



Godrej Industries Limited

Q2 FY2012 Results Conference Call Transcript November 9, 2011

Anoop Poojari: Good afternoon everyone, and thank you for joining us on Godrej Industries' Q2 & H1 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 Singh 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. Good afternoon everyone. I welcome you to Godrej Industries conference call to discuss GIL's operating and financial performance for the second quarter and half year ended September 2011. This has been a period of strategic business developments and strong performance in an uncertain economic environment and we are confident that the initiatives of today will result in handsome dividends over the long run. With our CREATE strategy, we stand to benefit from a unique business structure, which combines operating businesses and investments across key growth sectors of the economy.

I would like to begin the discussion by sharing with you the key developments at Godrej Agrovet, which operates our agri-related businesses including animal feed, agri inputs and oil palm plantations. This has been an excellent quarter in terms of performance, with sales improving by 28% and PBIT improving by 80%, as compared to the corresponding quarter last year. During the quarter, we successfully launched Godrej Seeds and Genetics Limited (GSGL) to give shape to our plans of venturing into the seeds business. Oil palm, one of the most promising businesses in the agri space, registered a growth of 95% over Q2 FY11, despite softening CPO prices, on account of increased production of Fresh Fruit Bunches from maturing plantations. Going forward, we will continue to grow across India and focus on improving efficiency as also to get more acreage under cultivation.

Further, both our joint ventures have also been doing extremely well. Our joint venture, with ACI Limited, Bangladesh, registered a sales growth of 73% over Q2 FY11 driven by enhanced feed volume across categories. Capacity expansion coupled with strong demand will help improved performance going forward.

Godrej Tyson, a joint venture with Tyson Foods, grew by 19% in this quarter over Q2 FY11. We have been expanding our product range under the brand 'Yummiez' to cater to the vegetarian palate in addition to our present portfolio. We also plan to expand our processing capacity to meet the growing demand across regions.

Our animal feeds business, reported a revenue increase of 32% during this quarter over the corresponding quarter last year, driven primarily by robust performance in the East, South and West regions. Our Agri-Inputs business recorded a growth of 15% during this quarter over the corresponding quarter last year, with 'Hitweed', our cotton herbicide, continuing to do well with a volume growth of 29% and HBR volumes growing by 47%.

Coming to our oleo-chemicals business, this quarter has been very strong as revenues grew 45% and PBIT grew 180% over the corresponding quarter last year. Revenues on account of specialty chemicals have been growing consistently over the past few quarters with Q2 FY12 recording a growth of 50%, taking the contribution from the specialty segment to ~35% of total sales. During this quarter, exports too recorded a very healthy growth of 77%. We will continue our focus of increasing the share of specialty products in the overall revenue mix, explore newer markets and customers and leverage our customer relationships to grow the business. The capacity expansion projects at our existing factory in Valia, Gujarat and the new oleo-chemicals facility at Ambernath, Maharashtra are progressing well.

Let me now take you through the key highlights at Godrej Consumer Products, which represents our FMCG business. This quarter has been one of the strongest sales growth quarters with growth accelerating to 23%. This is based on our rigorous effort in driving six strategic pillars of growth, viz, leading in our core categories, growing our international businesses in line with our 3 by 3 strategy, driving innovation, building a best in class supply chain, creating a future ready sales organization and fostering an agile and professional entrepreneurial culture. This quarter saw good growth across categories, with Home care recording sales growth of 29%, personal wash 32% and Hair Care 15%. International businesses too saw a robust growth of 24%. Successful launches and re-launches, redefined marketing and promotional strategies have paid off. As new product launches gain traction, we expect to see further momentum. I am happy to share with you that sustained efforts at re-positioning brands in various categories has enabled 3 of GCPL brands to feature in the '100 Most Trusted Brands 2011' study- a research done by Brand Equity of the Economic Times

Moving on to our properties business, Godrej Properties (GPL) witnessed an eventful quarter. We added 5 new deals during the quarter, one each in Bandra-Kurla Complex, Thane, Hyderabad, National Capital Region and

Nagpur, adding 8 million square feet to GPL's development portfolio. Another key development was the re-positioning of Ahmedabad and Hyderabad projects to include more of residential development primarily in line with our capital light model and to adapt to the recent policy change announced by the Gujarat government. This, we believe, will work in our favour. In this quarter, GPL finalized a deal with Jet Airways to develop, manage and market a commercial property with a saleable area of ~1 million square feet at Bandra-Kurla Complex, Mumbai. The project would contribute significantly to both the top line and bottom line of GPL over the next 3-4 years. We expect to create a landmark development at BKC, which is already a prominent business address in India.

In the most recent development, GPL concluded a landmark deal with Godrej & Boyce and this deal will prove to be highly value accretive for all our stakeholders. The major benefit of this deal is that it gives Godrej Properties a very significant and totally risk free cash flow from what we think will be Mumbai's most significant real estate development for a long period of time. The structure of this deal whereby, Godrej Properties will receive 10% of the total revenue, and almost all the investments will be made by Godrej & Boyce, is extremely beneficial to Godrej Properties. I am confident that the recent developments during the year have helped us fortify our foundation for a strong long-term growth.

Let me now briefly run you through our financial highlights. During the quarter, our consolidated total income grew by 36% to Rs. 1469 crore from Rs. 1083 crore during the same quarter last year; PBT increased by 26% to Rs. 109 crore from Rs. 87 crore and Net Profit stood at Rs. 93 crore, up from Rs. 75 crore, an increase of 24%. The first half FY12 performance has been equally encouraging with Consolidated Total income at Rs. 2802 crore, a growth of 34% and Net Profit at Rs. 164 crore, an increase of 33%.

To conclude, as we enter the second half of this fiscal, we intend to continuously improve our operational efficiencies and build sustained long-term relations with our business partners. I am confident that we will continue to progress across verticals through our well-defined strategies, policies and business initiatives and simultaneously strive to achieve the same for the socio-economic environment that we work in, through our shared value initiative called 'Godrej Good & Green'.

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. Our first question is from the line of Sumeet Rohra from Silver Stallion. Please go ahead.

Sumeet Rohra:

A very good afternoon to the entire Godrej team and congratulations for a fantastic set of results. Sir firstly I would like to congratulate you on the historic landmark Vikhroli deal and all the more it is beneficial for us, Godrej Industries shareholders since we are 69.5% holders of Godrej Property.

The first thing is that on the chemical business, when does our additional capacity go on stream and would that focus more on specialty chemicals hence would it be margin accretive? Second is on Godrej Agrovet, we have had a fantastically strong quarter and we are seeing very strong growth of about 25% to 30%, so do you think that this 25% to 30% growth is sustainable over a period of time? Third is on the commercial development in Vikhroli, when would that be ready and what is the kind of lease rental income that we can expect and by when would that come? Fourth, was there any development on the BPT Bombay Port Trust land at Wadala of about 6 acres and lastly in the segmental revenue, we have got something in the Others which is at Rs. 177 crore so I just wanted to understand what that was?

Nadir Godrej: Capacity in Valia will come up between March 2012 and July 2012 and Ambernath will come up in April 2013 and there will be a higher proportion of specialty chemicals.

Balram Yadav: From Godrej Agrovet, we believe that this 20% plus growth is sustainable because in oil palm business out of 40,000 hectares as I said last time only about 26,000 hectares is mature and as the years go by more and more plantation will come to maturity. Moreover a lot of initiatives have been taken to increase productivity in oil palm which are paying us now, you must have seen the phenomenal increase in FFB arrivals also which we have held. Similarly in Agri business also, we will see a similar growth in the coming years from our new products and the products which are there in pipeline. So I strongly believe that for next few years the 20% plus growth in top line is a sustainable growth.

Sumeet Rohra So which basically means that Godrej Agrovet can be a \$1 billion business in the next three years?

Balram Yadav: Already 0.5 billion.

Sumeet Rohra: It is safe to assume that, that's something which I think.

Balram Yadav: The caveat is the conversion rate.

Sumeet Rohra: Absolutely right.

Pirojsha Godrej: Regarding your questions on Godrej One, the construction so far has been on track. We have started in the last week of January of this year. We expect to complete the project in the first half of 2013 and expect to receive lease income at that point. But hard to forecast commercial rentals that far forward but I expect that they will be in the range of about Rs. 125 per sq. ft.

Sumeet Rohra: So the entire 750,000 sq. ft. commercial building will go on rent?

Pirojsha Godrej: No we have already said that we will evaluate all options, on the overall project we have estimated that about 50% will be leased out and about 50% would be sold. Even on Godrej One there could be a sales component and that's something we are currently studying but there will be a significant

amount that is leased out. And on the Wadala land there is no real update, we are still working on that, it's in process, of course we will announce it as soon as there is any change in the status.

V Srinivasan: On the breakup of others, mainly it is agri inputs, poultry business and the Nature's Basket business which get clubbed under others.

Sumeet Rohra: Thank you so much for answering all the questions and wish you all the best for the future.

Moderator: A next question is from the line of Akshit Shah from SBI Caps. Please go ahead.

Akshit Shah: If I understand correctly our veg-oil business is the trading business where we don't earn very higher margins and this time we have seen something like 6% margin. So wanted to understand why this has been done? Second is the chemical business has seen a sharp improvement in margins from 7% previous quarter to around 11% so want to understand that part. Third point is, wanted to have a breakup of the other business that is agri input, poultry, OPP and all and their margins and fourth is during the first half we have seen around 1900 hectares to be cultivated and that's basically have been cultivated. Now our earlier plan was something like 6000 to 8000 hectares per annum, so are we on track for that?

V Srinivasan: On the veg oils, we have classified the oil palm plantation business revenue and margins from others to the veg-oil segment because that was more appropriate and all the figures for the previous quarters have also been reclassified accordingly. So if you see our last quarter's numbers you would know that. So to that extent it is not only the pure trading business there in that category or segment.

Now coming to the chemicals business, in the first quarter as we mentioned, we had this shut down and because of the shutdown we have incurred expenses and the production and sales were also relatively lower as compared to the other quarters- so, that has impacted margin in that quarter.

The breakup of others segment- we have agri inputs -approximate turnover was about Rs. 135 crore, poultry business - turnover is about Rs. 135 crore again, I'm giving you the H1 numbers; then Nature's Basket is about Rs. 36 crore. That's the broad breakup of that, there would be some other sales etc., which get clubbed there.

Akshit Shah: And the profitability on all the three businesses?

Balram Yadav: In oil palm our seasons for expansion is normally Q3 and Q4, once the monsoon is over and the season is over, the FFB season is over. So YTD we have done excluding October about 2500 hectares and we're hopeful that we will cross 6000 hectares expansion this year.

Akshit Shah: On the Others business profitability segment wise if I can get?

V Srinivasan: I don't have these numbers with me right now.

Moderator: A next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: Good afternoon and congratulations on a good set of numbers. What kind of seasonality we have in some of our business and how do you see going ahead, second-half vis-à-vis first-half, in some of the business, I understand oil palm, 80% is in first half so which are other such businesses?

Balram Yadav: There are two businesses in Agrovet which are very seasonal, one is oil palm almost as you rightly said 75% to 80% is in the first half and in agri input business almost 70% happens in the first half.

Adi Godrej: In Godrej consumer products we generally find Q3 and Q4 are better quarters than Q1 and Q2.

Bharat Sheth: But how about with these expansions in chemical business?

V Srinivasan: It's on track but that won't come in this year.

Bharat Sheth: Is there any seasonality, mix wise?

Nadir Godrej: In chemical there is no seasonality but in rapid growing businesses usually the second half is better than the first half just because of growth.

Bharat Sheth: And on palm oil what kind of a volume growth was there in first-half?

Balram Yadav: We had a 121% increase in value and FFB arrivals grew by 66%, crude palm oil volumes grew by 84%.

Bharat Sheth: How do you see this volume growth happening over next couple of years?

Balram Yadav: I already said we have about 40,000 hectares of plantation, about 5000 is mature and about 10,000 will mature in next three years, so we believe that this strong growth trajectory will continue.

Bharat Sheth: And with these prices softening down do you see any impact on our profitability?

Balram Yadav: This business model is such that our payout to the farmer for the fresh fruit bunches is adjusted as per the price of palm oil so we believe that margins in absolute will definitely come down but the hit will not be very severe.

Bharat Sheth: And when do you expect this beverage and food business to turn around?

Adi Godrej: That's difficult to tell, we are in investment mode right now and we will also look into launching other confectionery products like chocolate etc, so it is difficult to tell.

Bharat Sheth: How long our investment phase will continue?

Adi Godrej: I am unable to really predict it with any degree of certainty.

Bharat Sheth: In Godrej Industries also we have management promoter holding of around 79%-80% and as per this new guideline we have to bring it down 75% so how do we plan to really bring down that?

Adi Godrej: We have about 18 months in which this shareholding needs to be brought down to 75%, we're still interacting with the stock exchanges and Sebi as to what are the methods by which we can bring it down. They are still not clear in the analysis, once we get clarity through the investment banking circles the board will apply its mind and take a decision but since we have reasonable amount of time, we are not pressed to take decision at an early date.

Bharat Sheth: Sir last question, the Godrej Tyson business is that profit making?

V Srinivasan: Yes it is a profitable business.

Bharat Sheth: Can you give some kind of a range, the PBIT margin?

Adi Godrej: It is a very profitable business, we don't give out margins on each individual businesses.

Moderator: A next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah: My question is on the agri input business that you overall had a 15% kind of a volume growth during quarter. Was that in line with your expectations or did you experience the erratic monsoons as a deterrent for further growth?

Balram Yadav: The way to look at agri business is should be the first half because there is some change of sowing time, etc., which happens between June and July, so in the first half we have grown in top-line by 34% and doubled the profit which is better than our expectation.

Grishma Shah: Would your gross margins in the agri business be in line with what the industry players are enjoying currently?

Balram Yadav: The composition of the agri business is that almost 2/3rd of the products are manufactured by us and the gross margins are in line or better than the industry players. But about 1/3rd of our business is traded pesticides which have trading margins only and we have this product range to complement whatever we have in order to offer a bouquet through our distribution.

Grishma Shah: On a year-on-year basis if we had to look at the full year basis, would the current growth rate continue according to you as you introduced new products, etc.?

Balram Yadav: In the first half we do almost 65% to 70% of the business, so the other half will account for 1/3rd of the business.

Grishma Shah: But on a full-year basis would you be able to continue with a 15% to 20% within this business?

Balram Yadav: Yes we will be able to.

Moderator: A next question is from the line of Mansi Sajeja from SBI Mutual Fund. Please go ahead.

Mansi Sajeja: I have just one question on the CapEx for the company, of all the divisions, can you give us a breakup at how much is being done in H1 and what is the plan for the second-half and FY13?

Adi Godrej: Total CapEx number we don't have, we can give it to you offline.

Mansi Sajeja: And H1 how much could we have done in the first half?

V Srinivasan: We will give you the numbers offline.

Adi Godrej: We don't have consolidated CapEx numbers but most of the CapEx is in Godrej Properties.

Mansi Sajeja: I will take it offline, thanks.

Moderator: A next question is from the line of Kaushik Poddar from KB Capital Markets, please go ahead.

Kaushik Poddar: This is a question on clarification of some issues, where is the working of Godrej Consumer feature in that segmental information and what exactly financial investments?

V Srinivasan: Godrej Consumer Products features as an addition to the profits from associates. It doesn't come in any of the other segmental information.

Kaushik Poddar: And that is only the dividend part of it or it is done on the profit?

V Srinivasan: Profit to the extent of our stake in Godrej Consumer Products.

Kaushik Poddar: What is the financial investment?

V Srinivasan: That's a segment, we hold investments in group companies and elsewhere, and that is separately shown as a segment.

Kaushik Poddar: And do you buy and sell in those kind of things or how does it work, where do you earn profit?

V Srinivasan: Essentially, we get dividends from our group companies on our investments and we also do some amount of encashment of the holdings in the group companies and that accrues as profit on sale of investments.

Moderator: A next question is from the line of Grishma, please go ahead.

Grishma Shah: The question was on Godrej Seeds & Genetics, you have launched that in August, last quarter you did elaborate in terms of your technical tie up with ProFarm, how has been the progress so far, if you could comment?

Balram Yadav: The Company is already functioning, most of the team is already hired and the company will start business from Kharif of 2012 which is April onwards. Today we still have the seed business in Godrej Agrovet where the team is busy liquidating stocks for Rabi maize for which the season is on.

Grishma Shah: And this company would be based out of Hyderabad?

Balram Yadav: This Company is registered in Bombay, the CEO of the company sits in Hyderabad because most of the genetic work is done in Hyderabad.

Grishma Shah: Slightly off topic, but would you be able to tell us what kind of tax rates would seed company have to pay?

Adi Godrej: It varies from company to company depending on its situation in that particular year, there are some businesses which pay MAT level, some businesses will pay higher-levels of tax and the tax we obviously have to pay according to the tax laws of the country and it varies depending on the particular performance and compositional profits in that particular year.

V Srinivasan: There is no special rate for Seed Company. If your question was what is the tax rate for Seed Company, there is no such special rate.

Grishma Shah: Because there are companies which don't pay income on their seed business, they are counted as agricultural income. The recent judgment from Karnataka High Court negates that so I just wanted to have a clarification on it.

Adi Godrej: The corporate income taxes exempt on the basis of agricultural income? This is some special case you are referring to?

Grishma Shah: On drip irrigation, we would start seeing the numbers coming in from 1Q of FY13?

Balram Yadav: Not likely.

Grishma Shah: That would still take some time?

Balram Yadav: It will take some time, we are still in the process of negotiating the joint-venture agreement.

Grishma Shah: Because you're going to launch that in the fourth quarter?

Balram Yadav: Yes and since we are new to this business, we have to be very careful on what we sign on, so that is taking a little bit of time.

Grishma Shah: And any kind of initial investments you have earmarked for both seeds and drip irrigation, are they a big amount?

Balram Yadav: For seed business it is not very significant, for drip irrigation business yes we have to set up a production facility and depending on the structure of the JV company then only we will know how much money we have to bring to this company.

Grishma Shah: Maybe a quarter down the line we will know what kind of investments we will have to make?

Balram Yadav: Hopefully yes.

Moderator: We will take a next question from the line of Bharti Gupta from Sushil Finance, please go ahead.

Bharti Gupta: Congratulations for good set of numbers. I have a few questions, the first one is, is there a significant drop in other income component, could you please explain that thing, if I see the H1 numbers there has been around 80% drop to around Rs. 20 crore. My second question is on the chemicals business, can you just give us a comparative figure in terms of your overall contribution of different businesses like Surfactant, Oleochemical and other things with all the assets vis-à-vis comparison with the last year? And my last question is on the financial investments, you said that the financial investments basically you have invested in your different businesses so in the segmental part what revenues are affecting, what are those revenues basically, is it that income from those companies and I would like to understand the entire concept of the financial investments.

V Srinivasan: We will give you the details of other income separately; I don't immediately have the breakup. On finance & investment segment essentially the revenue flow, as I mentioned earlier, comes from the dividend that we receive on our investments from our group companies, we have some interest income and also profit on sale of investments that we do in the segment, that's the composition of the revenue of the segment.

Bharti Gupta: So the PBIT would stand at excluding profit, right?

V Srinivasan: No, it would include that because it is the normal income for that particular segment. Though in the advertisement format it is shown as exceptional income, it is a normal income in terms of the inflow for this particular segment.

Bharti Gupta: So if we see it from a segmental PBIT the financial investments revenue comes to around Rs. 91 crore and the profitability seems to be around Rs. 49 crore so that is almost the half of it?

V Srinivasan: You are talking about standalone?

Bharti Gupta: I'm talking about consol.

Adi Godrej: Yes because in the case of dividends, revenue and profit would be the same and all dividends gets added to profit and it also gets added to revenue.

Bharti Gupta: But my question is on the consolidated basis your PBIT seems to be half, as far as the dividend income and interest income.

V Srinivasan: The dividend income is excluded in consolidation.

Bharti Gupta: And that's why it seems to be 50%?

V Srinivasan: Yes.

Bharti Gupta: And on the chemicals? I would like to know the contributions from the surfactants vis-à-vis last year like in this quarter specialty chemicals accounts to around 35% so if you can just give the share of specialty chemicals vis-à-vis last year?

V Srinivasan: Last year was about 33%.

Bharti Gupta: And can you give the contribution separately for each and every product?

V Srinivasan: I don't have it readily with me.

Moderator: A next question is from the line of Mangesh Kulkarni from Almondz Global Securities, please go ahead.

Mangesh Kulkarni: I wanted to know about this exceptional income line shown in the consolidated results, can you give some details on what are these because it is there in the every quarter?

V Srinivasan: The exceptional item as I mentioned is profit on sale of investments that we have in our finance & investment segment. When we accrue this profit it is shown as exceptional item in terms of accounting standards, though for this particular segment, it's normal revenue.

Mangesh Kulkarni: It will continue to be there?

V Srinivasan: Absolutely, if you see, it has been consistently there in every quarter.

Mangesh Kulkarni: My other question is on our deal with this Godrej & Boyce, particularly the Godrej Property's deal with the Godrej & Boyce. We also have one LLP with Godrej & Boyce, So how this will affect or benefit Godrej Industries overall?

Pirojsha Godrej: We have two separate deals with Godrej & Boyce regarding the Vikhroli land, one is a deal where Godrej Industries and Godrej Properties have a profit sharing joint-venture agreement after Godrej & Boyce has been paid a fixed lease and that is something we have talked about for a couple of years now, it's a 3 million sq. ft. development corporate deal which would be a mixed used development. The new announcement in no way effects the previously concluded transaction that will go ahead as planned and under the financial terms that has been agreed to. In this new deal since Godrej Industries does not have any role to play on the land, its benefit is limited to the involvement of Godrej Properties and its stake in Godrej Properties but this is of course a very substantial deal for Godrej Properties

and is hugely value accretive to Godrej Properties which is a 70% subsidiary of Godrej Industries.

Mangesh Kulkarni: In the first deal we will be getting around 81% or 82% of the profit in our book and in second deal out of this 10% whatever we are going to get that is it?

Pirojsha Godrej: That's right; keep in mind though in the first property deal Godrej Industries had a long term lease for the property so in effect had a very strong claim on the overall property which is why it got such value. On the second deal through its ownership in Godrej Properties, it has a very guaranteed and significant risk-free, investment free, return. So this is a very beneficial deal to Godrej Properties, the most important deal in the company's history and it will benefit Godrej Industries tremendously as well.

Moderator: A next question is from Bharti Gupta from Sushil Finance, please go ahead.

Bharti Gupta: The H1 specialty chemicals proportion, can you just give me exactly?

V Srinivasan: H1 share was 35%.

Bharti Gupta: But that is mentioned as Q2 right?

V Srinivasan: It's almost the same. We can give it to you separately; I don't have it readily available with me right now.

Bharti Gupta: And my next question is on the Vikhroli land, the earlier deal with the Godrej Industries and Godrej Properties. The construction work on that land, has it started?

Pirojsha Godrej: Yes we started construction on the first building, which is called Godrej One, in late January of this year. We expect to complete that first building in early 2013.

Bharti Gupta: And the deals with Godrej & Boyce has already launched Godrej Platinum over there?

Pirojsha Godrej: That's correct.

Bharti Gupta: And when is that likely to be completed?

Pirojsha Godrej: That will also have a couple of phases so it may take about four years to complete the entire development but the initial advantage in terms of revenue and income will be witnessed as soon as this quarter.

Bharti Gupta: The first part of the revenue should come in within this quarter?

Pirojsha Godrej: Yes.

Bharti Gupta: Has the project already crossed the threshold limit?

Pirojsha Godrej: The project when we take a certain amount as an advance payment and the project is almost crossed the construction thresholds limit as well, that is likely to happen this quarter also.

Bharti Gupta: And what is the construction threshold limit, can you just specify that?

Pirojsha Godrej: 20%.

Bharti Gupta: Excluding land cost?

Pirojsha Godrej: 20%; is purely construction cost. For the most recent deal between Godrej Properties and Godrej & Boyce the income for Godrej Properties will be recognized as per the collection of the actual income, so, even before that revenue recognition threshold is achieved when an advance payment is made by the customer, Godrej Properties is entitled to 10% of that and can recognize that.

Bharti Gupta: In the recent deal as and when Godrej & Boyce will receive the payment for their sales, the Godrej Properties will be entitled for the 10%?

Pirojsha Godrej: As the cash is actually received by Godrej & Boyce.

Moderator: the next question is from the line of Bharat Sheth from Quest Investments, please go ahead.

Bharat Sheth: Sir follow-up question on how much is rental income that we have in consolidated accounts?

V Srinivasan: In Godrej Industries, Estate business is about Rs. 10 crore. For the first half you wanted , right?

Bharat Sheth: Yes. And with this new construction work will keep on increasing, so there will be a gap between the building which we have launched will be completed and will be ready for a rental income, so there will be any gap on that earning?

V Srinivasan: Basically this rental income will taper off over the next two years and the accretion from the new development which is taking place will start from that time, so there could be some period or a few quarters where there would be a gap, yes.

Bharat Sheth: And is it possible to quantify?

Adi Godrej: The gap will be insignificant compared to the total profit of the company.

Bharat Sheth: Because our total income in the first half is Rs. 10 crore, it means at an annualized basis is Rs. 20 crore, correct?

Adi Godrej: Correct but the gap may not be for very long period of time, when the gap will fully happen it will be a small part of the total profits of the company.

Moderator: As there are no further questions I would now like to hand the conference over to the management at Godrej Industries for their closing comments.

Adi Godrej: Thank you everyone, 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: 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.