



## Godrej Properties Limited Q3 & 9M FY 2014 Conference Call January 30, 2014

<b>Moderator</b>	<p>Ladies and Gentlemen good day and welcome to the Godrej Properties Limited Earnings Conference Call. As a reminder all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference please signal an operator by pressing * then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari of CDR India. Thank you and over to you Sir.</p>
<b>Anoop Poojari</b>	<p>Thank you. Good Afternoon everyone, and thank you for joining us on Godrej Properties Q3 FY2014 results conference call. We have with us Mr. Pirojsha Godrej - Managing Director &amp; CEO, Mr. KT Jithendran - Executive Director, Mr. V. Srinivasan - Executive Director, &amp; Mr. Rajendra Khetawat -Vice President Finance &amp; Accounts of the Company.</p> <p>We will begin the call with opening remarks from the management following which we will have the forum open for an interactive question and answer session.</p> <p>Before we begin this call I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the conference call invite e-mailed to you earlier.</p> <p>I would now like to invite Mr. Pirojsha Godrej to make his opening remarks.</p>
<b>Pirojsha Godrej</b>	<p>Good afternoon everyone. Thank you for joining us for Godrej Properties' Quarter 3 Financial Year 2014 conference call. I'll begin by discussing the highlights for the third quarter and we then look forward to taking your questions and suggestions.</p> <p>In terms of Godrej Properties' financial performance, our total income for the third quarter was marginally lower on a year-on-year basis at Rs. 254 crore. EBITDA for the quarter increased by 27% and stood at Rs. 97 crore. Our EBITDA margin for the third quarter stood at 38.4%. Net profit for the quarter grew by 5% to Rs. 37.4 crore. For the nine months period, our total income has increased by 12% to Rs. 819 crore, EBITDA has increased by 41% to Rs. 275 crore and net profit has increased by 30% to Rs. 111 crore. Our EBITDA margin for 9M FY14 is 33.6%.</p> <p>On the business development front, in the third quarter, we added a new project in Bhandup, which is an established and fast growing suburb of Mumbai. The project is well located on LBS road and will yield 775,000 sq. ft. of saleable area. We continue to take advantage of the current market environment by adding value accretive new projects at favorable terms and with low investments.</p>

On the sales front, while we did see a 29% QoQ increase in value of sales bookings in the third quarter. We are very focused on substantially increasing our bookings in the current calendar year.

One contributor to the sales growth was our project Godrej BKC where we sold a little over Rs.100 crore worth of space in the third quarter. The total sales at Godrej BKC in the ten months since its launch now stand at 235,000 sq. ft. with a booking value of Rs.590 crore. This is in addition to a similar amount of space that Jet Airways will occupy in the building and is ahead of our sales guidance in the project. Including the Jet Airways space, we have in place customers for nearly 40% of the area in the project and excluding the Jet Airways space nearly 25% of the area in the building is committed. We recognize the importance of maintaining the sales momentum in the project given the large amount of capital employed in this development. We are pleased that despite the project being at a relatively early stage and the market environment being poor, we have witnessed good demand for the development. We remain confident that our positioning of delivering Mumbai's best commercial office development in the most desirable business precinct will sustain interest in the project in the years to come. I'm happy to note that in the third quarter, Godrej BKC was the first building in Bandra Kurla Complex to receive a LEED Platinum precertification, a standard which is globally recognized as the highest available rating for sustainable design. Both our upcoming commercial offices in Mumbai, Godrej BKC and Godrej One have received this distinction.

I am also pleased to share that Godrej Properties has received 8 awards in the third quarter and 19 awards in the nine month period. The details on these awards are available in our quarterly investor presentation.

Executing our projects in the quickest possible timeframe is a key focus area for the management team and the pace of development for all our under construction projects has been good. That said, regulatory approvals continue to be an obstacle to launching new projects within anticipated timelines and have resulted in a disappointing quarter and, indeed a financial year to date in terms of new launches. We fully appreciate the virtuous cycle of growth in cash flows and return metrics that can be unlocked through minimizing the time between us entering a project and launching a project and have done a lot of work in the past year to strengthen our statutory approvals capabilities. I can assure you that we are doing everything within our control to expedite the regulatory process and that expedited launches is the senior management team's number one priority for the Company. While we have been fully focused on accelerating launches, the process is not entirely under our control and there have recently been further delays in project launches in Mumbai due to unexpected policy reversals with regards to affordable housing and open space requirements. The silver lining to these delays is that with many projects that we'd hoped to launch in 2013 getting delayed, we expect 2014 to be our best ever year for new launches with major launches planned in all the top real estate markets in India including a handful of high impact launches in Mumbai as well as new project launches in Gurgaon, Bangalore, and Pune. We remain very confident of the reception these launches will receive even in the current market environment.

While the macro challenges facing India are significant and certainly impact the real estate sector, our results over the nine month period have demonstrated our ability to maintain growth in adverse market conditions. We strongly believe our focus on building presence in high return markets with a deep focus on execution across our project portfolio will allow us to remain on a high growth trajectory in the

years ahead. We are well positioned to cope with current market challenges and are in an ideal position to fully capitalize once there is an improvement in the economic environment. We are optimistic that a catalyst for this improvement might lie in the 2014 Indian general elections.

On that note, I conclude my remarks and would like to thank you all for joining us on this conference call. We would now be happy to discuss any questions, comments, or suggestions that you may have.

**Moderator**

Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Sumeet Rohra of Silver Stallion Investments. Please go ahead.

**Sumeet Rohra**

You mentioned that there are delays in approvals but what's your sense on that? Do you think in the next quarter we can see approvals coming through and launches happening because I think that's the only thing which is keeping us back. Can you share some light on that?

**Pirojsha Godrej**

It is obviously a source of great frustration for us as well. Certainly as we have indicated in the presentation we do think that we are at a stage where there are some projects that we will launch this quarter and certainly many projects that we will launch in this calendar year. That said if I am being totally frank at this time last year we had thought that there would be many more launches than what we were able to execute in 2013. I think a lot of those have been delayed and are unlikely to be drastically further delayed but you can never rule that out in the regulatory environment. In the third quarter for example there were couple of launches that were literally days away from being ready to go and there was some change in the rules, here in Mumbai which again involves some amount of rework and revisiting. So, I think while we can't entirely rule things like that out. I do think that for the year ahead we have a large enough number of launches and broad enough cities in which these are going to be launched. I would be very surprised if we have anywhere near the level of setbacks we have had in the last couple of quarters.

**Sumeet Rohra**

Thanks Pirojsha. I just want to ask you one more thing. I mean everyone appreciates the fact that India is seeing very tough macro environment with interest rates being as high as they are today. But are you seeing a demand slowdown for real estate now?

**Pirojsha Godrej**

There is no question if you look at country level data for real estate sales in India over the last couple of quarters; there is a pretty meaningful slowdown in those numbers. Keep in mind that's not on a very high base and you know 2012 wasn't really a great year either. So I think there is no doubt that the sector as a whole is facing a pretty substantial slowdown. But I think the outlook at least as we see it for 2014 is much more positive. One is as I mentioned in my remarks we think the elections could be a major trigger for the sector. The outcome is one that's viewed positively. I think at the beginning of the year last year some people thought interest rate would actually decline in 2013 and clearly that did not come to pass and in fact went the other direction. The expectation now is hopefully the interest rate cycle has peaked and certainly in the second half of the year we hope to see some change in direction there. Also of course the Indian GDP growth has come down from 8-9% to 4-5% quite quickly. The impact that it has had on consumer sentiment is undoubtable and it's not just in real estate. So, it's anyone's guess how quickly this turns around. Our expectation is certainly that 2014 will be a better year for the macro economy as a whole. But given our plans for launches we think even if it's not a great year, these projects will do well. We have had project

launches in tough economic environments where we have seen great responses. And based on the buildup of interest we can see in some of our projects today we expect the similar outcome as and when we are able to launch few of these projects.

- Sumeet Rohra** Okay that's helpful. Thank you very much Pirojsha and wish you all the best. Hope to see you at the 10 million square foot mark sometime in the near future.
- Pirojsha Godrej** Hope to get there soon too.
- Moderator** Thank you. Our next question is from Puneet Gulati of HSBC Securities please go ahead.
- Puneet Gulati** How much cash has been spent on the BKC project so far?
- Pirojsha Godrej** About Rs.1,100 crore.
- Puneet Gulati** And if you can share similar numbers for the Waterside and Genesis?
- Rajendra Khetawat** A total of Rs.500 crore.
- Puneet Gulati** And Chandigarh?
- Rajendra Khetawat** Another Rs.200 crore.
- Puneet Gulati** And secondly, if you can also throw some light on how much you had to pay for the Red Fort exit?
- Pirojsha Godrej** No, we wouldn't like to get into the specifics. It was a very small amount particularly compared to what we received from them but we are not publicly disclosing that amount.
- Puneet Gulati** Thirdly, given that you have acknowledged that the demand has indeed slowed down quite meaningfully do you foresee any need for price cuts?
- Pirojsha Godrej** Not really we don't think that right now we are looking at price cuts at any projects. There have been limited time offers on payment plans and things like that. But again and I don't think if you look at our volumes, they have not been any great cause of concern. If you look at quarter-on-quarter, booking value has increased 30%. Even year-on-year, although our overall booking is down quite a lot, if you look at it excluding new launches there hasn't really been any fall in the volumes that we have achieved. But I think the main thing that is going to drive up volumes is new launches. And again as I said we don't see in any of our new projects that we have on the anvil, trouble selling at the prices we are anticipating. But that remains I think the key focus for building up sales momentum. Current pricing is not what we see as a major roadblock to sales on our existing inventory.
- Moderator** Thank you. Our next question is from Anand Agarwal of Jefferies. Please go ahead.
- Anand Agarwal** I wanted to understand the Hyderabad project. We had originally scheduled a plan to launch this in FY13. Now we are saying this will spill over in to FY15. What's the reason for this delay and what is the visibility that it will happen in FY15?

**Pirojsha Godrej**

The situation in Hyderabad is as follows. When we had got into the project a long time ago we had envisioned doing a commercial project. We had gone through an approval process to get it approved as an IT SEZ. Clearly given our experience in commercial projects in some of these cities our goal was of course not to enter into any more commercial real estate. We have been in the process of de-notifying this SEZ as it is and that process has taken much longer than we could have anticipated.

Unfortunately, there is nothing we can do when one approval can end up some times taking a year or two or more. So this process has been approved through the local Andhra government and now goes to Delhi which we expect to be a much quicker process. Thereafter it's a matter of routine approvals. It's this one conversion or de-notifying of the SEZ that has led to this kind of magnitude of delay and again our anticipation was not that it would take this long.

Your question was also with what level of confidence I can say it will happen next year. On one hand as we look at it now our reasonable expectation is that it should. But I wouldn't say that my level of confidence is 80% - 90% based on the big delays we have had in the last couple of years. So we are focused and getting it done but there is no guarantee it will happen even this year. Although it's not that nothing has moved, I think there has been substantial progress in the current financial year towards this approval. But I think once we have experienced this kind of a delay it's probably better for us to acknowledge that our forecast on it had not been accurate. While we think it should happen in the next financial year, there is no guarantee of that.

**Anand Agarwal**

Second, pertaining to the Mumbai launches. Now, going back to the guidance or going back to what you had said at the beginning of FY14 in terms of the launches and also certain other projects in H1 of FY15, it seems that you almost have now like nine odd projects stuck in Mumbai for approvals. Now, my question is once the approvals start coming in, do we think we will be able to launch all of these projects or because the approvals have been delayed I mean the launches will also therefore happen in FY15 and probably FY16. Not only the launches that were planned for this year but also Panvel, Currey Road and the Malad redevelopment projects on top of all these projects.

**Pirojsha Godrej**

Anand let me put it this way, I don't think on any one of these projects you would see that there is more than a one week time difference between the approval coming in and us launching the project. We are good to go on all of these and I think this extra time has obviously given us more than enough time to get everything ready from our marketing and other perspective. We have a good buildup of leads for most of these projects and a very exciting buildup of leads for some of them. So there is no question in our minds that the only thing stopping these launches or delaying these launches is the regulatory approvals. It has become obviously quite frustrating for us when we can see visible demand and are good to go on all other fronts.

We were, as I mentioned in Q3 few days away from some of the launches before some of these new changes in Mumbai had set things back a bit. But I can understand from an external viewpoint there can be a question that are we anyway holding things back because we are concerned about market conditions or anything like that. And in that I couldn't be more emphatic in saying that we are not holding back any launch for anything other than approval.

We don't see any problem in launching multiple projects in Mumbai at the same time. These projects are not really in competition with each other. Redevelopment project in Chembur is different from a project in Byculla which in turn is different from a project in Panvel, Vikhroli is also quite different. So I don't think that these projects in anyway can't be launched together. So it could perfectly well happen that we could certainly have four or five launches in one month. Organizationally we can handle that. From a demand perspective we think the demand is there for this kind of number of launches. So I don't think that is a concern at all but the actual timeline of the approval continues to be where we are facing a setback.

**Anand Agarwal** Given that it takes a lot of time to get approvals have we already applied for the approval of Panvel project and Malad redevelopment?

**Pirojsha Godrej** Yes, the Panvel project is at a fairly advanced stage. I think we are not too far away from that launch. I think the two launches that will come the soonest out of the Mumbai are the Chembur redevelopment and the Panvel project. Both of them are at a very advanced stages of approval and we also see a lot of demand for the same.

**Anand Agarwal** And just on the debt side, our guidance now is about 0.5 to 1 times net debt to equity. We have obviously seen a big jump up this quarter. We are still well within that. But just to understand in case the approval delays persist and our land acquisition continues is this 1x the outer limit that and we will stop things at that. Say we will not acquire anymore land or this is just a guidance and I mean depending on situation we will not hesitate to cross this.

**Pirojsha Godrej** Our expectation is that that's the limit we would like to stay within. That said I mean I don't think that if we go to 1.02 or something that's going to be some sort of hard stop on business development. What's important is to look at the level of investments we are making into these new projects. And again we continue to think that the level of investment is very small. While I can appreciate that in this market everyone is only focused on the next year or whatever it is. While we talk about needing launches in the current day, we have to also obviously as a business, make sure that we have enough launches two years down the road to sustain the kind of growth we would like to see.

So I think we have been very prudent. We can talk about it project by project over the last couple of years in terms of the quantum of investment we are making. And lot of the projects now are zero investment through DM fees etc. But I don't think we envision a situation where we 100% stop looking at new projects.

In any case it is not the new projects that are impacting cash flows really but rather the delays in launches in terms of old ones and some of our commercial projects which again we haven't had enough success on the older projects getting monetized. But we do hope over the next year or two to be able to unlock a lot of capital from those.

**Anand Agarwal** Okay, just last question on the BKC project. The sales that we are doing, what would be the payment schedule on those, would it be linked to construction or would it be more back ended?

**Pirojsha Godrej** They are all linked to construction.

**Moderator** Thank you. Our next question is from Gunjan Prithyani of JP Morgan. Please go ahead.

**Gunjan Prithyani** Just couple of questions from my side. Firstly, just continuing with debt, we saw close to about Rs.300 crore increase in this quarter. Was it that we have made some land payments or were they approval charges that we have paid in this quarter?

**Pirojsha Godrej** We had about an increase in net debt of about Rs.270 crore. If you look it about Rs.160 – Rs.170 crore was on things you highlighted like land payments, advances to joint venture partners or payment for FSI. That was the bulk of the negative cash flow. I think what of course prevented that from being the only amount of negative cash flow was the delay in some of these launches through which we had expected to generate some cash in the quarter.

**Gunjan Prithyani** Did we make any FSI payment for BKC in this quarter?

**Pirojsha Godrej** No, we didn't make any payments in BKC. We might have to make some in the current calendar year on BKC. We did make payments on several of our redevelopment projects particularly the one in Chembur. We also have made payments for The Trees in Vikhroli, our quarterly payment there. We had advances for the new project in Bhandup. We had advances from a project we added last quarter in Gurgaon where we disbursed the advance based on the joint venture partner meeting some criteria this quarter. So all of those added up to the Rs.160–Rs.170 crore range.

**Gunjan Prithyani** Also we still seem to be holding a lot of cash on the balance sheet. It is close to about Rs.650 crore. Do you intend to deploy it somewhere or this is the liquidity that you will carry on the balance sheet?

**Pirojsha Godrej** No, I think we do expect that this will get deployed over the current calendar year either in investments in new projects and investments in the ongoing progress of current projects or to pay our debt.

**Gunjan Prithyani** And on the commercial projects, close to about Rs 1,800 crore is invested in these projects. While BKC has seen some traction and would probably see more traction when the construction progresses; but has there been any progress on the other Kolkata and Chandigarh projects in terms of enquiries?

**Pirojsha Godrej** Gunjan the honest answer is not much. Obviously we do have enquiries in each of them of a certain level but I would say it's not that we expect very dramatic turnaround in the current quarter or anything like that. I think the question there is becoming a little bit more of a macro question. We do see a requirement for a general improvement in sentiment. The volume of transaction happening in these markets is very low, It's not that only our projects are not seeing any momentum, no commercial projects in these two cities are seeing any traction. We hope that some of the reasons I outlined that this is a better year for that but no I don't see any huge levels of current interest in very quickly bringing down that space. We do of course have several enquiries. We hope to close some of them but it's not a very robust demand situation.

**Gunjan Prithyani** Lastly on the margins, the margins have increased quite significantly in this quarter and if I look at the project mix there hasn't been any significant change. Is there a

large component coming from any development management or what's lead to these 35% margins?

**Pirojsha Godrej**

Well there are few factors. I think basically it's slightly on the project mix comments that you made because there is a bit of a change. I think Godrej One which of course is a higher margin project has constituted a higher percentage of revenue this quarter than last quarter or in the corresponding quarters of previous year. It's not a silver lining, it's not a good thing but obviously any quarter where these older commercial projects don't contribute does push up margin. Clearly that's not desirable and we would rather have lower margins and monetize those projects. So that is the in-quarter impact on margins. And yes we did have fee income which we have been having on fairly regular basis.

**Gunjan Prithyani**

So, the other projects which are close to about Rs.60 crore. What are these projects?

**Rajendra Khetawat**

Gunjan those are all small projects like Gold County and others. We don't give a complete list.

**Moderator**

Thank you. Our next question is from Adhidev Chattopadhyay of HDFC Securities. Please go ahead.

**Adhidev**

My questions are specifically pertaining to the Bombay market. As we have seen over the last couple of months there have been lot of adverse regulatory developments pertaining to the provision of open spaces. Secondly, pertaining to the 20% reservation for low income housing and also the ready reckoner rates have been increased from between 5% to 20% from this calendar year onwards. So, could you cumulatively just give us quantification or in terms of timelines how does it affect your Bombay projects overall?

**Pirojsha Godrej**

That will be quite difficult to do and I don't frankly have the data available at top of my head. I think broadly speaking there are some projects where we anticipate very little impact if any from the cumulative changes. So for example our projects in Chembur or our project in Panvel we don't see these particular changes that have been brought in having any impact. There are other projects however that are impacted. So for example we had a launch planned in Ghatkopar and that's the one I was mentioning where we were actually a few days away from launch in Q3 when these rule changes came about and that is a setback. I think we will have to look at potentially quite substantial changes.

The problem with the regulatory environment in general and with these changes is that it's not very clear. There are a still lot of things where the agencies themselves don't know about what the new rules mean and how they have to be interpreted. So I think we are waiting a little bit for some clarity on some of these projects. But there are certainly a couple of projects like the one in Ghatkopar that have been affected by this. There are others where we see very limited impact like in Panvel and Chembur as I mentioned.

Clearly, the timelines are getting pushed. So the time line is adversely affected everywhere. On the cost side as I said most of the projects we don't see any impact except for one or two.



**Adhidev** And my question is on specifically BKC project. Are you affected anyway by the increase in the ready reckoner rates or have we already made all the payments that. We are required to make towards that?

**Pirojsha Godrej** No, we are not at all affected by this.

**Moderator** Thank you. Our next question is from Sameer Baisiwala of Morgan Stanley. Please go ahead.

**Sameer Baisiwala** When you are referring to the rule changes, are you specifically referring to the open area related change coming out of the Supreme Court ruling last December or is it anything else?

**Pirojsha Godrej** Yes, Sameer there are two changes. One is this open ground change that you highlighted and the other is that some new introduction on rules on EWS (economically weaker sections) or low income housing.

**Sameer Baisiwala** And which of the two is you think there is still ambiguity and government agencies are trying to figure that out?

**Pirojsha Godrej** Both.

**Sameer Baisiwala** And the second question is on Gurgaon Summit, I saw that for the third quarter there was pretty nice momentum in sales and we thought that Gurgaon is probably one of the slower markets. 68,000 square feet versus 112,000 square feet that you have done in 9 months. Any read-through over there?

**Pirojsha Godrej** Yes, we added this new inventory. We also have an aggressive sales force. It is one of the things we have been focusing on from Q1 and we have seen good results in this in some of the projects in Q3, and have been looking at further enhancing our existing inventory sales. We have got a lot of programs running that are targeting and expanding our reach through a variety of means. So I think it is starting to bear some results but again the big uptick is going to come from these new launches.

**Sameer Baisiwala** Given the current slowdown, would you make a distinction between different markets or you think it's pretty much across the board?

**Pirojsha Godrej** Well there is certainly a difference in different markets. Bangalore is certainly doing better than Gurgaon. But I don't think any market is doing great at this point. Everywhere it is a bit sluggish and I think year-on-year now there is no market at least from the information we have that hasn't declined and most have declined very dramatically from a very low base.

It is pretty much a problem around the country but it's not also that there is absolutely no demand. This quarter we have seen good sales in E-City Project in Bangalore. And again, we are very pleased with the kind of buildup we are seeing with some of the new launches. So I don't think that we can't show good bookings growth till the environment improves. But if you are asking just about the environment I think it is pretty weak, almost everywhere.

**Sameer Baisiwala** Final question on revenue recognition, I am just putting two pages of your presentation slide together. If I look at Godrej One, it looks like it's almost sitting now at 86% completion and this year nine months its revenue contribution to our

recognized sales is about Rs. 281 crore about 34% of the total sales recognized. So, couple of questions coming from this A) As Godrej One comes to completion, are we looking at some sort of a shortfall in the top-line recognition and B) How does the pipeline of non-recognized projects look like at this point?

**Pirojsha Godrej**

I think clearly our goal is to make sure not only is there is no shortfall but also a strong growth in the year ahead. We do have a reasonable number of projects that have not hit for revenue recognition threshold and where approvals are not a constraint. For places like BKC, Summit, Alipore, smaller project in Chembur, Godrej Serenity and some phases of projects like our Ahmedabad project, Kolkata and Pune. So it's not that there isn't already in the works, a reasonable pipeline of projects to enter the revenue recognition stream. So, I don't think our revenues are going to be a cause for any sort of concern. We are reasonably confident that there will be strong revenue growth.

Obviously Godrej One is a very substantial contributor to our earnings and again we do have projects that will similarly be strong contributors to earnings. We will also certainly need to bring in new projects to the launch pipeline. We have a robust set of projects that can do that. Like our Chembur Redevelopment Project, Panvel Township Project and a new launch in Gurgaon this year which we think is going to be a very profitable project for us. Also new launches in Pune, Bangalore and new phases elsewhere.

So, I think the pipeline of projects is looking good, hopefully we won't get as many things out of the blue on the approval front as we did last quarter. I think we feel pretty good about that. And of course one is the big replacement for Godrej One will be ready portion of The Trees which we also think is going to be a very lucrative project. So unless we continue to face inordinate delays on the approvals front, we feel very good about sustaining strong growth in the year ahead.

**Sameer Baisiwala**

Excellent and this is quite helpful, but just a follow on this. I understand you got a pretty nice pipeline to back this up. But from an understanding point of view if you were to launch a project today, as per the new accounting rules typically how many quarters does it take for you to hit revenue recognition?

**Pirojsha Godrej**

It varies a little bit but usually about three to four quarters is what it takes. For each developer also we should keep in mind launches at a slightly different stage of approval. So if you launch at a little earlier stage like some developers do then that period to reach revenue recognition can be even more. But for the launches certainly, our business plan for the year will have many of these projects that have not yet been launched reaching revenue recognition in the next year.

**Sameer Baisiwala**

Okay, so for Godrej it's three to four quarters?

**Pirojsha Godrej**

Yes. It can be two quarters if things on a small project go quickly depending on the sales. But I think yes broad average would be three to four quarters.

**Moderator**

Thank you. Our next question is from Aashiesh Agarwaal of Edelweiss. Please go ahead.

**Aashiesh Agarwaal**

I had two questions. One was with respect to the payments to the JV partners. We mentioned that we had some payments that we have made to JV partners for meeting some milestones on approvals. So, I wanted to understand for all the land

that we have so far or the projects that we have so far, what is the cumulative outstanding that we have towards milestone payments to these JV partners?

**Pirojsha Godrej** We will have to check and come back. It's a very small number. I mean maybe in the Rs. 30-40 crore range.

**Aashiesh Agarwaal** Okay, because I mean about Rs.160 – Rs.170 crore were paid in this quarter towards land payments,FSI and JV partners. So which is why I was wondering?

**Pirojsha Godrej** The advances to JV partners out of that is about Rs.60 odd crore, which was in two projects. One in Bhandup which we entered in the third quarter and the other one for the Gurgaon project which we had entered in the quarter before that. But I think the good thing this is helping to do is make sure that we are limiting the time between the points where we were giving these advances and the projects can be launched because we were linking parts of the advances to approvals.

**Aashiesh Agarwaal** Yes, I agree that is the very good thing as it ensures that land owner is helping you with the approvals. The second one is on what is the cash that you have received so far from the BKC project?

**Pirojsha Godrej** I don't have the number exactly but frankly I think we wouldn't like to get into project by project cash flows. The cash from Rs. 600 crore of booking value that's been received is a relatively small portion so far.

**Aashiesh Agarwaal** I mean in terms of spend I think you spent about Rs.1,100 crore. How much would be the total project cost?

**Pirojsha Godrej** Again the project cost depends on variety of things including the finance cost for the project which depends on the pace of sale. I think we have previously given approximate breakdown of the major components of cost but I wouldn't like to comment on forward-looking number which again cannot be fully known at this point.

**Aashiesh Agarwaal** I appreciate, just one broad question if I might ask. Conceptually, given the stage of construction where we are in for the BKC project. Would it be fair for me to assume that about 35% or 40% of the cash would have been received or would it be little more than that?

**Pirojsha Godrej** No, it will be less than that.

**Moderator** Thank you. Our next question is from Rajen Shah, from Angel Broking. Please go ahead.

**Rajen Shah** Actually, my question is on behalf of lakhs of shareholders of Godrej Properties. You came out with an IPO exactly four years back sometime in January 2010 at Rs.500. Last year you came out with a rights issue of 8 shares for 29 shares at Rs.325. And then you split the stock. So basically the IPO price of Rs.500 works out to current price of Rs.231 and then stock is at about Rs.154, so there has been a destruction of 33% in wealth over the last four years. What are the plans to actually create some value for shareholders because group companies like Godrej Consumer, Godrej Industries they have done phenomenally well? I mean they have outperformed the BSE Sensex by substantial margins and here in Godrej Properties there has been severe wealth destruction of 34% over four years. So what is the game plan I mean?

**Pirojsha Godrej**

Yes, Rajen thanks for your question. I think it's an important question. Clearly we as major shareholders in the Company and of course with a very strong interest in doing well for our minority shareholders are equally pained by what has happened on the valuation and the Company front. Frankly I don't think the valuation is a true reflection of what's happened on the operations at the Company front. If you look at operational growth over the last three years, our revenue has grown on a compounded basis by more than 30%. Our profitability has been better than our older projects as well. We have added we think huge amounts of value to the Company's portfolio. Since the IPO we have more than doubled the number of projects in the Company. We have one project in Vikhroli which we think the value of that alone dwarfs all of our other projects combined and certainly dwarfs our current market cap.

So I think it's not to say that operationally not much has been accomplished in the last three years. We do think a lot has been accomplished. Clearly that's also not to say that everything has gone right. We would have been very disappointed ourselves if at the time of IPO you told us we have Rs.1800 crore of capital employed in our commercial portfolio. Clearly that has been an area where we have gone wrong and which we are very actively seeking to address.

I think what will change the valuation is a couple of things. One obviously we have to perform and keep performing better. So I think that once we get some of these new projects on the anvil we will see strong growth in the Company. We have already seen strong growth but I think that can accelerate further. We do have to sort through some of the older problems we have had, from projects that were already part of the Company at the time of IPO like some of these older commercial projects. So we do have our work cut out to resolve these problems.

But we don't believe that the current valuation is an indication our strategy has faltered because we don't think it has. We think since the IPO we have established ourselves as one of the only developer with the large number of projects in all the key markets in the country and all of these projects except the commercial ones have performed. So, I think a lot has happened. What we will be focusing is to improve value creation by superior execution of new launches, increasing the portfolio size and giving investors the confidence that the kind of scale up that we have been talking about is actually going to be delivered. We are certainly looking to improve upon important metrics like return on capital employed through clearing out some of the legacy projects from our balance sheet. So I think those are the two areas of focus for us as a team. We are very confident that as we deliver against these, the valuation of the Company can also benefit from that. We will also point out that it's not been the easiest three years for the sector as a whole. While we have lost 33% of our market cap which we think is disastrous loss of value for all our shareholders, the BSE realty index is down by over 70% over that time. Our goal is not just to outperform the BSE realty index. We understand that there is nothing keeping investors from investing in other sectors. There have been some sectoral and macro headwinds over the last three years. We do think we are well positioned to meet these challenges and create a lot of value for our shareholders over the next few years.

**Rajen Shah**

Yes, Mr. Godrej we have a very high regards for your group and we expect significant wealth creation over the next couple of years. One more question I have is that after you took over as the MD of this Company you had, in an interview to I think Business Line, mentioned that by 2020 you are expecting a revenue of about Rs.20,000 crore if I am not mistaken?

**Pirojsha Godrej** I don't think I had ever mentioned that we were expecting a revenue of Rs.20,000 crore. What we did at the group level was layout an ambition for the Godrej Group in terms of what growth we think could be achieved. If things go very well both in the external environment and internally. What we said is that for Godrej Properties full potential 10 years down the road looks at a company that could be at a scale of Rs.20,000 crore. Never has that been the goal with which we run our day-to-day operation but that is what we think is the potential of this business and the sector over a long term.

I think we should not leap to judgment on some of these. It's obviously again been a period when the economy is being growing 4% to 5%. Our expectation for Indian growth over a decade three years ago or two years ago when we laid this out was more like 8% to 9%. So clearly I think if the sector is degrowing at a very rapid pace as it has been over the last couple of years, it's going to be very difficult to get to such number. More important, whether we reach Rs.20,000 crore or Rs.10,000 or something in between or not, is how well we are doing in the interim. What is the kind of value we are creating as you were asking in your first question and how prudently we are managing our operations.

But that remains an aspiration that if things go very well over the next few years both internally and externally. That's the kind of scale that could be achievable.

**Rajen Shah** But what is the bare minimum we were expecting by 2020, I mean if not Rs.20,000 crore somewhere close to Rs.10,000 crore?

**Pirojsha Godrej** No, I don't think we had any bare minimum as this is an aspirational exercise. The bare minimum we will see what it is closer to the day. But since we have made that commitment and set down that aspiration which called for a compounded growth of over 40%, our top line has been growing at about 33%. So while of course when on a lower base, it should have been growing faster than that 40% for us to get there easily. It's not that growth isn't happening and I think you can see further growth in the coming years as we launch a lot of the new projects that we have added to our portfolio.

**Moderator** Thank you. Our next question is from Sehul Bhatt of Crisil Research. Please go ahead.

**Sehul Bhatt** My questions are related to specific cities of Ahmedabad and Bangalore. How has been the experience of Godrej Garden City in last nine months because we have been going through various market interaction and media reports saying the real estate in Ahmedabad has been badly impacted. How is your experience there?

**Pirojsha Godrej** The Ahmedabad market has been quite badly affected by the slowdown. I think if you look at it the year-on-year numbers in Ahmedabad are quite poor for the sector as a whole. It was very encouraging for us though if you look at our project nine months' numbers compared to the nine months of the previous year. You will actually see a pretty sharp increase in volumes along with the small increase in prices. So, I think we have been able to in this period of difficulty in the Ahmedabad market quite substantially to increase our market share.

**Sehul Bhatt** So, was there a specific reason for that maybe change of configuration mix?

**Pirojsha Godrej** No, I think that we did launch some smaller units that certainly contributed to the growth but we have also seen better traction in units that are quite similar to some

of our earlier phases. Obviously, as an organization we are continually trying to improve our own capabilities and I think when we had addressed it earlier in 2013 that sales in the current environment was going to be both the challenge and an urgent priority. I think we have done a lot of good work that is yielding some results. There is not one thing that we have done that has led to this; there have been a variety of initiatives and activities that have helped.

**Sehul Bhatt**

Okay and considering the fact that we have around 20 million square feet of estimated salable area in Ahmedabad for all future phases. Do we expect any delays in launching phases, considering the market scenario there?

**Pirojsha Godrej**

No, I don't know what you mean by delays. Certainly we will time our launches in a manner that we are not going to just launch projects for the sake of it. Obviously if we have inventory that we still need to sell we will focus on selling that before we launch new phases. So, to that end, if the demand environment persists to be at that weak level, there will be delays in launches. But certainly there is no intent to delay. We will manage the project as quickly as we can. As I said this year so far we have actually sold much more space than in the corresponding period last year which has been encouraging.

But I think one broad comment I guess I would like to make is that in real estate I think it's quite dangerous to read what's happened in the last three months or the last six months or what's going to happen and for the next three months or the next six months or for the next 10 years. Clearly the sector has gone through a struggle and volumes are down in markets across the country. But we think equally clearly that that is not going to sustain. If you ask me how quickly it will turn around the honest answer is that I have absolutely no idea. But certainly there will be a turnaround, the Indian economy is not going to keep growing at 4% and real estate sector is not going to de-grow at 25% - 30% a year as we think it may have in the nine months of this year and I think we can see much improved momentum once these things happen.

**Sehul Bhatt**

And how has been the experience of existing projects in Bangalore compared to other cities. Have we been able to increase our prices and the portfolio projects?

**Pirojsha Godrej**

Yes, I think we have been taking steady increases in prices in Bangalore. But if you look at it in most of our projects has been some amount of increase in prices over the last year. We are quite consciously not trying to take very dramatic price increases. We don't think the market environment supports such an action. So some projects prices are flat and others have been taken slightly up. I think in all the Bangalore projects though I think there would be a slight increase year-on-year.

**Sehul Bhatt**

And what has been the average residential price realization in this quarter, overall?

**Pirojsha Godrej**

It's about Rs.5,000 – Rs.5,500. I don't have the number. The realization to the Company it's Rs.8,300.

**Sehul Bhatt**

Okay, so including commercials?

**Pirojsha Godrej**

Including commercials. So the average price is Rs.5,750.

**Moderator**

Thank you. Our next question is from Ritwik Sheth of Span Capital. Please go ahead.

**Ritwik Sheth** I had couple of questions. The first one is on the approval side. It's like all the developers are waiting for the approvals, so once all these approvals are received by everyone do you think that there is a chance of oversupply?

**Pirojsha Godrej** I think that chances of all the approvals being received simultaneously are quite unlikely.

**Ritwik Sheth** No, the probability over the next two to four quarters.

**Pirojsha Godrej** No, I don't think so. I mean obviously there might be in some micro market, etc., But it's not that approvals have are stuck and come in one wave. Approvals almost always start and do come in gradually. So I think I don't expect any huge gush of approvals coming through. And I think it will depend a lot on the micro markets and the individual developer's ability to make sales in the current environment. But again from a launch perspective there is no project in our portfolio where we are worried about being able to garner good volumes and therefore thinking of any kind of delay in the launch.

**Ritwik Sheth** My second question was a bit long term in nature. When do you see the Company generating revenues of Rs.2,000 crore. How many years will it take for you to reach Rs.2,000 crore?

**Pirojsha Godrej** Well, Ritwik it's a good way of getting guidance for the next couple of years.

**Ritwik Sheth** For the next three years – five years.

**Pirojsha Godrej** Certainly pretty soon.

**Ritwik Sheth** Like two years, three years any?

**Pirojsha Godrej** I don't want to give any specific comments but we hope to be at that very soon.

**Ritwik Sheth** And just one last question. What is your view on the NCR and the Mumbai markets?

**Pirojsha Godrej** Well, they are biggest and ultimately the strongest markets for real estate in the country. Both are going through a tough period in the current environment. Personally, I think some aspects of NCR market concern me a little bit more in terms of the level of investor interest versus end user interest and some of the pricing gaps you see on developer stock versus, customer purchase stock. So I think in general that concerns me a little bit more. But broadly speaking these are both the two most important. Bangalore is a close third. But I would still say these are the two most important real estate markets in the country. They are going through challenging cyclical period. It is quite typical of the sector particularly when the economic environment is like it is now. But I do think the rebound in these cities when it does happen will be much sharper than what people think. When does it happen is of course the million dollar question.

**Moderator** Thank you. Our next question is from Manoj Dua he is an individual investor. Please go ahead.

**Manoj Dua** My question is regarding this development model. How much area you expect to launch in one or three years?

**Pirojsha Godrej** You know we don't give any specific guidance in terms of the areas that we are launching. We will talk about it at the end of next quarter, our guidance in terms of projects we hope to launch in the next year. And we do expect that this to be fairly robust, as I mentioned we have four or five fairly substantial launches here in Mumbai that we hope to do next year. We have new project launches in Gurgaon, Bangalore, Pune, new phase launches in Ahmedabad and elsewhere. So I think we do hope for a very strong year for launches but we are not at this stage looking to give any specific guidance.

**Manoj Dua** I mean my question was regarding specifically your development fee model I think in Vikhroli land, how much area or when do you expect to launch in this type of model in next one to three years?

**Pirojsha Godrej** Now, again we wouldn't like to comment on any specific amounts of area or anything like that for the Vikhroli development management fees and next launch is the last tower of Godrej Platinum which is the first residential project we are doing under this model and we certainly hope to launch that project this year. We have other development management fee projects like one in Bangalore that's already under construction. We have another development management fee project launched in Bangalore. And we have several other development management fee projects that we are working on but again don't want to get into any specific guidance on these.

**Manoj Dua** Okay, the development management land in Bangalore, etc. Is it Godrej Group land or another developer/realtor's land?

**Pirojsha Godrej** No, they are all with outside parties. Only projects that we currently had with group companies on the development management fee model is one project in Vikhroli and of course we have an understanding for all of the development of Vikhroli and one project in Hyderabad.

**Manoj Dua** How do you book profit in development management fee model. Is it based on booking amount?

**Pirojsha Godrej** It varies from deal to deal. Sometimes it's on when the flat is booked, certain portion is booked, and some amount of fees is sometimes advanced. So it varies from project to project there is no one set way.

**Manoj Dua** In Godrej Sky, development fee is about Rs.50 crore with some upside promote to Godrej Properties. Can you throw some light on that? What is that model?

**Pirojsha Godrej** Yes, you just highlighted it yourself, it's is Rs.50 crore with upside promote.

**Moderator** Thank you. We will take our next question from Saurabh Jain of HSBC Securities. Please go ahead.

**Saurabh Jain** Can you throw some light on how had you response to the Horizon and E-City projects. I think they are the new phase launches?

**Pirojsha Godrej** The response has been good. In E-City we have registered good sales in the project already and we have seen a good response to the new phase. In Horizon there is a quite a small inventory that's been released. I think the sales are as per expectation but it's not a big volume project for us.



**Saurabh Jain** And if I look at the average price realization for your Prakriti Project and the Platinum Project there is a substantial rise from last quarter, I mean any particular reason for that?

**Pirojsha Godrej** Yes for Prakriti there is a specific reason we had a fairly large amount of cancellations in this quarter from some buyers who hadn't met their payment commitment. So this number is net of those cancellations. Those cancellations were done at earlier stages of the project at much lower prices so it's actually in a way positive for the Company because we can get better prices on the inventory but the effect of netting that out makes the per square foot price in the current quarter look much higher than it actually is. The actual price would be in the range of Rs.4,200.

**Saurabh Jain** And similarly for the Platinum in Bangalore like last quarter you had some Rs.7,700 as the average prices.

**Rajendra Khetawat** It is above Rs.8,000 – Rs.8,050 and this year it is around Rs.8,400. So it's pretty much in line.

**Moderator** Thank you. Our next question is a follow up from Puneet Gulati of HSBC. Please go ahead.

**Puneet Gulati** Just a little more detail on some of your projects. What has been the completion plan for Godrej Serenity in Chembur. I guess you have already sold 47% of it.

**Pirojsha Godrej** Yes, about 50%.

**Puneet Gulati** 50% is complete?

**Pirojsha Godrej** You are asking about sales or progress?

**Puneet Gulati** Sales is 47% and in terms of construction status?

**Pirojsha Godrej** Construction is still at the pretty early stages. I think, we are just about to start in the first slab, so we have finished all the piling and basement work.

**Puneet Gulati** Okay and for Godrej Platinum Alipore?

**Pirojsha Godrej** The sales in the project has been about 60,000 out of 175,000 or so and construction is at a similar stage.

**Puneet Gulati** 32% odd that means?

**Pirojsha Godrej** Sales, yes.

**Puneet Gulati** No construction I am asking, 32% would have been?

**Pirojsha Godrej** No, once it crosses 25% it will enter the revenue recognition threshold and to get an exact update if you like we can send that across. But I think it's a very early, just out of the basement in stopping down the first or second slab.

**Puneet Gulati** Lastly, Godrej Summit construction status?

**Pirojsha Godrej** So, construction was delayed in starting there, work started about four months ago.

**Moderator** Thank you we will take our next question from Sirish Hisaria of Kotak Mahindra Bank. Please go ahead.

**Sirish Hisaria** I have two questions one is on the approval side. Apart from Bombay is there any city or any region wherein you are seeing approval delay. Second was on the regulatory changes. Apart from Mumbai is there any region or any city where you have seen a major change in regulations that is impacting the industry?

**Pirojsha Godrej** The honest answer that there are changes all the time almost everywhere. I think the Bombay ones have been of a greater order of magnitude and the timelines for approvals in Bombay typically tend to be the longer. There have been big changes and proposed changes elsewhere as well and some amount of tweaking of the rules is almost an ongoing trend. But certainly there are many different things that can lead to delays and almost all cities for example have a variety of committees for various approvals. The committees themselves are not in place half the time and so no projects go to them. So it's not a very smooth process in any city but I think Mumbai has been a toughest geography in the last year or two.

**Sirish Hisaria** After Mumbai which city would have these two problems?

**Pirojsha Godrej** I think again they all have some level of problem but I think Mumbai in the recent past at least has been the one that stood out for the number of changes and the level of delays that almost all projects are being faced with.

**Moderator** Thank you. Ladies and gentlemen that was our last question. I now hand the floor back to the management for closing comments.

**Pirojsha Godrej** I hope we have been able to answer all your questions. Of course if you have any other questions or would like any further information we would be happy to help with that. We hope to have your valuable support in a continued basis and view ahead and thanks once again for taking the time to join us today.

**Moderator** Thank you very much sir. Ladies and gentlemen on behalf of Godrej Properties Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

- ENDS -

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