



Godrej Properties Limited

Q3 FY2016 Earnings Conference Call Transcript

February 03, 2016

Moderator 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 this conference call please signal an operator by pressing * then 0 on your touchtone phone. 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 Mr. Poojari.

Anoop Poojari Good afternoon everyone and thank you for joining us on Godrej Properties Q3 FY2016 Earnings Conference Call. We have with us Mr. Pirojsha Godrej – Managing Director and CEO of the Company, Mr. Rajendra Khetawat – CFO of the Company.

We will begin this call with opening remarks from the management, following which we will have the forum open for a question and answer session. Before we begin, I would like to point out; that some statements made in today's call maybe forward looking in nature and a disclaimer to this effect has been included in the conference call invite email to you earlier. I would now like to invite Mr. Pirojsha Godrej to make his opening remarks.

Pirojsha Godrej Good afternoon everyone. Thank you for joining us for Godrej Properties' third quarter financial year 2016 conference call. I will begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions.

From a financial perspective, in the first three quarters we've already achieved better numbers than we've ever previously achieved in a full financial year. Our total revenue for the year stands at about Rs.2,200 crore, which represents an 82% increase over the corresponding period of the previous year. Our EBITDA at Rs.377 crore has increased by 65% year-on-year and our net profit has increased by 53% year-on-year to Rs. 213 crore. For the third quarter, our total revenue stood at Rs. 450 crore, our EBITDA increased by 30% to Rs. 108 crore and our net profit increased by 10% to Rs. 52 crore.

I'm happy to note that we registered another strong operational quarter. We've surpassed twelve hundred crore in sales for the third consecutive quarter of this financial year. Prior to the current financial year, we had never had a single quarter with over Rs.1,200 crore in sales so to have achieved this in each of the first three quarters of the financial year despite weak overall markets is very encouraging. The most important contributor to our sales in the current quarter was the launch of our flagship project, The Trees, in Vikhroli. We sold 348 apartments which represented 93% of the launched inventory or an area of 455,000 sq. ft. In terms of

the value of sales in the launch quarter, at Rs. 862 crore, The Trees was the most successful launch in our Company's history. We were also able to achieve premium pricing on the project with an average sales price of approximately Rs. 19,000 per sq. ft. on saleable area or ~Rs. 31,200 per sq. ft. of carpet area. Given the long-term strategic importance of Vikhroli to the Company, we are happy to have delivered a strong success with our first major launch. We also had two other successful launches in Mumbai during the third quarter which made this the first quarter where we have had three new project launches in the same city. The launch of Godrej Vihaa in Badlapur continued our track record of successful launches; we sold 412 apartments or over 285,000 sq. ft. in the launch quarter. This represented 82% of the launched inventory and a value of Rs.101 crore. At Godrej Sky in Byculla we sold 32 apartments with a booking value of Rs.119 crore making this the third successful launch in Mumbai.

As we commence the final quarter of the financial year, we are set to achieve our best ever year across all parameters. In the first nine months of the financial year, we've already achieved our highest ever revenue, EBITDA, net profit, and cash collection. The year has been particularly exceptional from a bookings perspective where we have already achieved 50% more bookings than we've ever achieved in a full financial year. The total value of bookings in the third quarter stood at Rs. 1,214 crore which represents a 122% year-on-year increase. This takes the total value of sales in the first nine months of the financial year to Rs. 4,422 crore. We've also already had our best ever year for project deliveries with 1.54 million sq. ft. of deliveries in the third quarter taking our deliveries in the first nine months to 4.7 million sq. ft.

While we registered only modest sales in our commercial portfolio during the third quarter, I am happy to note that a huge amount of progress has been made towards monetizing our commercial portfolio this year. We have now completed construction at both Godrej Eternia in Chandigarh and Godrej Genesis in Kolkata. We expect to complete construction at Godrej BKC within the next 3 months. We believe the ability to offer clients ready to move in space combined with an improving commercial market puts us well on track to achieve our goal of completely selling the remaining inventory in our commercial portfolio in 2016.

From a business development perspective, we added 2 new projects with saleable area of approximately 5 million square feet in January. The first project is located in Thane and has a development potential in excess of 1 million sq. ft. with GPL to receive 64% of the project revenue. The second project marks our entry in the Noida market. We have entered into a Development Management Agreement to develop a residential project with 4 million sq. ft. in Sector 150. Both these new projects fit perfectly into our strategy of increasing the depth of our presence across Mumbai, NCR, Bangalore, and Pune. We expect a strong end to the financial year from a business development perspective as there are a large number of exciting projects across cities where we are in advanced stages of discussion with prospective partners.

Our performance for the first nine months of the year underlines the effectiveness of our resilient and differentiated business model that is anchored by the strength of the Godrej brand and the ability that gives us to attract partners and customers across the country. Our national presence, strong brand equity, and large number of new projects leave us in a good position to fully capitalize on this opportunity in the years ahead.

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 the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati** A few things to help us understand the strategy of the Company better, you got into this Thane project again on the revenue share basis, I thought the strategy of the Company was more focused towards the profit model. Can you give us more color on what was so attractive in this and some more contours of the deal?
- Pirojsha Godrej** The strategy on profit sharing is absolutely correct. The strategy is there so that we can make sure that our margins do not come under pressure in the future on kind of mid income projects where cost escalations happen, the gap between selling price and development cost is not very high. We have always said if that is taken care of as it can be in projects with relatively high selling prices we have no fundamental objection to revenue sharing projects. Even over the last two or three years if you look our projects in Kolkata, Alipore which has a high selling price is a revenue share project. We have added a project in Bhandup also under the revenue share model. Similarly, we think in this project the margins are quite well protected which is why we have been open to doing it in revenue share model. Certainly it has no implication on our overall strategy which is very focused on profit sharing projects.
- Puneet Gulati** So what price band would you call above the mid income level project?
- Pirojsha Godrej** Frankly most of locations in Mumbai or places like Thane just the average selling price we would expect in a project like this to be over Rs. 10,000 a square foot. So when you start getting to that level clearly the construction cost as a percentage of selling price is not something where 10% to 15% variation will have a very huge impact on margin.
- Puneet Gulati** This project also entails paying some upfront advance?
- Pirojsha Godrej** Yes, the only thing we have paid so far is about Rs. 5 crore.
- Puneet Gulati** Can you also give some more color on why the debt level has also gone up this quarter?
- Pirojsha Godrej** Primarily we had quite large outflows in two projects, BKC and The Trees. If you look at the outflows in these two projects they were almost exactly equal to the increase in net debt. In The Trees we had significant FSI approval payments of about Rs. 100 crore. For BKC we had a lot of construction cost and also brokerage on the big deal we did in Q2 of about Rs. 30 crore, we had some tax on that deal of about Rs. 60 crore. So all of that outflows on The Trees and BKC added up to about Rs. 300 crore and the inflow was not particularly large from those two projects in Q3. While we did have an extremely successful launch, the launch happened right at the end of November so people have only really paid the initial booking amounts and we would expect big collections from The Trees to happen in Q4 FY16. And also on BKC the way our major deal is structured is that there was a huge payment on last day of Q2 and then no payment due again till Q4. So in both these projects we expect significant collections this quarter which should be able to reverse some of it, so that's the reason we have seen this temporary spike.

Puneet Gulati	BKC you said you will complete in a next three months so by March-April and then there should be nothing more to be paid on the BKC?
Pirojsha Godrej	That is correct.
Puneet Gulati	Your Godrej 101 average selling price has also gone down a bit on a QoQ basis, is it more a product mix issue or have you consciously taken some price cuts or spec downs?
Pirojsha Godrej	No we have certainly not taken any price cuts and if there is any change in price it would be the product mix and floors and things like that.
Puneet Gulati	Broadly can you give some more insight into what would be your construction spend over next two quarters and next year what kind of budget do you have for construction spend?
Pirojsha Godrej	We do not typically forecast and we can take you through some of the project by project numbers separately but a lot will depend on which project starts construction and other things, we do not provide that forecast.
Moderator	Thank you. The next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.
Puneet Jain	My question is on commercial assets. We have now completed Genesis and Eternia so what is the kind of cash flow you expect once those two are sold? With respect to BKC how much cash inflow you expect post completion of the project?
Pirojsha Godrej	The ones in Kolkata and Chandigarh, the combined number would be about Rs. 400 crore. From BKC of course it depends quite a bit on the pricing that we achieve on the remaining inventory but assuming that we achieve the same price as we did on our last sales which we think is a reasonable assumption, we should do at least about Rs. 1000 crore collection from new sales. From the current sales we have to receive about Rs.600 to Rs.700 crore. So if you look at these three commercial projects it is about Rs. 2,000 plus crore. Once we settle books with our joint-venture partner in BKC there is likely to be some additional cash collection there but that will depend obviously on the final selling price of the remaining inventory and so on, that number is likely to be Rs. 200-300 crore.
Puneet Jain	Against BKC project?
Rajendra Khetawat	What Pirojsha said, the BKC project at the end of the project completion when we are completely out of this, inventory is sold we are looking at a positive cash flow of around Rs. 1300-1500 crore, after paying down all the costs from here on.
Puneet Jain	What will be the cost of construction in Godrej Trees in Vikhroli? And can you share now more plans about what is your planned development in that place?
Pirojsha Godrej	The cost of construction broadly will be in the range of typical high end construction cost it will about Rs. 4,500 or so a square foot. The plan in Vikhroli, we had them out for quite some time is a mixed use project. We have in addition to the space of residential that we have already launched and sold, two more residential phases which combined would have about another 7-8 lakh sq. ft. of saleable area. In addition to that we have an office building that will be about 0.9-1 million sq. ft. And we have hospitality and a small amount of high street retail. The plans for

hospitality and retail are still at a fairly initial stage we are not planning to break ground on those any time soon.

- Puneet Jain** What will be your residential area because it is still mentioned in the presentation as 0.88 so that obviously will change now?
- Pirojsha Godrej** Sorry, if that is still mentioned that is clearly dated information, we will take a look at that. I think the correct area to assume would be about 1.25 million.
- Puneet Jain** 1.25 million of residential and around 0.9 million sq. ft. of commercial and some retail development which will happen?
- Pirojsha Godrej** Yes and a hotel.
- Puneet Jain** Finally with respect to the merger of the 40% stake by the parent what is the schedule on that?
- Rajendra Khetawat** We would be completing this before this financial year end.
- Puneet Jain** This will be applicable since when?
- Rajendra Khetawat** It will be effective from 1st of October.
- Moderator** Thank you. The next question is from the line of Rithvik Seth from Span Capital.
- Rithvik Seth** What is the launch pipeline for FY 17?
- Pirojsha Godrej** The way we typically do it is that at the end of the fourth quarter, once the year is complete we know exactly what launches that have happened this year, we have a better sense of all the business development that will be done this quarter. In the next earnings call and in the next quarter's presentation we typically layout our guidance for the new project launches. We will follow that same format but certainly we feel pretty good about the projects that we will be able to launch next year including some of these recent projects additions in Noida and Thane which are particularly good for us because they open up entirely new markets.
- Rithvik Seth** So will it be like around FY 16 figures or higher than that?
- Pirojsha Godrej** The goal of the Company is to keep growing year-on-year. We will come back with the exact project launches.
- Rithvik Seth** Out of the current ongoing development what kind of construction are we looking at for FY17? Currently we have around 100 million sq. ft. So what kind of construction, like handing over our projects, are we looking at in FY 17 next year?
- Pirojsha Godrej** We are seeing the scale up happening and we would project more details on this once this year is complete but this year for example in the first nine months we have delivered about 4.5 million sq. ft. which is more than we have delivered in any previous full-year. The sales have picked up over the last 3-4 years, so we will see the delivery number also continue to expand. Of course year-on-year the variation can continue but certainly the next year will very good one for both sales and delivery.

Rithvik Seth	For Trees you mentioned in the previous question that we have a hospitality portion as well. Is there any plan right now for the same?
Pirojsha Godrej	It is not something at this stage we would like to invest a large amount into. We are still frankly on the drawing board stage of what's the appropriate financial structure for this.
Rithvik Seth	On the commercial space of ~900,000 sq. ft. any approvals or any timelines on that?
Pirojsha Godrej	We are working on the design and things there. Again here we would like to develop it in a way that it does not require us to invest significant amount into the development. The details are still a while away and I think even that project is about a year away from breaking ground.
Rithvik Seth	On the commercial I just wanted to cross check the numbers, you mentioned in the previous question. For BKC you mentioned that Rs.1,300 to 1,500 after paying for all the expenses?
Rajendra Khetawat	Yes at the end of the project, once we have completed with the project after the settlement of debt accounts and everything and we have sold off complete inventory.
Rithvik Seth	Rs. 400 crore from Kolkata and Chandigarh put together.
Pirojsha Godrej	Yes.
Moderator	Thank you. The next question is from the line of Manish Gandhi who is an Individual Investor. Please go ahead.
Manish Gandhi	Congratulations for excellent launch of The Trees. I just want to know whether we have received the CC for the same.
Pirojsha Godrej	No, we are working on that, we expect that soon, we have not received it. We have received the IOD and it is at an advanced stage for the rest of the approvals.
Manish Gandhi	When we receive it we will start the construction for the phase 1 only or we will start construction for the three phases together?
Pirojsha Godrej	The first two phases will be constructed together. The third phase we'll start a little bit later but hopefully not too much later. But the first two phases will move from a construction perspective absolutely together.
Manish Gandhi	I have one hypothetical question, now with your great efforts and changes what we have done since last three years we are at a stage we can take maximum benefit from the current sluggishness in the real estate market and which may last for next one or two years we do not know. How are we positioned currently to benefit say next year if we get a flood of offers for the JVs? Are we ready to take 20-30 million kind of a commitment or we'll restrict ourselves to the 10 million kind of a thing.
Pirojsha Godrej	It is a great question, we do feel that it is a very interesting phase for the Company where we are seeing pretty good results in our own projects and in our own sales while the market as a whole has been quite weak which has thrown up a fair amount of opportunity to enter into partnerships with other land owners or even other developers. And we are very excited by these opportunities. We certainly do

not have any problem with significantly expanding the scale of the portfolio to your question on whether we will be willing to go beyond kind of 10 million sq. ft. of projects additions in a year. But at the same time we would want to make sure that we have appropriately diversified that so that we can simultaneously sell it because just seeing the overall portfolio keeping on increasing without a commensurate increase in sales doesn't serve much purpose.

So these two project additions for example in Thane and Noida are perfect examples of what we would like to do which is make sure that in the target market's that we are present in the top four markets of the country, we are present in pretty much every micro market enabled to cater to any customers' demands in those markets. And if we are able to do that certainly there are many micro markets in each of the cities we do not have a presence in and significant room for growth from current levels just in these markets. So that will be our continued focus and we certainly agree that it is an exciting time for business development and an opportunity that we must not lose.

Manish Gandhi Same thing about deal making, so what difference you are seeing in the behavior of land owners or even established developers approaching you so is it different from the last 1-2 years? Is there a major difference you are seeing right now, eagerness from their part to come to you on a table on much better terms for Godrej, just want to know that.

Pirojsha Godrej Yes and no. The Company is clearly quite well established now. The ability to sell even in difficult markets is well appreciated by many prospective partners so that does give us a big opportunity. But we have always been able to add new projects. Perhaps the proportion of developers we are speaking to about possible partnerships as opposed to landowners has slightly increased because many developers are struggling or are not confident about their ability to sell as quickly as we might be able to. So we see a little bit more of that. And certainly there is an opportunity to increase the level of business development.

Manish Gandhi If we start construction for Trees in next 1-2 months so next year fourth quarter can we make it to P&L?

Rajendra Khetawat Yes, if we start in next 1-2 months definitely we should be able to make in Q4 of the next financial year.

Manish Gandhi I know.

Pirojsha Godrej We will certainly give it our best shot.

Manish Gandhi It does not matter if one or two quarters here and there because we have already made sales.

Moderator Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha Query firstly on the margins which have been a bit volatile and this time were a bit higher at 19%, so any explanation for this?

Pirojsha Godrej The margins of the Company obviously will be volatile because we have projects that are very low margins and high margins and everything in between. We did have some new projects, our profit-sharing projects entering revenue recognition, like Godrej Oasis & Godrej Prana did give us a bit of a boost. The BKC project will be a little bit less this quarter than the previous quarters so that also boost margins

a bit. Frankly there will be a little bit of volatility in the medium term but as we have been saying for a while now it is quite clear if you look at the project structures and the level of contribution we can expect in the medium term from newer projects versus older project the margin profile of the Company will only increase. But the short-term volatility I am afraid is probably here to stay and especially as we look to monetize this significant amount of commercial space which will be at a lower margin there will be some volatility. But we feel very good about the trajectory of the margin profile of the Company.

Abhinav Sinha

Secondly on your presales mix profile while Mumbai has been doing very well, the contribution from other cities have really declined quite a lot in absolute terms so are the markets a weak or is it more of a how the launch pipeline has been?

Pirojsha Godrej

It has been much more about the launch pipeline. We obviously had an excellent year in Mumbai with the launch of Trees, a big sale in BKC, launch in Q1 of our project in Chembur all of which has been very successful. But it is not that we have not been selling well in other cities. We had a very strong launch of Godrej 101 in Gurgaon. In the first quarter we had a very good launch in Chennai, Godrej Azure earlier this year. We are midway through what we think is going to be an exceptionally strong launch in Bangalore at our new project which we are happy to have launched ahead of time. In March of last year we had an excellent launch in Pune, in Keshav Nagar our project Godrej Infinity.

So I do not see any issue whatsoever in any part of the country with our new launches. There are pockets where existing sales of the existing inventory are not quite as robust as we would like and we are certainly looking into what can be done to improve that. But even on that I think the kind of inventory we have is far lower than most of our peers in existing projects and I think one of the ways to make sure we continue that is to have very successful launches because it does seem to be an ever-increasing importance of sales at the time of launch. But I certainly do not see any evidence that we have been more successful in Mumbai than other cities. Perhaps our project portfolio which has been skewed towards Mumbai which is a good thing because that is where pricing and margins are generally the best but we are very happy with the kind of response our projects are receiving around the country.

Abhinav Sinha

Finally a question on Noida which is the choice for a large new project. The market usually is in the headlines for the wrong reasons so can you give your outlook on what you think of this market and how long will it take to sell this 4 million sq. ft. which is like a large size as such?

Pirojsha Godrej

Thanks for the question; I think this was actually from a strategic perspective one of the very important deliverables we set ourselves for the year. It is the only major real estate market in the country we didn't have a presence in and especially since it fit perfectly into our strategy of remaining within the markets we are already in, by that I mean NCR but expanding into important micro markets. To call Noida a micro market is perhaps a bit of an understatement. But we certainly see a huge opportunity here.

It is correct that the market has struggled recently but frankly that leaves a big opening to someone like ourselves to come in and do well. The Noida market has not typically had much option in terms of national well-known brands on the residential side. We think there will be significant kind of demand for a project that we do. What we are looking to recreate in Noida really is what we have been able to do over the last 3-4 years in Gurgaon which is to go from essentially no presence like we had in Gurgaon five years ago to last year, we think we led the market in terms of volumes. So certainly there is an opportunity if we execute well

to grow Noida into a significant contributor for the Company and we will make sure the sales plan for this project takes into consideration that it is a big project and needs to see volumes. This is the launch I am quite excited about. I think we will certainly aspire to beat some volume records at least from the past.

- Moderator** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial. Please go ahead.
- Dixit Doshi** I have just one question. For 'The Trees', how many cancellations we have seen or we didn't have any cancellations?
- Pirojsha Godrej** The number we put out was net of any cancellations at the end of the quarter. We may have had cancellations this quarter but we have sold more than the cancellations. I think we are almost sold out now except for two or three apartments in the first phase. And that's net of cancellation. For every project what we typically see is what you sell in the launch month is about 5-8% to that typically people do not go through with, so that was kind of planned and we have already resold all of that.
- Dixit Doshi** You mentioned that we have not received any cash from the clients in these projects and we will receive it in Q4 so what percentage will we be getting in first phase?
- Pirojsha Godrej** I certainly did not mean to say we have not received any cash, we have received about Rs. 30 crore already in the third quarter. I do not have the exact number with me for fourth quarter collection but it is in excess of Rs. 100 crore.
- Rajendra Khetawat** It should come in Q4 so it is around 20% of the billing.
- Dixit Doshi** Ok so 20% we will get?
- Pirojsha Godrej** 20% minus what we have received.
- Moderator** Thank you. The next question is from the line of Manish Jain from SageOne Investments. Please go ahead.
- Manish Jain** I just had a question where a lot of business development will happen primarily because of the inability or the decline in prices. So when I am looking at from a risk perspective for Godrej Properties at what end do you have to pay or you have to commit certain things to your partners where in the event of non-delivery or a pending inventory where Godrej Properties is not able to sell the entire quantity, is there any penalty which can come in any of the models whether it is profit-sharing, revenue sharing, DM on you all?
- Pirojsha Godrej** No. Obviously we would agree with the business plan with our joint-venture partner but the way it would work is that any major deviations from the business plan we would have to mutually agree to. There are no penalties or that we have to guarantee performance or anything like that; and we'd quite intentionally stay away from doing anything like that.
- Manish Jain** At any given point of time there are no gaps on prices below which you cannot sell?
- Pirojsha Godrej** Correct but as I said we would agree before getting into the project on a business plan, obviously a business plan we are comfortable with. Typically, the way to work

is up to some percentage deviation from that business plan no discussion needs to be had but beyond that then the partners need to come together and collectively decide the way forward. The good thing is that in our models those interests are also quite well aligned so if markets have genuinely changed and we need to change strategy in the project there should not really be any issue convincing the joint-venture partner.

Moderator Thank you. The next question is from the line of Hiren Ghelani from Envision Capital. Please go ahead.

Hiren Ghelani My question is with respect to Pune as a market opportunity for Godrej Group and the overall trend in that market?

Pirojsha Godrej Pune is obviously a very important market for us. As I mentioned earlier in the call we have identified what we would consider our top four markets which will receive disproportionate focus from us from a growth strategy perspective and those four markets are Mumbai, NCR, Bangalore and Pune. I think Pune is perhaps if one were to have it today, is the smallest, we have only three active projects, there also we have completed some historical projects and I think that means that we look to quite aggressively expand our portfolio in Pune and also make sure we pick up the pace of action in our current projects because two of the three projects we have there are all quite big projects. We are quite excited with the opportunity in Pune for us and we will be working quite a bit to ensure we grow our relative positioning in that market.

Moderator Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth Can you just give me some guidance on Q4 how much square feet we plan to launch apart from 'The Trees Phase 2'?

Pirojsha Godrej Each project will be a little bit different. We have already launched in Bangalore and we are in the process of launching Godrej Avenues which is about 4,20,000 sq. ft. so that already is the one. The Trees, the second phase is about 3,50,000 sq. ft. to be made, some of that to see at more premium prices later. We will see the next phase of Garden City, Ahmedabad which will be likely in March. So I do think that there is a good opportunity to have another strong sales quarter.

Bharat Sheth Are we planning any Chembur, launch?

Pirojsha Godrej Chembur we have some small individual towers in the redevelopment projects of ours, so we may have some sales there, but it's nothing very significant.

Bharat Sheth I believe that today there was a statement that this year we will expect to double the booking whereas we have already achieved around Rs. 2700 crore last year so this year we expect to book around Rs.5,400-5,500 crore?

Pirojsha Godrej We have done Rs. 4,400 crore we hope to end the year on a good note, so I think that should get us to around 100% whether it's a little bit over or little bit under will obviously depend on how this quarter goes. But certainly even just about three quarters is a pretty satisfying level of sales.

Bharat Sheth How is the response in Bangalore launch?

Pirojsha Godrej Excellent.

Bharat Sheth Earlier we were looking to grow the size of the Company to 10 million where currently we already crossed somewhere around 4 million. When do you think that timeline and the kind of opportunity that you are talking and deal pipeline you are talking how do you see that happening?

Pirojsha Godrej It obviously depends on multiple things including how quickly we can add projects, how general markets perform, how well we execute. But certainly if we are able to capture the kind of opportunity we see before us we should not be more than 2 or 3 years away from that kind of level. But that is not that I have some perfect visibility of exactly how that will be achieved. But given the kind of scale of opportunities we are seeing and assuming as we think is probably correct to assume that the market will only improve over the next 2-3 years I do not think we should be too far away from that number.

Bharat Sheth Now talking on this Pune project in Keshav Nagar we had a good traction till Q2 but then all of the sudden it seemed there is no booking in Q3 and even Undri is losing momentum. Do you think we are losing momentum in both the places?

Pirojsha Godrej I do not think so, obviously launch quarters and the immediate quarter after launch is always going to have much higher sales than in a steady state. So we also have to look at the kind the exact inventory we are left. But certainly I think we will look to do very well with Pune sales. The next phase launches of both these projects are in the work while we have taken them out of the plan for this quarter they are likely to happen very early next year. I do think we will see significant momentum again once those happen. Even the inventory available in the current phases is not particularly high. So it's important to understand that for both because people are very excited about the launch and because they get a wider choice of inventory at the launch stage the launch always will see a higher momentum than the steady state but I certainly don't think there is any reason for concern.

Bharat Sheth The revenue recognition aside in first nine months, I am talking only of residential barring this BKC, nine months there is some drop last year revenue was recognized was around Rs.1200 crore and this year is around Rs.900 crore so do you think that from this quarter onward we will pick up the momentum?

Pirojsha Godrej Yes I'm not sure I have followed the math though because I do not know if you have excluded commercial from the previous year as well. Anyway we can take that off-line.

But I don't think we are particularly concerned about revenues growing and growing fast. You have excluded BKC but I probably do not think that's totally reasonable, so including BKC our revenues are up 83%. And the point is bookings are up almost 100% this year which obviously will translate into revenue growth in subsequent years. The revenue on a compound basis for 10-12 years has been growing at about 45% a year including in the last couple of years, so we are not overtly concerned about the good revenue growth.

Bharat Sheth On margin side you said that in short-term this volatility will remain, so what range do we expect margin to remain in short-term and from medium to long-term where you see?

Pirojsha Godrej Frankly there is no great way to project that because it is quite straightforward why it is not very easy to project because we have commercial projects like our Chandigarh and Kolkata commercial where frankly we feel very happy with breakeven and exiting those projects. So obviously if we are successful, impact from being able to sell them will have a dampening effect on margins. On the other

hand when things like The Trees and other profit-sharing and development management key projects continue to increase their scale of contribution that will be a significant margin expansion.

So the good news is that things could depress margins are all relatively short-term in nature, so they should be our older projects and our commercial projects. It is much easier to project the trajectory going upwards and we have said that in the medium term we think 30% is a reasonable level but certainly as profit-sharing and development management fee contribute more and more we can continue to enhance them from there. But in the short-term I would not hazard a guess because it is really entirely dependent on the sales mix.

- Moderator** Thank you. The next question is from the line of Himanshu Zaveri from Dhruv Gems. Please go ahead.
- Himanshu Zaveri** This question is just to ask you that seeing the global scenario do you think there is a downward risk of price getting lower in all the residential markets in India. Not a big correction but maybe 10-15-20% correction that also dents our margins?
- Pirojsha Godrej** In real estate we always have to accept that risk exists. Any project we are doing we would expect that at some point of the project life-cycle there is going to be a dip in the sector; it is a sector that lends itself to booms and busts. And obviously we can't completely delink ourselves from the sector so while we can be relatively stronger than others and charge a pricing premium over others and get a volume premium over others, we obviously have to be broadly within what is happening in the markets. So our margins could temporarily dip if such a situation emerges. But over the medium term again it is much more likely that volumes and pricing will increase which will improve margins rather than this. But it is very important at the same time to be able to absorb short-term setbacks in this industry and even if those setbacks persist longer than one expects we have to be able to deal with that.
- We think this year is actually a great year for us to demonstrate some ability to do that because despite pretty weak overall market conditions we have seen our own bookings grow by about 100%. So being able to do that is something we are very happy about. And also the structures of deals we enter give us the best possible protection against a downturn, things like the development management fee model and a profit-sharing model. So there is no way in this sector to totally remove the effect of a downturn.
- Himanshu Zaveri** One more thing I have read somewhere in the newspaper a while back in Maharashtra they have come up with a policy whereby online you can get the permissions of all the projects if all the documents are proper within 60 days of applying, is it right?
- Pirojsha Godrej** Yes they are doing lot of work on improving the ease of doing business in Mumbai, clearly that is visible over the last few months. I would not say it is night and day change yet, it's still lots of issues that need to get sorted out. But directionally it is very encouraging to see steps like this, greater automation and accountability being put not only on developers but also on the bureaucracy to process approvals within certain time frame. The next few months and years will tell how well these are being implemented and whether in fact there is going to be a huge change but I think directionally the idea seems to be very much in a positive direction.
- Himanshu Zaveri** Regarding the BKC thing, is there any positive thing going on for the rest of the space or it is just difficult to tell right now?

Pirojsha Godrej	There is a lot of interest in the project as the project is nearly complete now from a construction perspective. People are understanding that they can move in relatively quickly. Even commercial market is also improving. The scale of the deal and the pricing of the deal has also been helpful to us. We have set ourselves the goal of completing and exiting the project in this calendar year.
Himanshu Zaveri	Regarding the new project Godrej Icon, Aria and Keshav Nagar, Panvel, not a timeframe but generally all these projects once you have launched them generally they come into revenue after a year or generally a year or something?
Pirojsha Godrej	Four or five quarters typically, of course, it depends on the construction start, approval timelines, more than anything else.
Himanshu Zaveri	I think there is some problem with Aria? You have not started construction or it is going on?
Pirojsha Godrej	We are starting that right now, there was no environment committee in place for a long time in that geography.
Himanshu Zaveri	Because there was nothing uploaded in the website regarding the construction.
Pirojsha Godrej	That is now starting.
Moderator	Thank you. The next question is from the line of Amrit Kalantri who is an Individual Investor. Please go ahead.
Amrit Kalantri	I wanted to confirm two things one is, we saw the promoters selling some stake to Kotak Mahindra Bank, so I assume now that we will not be diluting for the merger to go through?
Pirojsha Godrej	This was the transaction we needed to do to be able to make the merger effective. We chose partially based on the feedback we received from minority investors to do this through direct sales rather than raising any fresh equity.
Amrit Kalantri	It is greatly appreciated especially since you are not diluting at the current valuations, so thanks a lot. Second thing, I wanted with your guidance on how do we look at doing something on important metrics like Return On Capital Employed and the Return On Equity? So while we are having strong growth in our revenue if I just annualize your nine-month numbers we come to somewhere around 11.3% of it on Return On Capital Employed and 14.5% Return On Equity, while Return On Capital Employed is just slightly above our cost of debt I am sure the management is not satisfied with these metrics. I remember in around a year, year and a half you would be looking at 20% plus returns. And also while I am not an expert what I understand is this is a project-wise business with generally has very handsome returns on project by project basis but since you have different projects at different stages so the returns probably may not come in the P&L at the same time so how to actually track it internally as management how would you guide the shareholders because in the long-term Return On Equity like about 20-25% is what would make great returns for us as well. If you can please guide us on that?
Pirojsha Godrej	You are certainly correct in stating that we are not satisfied with the current return metric. We have said that the two big causes for that one that we have got a lot of capital locked up in commercial real estate quite unproductively which is generating

almost no return and a large amount of our capital is locked into it. I spoke earlier on the call that how we plan to dramatically change that over this calendar year. I think last year obviously was another big year for us in achieving that with the big sale we did at BKC was about Rs. 1,500 crore. So that is one factor we think it has pretty good visibility on steps that we have been to reverse that.

The other has been to have been adding projects quite quickly to our portfolio. Our percentage of projects that have added in the last three years to our total projects is very high and that's actually a very good thing. Although the P&L and our return metrics in the short term would be a little bit subdued. In the medium term clearly it will start enhancing all of these metrics. And while we will continue to add projects at a rapid pace we think the percentage of new projects, the total projects probably will not be increasing because our existing base is also now much more significant than it was there 3-4 years ago. So most of those factors have led to the kind of subdued numbers we have seen in the recent past and we think there is a pretty good clarity on how that will improve going forward and we remain committed to working towards getting these numbers beyond 20%.

- Amrit Kalantri** Would it be possible for you to share your project-wise IRR?
- Pirojsha Godrej** No that we cannot share.
- Amrit Kalantri** You think in long-term 20-25% is a sustainable number for our Return On Equity?
- Pirojsha Godrej** Yes we do think so, particularly as the kind of models we are working and involved, we certainly think that is possible.
- Moderator** Thank you. The next question is from the line of Ravi Naredi who is an Individual Investor. Please go ahead.
- Ravi Naredi** I would like to know The Trees projects when you launched how many months you will complete it?
- Pirojsha Godrej** The construction will be completed in about three years from the time we start construction.
- Ravi Naredi** The second question you have given list of 46 residential projects and of commercial project in your highlights today, so when all projects will be completed what will be the value hypothetically?
- Pirojsha Godrej** What will be the value of?
- Ravi Naredi** When all the projects will be completed what will be the value in Rupee terms?
- Pirojsha Godrej** Obviously it depends on a lot of things, it's a 115 million sq. ft. portfolio some of which will take decades to complete, including Vikhroli and our project in Ahmedabad. The frank answer is I don't have the number for you right now but it is very significant really.
- Ravi Naredi** How is the market demand this quarter?
- Pirojsha Godrej** The market as a whole we have seen a very good offtake in our own projects. As I mentioned earlier on the call, this was the third consecutive quarter we have sold over Rs. 1,200 crore worth of real estate. We had never thought we will achieve

that in a single quarter so we are quite happy to see the kind of responses, the second highest residential sales we have ever had.

Moderator

Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments.

Pirojsha Godrej

I hope we have been able to answer all your questions. If you have any further ones or would like any additional information, please do let us know and we would be happy to be of assistance. Thanks again for taking the time to join us today.

Moderator

Thank you very much members of the management. Ladies and gentlemen, on behalf of Godrej Properties that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

- ENDS -

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