by 19% during the quarter. I am also happy to share with you that international business revenue, comprising about 36% of GCPL's consolidated revenues, almost doubled during the quarter as compared to the corresponding quarter last year.

Our properties business, Godrej Properties, where we have a 70.6% equity stake, reported a strong quarter as total income grew by 83% on a y-o-y basis in what has been a difficult quarter for the real estate sector. Godrej Properties booking value this quarter improved by 70% to Rs. 233 crore as compared to Rs. 137 crore in the corresponding quarter last year. Our major residential projects continued to see good momentum in the quarter where Godrej Garden City Phase 3, Ahmedabad and Godrej Prakriti in Kolkata reported healthy sales. GPL continues to leverage its joint development model and has signed deals for residential projects at Chembur, (in Mumbai), Thane and Hyderabad, the latter two with our sister Company, Godrej & Boyce. I am happy to announce that Godrej Properties was named among the "Most Trusted Names" in the Real Estate industry and "India's Best Marketed Real Estate Company" 2011 by 4Ps Business and Marketing. As we continue to capitalize on the 'Godrej' brand in conjunction with a proven joint development model, we expect strong performance in FY2012 on the back of planned launches and new business development deals.

As a group, we have embraced the concept of shared value, wherein we strive, through our policies and operating practices, to enhance the competitiveness of our businesses while simultaneously advancing the economic and social conditions in the communities in which we operate. We are implementing a Group wide initiative called 'Godrej Good and Green' for building a more inclusive and greener India by 2020. Under this initiative we intend training one million urban and rural youth in skilled employment and ensure their employability, create a greener India by achieving zero waste, positive water balance, using 30% renewable energy sources, etc and having a third of our portfolio revenues from good and/or green products and services.

Let me now briefly run you through our financial highlights. During the quarter, our consolidated total income increased by 32% to Rs. 1,333 crore from Rs. 1,011 crore during the same quarter last year; Net Profit stood at Rs. 71 crore, up from Rs. 49 crore, an increase of 46%. The performance delivered by Godrej Industries is reflective of the efficacy of our strategy for growth - 'CREATE', which remains central to strategic decision making at the consolidate level. The strategy focuses on harnessing the full potential of our four core businesses, enabling a transformation across the group and incubating businesses for the future.

To conclude, I would like to say that we are well equipped to capitalize on the growth opportunities that each of our businesses present. As we continue to work towards repositioning and enhancing the Godrej brand, the overall scenario looks encouraging and exciting.

Thank you for your time and we will now be glad to take your suggestions and answer any questions that you have.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Arjun Khanna from Principal PNB Asset Management Co. Ltd., please go ahead.

Arjun Khanna: My first question is in terms of the Animal Feed business, in terms of volume growth you have mentioned, 16%, is it possible to give us a sense of which categories have grown, say, between poultry, cattle and aqua?

Actually I have a multiple; the second part out here on the Animal Feed business itself, was the capital employed in this business was close to Rs. 81 crore this quarter and I was wondering what is the return on capital employed for this business given that it has a very high capital employed. Is this a date issue, as in, on that date the capital was so high or could you give us some color on that?

Balram Yadav: All segments in the Animal Feed business have grown, but the maximum growth has come from the aqua feed business, because as you know the shrimp and the fish feed business is reasonably seasonal, and most of the activity is in the last quarter of the financial year and the first quarter of the financial year. But poultry, cattle and poultry layer and broiler all have registered more than 10% growth.

V. Srinivasan: On the capital employed, of course, the business is spending on expansion of capacity, the capital has increased but still the RoCE for the quarter is over 130%, so that's pretty good for the business.

Arjun Khanna: Great. Hearting to hear that. My second question is in the oil palm business, could you give us a sense of the quantity of FFB for this quarter?

V. Srinivasan: It has grown 83% over the previous quarter

Balram Yadav: There is a growth of 83% in volumes over the previous quarter.

Arjun Khanna: If you could give us some color on the status of Godrej Hershey, there is a lot of talk of, as you would have read in the newspapers, we did send and communicate to the stock exchange do we maintain that, has there been a further update?

Adi Godrej: No, there is no development. There were some newspaper articles, which were totally without basis, so we have mentioned that we don't comment on speculative reports and there is no change as of now.

Moderator: Thank you. The next question is from the line of Grishma Shah from Envision Capital, please go ahead.

Grishma Shah: Sir, the question pertains to your agri business - it is particularly related to the launch of the seed and the drip irrigation business that you plan to launch. Can you tell us what are the initiatives and what are the plans there for us?

Balram Yadav: I will take the seed business first. We have already started the company which will be a vehicle for the seed business, which is called Godrej Seeds & Genetics Limited. We have already put in place a technical tie-up with a germplasm company called ProFarm and we will be multiplying corn seeds and selling.

Our focus will be the three important crops: Corn, rice and bajra, which is also called the pearl millet. So this is the focus for this business and we are trying to recruit the leadership team right now and the activity in this business will start from the coming season, which is the rabi of 2011-12.

On the Drip Irrigation business, we want to focus on purely drip irrigation, which is we will not be venturing into sprinkler and other micro irrigation businesses, and we also plan to have a joint venture with an Israeli company, talks are underway, the MoU has been signed, and we plan to finish the signing of agreements and announce this business before the end of this quarter.

Grishma Shah: You said the technical tie-up is with which company for the seed business?

Balram Yadav: There is a company called ProFarm. This company is headed by a breeder from Pioneer Seeds, a gentleman who had worked in Pioneer Seeds for 40 years, they do a lot of research in US as well as India, particularly in corn seeds.

Grishma Shah: So all of these are hybrid seeds, right?

Balram Yadav: Yes it is.

Grishma Shah: What kind of capital are you putting in and what kind of growth are you seeing in this seed business in particular, what is the market looking like?

Adi Godrej: Capital requirement may vary from time to time. None of the businesses in the Agrovet sector are very capital intense.

Grishma Shah: When you have chosen corn, rice, and bajra as your three key crops, what is the reason behind it? What is the kind of market in these three crops, particularly?

Balram Yadav: These three crops, the market size is about Rs. 1500 crore put together. The second thing is that if you take bajra, which is a very, very Indian crop and most of the research, etc. is done in India. So that is one opportunity we have. In case of corn, corn has a lot of variability. And India, if you see is a conglomerate of several agro climatic conditions and no company can give all the solutions required in corn in India. So there are very profitable niches depending on different agro climatic conditions and we have identified several of them. So we will be focusing on them.

Grishma Shah: And what kind of growth do you see in this market? How is the market growing currently - the Rs. 1500 crore market?

- Balram Yadav:** Seeds market totally, if you take all the seeds put together, it is about Rs. 6,000 crore, and it is growing at a CAGR of 20%.
- Grishma Shah:** Is it because it is at a very nascent stage in India and that is the reason you are seeing this kind of a growth?
- Balram Yadav:** Since we are starting the business, I believe that our growth rate will be much, much higher than the industry growth rate.
- Grishma Shah:** Yes that I understand.
- Balram Yadav:** Our plan is to reach top five leadership positions in all three categories in the three years time. And I think when we hold this conference in another three to six months time, we will be able to give you a number of that also.
- Grishma Shah:** Okay and on the Drip Irrigation side, what are we exactly going to be, you said you will not do sprinklers, then what will you do?
- Balram Yadav:** This is the proper drip irrigation, which is the more sophisticated part of micro irrigation system. It is technology driven, that is why we want to play in this segment. It is largely retail, whereas sprinkler and rest of the irrigation are more institutional and the biggest institution is government, point number one. Point number two, is that the penetration of drip irrigation is very, very low. It has been identified by the Government of India, that about 50 to 70 million hectares can have this kind of a drip irrigation system. Current penetration is at about 3.5 million hectares. And I am sharing the government data with you. And the plan of the government is that in the next three years, they want this penetration to go to about 17 million hectares. So we saw a very big opportunity and we also see that both central government and state government is supporting this initiative. As you must be knowing that subsidies in this area have been ramped up year-after-year.
- Grishma Shah:** I understand that it is the most sophisticated part of the micro irrigation and we will be targeting retail, so the subsidies, etc. would play an important role in driving the demand on conversion or no?
- Balram Yadav:** The answer is yes, but let me just tell you what is the lower hanging fruit in this business for us. We are planting about 6,000 to 8,000 hectares of oil palm every year and at least 2,500 to 3,000 hectares every year, we are helping farmers source the drip irrigation system from the other operators. So we believe, that once we come up with this business, we will be able to capture that segment of the market quickly.
- Grishma Shah:** On the Agri Input side, I just want to know a little bit more about your product that you have shared with us in the slide, which is Hitweed, what is that product?
- Balram Yadav:** Hitweed is a product which we have in-house developed. We have been working on it for last several years and it was only three years ago, we commercialized this product. It is a cotton herbicide and last year in the first quarter we sold about 29 KL and the last quarter, we have already tripled

the volumes. So we believe that this product has a great potential in future. One of the things required is chemical herbicides are becoming important. It is because weeding with the current labour cost is not very economical.

Grishma Shah: You also mentioned new products pipeline in this particular segment, would it target only cotton or you will have other crops?

Balram Yadav: We are targeting rice for our future herbicide initiative and we are targeting a lot of horticultural crops also for our future initiative. So we have an R&D pipeline and every two-years we will be bringing a product, which will be, I would say a very good product for that particular category.

Grishma Shah: Our realizations or are your margin in this segment competitive, or in line with what the competitors are earning in the market, you have few listed players also in this segment, right?

Balram Yadav: Yeah, so our margins have more than doubled in the Agri Input business. So that gives you some sense of what our margins are.

Grishma Shah: And lastly on the Godrej Tyson Yummiez, what is this product?

Balram Yadav: Yummiez is value-added chicken and vegetarian products. They are ready-to-cook, ready-to-eat products. The market is growing rapidly and we are also growing much faster than the market. Last year, we registered a growth of about 70%. We have already invested in the enhancement of capacity for these products in Bangalore. We believe that because of a lot of changes in the macro environment, particularly the advent of modern retail, this can handle the complex frozen supply chain, we believe that this business will grow rapidly and the salience of this business will grow rapidly in the total salience of our chicken business. We have recently launched two products which you should try, one is seekh kabab for the non-vegetarian friends and one is Delhi Chat for our vegetarian friends.

Moderator: Thank you. The next question is from the line of Akshit Shah from SBICAP Securities Ltd., please go ahead.

Akshit Shah: My first question is on the chemicals space. During the current quarter we have seen some reduction in margins, from let us say Q4 it was 35% and it has come down to 19% in this quarter. So is it purely because of the lower contribution from fatty alcohol?

V. Srinivasan: Essentially, as we had given in our analyst presentation, we incurred about Rs. 6 crore on account of shutdown maintenance expenditure in this quarter. That was not there in quarter four. If you add that back you would get a better sense of what could be the margin.

Nadir Godrej: Both the alcohol plants were shut down during the quarter, so all the annual expense was incurred in this quarter.

Akshit Shah: Sir, on the Hershey business, when do we see some new launches from the Hershey segment? We have been launching from the Mahalacto side, but on the Hershey side, do we see some new launches in recent future?

Adi Godrej: Yes, we will have newer launches on the Hershey products also. And it's a major operation, so planning is going on.

Akshit Shah: Sir on the Hitweed side, what is the manufacturing capacity right now? Because it has seen some very good growth.

Balram Yadav: We can manufacture about 200 KL and the capacity is under expansion right now.

Akshit Shah: Okay so what would be CapEx requirement for that?

Balram Yadav: I don't remember it, but it is not very substantial.

Adi Godrej: None of the CapEx in the Agrovet business is very high. They are low CapEx businesses by and large.

Akshit Shah: Sir, our Animal Feed and oil palm plantation business has seen a very good growth during the quarter, so can we expect such a quarter for the whole year compared to the last year?

Balram Yadav: In the Animal Feed business, normally, the first half of the year is not the season. So the quarter-on-quarter performance is likely to improve as we go through the year. In the oil palm business, it is a seasonal business, almost 75% of the business will happen in the first half of the year. I agree, that we have gained because of high oil prices, but the strong fundamental of this business is also the fact that only 10% of our 40,000 hectare area is mature. Almost 20% is juvenile, which is going to mature in future years and we have seen in the last quarter 83% growth in our volumes of FFB over the first quarter or last year. I strongly feel on a year-on-year basis, you will see these kinds of numbers next year also.

Akshit Shah: Sir in our balance sheet, the investment figure has risen by 10% during this quarter. It has increased from Rs. 790 crore to Rs. 870 crore. Is it only primary related to the GPL part or some other things as well?

V. Srinivasan: Yes, mainly GPL **.

Akshit Shah: During the quarter?

V. Srinivasan: Yes and that could be some investment in Godrej Properties subsidiary.

Akshit Shah: Sir, during the quarter, our asset and property development segment, there also margins come down to around 19-odd per cent. Is it purely because of Godrej Properties? Does it have something else as well, which is related with the rental income at the Vikhroli site?

Pirojsha Godrej: That margin which you mentioned at 19% is the Godrej Properties margin, which has reduced from the corresponding quarter in the previous financial year, because that quarter had some private equity which was not the case for this quarter. We do expect margins for the full year to improve.

Moderator: Thank you. The next question is from the line of Arunabh Chaudhari from Morgan Stanley India Co. Pvt. Ltd., please go ahead.

Arunabh C.: I have one question regarding Godrej Properties. There were a couple of press articles today regarding the BKC deal closure. Just wanted to get your inputs on the same.

Pirojsha Godrej: You know the deal has not been finalized. As soon as any deal is finalized we are obligated to inform the stock exchanges and we would of course release all the details of the deal. The report saying that it has been finalized is erroneous.

Arunabh C.: Alright, is it expected sometime soon?

Pirojsha Godrej: Yes.

Arunabh C.: And just one question, it does not pertain directly to the deal, I just wanted to understand, this is regarding a 2.5 acre land parcel that Jet has right? And do they additionally have another 1.5 acres in BKC or I am getting something wrong here?

Pirojsha Godrej: We would not want to speak about any of the specifics of the deal, but Jet does have two separate parcels of land in BKC, that is correct.

Moderator: Thanks. The next question is from the line of Swapna Kamat from Siddhesh Capital Market Services Pvt. Ltd., please go ahead.

Swapna Kamat: Sir my question is related to palm oil business. I just wanted to understand where in our consolidated segmental breakup, where do palm oil business reflect into, does it reflect into the vegetable oil category?

Balram Yadav: No, it's part of the others category.

Swapna Kamat: The second question was - your palm oil margins are upwards of almost 25% for the full year FY11. So, I just wanted to understand that being a crusher, how do you manage to earn such high margin given that some other businesses like soya, mustard, etc. even the branded category don't earn margins upwards of 10-12%, so what is the value add here? Is that you are doing different, that we manage to maintain such good margins? I understand that we are to an extent backward integrated because of the palm tie-ups we have. I just wanted to understand from you as to what drives the EBITDA margin in the palm oil business?

Balram Yadav: There are two components to this. One is that definitely the price has been very good. Second is that we are extremely efficient in crushing because we produce our own electricity, we have our own co-generation plant, and it is an energy intensive process. And we produce a lot of biomass which is used in our boilers, and which is used to produce electricity also. Our crushing costs are much, much lower than a lot of people who are in this business.

- Adi Godrej:** But you can't compare this with soyabean or sunflower as you have mentioned because here we are allotted districts and the crushing can only be done by us and government sets the prices for fresh fruit bunches and we provide a lot of services to the farmers in growing the oil palm, which does not have to be done in soyabean or sunflower. So, it's a totally different business from crushing other oils.
- Swapna Kamat:** Okay and secondly, also these margins, is there any room for improvement or these are the kind of margins we should expect over the coming years also? What is the room for improvement? What is the volatility in the margin do you see or any risk to the margin which may come in?
- Adi Godrej:** The margin will continue to be good. It will vary depending on the circumstances from quarter-to-quarter, but the big impact in this business will be the increasing volumes, because of the very large hectareage already planted and the growth in the hectareage we expect the volumes in this business to grow dramatically, over the next 5 to 10 years. So that will add to the strong profit growth rather than margin increases.
- Swapna Kamat:** If you could give me the CapEx guidance for the Godrej Agrovet business for over next two years and on what segments, I mean what businesses are these CapEx?
- Adi Godrej:** We would not like to give specific CapEx guidance, but as I mentioned few minutes ago, this is not a very CapEx-driven business, the CapEx is not high relative to the growth in the business. So if you take depreciation and interest on CapEx, it's not the major cost of this business.
- Swapna Kamat:** On the Agri Input segment, sir where is this segment reflected into the segmental revenue?
- V. Srinivasan:** It's a part of others.
- Swapna Kamat:** If you could just give some broad picture as to how this business will shape up because for the full year FY11, I guess it did some Rs. 159 crore, if I am not wrong. So I just wanted to understand that over the next 3-4 years, how will this whole segment look like given that the whole Agri Input space is so huge and where do we see ourselves over the next 3-4 years?
- Balram Yadav:** In the first quarter, our top-line growth has been over 60%, but I also wish to mention that this is a seasonal business and we do almost 70% of our business in the first half of the year. Going by the kind of products which we are marketing and the kind of new product pipeline we have, I am extremely sure that we will be able to maintain a very high growth in this business in future.
- Moderator:** Thank you. The next question is from the line of Abhijit Akella from IIFL, please go ahead.
- Abhijit Akella:** I was just hoping to get your thoughts on the micro irrigation business. Government subsidies seem to have lengthened in terms of the time taken to be paid out and we have seen a significant working capital elongation for

one of the big listed companies in that space. So just wondering if you could comment about how the situation is there and whether you see that as a constraint on the industry's growth at all in the future?

Balram Yadav: I agree that the micro irrigation business particularly, when you talk about sprinkler, drip irrigation everything, is a very, very subsidy dependent business, but it is also important that which segment you wish to play and that is a strategy issue. You can get very significant volumes in the government business in this category, but you should also look at certain multinational players who exist in this category, who do almost 100% of the business in retail, and they do not have that kind of Capital employed which the other players have, who operate in the government category. So it is the strategy which will determine what kind of capital employed we have and we also believe that our focus will also be retail. As I said earlier, that our captive demand in this, will come from our oil palm farmers initially.

Abhijit Akella: Any volume or hectare targets that we have over the next three to five years?

Balram Yadav: It is too early to give these numbers. We are still in the process of business planning.

Abhijit Akella: Right but when you mentioned the retail market, this will basically be the farmers buying from dealerships, but with government subsidy support?

Balram Yadav: Yes.

Moderator: Thank you. The next question is from the line of Akshit Shah from SBICAP Securities Ltd., please go ahead.

Akshit Shah: Hi sir, just a follow-up question. Sir, can you just help me in understanding the seasonality factor, which can affect our various business of Godrej Agrovet? Just like you last time mentioned oil palm business, first half is very good for palm plantation business than the second half. If you can just help me in understanding the other two business as well of Godrej Agrovet?

Balram Yadav: I will start with oil palm. Most of the fruiting happens from May to September onward. So almost 70% or 75% of the business happens during that time. In the Agri Input business, you know that kharif is one and half times than rabi, and so is our business. And our main product which is Hitweed is in cotton, which is a kharif crop. The biggest consumer of Agri Inputs are cotton, paddy, which are all kharif crops. So that is why there is a huge seasonality in our Agri Input business. The Animal Feed business, a big consumption of animal protein including milk and chicken egg happen during the second half of the year. That is from October to February-March. Because that is also the festival time and also considered the cooler time in the country. So this is the seasonality in all three of our business.

Moderator: Thank you. The next question is from the line of Deepak Rohra from Quest Investment Advisors Pvt. Ltd., please go ahead.

- Deepak Rohra:** I just wanted to get some sense on this three-way MoU that has been signed between Godrej Properties, Godrej Industries and Godrej & Boyce. If I understand correctly, the rental income from the property which is already there, is getting reflected in the Godrej Industries account today. And as development happens in 'The Trees' project, it is likely to get shifted to Godrej Properties. Now the land is probably owned by Godrej & Boyce. Post development, will there be any shift or change in the lease deal with Godrej & Boyce or will it continue to remain the way it is today?
- Pirojsha Godrej:** The way this deal is structured is that Godrej Industries and Godrej Properties have an LLP with 40% and 60% stake respectively. That LLP will pay Godrej & Boyce an annual lease for the land. That lease amount will go up from a couple of crores now to at the peak in about 7 years to about Rs. 40 crore and then thereafter will increase by 15% every three years, which is a pretty nominal amount compared to the value of lease we expect to generate from the property, but it's a two way LLP between Godrej Industries and Godrej Properties which would pay a pre-decided lease amount to Godrej & Boyce.
- Deepak Rohra:** Okay, so this starts in phases or the effective date becomes what? From the time you start handing over property to the occupier of the property or how does it work?
- Pirojsha Godrej:** Do you mean the effective date on the lease?
- Deepak Rohra:** Yes, that's right. The changes that you spoke about, you said that it is likely to go up from about a couple of crores to about Rs. 40-odd crore in 7 years' time.
- Pirojsha Godrej:** Yes, so we have staggered the development and looked at the phasing of the development and when various pieces of the development are going to be coming on line, according to that and according to the income we expect to generate from that the lease amount is going up. So today, as I said, it was already a preexisting lease with Godrej & Boyce, that was about Rs. 1.5 crore a year and pieces of the development get complete and as lease income starts coming in, that amount will go up gradually over the next 6 years.
- Deepak Rohra:** Okay so what are you saying is that the amount remains fixed. It is not linked to the lease income that GPL would earn. GPL could possibly be increasing the lease rentals every 2-3 years, but your amount remains fixed for the first seven years or it gets wrapped up in 7 years time? It's not like a revenue share model.
- Pirojsha Godrej:** It's not linked in any way to the actual leases that we get from the market, but it does go up over the next six years and then there is a 15% increase every three years beyond that.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

Adi Godrej: Thank you. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, we would be happy to be of assistance. Thank you once again for taking the time to join us on this call.

Moderator: Thank you. On behalf of Godrej Industries that concludes this conference.

This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.

*** corrected based on the question.*