



Godrej Properties Ltd.

Q1 FY2012 Earnings Conference Call Transcript

July 26, 2011

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

Anoop Poojari: Thanks Farah. Good Afternoon everyone, and thank you for joining us on Godrej Properties' Q1 FY 2012 results conference call. We have with us Mr. Adi Godrej, Chairman of Godrej Properties, Mr. Milind Korde, Managing Director, Mr. Pirojsha Godrej, Executive Director, Mr. K T Jithendran, Executive Director & Mr. Rajendra Khetawat, Vice President – Finance & Accounts of the Company.

We will begin the call with opening remarks from the management following which we will have the forum open for an interactive question and answer session.

Before we begin this call I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the conference call invite e-mailed to you earlier.

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

Adi Godrej: Thank you. Good afternoon everyone. Welcome to Godrej Properties' Q1 FY 2012 conference call. I would like to begin by taking you through the operational and financial highlights for the period under review followed by a discussion on the financial performance of the Company.

I'm pleased to share that Godrej Properties had a robust 83% growth in its total income in what has been a difficult quarter for the real estate sector. GPL's booking value improved by 70% to Rs. 232 crore from Rs. 137 crore in Q1 FY2011.

Our major residential projects continued to see good momentum in Q1 FY 2012. The third phase of our Ahmedabad township project, Godrej Garden City, was launched in January 2011 and has registered bookings of 1.56 million sq. ft. in the two quarters since its launch and 0.21 million sq. ft. in Q1 FY 2012. Earlier this month, we launched additional towers in phase III of area 0.32 million sq. ft. The Ahmedabad township project has recorded notable volumes with over 2,400 apartments and 3.3 million sq. ft. of area sold till date. We are confident the project

will continue to do well going forward. Our residential project in Kolkata - Godrej Prakriti, registered steady sales with bookings of over 0.12 million sq. ft. in Q1 FY 2012. Godrej Prakriti is one of the most successful residential projects in Kolkata with 0.93 million sq. ft. of sales since the project's launch. Godrej Frontier, our first residential project in Gurgaon saw continued momentum with sales of 0.07 million sq. ft. in Q1 FY 2012 and a total of 0.75 million sq. ft. sales till date.

Our commercial projects also saw significant progress this quarter. We were able to sell 0.14 million sq. ft. between our three commercial projects in Kolkata and Chandigarh. Although the margins on these projects have been disappointingly low, reducing the capital employed in the projects through sales has been one of the key goals for this year, and we are pleased to note the momentum on this front.

From a new business development perspective, FY 2012 has gotten off to a good start. In Q1 we finalized a joint development deal to develop a property at Chembur, Mumbai with 0.1 million sq. ft. of saleable area. This is an area sharing agreement where GPL will share 47.5% of area. The project is located Off. V.N Puran Marg on the Sion – Trombay Highway and offers excellent connectivity to all parts of Mumbai. Additionally, last week we formed two LLPs with Godrej & Boyce to develop residential projects in Hyderabad and Thane. The Hyderabad land parcel is located at Moosapet and will have approximately 2.2 million sq. ft. of saleable area. This is a profit sharing arrangement with Godrej Properties getting 35% of the profits from the project. The Thane project is located at Ghodbunder Road and has an area of 3 acres with a development potential of approximately 0.26 million sq. ft. of saleable area. This project is also a profit sharing arrangement with GPL getting 32% of the profits. We are currently evaluating several joint development proposals and expect FY 2012 to be a very productive year from a new deal flow perspective.

Responsible and Sustainable development is one of Godrej Properties' core values. I am pleased to note that our building "Godrej One", the first commercial building of our flagship project 'The Trees' in Vikhroli, Mumbai received the LEED Platinum Pre-certification, which is the highest available rating for green buildings. GPL also received several awards during the quarter. The Company was named among the Most Trusted Names in the Real Estate Industry and India's Best Marketed Real Estate Company in 2011 by 4Ps Business and Marketing. For the third consecutive year, GPL featured as the highest ranked real estate developer in 'India's Best Companies to Work For' study conducted by The Great Place to Work Institute, India, in partnership with The Economic Times.

I will now brief you on the financial performance of the period under review. Total consolidated income for the quarter was Rs. 134.7 crore and 83% increase over Rs. 73.5 crore in Q1 FY2011. EBITDA for the quarter stood at Rs. 24.3 crore as compared to Rs. 33.6 crore in Q1 FY 2011. Net Profit for the quarter was Rs. 10.1 crore in Q1 FY 2012 as compared to Rs. 22.4 crore in Q1 FY 2011. While there has already been strong growth in total income and bookings in the first quarter, we believe there will be opportunity to substantially grow our revenue and profits during the rest of FY 2012.

The higher than expected interest rate hike announced by the RBI today will serve as a dampener for the sector, but despite this, given our plans for new launches, and new business development deals, we continue to expect strong growth in FY 2012. We have consistently delivered growth in varied market conditions over the past several years and expect to continue to do so in the future. The 'Godrej' brand and the proven joint development model have positioned us well to take advantage of the vast opportunities in the sector.

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. The first question is from the line of Rajeev Desai from IFCI Financial Services. Please go ahead.
- Rajeev Desai:** Sir my question is regarding the Hyderabad land bank, you said 2.2 million sq. ft. is the saleable area, any additional we can expect in future or this is the only land bank which we can expect from Godrej and Boyce?
- Pirojsha Godrej:** As we indicated the current parcel that we have gotten into an LLP for is about 9.16 acres on which we estimate saleable area of 2.2 million sq. ft. We expect there to be future deals with group companies as well but this is the deal that has been announced at this stage.
- Rajeev Desai:** There is an excess of land I just want to confirm from that?
- Adi Godrej:** Yes there are other land parcels within group companies.
- Rajeev Desai:** No I am asking in Hyderabad location only?
- Pirojsha Godrej:** Hyderabad location this is only land.
- Rajeev Desai:** Only 2.2?
- Pirojsha Godrej:** Yes.
- Rajeev Desai:** Can you just comment on your interest-rate expense, it has increased?
- Rajendra Khetawat:** Basically as of March 2011 we were at 10%, it has increased by 1% as of June 2011.
- Rajeev Desai:** How much has been recognized and how much is the realized?
- Rajendra Khetawat:** We have a recognized interest expense of Rs. 27.82 crore and capitalized Rs. 24.49 crore. So net debit to P&L is Rs. 3.3 crore
- Rajeev Desai:** Okay sir thank you.
- Moderator:** Thank you. The next question is from the line of Arunabh Chaudhari from Morgan Stanley India Co. Pvt. Ltd. Please go ahead.
- Arunabh Chaudhari:** Just wanted to ask that how much have we sold in Genesis and Waterside Phase 2, in percentage terms?
- K T Jithendran:** Genesis we have sold about 90,000 sq. ft. in all and in Waterside phase II we have sold about 70,000 sq. ft.
- Pirojsha Godrej:** And in this past quarter we sold 120,000 sq. ft. in these two projects and another 20,000 sq. ft. in our commercial project in Chandigarh.
- Arunabh Chaudhari:** So at this present run rate in how much time do we expect sell probably the entire 1.3 million sq. ft. of Genesis and 1.2 million sq. ft. in Waterside?

Milind Korde: Generally commercial property gets leased or sold on completion and Waterside is completing in August, Genesis is completing in the end of 2012 and Chandigarh is completing by the end of this financial year. So the run rate would definitely increase as they come near completion.

Arunabh Chaudhari: So essentially it may spill over to FY 2013, not just in FY2012?

Milind Korde: Waterside would get monetized quickly followed by Chandigarh and Genesis.

Adi Godrej: When we are unable to find buyers, sometimes we lease out the property and then sell the lease to people like HDFC and other high net worth individuals etc.

Arunabh Chaudhari: Secondly we have these recent projects announcements in Thane and Hyderabad with a profit share of 32%-35%. Now I just wanted to understand if this is an indicative profit share percentage for future projects with the group?

Pirojsha Godrej: We have always maintained that each deal is different and based on the negotiations at the time and based on the particularities associated to each land-parcel that percentage could vary. So I wouldn't necessarily take this as indicative of future deals.

Arunabh Chaudhari: But just to understand?

Adi Godrej: Profit sharing percentage also varies depending on the value of the land concerned. So when you are doing the profit sharing deal where the land value is very high then a higher percentage goes to the land owner and vice versa.

Arunabh Chaudhari: So just taking that argument forward same Vikhroli I would imagine that the land cost is higher so are we to say by that logic that we will have a lower profit sharing in ensuing projects in Vikhroli?

Adi Godrej: No in Vikhroli the land has been leased from Godrej & Boyce to Godrej Industries.

Pirojsha Godrej: Our position in this case is that we don't want to comment on any sharing ratios of future projects. As and when these deals are announced we will of course announce those sharing ratios. Each deal is evaluated separately and negotiated at the time, so there isn't one ratio that will be applied equally across all projects.

Adi Godrej: And I think your confusion on the Vikhroli deal is that the land has been leased from Godrej & Boyce to the LLP. Therefore the sharing ratio becomes very different because the value of the land comes through the lease to Godrej & Boyce and not through sharing ratio.

Arunabh Chaudhari: And final question from my side, we have the six projects mentioned on the Slide #20 which are essentially the main contributors in Q1 earnings, is it possible to just throw some light on the gross margins or the operating margins whatever is readily available for this six projects, just to understand why the operating margins have been fairly low in this quarter?

Pirojsha Godrej: No we don't have this project by project breakup currently. But largely essentially the one that is really been much lower than the rest is Godrej Waterside in Kolkata which is at a very low margin, the rest have all been reasonable. The other reason those margins have been lower is that the private equity deal we do tend to be at is slightly higher margins and there wasn't any such deal this quarter. However, we are confident of margins improving during the rest of year.

Arunabh Chaudhari: Small follow-up, what have we sold Waterside at, asp?

K T Jithendran: Rs. 5,100 per sq ft.

Moderator: Thank you. The next question is from the line of Anand Agarwal from Jefferies India Pvt. Ltd. Please go ahead.

Anand Agarwal: I just have couple of questions, the first one is what is the status of de-notifying the Hyderabad SEZ and launching the residential project over there?

K T Jithendran: We have applied for a conversion and we are expecting the conversion to residential happening very soon. We still are waiting for the final clearance but we have got an in-principle clearance and we are expecting a final clearance maybe by within 10 days or so.

Pirojsha Godrej: With some of these regulatory approvals you can never be too certain on an exact date, we had expected far sooner than this also. We do feel however that this continues to be a project that we can certainly launch this year. The architect for the project has been appointed; the master plan is ready so as soon as we get that, we will apply for the actual building approvals. So we expect to be able to launch this project this year.

Anand Agarwal: What are the other projects that you're looking to launch this year, will these Hyderabad and the Thane JDA that you have done will they also be launched this year?

K T Jithendran: We are expecting the Hyderabad project to be launched this year; Thane will take little more time.

Pirojsha Godrej: And we think there will be new launches in the two Chembur projects signed on over the last few months, there will be a launch in Bangalore, launch in Chennai, launch of the Hyderabad project we were just talking about and of course launches of new phases in Godrej Garden City and Godrej Prakriti. So we do expect fairly robust new launches for the rest of the year.

Anand Agarwal: And can you give me your net debt number as of the quarter ended?

Rajendra Khetawat: Rs. 939.60 crore.

Anand Agarwal: This is consolidated, right?

Rajendra Khetawat: Yes.

Anand Agarwal: Thanks.

Moderator: Thank you. The next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani: Hi, I have two questions, one on the margins, partly answered, that it's been impacted because of the Waterside project. But I just want to get an idea how do you see these margins trending going forward? Also in the Waterside project you mentioned that your selling price is about Rs 5100 which doesn't seem to be a very low price, so if you can give how much margin we are making on this project?

Pirojsha Godrej: On the Godrej Waterside question, it is just above break even. First of all, it is a joint-venture agreement so there is a large part of the revenue which will go to the joint-venture partner also, and that needs to be taken out of that Rs. 5000. As we mentioned we are confident that margins will improve during the rest of the year. There will be, we think launches of higher margins projects. Forecasting exactly what margins can be tricky but if you look at our historical margins they have been in a fairly consistent range of about 30% to 40% EBITDA margins. So we expect to have those kind of margins this year as well.

Gunjan Prithyani: But on the Waterside project costs around Rs 3,000 because we have a 60% revenue share, so that means our costs would be around Rs 3,000?

Pirojsha Godrej: That's correct.

Gunjan Prithyani: And is that the cost pretty much similar with the rest of the commercial projects also like Genesis and Eternia?

Milind Korde: Genesis is at slightly lower rate for Rs 2,600.

Gunjan Prithyani: Across these three projects I'm not sure if you have already answered that, if you could just tell us how much of cumulative you have already sold across these three commercial projects?

Pirojsha Godrej: Over the last quarter we sold over 140,000 sq. ft.

Rajendra khetawat: Cumulatively Waterside we have sold around 420,000 sq. ft. including phase 1; and in Godrej Genesis we have sold around 90,000 sq. ft. and in Eternia Chandigarh have sold around 35,000 sq. ft.

Gunjan Prithyani: On the launches if you could just give us when could we see the Chembur and the Chennai launch specifically?

Pirojsha Godrej: The Chennai launch has been quite overdue with the delay in the regulatory approvals. We are completely ready to launch the project. We would hope to launch it in this quarter but again it depends when the final regulatory approval comes in. There has been a problem with new government in Tamil Nadu not giving any clearances to any real estate projects over the last few months. But we are fully ready for the launch and expect very healthy volumes once we are able to launch. The Chembur project will likely be launched in Q3 and perhaps one in Q4 and is there another project you were asking about?

Gunjan Prithyani: No just Chembur and Chennai. Thank you sir.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from Edelweiss Securities. Please go ahead.

Adhidev: My first question pertains to the gross debt levels on the balance sheet, if you could just share that figure and what is your average cost of debt?

Rajendra Khetawat: The gross debt is Rs. 1039.60 crore and average borrowing cost is 11% as of June 30th 2011.

Adhidev: And for the full year what is a guidance for this debt level, do you expect them to go up further or are we looking to moderate these debt levels?

Rajendra Khetawat: It depends on the deal flow which we're going to have. Like Milind said commercial projects are going to be ready and will start getting monetized. So the deal flow would be the major indicator for that debt level to go up, otherwise, residential projects would be self-financing .

Adhidev: Thanks.

Moderator: Thank you. The next question is from the line of S Natraj from Quantum Advisors Pvt. Ltd. Please go ahead.

S Natraj: Just a broad sector based question, we have been reading newspapers about this new FSI launch in Mumbai, in general how would that affect Bombay property market in terms of prices and how would that impact your launches or plans going forward?

Milind Korde: In terms of new project business it would be very good for us because it gives us a level playing field; the rules are more clear and transparent. As regards prices, they should remain stable.

S Natraj: Could you just explain a bit as to what the other guys are doing just a bit of understanding?

Milind Korde: There were certain areas which were available free of FSI such as pocket terraces, flower beds etc which were loaded onto the total area. So the saleable area went up. Now that is all included in FSI, so you can take FSI up by 25% by paying a premium which is computed on the basis of a 'ready reckoner'. So usable area to the customer goes up but it sort of gives a clear direction to the rules etc.

S Natraj: And the Chembur property you said will be launched in third quarter, any indicative price of that?

Pirojsha Godrej: That's always a call we take just before the launch based on the market research and things at that time.

S Natraj: Thank you very much sir.

Moderator: Thank you. The next question is from the line of Jonathan Prigoff from Equinox Partners LP. Please go ahead.

Jonathan Prigoff: I just didn't hear the gross debt and borrowing cost, would you mind repeating that and I have other questions.

Rajendra Khetawat: Gross debt is around Rs. 1039.60 crore and average borrowing cost is around 11%.

Jonathan Prigoff: And so that borrowing cost is up a percentage point or so, can you talk about the changes in the borrowing cost?

Pirojsha Godrej: Borrowing cost change is about 1%.

Jonathan Prigoff: And in terms of other project going forward, you said the number of agreements you are looking at there are many more projects on the commercial side or mostly will be in the residential?

Pirojsha Godrej: Most are in the residential sphere although there are some in the commercial as well. The main focus is clearly on the residential side, particularly outside of Mumbai we are almost entirely focused on residential.

Jonathan Prigoff: Yes we heard a lot about weakness in Mumbai commercial market. Do you think that this affects your prospects places like Vikhroli or you think that is kind of different type of property?

Pirojsha Godrej: Of course any project would be impacted by what's happening in the general market but our sense is that by the time Vikhroli is actually ready to be leased the market should be doing quite well. All real estate but particularly commercial real estate does tend to go through cycles and I think commercial build up is likely to slow down going forward. We expect Vikhroli to do quite well and are quite confident based on the lease estimates that we have now.

Jonathan Prigoff: And when will the Godrej One be ready for leasing?

Pirojsha Godrej: It will be ready around by the end of the first half of 2013 calendar year.

Jonathan Prigoff: Thank you.

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

Abhinav Sinha: Sir the net debt is up by around Rs. 150 crore quarter on quarter. So can you please explain how that has happened?

Rajendra Khetawat: Basically all our projects are running. None of the projects have been stopped. So it is all working capital finance which has led to the increase in the debt.

Abhinav Sinha: Okay and anything spent on new deals out of this?

Rajendra Khetawat: No.

Abhinav Sinha: Okay so what were the customer collections like this quarter?

Rajendra Khetawat: Customer collections were good, exact figures I can share with you offline. So whatever we have collected has gone again into the working capital finance.

Abhinav Sinha: Sir what is the expenditure on commercial assets that we are looking at during the year?

Rajendra Khetawat: The commercial project at Waterside as Milind said in the call earlier is getting ready so that will start getting monetized. For the other three commercial assets expenditure will be incurred further but I don't have the figures right now, I can share them with you offline.

Abhinav Sinha: Okay thank you.

Moderator: The next question is from the line of Sandipan Pal from Motilal Oswal Securities. Please go ahead.

Sandipan Pal: Sir just wanted to check the status of your Avalon project in Mangalore.

Milind Korde: Avalon project is being relaunched. We have modified the design a bit and we have got smaller flats in the project and it will be launched in September.

Sandipan Pal: Okay and secondly on your debt front, I understand that the debt reduction will be little bit linked to the monetization of your commercial property but do you have any mandatory repayment schedule in this particular financial year?

Rajendra Khetawat: No it's only Rs. 20 crore which is a term loan and it is coming at the year end. Apart from that there is no mandatory debt repayment.

Sandipan Pal: Okay thank you sir.

Moderator: Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: Sir a quick question on your Ahmedabad project. What is the total FSI availability? Is it still about 40 million sq. ft.?

Milind Korde: Basically there is an integrated commercial policy and residential township policy. So for the commercial township policy its 40 million sq. ft. and for the residential policy, it's slightly lower. But the FSI available is about 40 million sq. ft.

Aditya Soman: Okay and another question, your total employee cost this year was much lower than the full year estimate. Is it because significant proportion of bonuses or something like in your book?

Rajendra Khetawat: Yes, proportion of bonuses was lower compared to the last financial year. This is the net employee cost which is expensed out; bulk of it gets capitalized to the project cost. The employee works across projects so that gets capitalized to the project.

Aditya Soman: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Vineet Chandak from IDFC Securities. Please go ahead.

Vineet Chandak: Just wanted to know what is the current selling price at the Ahmedabad Garden City Phase III?

K T Jithendran: Currently we are selling at the rate of about Rs. 3,100 per sq. ft.

Vineet Chandak: Also sir the response for this phase has been not as strong as compared to the previous phases. Do you think that at these prices demand will slow down or do you think this is a reasonable price at which demand will continue to remain strong?

K T Jithendran: We have not increased prices during this phase. Of course there has been a general slow down in the market because of interest rate hikes, etc., and if required there are some bulk deal, etc. We will consider at the point of time whether we need to make any concessions in the price. But today I don't see any need to do so.

Vineet Chandak: Okay and sir what is our volume estimate for the Ahmedabad Township residential for FY2012?

Pirojsha Godrej: We don't give any guidance on that. It depends largely on how the market sentiment is and how many phases we launch. It will be calibrated depending on the response our current phases receive but we wouldn't like to give any guidance on that at this time.

Vineet Chandak: But we continue to sense strong volumes, we continue to maintain that right?

Pirojsha Godrej: Yes. In the last quarter we sold about 210,000 sq. ft.

Vineet Chandak: Sir just one question on cash flows. Is it possible to give the broader cash flow numbers on your customer advances, construction cost incurred for the quarter and how much you paid in terms of JDA share to the land owners?

Rajendra Khetawat: Vineet every half yearly the balance sheets are going to be published as per the SEBI requirement. So next quarter you will see the balance sheet getting published and that will reflect the numbers.

Vineet Chandak: Okay sir. Thank you.

Moderator: Thank you. The next question is from the line of Aatash Shah from Nomura, please go ahead.

Aatash Shah: I was just going through the balance sheet of FY2011 in terms of customer advances, I noticed they have fallen year-on-year and if I am right just about Rs. 11 crore. So this is despite the many launches we have done last year. So just wondering what is the missing factor here?

Rajendra Khetawat: Aatash, customer advances are the advances which the customers have paid in excess of the billing. Otherwise whatever revenue has been recognized, the debtors get knocked against the money which we receive from the customer. So those advances are only where they have paid excess against the bill.

Aatash Shah: Okay you also have unbilled receivables of about Rs. 250 odd crore?

Rajendra Khetawat: Those are because of the reporting date as on 31st March 2011; the billing could not happen at the time and those billings have happened subsequently.

Aatash Shah: Okay can you share the figures for that?

Rajendra Khetawat: Right now I can't. I'll share it with you offline.

Aatash Shah: And also just wondering the fact is that construction cost have increased significantly over the last year, or last couple of years. And given the joint development model we have fixed revenue share or profit share. So just wondering that given that construction costs have increased, margins would have probably come down from what has been envisaged earlier. So, any mitigating factors for that which you are undertaking. Or will we be satisfied with lower margins?

Pirojsha Godrej: No I don't think we will be satisfied with lower margins but you know over the last year or two, if you look at it, yes construction cost has certainly gone up but so have in most cases the end prices to customers. So with perhaps the exception of the Mumbai market there's been very strong growth over the last year or two in the sale price to customers.

If you look at our project whether it is Godrej Garden City in Ahmedabad which we started at Rs. 2,300 a sq. ft. or Godrej Prakriti in Kolkata where we started at Rs. 2,100 a sq. ft. There's been an increase in prices; actually it has been more than the increase in construction cost. We don't see any major problem with that. One exception to that is perhaps in the Mumbai market but we haven't really had any large supply in the residential space in Mumbai over the last year.

Aatash Shah: Also as per the presentation for this quarter, the breakup of total income was about Rs. 135 crore of which Rs. 32 crore is Godrej Waterside. Even if I assume just about a breakeven level for Godrej Waterside at 0% EBITDA margin, the total EBITDA which you have, excluding the other income is about 20 crore. That still works out to about a margin of 20% on the rest of the projects. So do you consider that low or do you think that could improve going forward or is that sustainable?

Pirojsha Godrej: Yes we think it will improve going forward. Also there are other commercial projects which while not as low as Godrej Waterside are also below the average of some of the other projects. But yes clearly we would not be satisfied with this kind of margins for the whole financial year. I think some amount of fluctuation from quarter-to-quarter is something that we think is reasonably normal in the real estate sector.

Aatash Shah: Alright, thanks a lot.

Moderator: Thank you. The next question is from the line of Kunal Lakhan from Enam Securities, please go ahead.

Kunal Lakhan: I just had a couple of questions. Firstly, can you give us some update on the Jet land deal?

Pirojsha Godrej: We are not really allowed to speak about any deal until it's finalized. We are in advance negotiations with them but we can't really comment on it until we first inform the stock exchange and of course first complete the deal.

Kunal Lakhan: And when do you expect that to happen?

Pirojsha Godrej: Hopefully sometime soon, but we again can't really comment on that.

Kunal Lakhan: Fair enough. Secondly, we already have land parcel that we own, the Hyderabad SEZ and now we are planning to enter a JDA also, so how do you see the demand situation there? As per our market checks, Hyderabad residential demand seems to be a little slower as compared to other cities?

Pirojsha Godrej: I think that's true but you know I think these things do fluctuate. This is quite a substantial project. It will take 3-5 years to complete. And these demand statistics do change over a period of time. Also these are at different locations, so they will be quite different products. It is always good to have multiple types of products available in the market but I think we'll agree that Hyderabad is not currently one of the stronger markets for sure.

Kunal Lakhan: Alright. So you said you will be planning to launch Hyderabad in FY 2012. Now it will be SEZ project or the JDA project?

K T Jithendran: Actually we will be launching both projects. The SEZ project we are trying to convert that into a residential project. But as Pirojsha said this being in two completely different locations and different product segments, I think both of these should fetch good demand from the market.

Kunal Lakhan: That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities, please go ahead.

Madhukar Ladha: You mentioned the interest break ups, can you repeat that?

Rajendra Khetawat: Interest and finance charges that were paid were Rs. 27.82 crore and interest capitalized to the project was Rs. 24.49 crore.

Madhukar Ladha: Sir you also have interest income from refundable deposits, what is that amount?

Rajendra Khetawat: Those amounts have been taken into the Rs. 24.49 crore of interest capitalized.

Madhukar Ladha: So you have reduced the capitalization by that income?

Rajendra Khetawat: Correct.

Madhukar Ladha: Sir how much would that number be?

Rajendra Khetawat: I don't have that right now, I can get back to you later.

Madhukar Ladha: Okay thanks a lot sir.

Moderator: Thank you. The next question is from the line of Bhavik Mehta from Girik Capital, please go ahead.

Bhavik Mehta: My question is more of a general question. I would like to know what kind of margin differences do you face between commercial and residential projects?

Pirojsha Godrej: You know it's not necessarily just between residential and commercial but more a question of from each project to each project. Currently the commercial projects are of very low margins; particularly Godrej Waterside has been discussed. But even within the residential portfolio there are projects that have different margins. So it is not necessarily with commercial projects we are always going to be lower from a margin perspective than residential projects. For example, our assumptions are that Godrej One, when it is ready to be leased would be quite a high margin project for the company.

Bhavik Mehta: Okay. So what I wanted to know was that the movement of stock in the residential and the commercial project, can you just discuss on that how fast do the residential projects get sold in comparison to the commercial projects?

Pirojsha Godrej: It is not uniform necessarily across residential and commercial. Some of the key differences are that residential can be more easily presold as compared to commercial which tends to be harder to sell or lease until the project is actually completed. I think the overall demand for real estate in any country including India of course is more skewed towards residential, so we estimate of total demand, 80% is residential. I think it really depends on which city, what type of location you have and the particular project at the end of the day.

Bhavik Mehta: My other question was on the Vikhroli project. Can you just give me a percentage breakup of what amount of land will be used by Godrej Group and what will be residential and what will be commercial?

Pirojsha Godrej: Sure. The total project is about 2.8 million sq. ft. About 4-5 lakh sq. ft. will be residential. About 2 lakh sq. ft. will be a 5 Star Hotel, about 3 lakh sq. ft. will be retail, and the rest will be commercial. The Godrej Group occupied commercial will be about 200,000-250,000 sq. ft. which is about one-third of our first building Godrej One.

Bhavik Mehta: Okay and the last thing I would like to know is how your revenues are booked? Can you just explain that sir?

Rajendra Khetawat: Yes we follow percentage completion. So 20% is the threshold, till the time our project progresses 20%, we don't account for the revenue.

Bhavik Mehta: So once the project is 20% in completion stage, then you all account for the revenue according to market price?

Rajendra Khetawat: Yes. Whatever has been sold.

Bhavik Mehta: Okay got that sir, thanks a lot. That's it from my side.

Moderator: Thank you. The next question is from the line of Sumeet Rohra from Silver Stallion Investments, please go ahead.

Sumeet Rohra: It is very heartening to see that bookings are up 80% in such a tough environment that we are in today. Just wanted a time line on all your future projects and also just wanted a quick thought from Mr. Adi Godrej on today's RBI move for very unfriendly market hike of 50 basis points. Is it actually going to affect the market or do you overall see that the demand for housing is pretty strong?

Adi Godrej: Well I think this rate hike is much more than expected. Everybody was expecting a 25 basis point hike. Despite all these rate hikes, inflation has not yet been controlled. So I am not so sure whether the rate hikes are helping contain inflation or more affecting GDP growth. Personally I am not for this high rate hike.

As far as the property sector is concerned, clearly when mortgage rates go up, there is a reduction in demand to a certain extent especially for investors, because investors who typically want to invest and take mortgages on the investment tend to postpone their purchases at that point of time. So we'll have to see how it pans out here.

Sumeet Rohra: One more question I would like to ask you is that, on our future launches I mean which is the next project now which we are looking to launch, the Chennai one?

K T Jithendran: As Pirojsha told earlier, we are planning to launch Platinum in August, Godrej Platinum from Bangalore. In Chennai we could launch anytime, we are just awaiting approval, hopefully this quarter we should be able to launch that. We have another launch coming up - Gold County in Bangalore. Then in the coming quarters as Pirojsha indicated we would be launching Chembur project, Hyderabad project and future phases in Godrej Garden City and Avalon and also Prakriti.

Sumeet Rohra: Okay fine. Thanks very much sir.

Moderator: Thank you. The next question is from the line of Hansraj Singh from IDBI Capital, please go ahead.

Hansraj Singh: I just missed the revenue sharing for our new Thane and Hyderabad JDA projects, can you please repeat that?

Pirojsha Godrej: Yes 35% of profit share to Godrej Properties in Hyderabad project and 32% in the Thane project.

Hansraj Singh: And sir what is the location for Hyderabad?

Pirojsha Godrej: Moosapet.

Hansraj Singh: Okay. Thanks a lot sir.

Moderator: Thank you. The next question is from the line of Arun Aggarwal from Religare Capital Markets, please go ahead

Arun Aggarwal: My question is more general, on the strategy part. Whenever you enter into a new JV or a JDA, what will be your kind of target margin that you look for, or the NPV or IRR that you look for?

Pirojsha Godrej: We look at a very wide variety of parameters before we get into any new joint venture. Some of them you outlined correctly, which are margins, and NPVs and IRR. The main financial matrix we use generally is Economic Value Added which we use across the group. But we supplement that information with some more qualitative information, what do we expect the volumes of sales to be, and what kind of locations in terms of visibility and how strategic is it from a city perspective. So it is not that we look for just one data point. I think there's a lot of stress testing for our assumptions and what happens to the deal if things don't turn out as expected. In short there's no one matrix that we focus entirely on because I think it is quite a nuanced approach that is needed for these new deals.

Arun Aggarwal: Okay just to link it with your waterside commercial project considering Rs. 5,000 per sq. ft. in Kolkata doesn't seem to be a very low selling price for a commercial, is it that we were looking for a very high realization when we were finalizing that JV or is it that construction cost overshoot? I just want to understand what could be the reason why we are saying margins are very low in this particular project?

Pirojsha Godrej: Frankly on this project it's a bit of both. The market has not really panned out as we had expected. We had gotten into the project at the time when Buddhadeb Bhattacharya had come in as Chief Minister. I mean there was a lot of expectation that West Bengal would start to attract IT companies since there really wasn't any base for those companies in the eastern part of the country. I think that didn't really pan out as we hoped given the event in Singur and elsewhere. I think the total demand and the total time taken were both not up to our expectation and also the construction cost did go higher than it should have gone on a project like this.

Arun Aggarwal: Okay. That's all from my side. Thanks a lot

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial, please go ahead.

Amish Kanani: Just wanted to understand the PE deal environment. You mentioned that this quarter there was none and your margins could expand if there was one. So in general how has the environment been and why there was no PE deal? Whether the margins were not up to the expectation hence no deal and or there is absolutely no appetite for the deals?

Pirojsha Godrej: No I think there is quite a lot of appetite for deals. There is a lot of money waiting on the sideline. That said, I think people are being cautious on what we have to choose, we actually think it's an advantage for us as people are getting more picky

with the partners they have. We are not really concerned about any sort of future lack of ability to do such deals. We think they will be available. The exact timing will more depend on whether we feel the project is at the right stage and those kinds of things. And also expecting these to be very regular from quarter-to-quarter is not fully realistic, so by their nature there may be a little bit of lumpiness in when these deals get done.

Amish Kanani: Okay if I analyse your area booked for the quarter and if I see vis-à-vis the saleable land area or the developable land area, we have quite a while before we ramp up to the next level. I was wondering whether this kind of annual number of 2 million sq. ft., whether is it constraint by demand or it was constraint more by our ability to scale up at the next level?

Pirojsha Godrej: I think it was largely a function of a couple of launches that were planned, getting pushed into this quarter, both in the next phase of Garden City and our Chennai project. We certainly don't think that the quarter numbers annualized will give you a true picture of what we feel the year is likely to look like.

Amish Kanani: Okay thanks very much sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to the floor back to the management for closing for comments.

Adi Godrej: Thank you. I hope we have been able to answer all your questions. If you have any further questions or would like to know more about the Company, we would be happy to be of assistance. We hope to have your valuable support on a continued basis as we move ahead. On behalf of the management, I once again thank you for taking the time to join us on this call.

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

- ENDS -

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