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February 16, 2017

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The National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex,
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Mumbai – 400 051

**Re: - BSE - Scrip Code: 533150, Scrip ID - GODREJPROP
NSE - GODREJPROP**

Sub: - Transcript of the conference call with the Investors/ Analysts

Dear Sir/Madam,

Please find enclosed herewith a transcript of the conference call with the Investors/ Analysts held on February 03, 2017.

This is for your information and records.

Thank you,

Yours truly,
For Godrej Properties Limited


Surender Varma
Company Secretary & Chief Legal Officer

Encl: a/a





Godrej Properties Limited

Q3 & 9M FY2017 Earnings Conference Call Transcript

February 03, 2017

- 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** Thank you. Good Afternoon, everyone, and thank you for joining us on Godrej Properties Q3 FY 2017 Earnings Conference Call. We have with us Mr. Pirojsha Godrej, Mr. Mohit Malhotra and Mr. Rajendra Khetawat. We will initiate the call with "Opening Remarks" from the management, following which we will have the forum open for "Question-and-Answer Session."
- Before we begin, 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 'Results Presentation' shared with you earlier. I would now like to invite Mr. Pirojsha Godrej to make his opening remarks.
- Pirojsha Godrej:** Good Afternoon, everyone. Thanks for joining us on Godrej Properties Third Quarter Financial Year 2017 Conference Call. I will begin by discussing the highlights for the quarter and then look forward to taking your questions and suggestions.
- Our total revenue for the third quarter stood at Rs.554 crore, 91% increase over the corresponding period of the previous year. Our EBITDA grew by 217% to Rs.157 crore and adjusted EBITDA grew by 76% to Rs.181 crore. Our net profit increased by 185% to Rs.77 crore. This has largely been possible due to revenue recognition in our flagship project, "The Trees", which reached revenue recognition within four quarters of the project launch. With less than 15% of the total expected revenue from residential development at "The Trees" recognized in the last quarter, we do expect this project to considerably bolster the company's financial performance in the years ahead. The total value of sales in the third quarter stood at Rs.693 crore, which represents 15% quarter-on-quarter increase.
- The response to our new project launches in Noida and Pune has been excellent despite challenging market conditions. We launched Godrej Golf Links in Greater Noida in the first week of November at a time when NCR market has been witnessing a major slowdown. We sold over 6 lakh sq. ft. of villas with a booking value well in excess of Rs.300 crore in a single day. The total booking value for the quarter stood at Rs.395 crore. We are proud of this achievement given that this was our first ever

project in Noida and the launch was executed at a time when market conditions were very unsupportive. In Pune, we witnessed an overwhelming customer response to our project "Godrej Greens", which was launched immediately after the government's demonetization announcement. We sold over 300 apartments within the quarter and that represented more than 75% of the launched inventory.

We also saw business development success in Pune, where we added one new residential project with saleable area of half a million square feet under the profit-sharing model. The government's announcement of demonetization in addition to the existing weakness already underway in the sector has changed the structural dynamics and the weak market conditions provide us a great opportunity to substantially enhance our development portfolio across the country. 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 discussions with prospective partners.

On the operations front, we successfully delivered over 400 apartments across three cities. We received Occupation Certificates for Godrej Serenity in Mumbai, Godrej E-City in Bangalore and Godrej Horizon in Pune within the timelines committed to our customers. We are putting a lot of effort to build on the legacy of trust we have inherited by focusing on making GPL the most customer-centric real estate developer in India. Timely delivery is an important part of this strategy.

I am pleased to share that Godrej BKC has received the IGBC Leadership in Energy and Environmental Design Platinum Certification, which is globally recognized as the highest rating for sustainable buildings. With this achievement, Godrej BKC becomes the only building in BKC to be IGBC LEED Platinum-certified.

Cyclical downturn combined with demonetization and the upcoming implementation of the Real Estate Regulation Act has created short-term uncertainty and pessimism in the sector. However, these same factors will lead to consolidation and improved governance in the sector, which in turn will drive improvement in consumer confidence. The combination of this improved consumer confidence with far improved affordability that is the result of rising incomes, stagnant prices and reduced interest rates will propel the sector in a very positive direction over the next several years. We expect 2017 to be a transition year for the sector with things starting out slow, but seeing dramatic improvement during the year. Our brands, national presence, demonstrative track record and capabilities put us in a strong position to disproportionately benefit from any improvement in the environment and will allow us to remain on a high growth trajectory in the years ahead.

I would also like to briefly comment on the leadership changes our Board of Directors approved yesterday; our Chairman, my father – Adi Godrej, will assume the Chairman Emeritus position at the company. I will now take on the role of Executive Chairman. My colleague, Mohit Malhotra, will be the new Managing Director and CEO. Mohit joined Godrej Properties in 2010 and has been instrumental in the company's growth since then. He first headed business development of the company and has since taken on larger leadership responsibilities that currently include heading GPL's pan India operations. Mohit was appointed to GPL's Board of Directors as an Executive Director in 2015. I look forward to continuing to work closely with Mohit to ensure we are able to deliver our long-term vision for the company. I am confident that Mohit will be a fantastic CEO and I look forward to seeing the company scale new heights under his leadership.

On that note, I conclude my remarks and would like to thank you all for joining us on this 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 with the Question-and-Answer Session. The first question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: My first question will be with regards to The Trees. With us recognizing Phase-1 in less than 12-months, should we expect Phase-2 which was launched in fourth quarter last year to be recognized in the coming quarter or will there be some lag to it?

Pirojsha Godrej: There is a slight difference in soil conditions in Phase 2 compared to Phase 1. While they started construction about the same time, it is running a little bit behind. We are trying to get it in Q4, but I think currently it could be added in Q4 or Q1.

Abhishek Anand: A related one will be of course the Phase-3 launch. Should we expect it in March or is it likely to be in the first quarter next fiscal?

Pirojsha Godrej: Abhishek, currently the internal target is still March, we have the IOD for the project but we are awaiting the final CC. So if that comes in quickly, certainly it will be in March. If that gets pushed out we will just have to take a call on whether to launch on IOD or wait for the CC.

Abhishek Anand: Pirojsha, I was looking at our cash flow numbers. Collections if I am comparing it with second quarter, I see a bit of decline. So, I understand there was a Jet payment received in the second quarter, but if I remove that also, I see bit of a decline. Is it business as usual or should we see something into it?

Pirojsha Godrej: No, it is very much business as usual. Excluding Jet there might be about 5% decline. I do not think it is very meaningful and this was also the demonetization quarter and we managed to have a couple of very successful launches. The overall sales particularly from our already launched project position was a little bit weaker than we would have liked. So I think that created a little bit of a gap, but I do not think there is anything to read into it.

Abhishek Anand: If you could help us or rather give us some guidance on debt. First, the debt has been rising despite our projects doing pretty well. So, are we targeting any debt number or with the borrowing rate at 9%, we are comfortable with the current debt levels?

Pirojsha Godrej: While we have always said, we have no aspiration to get zero debt level; we do think our competitive borrowing costs are one of the sources of advantage for the company. At the same time, there is an opportunity for lower debt than we currently have. I think we have not done as well as we thought we would and as quickly as we would have monetized BKC this year. Again, there is no real concern on it happening while it would not happen within FY17 as I have initially guided, I certainly do not think it should extend much beyond that. There is a very healthy deal pipeline. So it is just a matter of some of these bigger ones clicking now. But, that delay has impacted the debt reduction we would have liked to see already having occurred, but that will certainly play out this calendar year. Going forward, Mohit can also just say a few words on some of the efforts we are making on existing inventory sales.

- Mohit Malhotra:** One of the biggest levers, which we have identified within the residential portfolio, was sustenance sales. There is a lot of inventory, which is available, which if we sell would bring in a lot of cash flows for us. So, we have identified that as a major lever. Now having said that, it is not going to suddenly happen tomorrow because market conditions also have to be taken into consideration but there is a lot of focus internally on improving the run rate of sustenance sales, how do we monetize some of the projects, which are at the later part of their lifecycle? So lot of work is happening internally and over the period of 6-9-months, we should start seeing the positive results coming out of that.
- Moderator:** Thank you. The next question is from the line of Punit Gulati from HSBC. Please go ahead.
- Punit Gulati:** If you can give some more color on what the role changes really entail, on what decisions that Pirojsha was taking earlier will get restricted? What more decisions would Mohit be taking? Some more color on the management change would be very useful.
- Pirojsha Godrej:** As Mohit takes on the new role, all operational decisions will now fall upon him. As I envision my own role, what I would like to focus on is making sure from a long-term perspective we are able to deliver our company's vision. Some of the softer aspects like making sure we are at the forefront of customer centricity. There is a culture we are building within the organization to help us succeed and our capability building is happening on a constant basis. Our focus is on some of these areas. Operationally, the one area where I will continue to be quite hands on, is the Vikhroli project. Other than that, I think everything now is going to be Mohit's responsibility.
- Mohit Malhotra:** I think Pirojsha has clearly answered that. Again, Punit, it is a collaboration thing. So we are going to work together and make it happen. Clearly, the aspiration is to take the company to a very different level, and, as Pirojsha highlighted, I would manage the day-to-day operations and Pirojsha would look at the long-term and both of us will make sure that the company moves in the right direction.
- Punit Gulati:** Secondly, on big picture, if you can give some more color on post-budget, there have been some amendments with respect to affordable housing. Does that become a play for you and what role do you envisage there for yourself?
- Pirojsha Godrej:** Yes, some of the budget announcements were quite interesting and beneficial, good both for the country and the sector. On affordable housing, we already have projects, some of the clarifications we still await, but certainly a lot of our projects already have majority of apartments that would fit into the size descriptions as modified by the government currently. Also, a five-year tax payment for projects to avail a tax benefit is a much more realistic factor as compared to three years so that is the benefit. We are still understanding the fine print but the possible benefit from a joint venture and the treatment of capital gains tax for land could be a very significant advantage for us. We are still looking into that. But certainly the budget was a very positive one for the sector and we feel that will benefit us as well.
- Punit Gulati:** Some color on what kind of construction spend do you envisage over next year or few quarters?
- Pirojsha Godrej:** I do not have the details off hand, maybe we can give offline.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

- Kunal Lakhan:** On your launch tracker slide, greenfield launches as well as some of the phases in existing projects seem to be delayed. Just wanted to understand how much of this delay is because of the systemic issues regarding the approvals and how much of this would be a conscious decision on our part to delay these launches because of the current environment?
- Pirojsha Godrej:** I think every one of these is linked to approvals in one way or the other. The only possible exception is Platinum in Vikhroli where if we are trying to launch Trees, we would not want to launch both in the same quarter, even there the final approvals are not totally in place. So, I think essentially it is all approval related. I think as we see, even when we launched the project a few days after demonetization we chose to go ahead with that. So I do not think that alone would put us off. We are still confident of successfully launching all of these projects, but there have for various reasons been approval delays and some of the inventory in Chennai or Ahmedabad is also linked to making sure that we sell higher percentage of existing inventory before we launch new phases.
- Kunal Lakhan:** Just a follow-up on that, the approval delays that we are facing are restricted to Mumbai or it is across geographies?
- Pirojsha Godrej:** No, in Mumbai, particular problem we face with some of the court judgments and other things, but it is not restricted only to Mumbai. For example, in Nagpur, future phases have been delayed, the project in Delhi has approval delay, so it is not only Mumbai, but Mumbai is seeing a bulk of such projects.
- Kunal Lakhan:** Any color you can give on monetizing your Kolkata and Chandigarh projects?
- Pirojsha Godrej:** Yes, there are a few deals underway and we have managed a little bit of monetization this year. But, they have been very disappointing to us and outlook is not exceptionally bright. We do hope to see some pick up in the pace. But those markets fundamentally have not performed very well. So unlike BKC, where the visibility is very strong, these two could be a little bit slower.
- Kunal Lakhan:** Then BKC we can expect to be monetized by FY18?
- Pirojsha Godrej:** Yes, that would be a huge disappointment if that was not the case.
- Moderator:** Thank you. The next question is from the line of Anitha Rangan from HSBC Asset Management. Please go ahead.
- Anitha Rangan:** I just wanted to understand there is a decline in booking value both in nine months and in this quarter. So does that translate into lower future revenues or will you increase the pace of launch and pace of completion which will match up the future revenues?
- Pirojsha Godrej:** No, the booking numbers for the nine months are not looking great, there are several reasons for that. One is the approval delays in some of the high value projects like Delhi, Bhandup and Vikhroli launches have not happened yet. So I think that has had an effect. I think the overall market has not been great plus we did have a very strong year last year. So there is a little bit of base effect with both BKC which was Rs.1,500 crore, first phase of Trees was which about Rs.900 crore. So those were very strong successes last year, keep in mind last year our booking grew by about 90% from the previous year. But certainly we are not at all satisfied with the level of booking achieved so far this year. If you look at the launches not happening up to the pace we expected and the combination of some of the launches now coming into

the pipeline particularly in Vikhroli and also some of the new business development deals we are looking at, we are confident of getting back on to a very high booking level and certainly we hope to demonstrate that soon. But I would say the third quarter was the best quarter from a booking perspective, both in an absolute sense but also particularly given the context that I would expect we would be one of the best if not the best in terms of values sold in the quarter given demonetization and other things. So I am reasonably satisfied with the Q3 numbers given the context, but certainly we look to do much higher numbers in this calendar year than we did in last year.

- Anitha Rangan:** I also have a follow-up question on the debt side, you had earlier guided like it would be around 1.5x but now the ratio is increasing to 1.7x. So where do you see the comfort zone. Do you see the comfort zone actually shifted or you would want to get back to that 1.5x level?
- Pirojsha Godrej:** Yes, I would say that the range we have always been comfortable since the IPO and guided is towards 1 to 1.5. That remains the range we will be most comfortable with. We also said that there could be short-term periods where we go below or above that, we have gone below that range also in the last couple of years, we are currently above it. We are very confident because that is the short-term phenomenon and we will be back within that range through operational cash flows shortly.
- Anitha Rangan:** Going forward would the debt numbers largely constitute working capital or would you have any approval payments to be made one-time payment, large payment?
- Pirojsha Godrej:** There will always be payment of FSI and land payments of one nature or the other. But I do think the operating cash flows and again, particularly from the commercial projects we will unlock a lot of cash.
- Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** My first question was essentially on your margins. This quarter your adjusted EBITDA is something like 35% and despite some of the recognition from BKC and some of the other low margin projects. So is it fair to say that the Vikhroli margin is probably closer to 40%?
- Pirojsha Godrej:** Saurabh, we do not want to split out the margins by a project but clearly the margins have shot up for this project as you said, correct. Even though it is a much higher margin project we would likely prefer not to indicate. But, I would also just mention that we expect future phases to see even better margins than the first phase and the second phase leading to higher pricing. Overall, we expect to be a little bit less than 15% of the total residential project revenues in the last quarter. But the exact margin we prefer to keep to ourselves.
- Saurabh Kumar:** So this 15% is basically what you did at that pre-launch last year. So as your price moves up, the margin should move up, right?
- Pirojsha Godrej:** Yes, 15% is calculating the total revenue expected. Both the first and second phase has already been launched and the third phase we expect to launch shortly.
- Saurabh Kumar:** So basically for the incremental projects which we are doing right now under this joint development and joint venture schemes, do you want to essentially push back on to the landowners to underwrite a project which at least has a 40-45% margin because

there are not many developers left right now across markets. So you are one of the very few ones left?

Pirojsha Godrej: Just keep in mind, our structures have now shifted to profit sharing and development management fee for the most part; certainly we will look at margins as an important consideration. But we feel the models itself are inherently quite well margin protected as opposed to some of the older structures we have. But I think your broader point on can we get good deals in the current environment is an important one and certainly we should be able and hope to demonstrate that more to all of you in the quarters ahead. I would say again in the last few quarters while there has been a huge amount of momentum on term sheets and discussion, the pipeline is looking very healthy, I would say what we have been able to actually announce is a bit disappointing. So hopefully we can rectify that in the months ahead.

Saurabh Kumar: But even in JVs, you give our partners a certain share. My point is essentially any new project that you underwrite, is there like a base margin below which you will not do a deal?

Pirojsha Godrej: Yes, there is a base margin below which we would not do a deal. But it also depends on the overall structure and how we are looking at margins as one of the metrics, I would not say it is the only metric we are looking at. But my point is that on a gross margin basis in a profit sharing deal there is generally very healthy margin because the land cost is essentially forming part of your margin. We are looking to maximize return per square foot and also we are looking at deals with higher percentage of profit to us, all of that could be part of the endeavor.

Saurabh Kumar: Just one last point, Rajendra. Most of your competitors now provide for at least their ongoing portfolio, what is the cost to spend and what is the cash you expect to accrue from your ongoing projects, and if possible the value of the inventory, which is ongoing in nature. I was wondering if you guys can maybe from next quarter onwards at least provide that so it just helps us assess your ongoing projects in a much better fashion that will be my only data request.

Pirojsha Godrej: Thanks, we will keep that in mind and debate it. I think all our projects, we need to be a little bit careful and incremental in terms of what we want to share and be sure that all data is reliable and something we feel confident to share on an ongoing basis, but certainly we will keep the recommendation in mind.

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

Sameer Baisiwala: Just on BKC project, how much is the pending inventory now. Is it 2.5 lakh sq. ft.?

Pirojsha Godrej: Yes.

Sameer Baisiwala: Is there something in terms of your ongoing talks with the potential buyer that give you confidence that more can happen in the near-term or that is not the case?

Pirojsha Godrej: Yes, Sameer, the number of discussions underway is very significant; people are very interested and are happy with the building. Frankly, there is nothing missing other than the deals now happening. So I do not have any major concerns to that point other than the speed at which we are closing in, which I would agree has not been up to the mark, but there is no concern in our mind that it should drag on very significantly because there is pretty good visibility from a pipeline perspective.

- Sameer Baisiwala:** Just curious how do you assess the comparable competing inventory nearby. Is it significant or is it not too much?
- Pirojsha Godrej:** It is not too much. I think in BKC if you look, the number of projects with inventory is quite low. There are a handful of projects that have any inventory, and the amount of inventory with those projects is not very significant. Also, several of the competition or at least what we consider the competition is only one or two buildings. So I think the clients who are interested in actually purchasing, there is less competition. But I would say the BKC overall market is quite favorable for us at the moment.
- Sameer Baisiwala:** Second question is on your pace of new sales, and if I exclude the new launches, which I think was 0.9 or actually almost 1 million sq. ft., and if I do that for preceding three to five quarters and it looks like you were earlier doing almost half a million square feet from the ongoing projects which has now probably fallen down to 0.2 million sq. ft. So was this because of demonetization, customers have pulled back or something else?
- Pirojsha Godrej:** First of all, I do not think that the scale is quite what you mentioned, but yes demonetization certainly provided some amount of challenges. I think the market itself have been challenging even before demonetization worsening for most of the year, but as Mohit remarked, sustenance sales as a strategy and making sure we get better at that is going to be an important deliverable lot of good work is underway. So we are reasonably confident, we will see some improvement in that. I think the positive way of looking at this is our launch engine is working extremely well, pretty much every residential project we have launched across the country irrespective of market conditions has fared extremely well. There is room for improvement on sustenance sales, which is an industry-wide challenge at the moment and we feel we have some good ideas and plans to improve on this.
- Sameer Baisiwala:** Pirojsha, in addition to the leadership changes that you announced, what you have also announced is that you are joining the Board of GCPL as Executive Director. So is it sort of that you would be moving out and taking a bigger role in the overall group in the years to come and this is just the first stage of that?
- Pirojsha Godrej:** Sameer, hopefully, my career will progress over time, but the current role is totally focused on GPL as a Senior Director, GCPL is an opportunity to learn that company, but certainly I do not expect that to be a meaningful part of my overall responsibilities, and even in an overall broader group role, certainly, to me the big focus areas and the big opportunity is the value creation at the group and particularly one I can play a major role, would continue to center around big properties and Vikhroli overall. So I would be around with the company for a while, but I would start learning other businesses in the meantime.
- Moderator:** Thank you. The next question is from the line of Nitin Agarwal from IDFC Securities. Please go ahead.
- Nitin Agarwal:** Pirojsha, the affordable housing incentives which the government has announced, do we see a different way of doing business to leverage the opportunity or we have been pretty much doing some of those projects that qualify under those norms, how do we look at this thing?
- Pirojsha Godrej:** I think we will certainly keep this as one of the factors when we are looking at a project, I thought it was a pretty fresh news, we will also have to understand that from business development and planning perspective what changes we would like to make. Certainly, this will be one of the factors we consider now when we are planning

a new project and we can take advantage of this in planning apartment sizes and things. I do not think we are seeing there is any new vertical we want to start in affordable housing or anything like that. We will see how to best leverage the new rules under the current structure. We do think that particularly outside of the so-called metros for us that would largely mean Bangalore and Pune, which the new sizes are such that they give quite a bit of flexibility and the timelines also make sense. So I certainly would expect that we will have projects that benefit from this news.

Nitin Agarwal:

Secondly, on the new project business development front, has there been any change in terms of the opportunities, which are out there in the market, how do you see your own progress for the year in terms of the pace of business development?

Pirojsha Godrej:

So we track it from a turnkey perspective, which is internal tracking mechanism, it is not relevant from a market perspective, this year has been by far our best year in terms of business development. Now converting those into development agreements which we can announce is something that we can improve the performance in the months ahead. But certainly, over the last few years, the number of business development opportunities has been steadily increasing both given that the company has performed relatively well compared to peers as well as some of the fundamentals in the industry starting to change both with weakness that was pre-existing for the last three or four years but certainly we will get now an added impetus from things like the Real Estate Regulation Act and demonetization. The other shifts that we are seeing is that while 5-years ago may be 25% in that ballpark was for the number of business development discussions we would have, with other real estate developers, I would say now that number is actually more like 80%, where most of the project discussions are actually with other real estate developers, these are some of the shifts we are observing. Certainly, from a longer-term, we feel as confident as we have ever felt about the prospects of the business both from business development perspective, but also competitiveness in the marketplace with changing expectation customers have and changing dynamics in the sector.

Nitin Agarwal:

Lastly, in terms of the way we are looking at projects, so in the past we have done projects, which have been relatively smaller in size. So, is there a conscious thought towards moving away from projects which are not so large in size and probably most of the developers in the listed space otherwise have been focusing on trying to work on much larger scale projects, wherein the projects will have a much longer lifeline and the values they create is far more than the smaller ones.

Pirojsha Godrej:

No, I think certainly below a certain scale, it does not make sense; different developers may come to different conclusions on it. If you look even in the last quarter I added a pretty small project in Pune. So some of these projects do bring their own set of advantages as well, they can be quickly turned around, sold in a single phase, most of the inventory sold in a single shot. So there is certainly a scale below which it does not make sense to do and that scale will increase year-on-year as the company scale increases but I would not say that we only want to focus on very large projects because those have their own sets of unique challenges as well.

Moderator:

Thank you. The next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.

Ritwik Sheth:

Sir, it seems that we are totally unaffected by the demonetization. So, what is the general sense in the market which is going on and what are we doing right what others are not able to do?

Pirojsha Godrej: Ritwik. I would not say that we are not at all affected by demonetization. While we had a couple of very good launches despite demonetization or actually one of them was before demonetization, we would have done better sales if demonetization had not happened, so we were also affected by it. I think we tried to do a lot of work in capability building, on sales, we have been talking about that for sometime, as we mentioned we have a very good launch engine now, we have understood how to launch projects, to position projects, how to benefit from our presence in multiple geographies and even international markets. So we think we have good capabilities on that front. We could be doing better on sustenance sales, fortunately with high successful launches, the numbers, the amount of inventory we have to do in sustenance sales is much better than most of our peers, but we do think we can and should do better on that front. But the industry as a whole is moving towards consolidation, the better regarded customers from a company and from a customer perspective will benefit. I think that will only hasten as demonetization in particular as an era start getting implemented. So I think we have to make sure that we leverage the advantages we have from our brand, from our national presence and continue to kind of grow market share within the industry.

Ritwik Sheth: So, going forward, you are only going to improve on this performance?

Pirojsha Godrej: Certainly hope so, but we have to make sure that happens.

Ritwik Sheth: We are supposed to receive some cash from Abbott. Have we received the cash flow on the bigger BKC sale?

Pirojsha Godrej: Yes, that was in Q2 actually, 100% payment from Abbott was received.

Ritwik Sheth: So going forward, that portion of debt will reduce in this quarter and that will be reflected after March, right?

Pirojsha Godrej: No, that was already received in the second quarter, so it was reflected in our Q2 numbers. We still have Rs.1,400 crore of net cash flow we expect from BKC, but that is largely dependent now on fresh sales.

Ritwik Sheth: So what is the area that we have in Trees Phase-3?

Pirojsha Godrej: I do not have the exact number, it is about 350,000 sq.ft.

Ritwik Sheth: We are supposed to launch a hotel. Any updates on that?

Pirojsha Godrej: No, I think we are still studying models, potential partners, etc., so that is not something we plan to kick off immediately.

Moderator: Thank you. The next question is from the line of Kuntal Shah from Axis Holdings. Please go ahead.

Kuntal Shah: I would just query that your APG platform would be impacted by the new thin capitalization rule now in the budget from capital repatriation view. Secondly a request for, we have 56-odd projects going on. So would it make sense to give project level area of unsold inventory, sold inventory, threshold of revenue recognized, booked and accounted for and received and pending receipts, so one can get much more clarity on project level details without disclosing the ROEs and other things?

- Rajendra Khetawat:** On your first point, we are studying the provisions in details, as of now it does not look like because the provision what has come in the budget, it does not affect us, but we are studying the fine print and hopefully we will be able to confirm you once we have gone through that. To your other question, I think Saurabh also mentioned that, we have taken a note of it and we will review it.
- Moderator:** Thank you. The next question is from the line of Manish Jain from SageOne Investment Advisors. Please go ahead.
- Manish Jain:** I just had one question on business development that post-demonetization, have you felt the impact particularly more in any of the four targeted geographies of Mumbai, Bangalore, Pune and NCR. Second, related to this question was we have not seen many project BDs signed up in Gurgaon. Is any special reasons for that?
- Pirojsha Godrej:** I would say that different cities have reacted slight differently; demonetization has affected everywhere, but NCR probably given that it is already quite weakening to the maximum extent. In Gurgaon from BD perspective, the pipeline is probably one of the strongest of any markets. So hopefully we will have some announcements.
- Mohit Malhotra:** Manish, we are waiting for the DTCP to come up with a change of developer policy, which is almost a year and half back they have announced that because of which we cannot sign the definitive agreement unless on the license a change of developer happens, now that policy has been limbo for almost a year and a half. So a lot of term sheets are awaiting that policy change. Once that happens, I think we will have good positive news to share.
- Moderator:** Thank you. The next question is from the line of Himanshu Zaveri from Dhruv Gems. Please go ahead.
- Himanshu Zaveri:** I just wanted to ask you whether we are launching a third phase of Trees, Godrej Park at Bhandup, Godrej Platinum and Godrej Noida all in this year?
- Pirojsha Godrej:** We definitely would not launch both Trees and Platinum, the goal currently is to launch Trees within this financial year. Noida, again, we are hoping to launch, but we will have to see on the final approval which is still awaited.
- Himanshu Zaveri:** Can we now say that the margins will be as good and steady except when you sell your commercial assets and will it be good in the residential part of your sales whenever you do it?
- Pirojsha Godrej:** Certainly, we hope with Trees coming in, the residential margins should be steadier and higher, but large fluctuations are still expected with commercial and with some residential projects that we have.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** First one on the pace of recovery from demonetization. First few weeks were very strong for you in Q3. But since then there must have been some slowdown and how are things looking in January so far or even after that?
- Pirojsha Godrej:** I think definitely the negative impacts of demonetization are wearing off, January has been definitely better than November and December was. Overall, we remain very optimistic about the medium term, there is a lot of current pessimism but we think

that will change quite quickly once sentiment starts improving and affordability if you look at it is much better in the sector now than it was a few years ago. With the Real Estate Regulation Act coupled with demonetization, consumer confidence will also improve. So as I mentioned in my opening remarks, we are optimistic on the sector as we have ever been from medium to long-term perspective, exactly how long the short-term weakness lasts is anyone's guess, but certainly we are bullish on the medium-term.

Abhinav Sinha: So just as a follow-through, even say given the current pace of absorption, you are okay to go ahead with the bigger launches in NCR and Trees Phase-3 in another couple of months down the line, can we still expect that?

Pirojsha Godrej: I think as I said, it is linked to approval, so none of these are being held back because we are worried about being able to sell. As I mentioned, we launched a project even in the end of the week, demonetization was announced and we are happy with the response. So certainly that is not the reason we have hold back, it is a combination of approval delays and also market-by-market understanding exactly on what approvals we should launch as of now with RERA around the corner.

Abhinav Sinha: On RERA, do you see that impacting your own launches in the next 3-6 months?

Pirojsha Godrej: Yes, I think it will postpone launches by a couple of quarters as it becomes operational in each city, and the choices we are faced with now is immediately ensuring that all launches are only fully after all RERA required approval or waiting till it actually is implemented in each state before moving to that. So those are some of the things we are currently debating.

Moderator: Thank you. The next question is from the line of Anand Krishnan from Infina Finance. Please go ahead.

Anand Krishnan: Just wanted to have a sense from you with respect to what the prices were in the areas where you newly launched projects in Noida and Pune?

Pirojsha Godrej: Noida, I think there is a very significant premium that we have been able to charge for our project, the positioning of the project is much higher than a lot of the projects in the neighborhood, so I would say we have got a good price premium there. Pune, the project is in the affordable housing market, certainly, we have some premiums to the overall market, but the pricing there is in the range of Rs.4,500 per sq. ft.

Anand Krishnan: Were there any corrections after the demonetization actually happened in and around those areas?

Pirojsha Godrej: I think not really as you see it, absolutely, so what we saw in demonetization is price being held steady but demand falling off a cliff. So the pricing response will happen if at all now. But our own sense, I think there is a lot of media speculation and commentary that prices will crash etc. as a result. Certainly that has not come to pass, and we did not think it was very likely that could happen given rising cost, margin pressure for developers already, and the fact that currently a lot of developers will probably agree with our own view which is that while the current situation is very negative, it is quite likely to change and become quite positive quite soon. So I do not think unless there is desperation given liquidity concerns of certain developers, most developers would not look to slash prices at the moment.

Anand Krishnan: What percentage of your total portfolio would actually come under these affordable housing categories as such?

- Pirojsha Godrej:** No, the affordable housing is more about the sizing of the apartment, so for a project that we have not yet launched any project we can choose to have apartment of both sizes and launch accordingly. So, the analysis we will have to do is, saying that is a better strategy at a given project or given pace level to avail of those tax benefits or do we not feel that those would be the right types of units before that market and therefore better to forego the direct advantage and continue with a different plan. So it is not that a certain part of the project portfolio necessarily would fit in it. But certainly a lot of our projects in places like Ahmedabad etc., would be quite interesting. So, we will be looking at it.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest investments. Please go ahead.
- Bharat Sheth:** You mentioned in your opening remarks that in joint development agreement, there are some tax benefits on capital gain. So whatever agreement that we have already is in place, do we see some room to renegotiate to avail those benefits with our partner?
- Pirojsha Godrej:** No, Bharat, the deals that we are currently negotiating are coming up. So I do think we will have a lot of direct benefit from this, but probably not on the existing portfolio.
- Mohit Malhotra:** Again, provision will be effective from the next financial year as the bill gets to presidential assent.
- Bharat Sheth:** What I mean, is where we have already signed a project which is not launched. So is there room to renegotiate on that and to avail the tax benefit?
- Pirojsha Godrej:** I do not think so, but certainly we will take a look project-by-project, but there could be a huge benefit in terms of the number of people looking to joint ventures as well as the financial terms of those joint ventures. Fundamentally the potential of return from joint venture project has improved because one of the major sources of upfront cash outflow is now removed and put at the end of the project which change the whole return profile of the project and therefore the return both the project developers and the land owners can get. So certainly a very positive development assuming the understanding the government has a long view plan.
- Bharat Sheth:** What is the status of this new DP. We were expecting to get some benefit to our Vikhroli land parcel, is there any clarity?
- Pirojsha Godrej:** No, DP is still under work but as you rightly pointed out whatever the draft rules are, would be very beneficial, for example, the first phase of the Trees would create a large amount of additional inventory, so that would not be residential because we do not have the height to be able to consume residential, but it would add as much as a million square feet to the Trees project. So it certainly would be very valuable for us, but those rules are not yet finalized.
- Bharat Sheth:** Any update on this High Court, no new construction in Mumbai?
- Pirojsha Godrej:** No, that is still going on, there is a lot of confusion on the interpretations and other things, but that has not been lifted yet.
- Moderator:** Thank you. The next question is from the line of Amruti Kalantri, Please go ahead.

Amrut Kalantri: I just had a couple of questions to understand our capital efficiency. Now if I understand all our projects are in separate SPVs, which have a corporate structure. Even there is cash generation, there is a lot of cash traps because of the regulation be it restrictions on dividend payout because there is no accounting profit, DDTs and lot of other things. While on a project basis you might be making very good IRRs, when we take that cash out at the corporate level, that ROE is not visible. So is it possible to change the SPV structures to using more of LLPs or trust or any other things so that is easier to take out cash and ROEs at the corporate level would be closer to the IRRs that we make on the project? If my understanding is correct, few developers have told me, if you take up larger projects, the upfront capital deployment is far higher, the time from upfront investment to the monetization results in lower IRR on the project. So instead of taking one large project, if we take up say five smaller projects, would be more efficient from capital deployment structure and result in higher ROEs? There is a trade-off between what scales you get. So just wanted your views?

Pirojsha Godrej: Thanks for the question, Amrut. I will take the second one and then ask Rajendra to address the first one. As I mentioned earlier, large projects and small projects both have their own advantages and disadvantages and you rightly pointed out large projects typically involve a larger upfront expense in securing the land whether it is an outright purchase or joint venture which can have a dampening effect on IRR. The other challenge with larger projects is sales because in India now generally for all developers, the launch is where the majority of sales volumes are happening and unless you split large project into multiple projects as we have done in many cases, which has its own set of challenges, the sales velocity for larger projects typically can become challenging in the later stages of those projects. At the same time, large projects allow you better plan higher quality of end product. So that is clearly an advantage. I think if in an environment we are doing good projects and unlike the current sectoral downturn we have seen, in an up cycle a large project can provide a lot of upside as well, each has its own pluses and minuses. We certainly do not think it only makes sense to do large projects, we will continue to supplement those with more mid-sized kind of projects.

Rajendra Khetawat: Structuring plays a very important role in determining the cash take outs as well as margin. So if you see all our JV projects specifically the profit sharing projects are under LLP. So as you rightly said, there are no leakages of DDT because in LLP DDT is not applicable. So we have done the tax planning expect for projects under the APG deal, which are into a separate SPV structure because FII's cannot come into an LLP. However, we have planned it in such a way that we can take care of tax planning and there is a minimal loss on account of additional tax provision.

Moderator: Thank you. The next question is from the line of Manish Shah, private investor. Please go ahead.

Manish Shah: What is the system of revenue recognition?

Pirojsha Godrej: It is the same 25% of the progress, 25% of area sold and 10% collection done.

Manish Shah: So any of the three we do the recognition?

Pirojsha Godrej: No, all three have to be fulfilled for the recognition.

Manish Shah: For Trees, it is basically first phase 25% of construction is done, is it?

Pirojsha Godrej: Yes.

Moderator: Thank you. We take the last question from the line of Sourabh Jain from Astute Investment. Please go ahead.

Sourabh Jain: I just had two questions; the first question is that are we very clear that the projects that we will do will be only in the form of JDs or JVs or development management outside of the fund management that we have with APG. So is it possible for us to actually go out and do 100% ownership of a land if you find some attractive asset out there?

Pirojsha Godrej: It is on an opportunistic basis, something we would look at, but we would look at various competitive reasons to do it. If we launch very quickly because it has approval or some other reason, we are seeing the returns we can generate on that is similar to the return which we can generate through a joint venture. So there is no reason that we do not want to buy land other than we do not think the return are as good as in joint ventures. So if that can be addressed because of something specific about the land, we could look at that.

Sourabh Jain: So we are open to it even though we have not done it in the past?

Pirojsha Godrej: Yes, historically we have done it also but yes we have not done it recently, I would not expect very much of it, but on an optimistic basis it is something we would look at.

Sourabh Jain: My second question is the agreement with APG for fund management. Is it an exclusive agreement with them or can we go to some other capital providers as well in the future?

Pirojsha Godrej: No, it is not at all an exclusive agreement, even in the current structure, we have got some other investors along with APG and certainly if we wanted to raise any fresh funds while we very much value the partnership we have with APG, we are free to work with both them and others.

Sourabh Jain: So it is possible in the future that we might work with other partners as well?

Pirojsha Godrej: Yes, as I mentioned we already are.

Moderator: Thank you. This was the last question for today. I would now like to hand over the floor to the management for their closing comments. Over to you, Sir.

Pirojsha Godrej: I hope we have been able to answer all your questions. If you have any further information you would like please feel free to be in touch with us offline. On behalf of all of us, thanks very much 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 call. Thank you for joining us and you may now disconnect your lines.

- ENDS -

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