



Godrej Properties Limited

Q1 FY2018 Earnings Conference Call Transcript

August 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 Evening, everyone and thank you for joining us on Godrej Properties Q1 FY2018 Earnings Conference Call. We have with us Mr. Pirojsha Godrej – Executive Chairman and Mr. Mohit Malhotra – Managing Director and CEO of the company. We will initiate the call with opening remarks from the management following which we will have the forum open for a question and answer session.

Before we begin, I would like to point out that some statements made in the call today 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. Thank you for joining us for Godrej Properties' first quarter financial year 2018 conference call. I will begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions.

I am happy to report that the first quarter was the best ever quarter for residential sales in GPL's history. The total sales for the quarter stood at Rs.1,474 crore which represents a QoQ growth of 334% and a YoY growth of 281%. We had strong launches across Mumbai, Pune, and NCR. Godrej Origins at 'The Trees' in Mumbai witnessed sales of 130 apartments within the first week of launch. The Suites at Godrej Golf Links in Greater Noida received a tremendous response with 500 apartments being sold within the first month of its launch. Total sales at Godrej Golf Links in the last six months have been well over 700 homes with ~1.3 million sq. ft. of area. Godrej 24 in Pune saw sales of over 500 apartments with an area in excess of 600,000 sq. ft. during the quarter. Godrej Tranquil at Kandivali witnessed sales of INR 185 crore in the launch quarter. In addition to this, our focus on improving our sales performance from existing inventory yielded strong results with five projects in Bangalore, Pune, and Gurgaon delivering sales in excess of 50,000 sq. ft. each. We were disappointed that our commercial sales performance lagged behind the very strong residential numbers, but we look forward to turning that around in the months ahead.

From a business development perspective, we have started the year on a strong note by adding four new projects with a saleable area of 4.9 million sq. ft. and significantly strengthening our development portfolio especially in the NCR region. With rapid consolidation underway in the sector, which will only accelerate with the enforcement of RERA, we believe there is an opportunity for more impactful business development and that is a key focus for us in the current financial year. Our deal pipeline for new projects across the country's leading real estate markets looks robust and we expect substantial positive news on this front in the year ahead.

Our total income for the first quarter increased by 3% and stood at INR 345 crore. Our EBITDA increased by 9% to INR 78 crore and net profit declined by 46% to INR 23 crore. While these profit numbers are disappointing and were adversely impacted by cost escalations as well as significant marketing expenses for our new launches, we remain confident of delivering good growth in the current financial year. We are happy to note that the two most important financial indicators for the company showed a robust performance with our bookings at an all-time high of nearly INR 1,500 crore and with our operating cash flow registering a positive INR 659 crore. This large positive operating cash flow was strongly boosted by our successful closure with Jet Airways on our BKC project, which led to 400 crore of inflow. Even excluding this one-time inflow, I am happy to note that our operating cash flow stood at a positive 259 crore. This has led to a significant 408 crore reduction in net debt and our net debt to equity ratio now stands at 1.53, very close to the range we prefer to stay within.

Another important development in July that we think will boost our future cash flows is the restructuring of our large township project in Ahmedabad. With the previous revenue sharing structure, our margins were severely compromised and after a set of productive discussions we have been able to achieve a very positive change in the project structure where we will now receive 17% of the revenue from the project while all investments excluding GPL overheads and marketing costs will be borne by our partner. We expect this to ensure this project becomes strongly cash generative for the company and we hope to launch a new phase of the project under this structure within the current financial year. I am also pleased to announce that Godrej Garden City had the distinction of receiving Platinum certification by the Indian Green Building Council. The IGBC Green Residential Society Platinum certification is recognized as the highest rating for residential societies and with this achievement, Godrej Garden City becomes the largest township in India to be IGBC Green Residential Society Platinum certified.

On the operations front, we successfully delivered 1,101 apartments across two projects in Q1 FY18. We delivered 1.86 million sq. ft. at Godrej Summit in Gurgaon and the third tower measuring 150,000 sq. ft. at Godrej Platinum, Vikhroli.

We have completed the RERA registration of all our projects in Maharashtra, Karnataka, Chennai, Ahmedabad and NCR. The only remaining registration is for Godrej Prakriti in Kolkata, which is pending because West Bengal is yet to notify the rules. Though there will be teething issues, the implementation of this Act will bring in transparency and build consumer confidence in the sector. The combination of GST, the Real Estate Regulatory Act, an improving economic environment, lower inflation, lower interest rates which has led to much better affordability are expected to revive housing demand. We have started the year on a strong footing. We expect to further build on this sales momentum in the coming quarters, given our exciting launch pipeline across the country. We strongly believe our focus on building presence in high return markets with a deep focus on

execution across our project portfolio puts us in a strong position to benefit from what we expect will be a robust recovery in the sector in the years ahead.

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

- Moderator** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. First question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand** My first question will be on GST. So as we understand one of your competitors has actually taken up the exercise of passing on the benefit to existing customers. Firstly, what is your take on it and whether Godrej is also looking into it and looking to conduct a similar exercise?
- Pirojsha Godrej** I think we are evaluating it project by project. Our plan is broadly to pass on any savings that we actually can realize but nothing beyond that.
- Abhishek Anand** But according to you, can you pass on roughly around 6% of the project cost?
- Pirojsha Godrej** No.
- Abhishek Anand** So it will be margin dilutive if that kind of exercise takes place?
- Pirojsha Godrej** That is right. But we don't plan to do that.
- Abhishek Anand** Okay. Secondly, now that RERA is implemented, do we have clarity whether the joint development partners are promoters or not? And if they are, what is their response to it, and whether we are seeing more outright sale of land or some change in terms from joint land owner's side?
- Pirojsha Godrej** They are partner promoter group for project. So I think that is clear. While what you say might be correct, the people obviously would prefer not to be part of the development group. I think our broad sense is that RERA will actually result in more joint ventures, because while there is some additional legal right perhaps from a landowner's perspective. One must keep in mind that the opportunities to sell now are going to be few and far between, because the number of players in the market who can actually buy land in an environment where pre-sales aren't possible and any kind of realization prior to full approvals is not possible, is quite limited. So my broad expectation is that, you will see more joint ventures, not less.
- Abhishek Anand** And finally, if you could tell us post June basically, post our quarter end, how has been the response in terms of sales, especially with GST coming into picture and transaction costs rising significantly? And in light of that, how does that project pipeline look for launches for the current year?
- Pirojsha Godrej** It is a little too soon to tell. We haven't had any launches yet in the current quarter. But I think, as we can see with our numbers last quarter, we do think we should be able to do okay. There is certainly some amount of uncertainty in the market. So the people are kind of trying to digest all the news. But we don't see any kind of sustained impact and hope to have another good quarter of sales.
- Moderator** Thank you. Next question is from the line of Manish Jain from SageOne Investment Advisors. Please go ahead.

Manish Jain Yes. My first question was on the rationale to sell the Godrej Investment Advisor's business.

Pirojsha Godrej Thanks Manish. I think the rationale was quite simple, which was that when we looked at growing that business, we saw a lot of opportunities for it that don't really make sense for it to be a subsidiary of Godrej Properties because Godrej Properties' strategy might be quite different. For example doing things eventually on the commercial side or with other developers. So I think the real reason was that. Also from an institutionalization of the capital perspective, I think what we heard from our investors is that it would be more suitable for this to be housed in a separate entity that could have dealings with Godrej Properties, not as a subsidiary of Godrej Properties.

Manish Jain With this great restructuring of the Ahmedabad project, from phase 6 onwards how much is the developable area in Ahmedabad?

Pirojsha Godrej It slightly depends on some specific FSI rule. We expect it to be 19 million square feet.

Moderator Thank you. Next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan My first question is on the GGC restructuring. So just correct me if I am wrong. So 100% of the construction cost will now be borne by the partner and we will only be bearing the marketing expenses, is that right?

Pirojsha Godrej That is correct. So I think the logic from our perspective was that having a project of this scale under revenue sharing structure clearly was not working very well. We really weren't making any returns on the project. So we actually think this certainly was one of the most important projects to restructure giving the scale of the project. We think this now secures the Rs. 2,000 crore, kind of PMC obviously depending on your pricing assumptions. So I think going from a project where we thought we would not be able to generate much returns, at least at current prices to something that we think can now turn into a very profitable project for the company.

Kunal Lakhan Sure, so the call on the subsequent launch timelines for the subsequent phases will be taken by the partner now?

Pirojsha Godrej No, it will be taken by us. And I think, again the interests are quite well aligned. We obviously both want to get the project moving in full gear again. I think we had felt that the best thing to do was get the first part of that project delivered, which we have now successfully done. So I think we expect in this calendar year to have the next phase launched.

Kunal Lakhan Sure, great. My second question was on the RERA front, are we seeing any escalations or increase in the budgeted costs in the forthcoming projects because of RERA, and what will be the quantum of such an increase?

Pirojsha Godrej No, I don't see any impact on cost because of RERA. There could be some amount in future projects, changes in the cash flow cycle of projects to keep in line with kind of RERA payment schedule which could have some project level interest cost impact. But we don't see any real RERA linked cost impact on our current projects.

Kunal Lakhan Sure. And my last question was on the BKC monetization timeline, can we expect this to happen in FY18?

Pirojsha Godrej That is certainly the plan. I think we are obviously off to a slow start, but yes, that is what we would like to get done and what we think is very important to get done. I would say the part of most likely to slip out of the financial year was the closure of accounts with the partner, which had one-third of the cash flow remaining in the project, linked to that. So I think that getting done actually in the first quarter was well ahead of what we had expected. So that is a positive. But certainly we need to do better on the monetization of space.

Kunal Lakhan And what will be the debt on the BKC SPV now?

Pirojsha Godrej About INR 600 crore.

Moderator Thank you. The next question is from the line of Sourabh Kumar from JP Morgan. Please go ahead.

Sourabh Kumar My first question was essentially on profit share agreements that you guys sign with the landlord. So is it percentage of profits or is it percentage of cash flows?

Mohit Malhotra It is percentage of profit but we don't include the land cost into the profit pool. So it is actually percentage of surplus. The land cost is not part of the profit. It excludes the land cost. So let me explain. Say if supposing you own a land which is say worth INR 100 crore, what we split is, let's assume we sell it at INR 1,000 crore and the cost of building it, selling it and all of the architect, etc., everything is say INR 500 crore. The INR 500 crore profit pool after tax is distributed to both the parties. The INR 100 crore land cost which was inherently which you had invested as a land owner is not counted in that profit pool. It is paid to him separately.

Pirojsha Godrej Perfect, tell him what this percentage of cash flow is there, right?

Mohit Malhotra Yes, you can say that. Actually, it is effectively percentage of cash flows, net of taxes.

Sourabh Kumar Okay, so basically your share of the SPV profit will be far higher than this 40%-odd which we kind of see?

Mohit Malhotra See again it's the way we structure it, Saurabh. So the way we structure it in the LLP structure is that we don't get the land cost and usually the land cost is on a very historically low number. So the book value of land and the market value of land could be very different.

Pirojsha Godrej That is a structuring issue. The conceptual point is that the profit of the land is also part of the overall profit.

Mohit Malhotra It's the book value of land and not the market value of land which will be factored in.

Sourabh Kumar Okay, so the tax and all happens at that book value of land for the SPV?

Mohit Malhotra Yes.

Sourabh Kumar Okay, and you hold one LLP structure, so effectively you get 40?

Pirojsha Godrej I think the best way you said was that you should look at it from a cash flow perspective because that is the most accurate description because accounting

treatment can get a little different, but effectively commercial understanding is it is the split of cash flows.

- Sourabh Kumar** Okay. So that is clear. And so basically this INR 3,500 crore odd inventory number which you guys have on your balance sheet, will not include any of your 40% or the minority interest, you guys have, right, in any of the projects. That will be not attributed in this inventory number, correct? This is will just be your Vikhroli project and some of the majority ownerships?
- Mohit Malhotra** That is, right.
- Sourabh Kumar** And basically the investment number of INR 350 odd crore which you have as part of your financial assets, that is your equity investment in all these structures, INR 350 crore plus the INR 800 crore of loans?
- Mohit Malhotra** Yes, so whatever the short fall funding to the respective LLP, that is classified as an investment in that. So that is our investment in the joint venture, all the LLPs.
- Sourabh Kumar** This INR 350 crore plus the INR 800 crore of the loans?
- Mohit Malhotra** Yes, right. INR 350 crore is the equity and the INR 800 crore is the investment in the form of loans.
- Sourabh Kumar** Correct, I mean so INR 1,100 crore is what you have invested in all your joint venture projects, right? In that sense. Is that a fair understanding or?
- Mohit Malhotra** Yes. That is right.
- Moderator** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati** First of all, just a little more understanding on the RERA side. Have you received the registration or have you applied for all?
- Mohit Malhotra** We have applied for all projects except one in Kolkata where the authority isn't existing. And we received multiple registrations; few of them are in progress as we speak, because various states are at different level of preparedness for RERA. But we have applied for everything except one and we have received most of the certificates, wherever the state authorities are operational.
- Puneet Gulati** So pending the registrations, where you haven't received registration, are you allowed to sell the project? Or do you have to restrain your sales there?
- Mohit Malhotra** So new launches are absolutely not allowed in places, if I give you example, like UP, where the authority just got established, and we were actually the first one to receive the approval for RERA. But there the new launches are not happening. The existing launches are something which there is a little bit of ambiguity. We are clarifying from the government on what is the stance on it. But from a place like Maharashtra, it is very clear, that you can't sell after 31st July and we have all our projects registered in RERA.
- Puneet Gulati** Okay, no, Maharashtra is okay, may be Chennai or some places where you may have applied for registration, but you haven't received the registration. Can you still sell those projects?

Mohit Malhotra	New launches definitely you can't do.
Puneet Gulati	Existing?
Mohit Malhotra	On the existing ones there is a bit of ambiguity right now.
Puneet Gulati	Okay. Secondly for BKC, is there a plan to lease it instead of selling, if the selling is little slow. Would you be open to considering that?
Pirojsha Godrej	Yes, I think that could be something which we are open to, and I think frankly leasing it, any number of investors would want to buy a lease-paid project. So yes, I think we will be happy to either lease or sell it. But I think the idea would be ultimately from a GPL perspective to monetize it.
Puneet Gulati	Okay. That is great. And in your last few months, did you see any of the customers taking the benefit of the new affordable housing schemes which the government has launched, the CLSS particularly?
Pirojsha Godrej	I think it is more volumes, but we don't have the data available right now. Maybe we can get that for you offline.
Puneet Gulati	Okay. And lastly, if you can explain this restructuring of Ahmedabad. Obviously, it looks good for you. But how does the other developer benefit out of it, why would he agree to such a scheme? If you can give more color here?
Pirojsha Godrej	It is a good question. I think, that was an outcome of a lot of discussions and something which we were insisting upon. I think the other developer did feel that they would be able to still do well at this new sharing ratio, and that it would further incentivize us to really push hard on volumes, and the pace of monetization of the project, which obviously they saw as key benefit. It was a tough negotiation but something that we felt was in the project's interest and ultimately, I think we are able to convince our partners as well.
Moderator	Thank you. Next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
Sameer Baisiwala	A question on Garden City, did I hear you correctly, you said that the implication of this would be that there will be an inflow of Rs. 2,000 crore?
Pirojsha Godrej	Yes.
Sameer Baisiwala	Okay. That is about 19 million square feet into 15,000 at 17%. That is the rough math of it?
Pirojsha Godrej	Yes, these are very back of the envelope kind of numbers. It all obviously depends on what kind of price we are able to realize. But yes, we think that an achievable kind of number.
Sameer Baisiwala	Okay. And on The Trees at Vikhroli, you had mentioned a couple of quarters back that you are awaiting 1 million square feet base on your DP plan. Any update on that and what could be the outlay for the commercial and hospitality piece over there?
Pirojsha Godrej	No. I think the new DP/DCR is still not finalized. So I think we will await that. No change, as per the draft rules, that there would be that additional commercial

space. I think the outlay for the hospitality and existing commercial will obviously depend also on the financial structure. So we should be able to have more information on that in the coming quarters and nothing as of now.

- Sameer Baisiwala** Okay, and on BKC, can you just refresh us, how much is now the unsold portion?
- Pirojsha Godrej** About 250,000 square feet.
- Sameer Baisiwala** Okay. In your assessment this would fetch us roughly about 700 crore?
- Pirojsha Godrej** I think more than INR 900 to 1,000 crore. The last transacted price level there was about INR 36,000. We have a deal which we did about two years ago now at INR 34,000. And also part one of the three large floors that we have left is we think quite a premium floor with some outdoor space and things. So we hopefully can get some amount of premium for that.
- Sameer Baisiwala** Okay. Any corresponding outflow that can be expected on this?
- Pirojsha Godrej** There will be obviously some marketing and brokerage as and when we sell the space and some limited construction payments pending there, but nothing significant.
- Sameer Baisiwala** Okay. And just one final question Pirojsha. Looks like the two airports, one at Noida and the other at Panvel, seem to be making some good progress. Any thoughts on this? And what can it imply for your projects in those areas?
- Pirojsha Godrej** Yes, thanks Sameer. I think obviously, one of the endeavors we have on the businesses development side is to closely track infrastructure development in key cities. And I think that has been a successful strategy for a number of projects that have benefited as new infrastructure activity has picked up in location. Certainly, the two airports you mentioned will strongly benefit, our Panvel project and our Greater Noida project. And I think both of those, the Greater Noida was off to a fabulous start. We have to launch something there new again in this quarter. Panvel after getting stuck on approval for a while is finally now up and running. Construction has begun there. So we should have a new phase there shortly. Yes. I think these projects will certainly be benefited and they are two quite important projects for us. So we certainly welcome that news.
- Sameer Baisiwala** Okay. And you do see a realistic progress on these two airports, they have been in news for last 10 years, so?
- Pirojsha Godrej** Well, one should always be little careful with prognosis on this. But yes, I think it does look particularly the Panvel one, which we know a little bit more about, looks like it is certainly progressing. But yes, one can never be too sure on time lines for these kind of major infrastructure projects.
- Moderator** Thank you. Next question is from the line of Ritwik Seth from Deep Finance. Please go ahead.
- Ritwik Seth** Sir, a couple of questions. Firstly, on the Ahmedabad project. On the restructuring, you mentioned that we will get 17% or 15% of the revenue share?
- Pirojsha Godrej** 17%
- Ritwik Seth** And what would be the approximate cost associated with this?

Pirojsha Godrej Depends on the overheads. Around 2-3% may be.

Ritwik Seth Oh, that is it? So not more than 3%?

Pirojsha Godrej Yes, somewhere in that range.

Ritwik Seth Okay. And this would be spread over what, around 5 to 7 years?

Pirojsha Godrej No, this will be a much longer-term project. And I think it is 19 million square feet. I think optimistically in the near term, we should do a million square feet a year and hopefully that scales up. So I think it is at least a 10-year project, minimum.

Ritwik Seth Okay. So that 2,000 crore is over 10 years?

Pirojsha Godrej At least 10 years. I would say.

Ritwik Seth Okay. So that is that. And you mentioned 250,000 square feet in the BKC. And is there any pending payment from the Abbott deal cash flow which has yet to come in?

Pirojsha Godrej No everything has come in from Abbott and other existing clients.

Ritwik Seth So this INR 1,000 crore and another couple of INR 100 crore from the partners, from what I understand from the previous call, is that right?

Pirojsha Godrej No, the partner inflow all came in Q1. So INR 400 crore we received from our partner. So that is complete. So the INR 1,200 crore you are referring is probably BKC plus some of the other commercial projects. BKC itself we think will have got INR 900 crore of net cash flow primarily.

Ritwik Seth Yes, so total INR 1,200 including Chandigarh and Kolkata. Right and one final question, in slide 14, you've mentioned the projects -- new projects and the phases which are to be launched in this year. So what will be the approximate size of all the projects put together, ballpark figure?

Pirojsha Godrej Well, I don't have that offhand. Also I think as we get closer to the launch timeline we typically decide on the exact phase time etc. So maybe we can give you some more details offline. I don't have that offhand.

Moderator Thank you. Next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda I just had a couple of bookkeeping questions. One the Garden City project, since it is now converted into a DM project, will we get our deposits back?

Pirojsha Godrej Yes, you will get the deposits to the joint venture partners back, in addition to the previous.

Samar Sarda Okay and you also mentioned about the stake sale in Godrej Investment Advisors which is reflecting in the other income. Any possibility of like mention the amount and what we earned out of this deal?

Pirojsha Godrej That was Rs.50 odd crore, that was in P&L, Rs.56-57 crore.

Moderator	Thank you. Next question is from the line of Dhimant Kothari from Invesco Mutual Fund. Please go ahead.
Dhimant Kothari	Sir in the presentation you have mentioned that 130 flats have been sold in the Origins. But in the RERA if I were to see the website it is only 48. So could you reconcile that?
Mohit Malhotra	So, actually Dhimant, thanks for highlighting it. Actually what has happened is that we had finalized our RERA application at the end of April, and that is the reason there is a discrepancy because every quarter you have to do a fresh upload on RERA. So the numbers are absolutely accurate which we have reported. It will get reflected this month in the RERA website. That CA certificate we got at the end of April. That is why you are seeing a different number.
Dhimant Kothari	Okay. Sir, secondly after this input credit that would pass on, what would be the GST impact on the final ticket price for the consumer?
Pirojsha Godrej	We are still working it out project by project, I mean it's a little preliminary. But I think the refund rate is actually to be between 1% and 4% for projects. Again, it varies a little bit by state, but there is a 6.5% increase to customers. So small projects we think will be in the 2% to 3% range.
Dhimant Kothari	Okay. And sir, finally what would be the total Vikhroli potential besides The Trees, and what would be the owned and non-owned or the DM project?
Pirojsha Godrej	I didn't quite catch that. On Vikhroli, I think the potential, is that what you are asking?
Dhimant Kothari	Yes. The potential in Vikhroli land parcel besides what you are already executing under Trees?
Pirojsha Godrej	So we have avoided putting a specific number to it, because it is a big piece of land and there are various issues and what exact FSI will apply with DCR and other things. But I think the range we have typically said is, we think the developable area is in the range of 500 to a 1,000 acres. Using the current FSI on The Trees that works out to 50 million to 100 million square foot, as we indicated the FSI is likely to go up in the new DCR, which will take that number further up. But we prefer not to put any specific number because there isn't a high enough degree of accuracy on that, but clearly it's a very large opportunity.
Dhimant Kothari	Fair enough. But how much of this would be owned, because largely it would be G&B, right?
Pirojsha Godrej	That is right. So the understanding is that we have a development management fee agreement. So our portion is 10% of the top line.
Moderator	Thank you. Next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
Abhinav Sinha	Just firstly on the business development front, so we have seen good traction this time with about 5 million square feet. But most of it seems to be in the NCR, Gurgaon area. So more diversification in next 2-3 quarters?
Mohit Malhotra	Yes, absolutely.

Abhinav Sinha So which locations are we targeting now?

Mohit Malhotra See, as we said many times that we are looking at the top 4 cities, which is NCR, Mumbai, Pune and Bangalore. So we are looking actively in these places. By chance suddenly all of the deals actually happened in Gurgaon because it was also quite at some time we have signed something in that market, but we are actively looking at all these 4 markets. We have a good pipeline of term sheets and as and when they happen you should see things happening in all of these four cities.

Abhinav Sinha Okay. And can balance sheet be a constraint here a bit, because perhaps 50% of the second platform money would also be deployed by now. Is that correct?

Pirojsha Godrej No, I don't think capital is going to be a critical constraint as we see it. I think we have several opportunities to look at sources of capital. I think the most important one is our own strong execution if we can execute well, generate strong operating cash flows. As we indicated the commercial portfolio itself has INR 1,200 crore of ready inventory. We think there are other opportunities on the residential side as well. And I think our investment platform we referenced, has been partially invested. We do have significant capital still available from that and I think the way to think about it is that, once this gets fully invested we will likely have immediately available the next platform. So certainly we see a very big opportunity at the moment, and I think we will ensure that capital doesn't become a road block for seizing it.

Abhinav Sinha Sure. Okay. So actually see, broadly what I am trying to look at is, that given you have got possibly a great deal opportunity right now, I mean, is there like an upper limit that you will sign or you can go to do like 5 million square feet a quarter for next 4-5 quarters, is that something we are looking at?

Pirojsha Godrej Yes. I don't think there is any artificial upper limit frankly. This opportunities are there. We subsequently seem to add even more, as long as we are adding it in non-competing micro markets, are not getting to a position where we will be cannibalizing our own sales too much. And I don't think the million square feet is not necessarily the more salient way to look at it. It's more about how much capital we will deploy and we do have an appetite to deploy considerable capital. Now it is very much the right time.

Abhinav Sinha Okay. And the other part is, actually I mean sir, we have sold about say 2 odd million square feet, delivered 2 odd million square feet. So while I have seen good traction in the delivery portion, sales at 2 million is still a record for you. I mean, it should be tough to push sales beyond a point?

Pirojsha Godrej Well, yes and no, obviously growing on a higher base will be challenging but certainly if you look at this 1.8 million square feet, we think there were still many potential gaps. I think there is a very easy and clear first stage we would like to get to is at least one major launch of a new project in each of our focus markets each quarter. Certainly, we don't think that would test the organization too much, and could itself yield much numbers. So I think we feel that our growth today is more constrained by the ability to get projects to market than the ability to sell what we are bringing to market. If you look at the four launches we did, if you look at the existing inventory numbers I think they are all quite encouraging. So they are really the key sort of gains through which we think most value gets created and it is going to be the top focus to the company along with business development. We are quite confident that we can do a good job selling the projects that we have.

Abhinav Sinha Right. And sir, finally, the debt reduction that we have seen this quarter. So the gearing is now down to 1.5 odd. Is this a more sustainable number?

Pirojsha Godrej Yes. I think we have guided ever since the IPO that the comfort range for us is really in this 1 to 1.5 kind of range. We think that is the right range, because it is making sure that we are not being too conservative and not fully leveraging the opportunity available. At the same time not going overboard. We had temporarily gone above that largely because of the IndAS related changes. So actually if you look at it, I think we went from 1.3 to about 1.7 or 1.8, purely linked to changes in IndAS accounting. So now even in IndAS we are almost within the range. I think that continues to be the broad range that we would like to be in. And of course, we don't think it's a big deal, if we are slightly above, slightly below it from time to time, but that is I think directionally in the range we would like to stay within.

Moderator Thank you. Next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia Sir, wanted to get some sense from you. Mumbai there are these issues on account of the dumping yard, BMC has been barring new launches unless and until dumping yard is not clear, height issues are not clear. We have been launching couple of projects in Bombay. So how are we managing that? And secondly, some color on the growth of bookings, what is driving this? This quarter we had this 280% growth in booking. So is it investment demand, is it actually end user demand, because post the budget that 2 lakh limit on house property would have affected second home sales, I would guess. So if you could share some of your thoughts that will be helpful.

Pirojsha Godrej Sure. On Mumbai, you are absolutely right, that this dumping ground issue is a significant issue and has been kind of constraining approval and will affect us also on new projects. I think the couple of launches you mentioned fortunately were projects that were already in the approval pipeline, and therefore weren't affect by this. But clearly this situation needs to be resolved. Otherwise, project launches in Mumbai will start getting affected. On the demand, I think we have felt that for the right project from the trusted developers, there has continued to be demand, and we have seen that over the last 2 years, which has been weak period for the sector as a whole. So I think we have seen overall that investor demand has reduced as prices have stagnated, but end user demand while also not robust has been still there for the right project from the right developer. Our own sense though is that, the pessimism is very accurately on a backward-looking basis, but we think there are much more positive signs looking forward than negative signs. And the most important to note is that affordability is probably at the best, it's been at least a decade, which is a pretty powerful underlying fact. Our expectation is that the sector will do much better. We also think so that even if it continues in this manner for some time there are quite a lot of opportunities for us, particularly on business development side and because we still feel our own sales and launches are doing quite well.

Prakash Kapadia Right, and given obviously the pedigree and the name which we have, so this shift will be gradual or now you will see a hockey stick kind of growth for organized players post RERA and some of these implementations by the government?

Pirojsha Godrej No, I don't think it will be a hockey stick type thing. I think there's a lot of talk now about consolidation and the impact of RERA, but frankly the underlining reality in the sector is that it has steadily been moving in that direction of the last few years. But consolidation is not really, as we see it, something new. I think that total share of organized developers has been increasing. Certainly, I think this will increase the

pace of that and I think is a major milestone where that will become clearer as an outcome. But I don't expect kind of a hockey stick change.

Prakash Kapadia

And organized would be what, around single digits, mid-twenties, some color on organized kind of share as of today?

Pirojsha Godrej

I don't have very accurate numbers. I think the data, I believe is in the 10% kind of range. Again, I think it depends on which cities and what place you look at. But certainly there is very significant room for the organized part of the sector to increase its share. I think if you look at it over the years, slowly the advantage is that the more disorganized players had, the more flexible governance kind of companies had, and they have all slowly but surely gone away. I think the combination of demonetization and RERA is perhaps kind of the final nail in the coffin.

Moderator

Thank you. Next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand

Sir, just one thing, I remember that you had a scheme of arrangement, I think it was for the commercial project in Vikhroli, what is the status of that and If you could give us more color in that scheme of arrangement? It was basically between Godrej Vikhroli Properties, Godrej Highrise Properties, Godrej Green Homes.

Pirojsha Godrej

Yes, so I think you know the legal process of getting this done is under way. So we expect it to conclude in about 3 to 6 months.

Abhishek Anand

And this is basically you are splitting the commercial and hospitality or hotel from the books of Godrej Properties. So basically, they will be separate entities, is that understood correct?

Pirojsha Godrej

The idea of course is to be able to have investments into those if we choose to take on any kind of partners or the like.

Abhishek Anand

Okay. But timeline is three months or thereabout?

Pirojsha Godrej

Roughly

Moderator

Thank you. Next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda

I just missed out on a couple of questions. The first question was the sales we had on our near completed and completed projects in Bangalore, Pune. So one possibility might be like the GST impact and sales before that. But could you throw some light on like what extra did we do with respect to selling these bulk units at these projects and like what else can be done to sell unsold area and completed projects?

Pirojsha Godrej

As we had highlighted in the last call also that there is a disproportionate focus on sustenance sales, sales which are in under construction projects. So there has been a lot of focus and organization wide programs have been run on how we can build capability to do that. Because we have been doing great launches. We wanted to build that capability also. So I think some of the output, results which you are seeing right now is because of the effort which has been happening over the last 6 to 9 months. And again, I think that Gold County, Platinum are extremely good examples of executing these sales under very difficult circumstances. We

want to replicate this more and more and I think that is something we will want to encourage all time including if you look at we did good sales in Godrej Summit. So it is about really understanding who's the end consumer or how to target them, have a very focused marketing campaign but a very different skill set than a typical launch, what you would do otherwise.

Samar Sarda Okay, and have you taken some like price cuts? What is like what will be our NRI sales of the total sales now?

Pirojsha Godrej So, we didn't take any price cut as such but we had to price it at the market price. You know, if you look at projects like Summit, the prevailing market prices actually have come down in Gurgaon. So we were in line with the market prices. Actually, we were a little higher than the market price but yes, historically the price has come down in that project. In terms of NRI sales I don't have the exact numbers but I think it was in upwards of 20% plus. But we can come back to you with exact number.

Samar Sarda Great. And just on the restructuring of the Ahmedabad project, Pirojsha has spoken about it in the past. Do we also see some changes in like structures of Chennai, Nagpur maybe Mangalore and some of these other projects which have been like stuck for some time because of market issues and things?

Pirojsha Godrej Samar I think it is little premature to comment on that. I think there are a few projects where we would welcome a change in structure but it's not obviously clear that, that will in fact happen. But I think some of the projects you mentioned are certainly ones we have an eye on.

Samar Sarda Okay. So until then, do we assume that no new subsequent launches might happen in such projects.

Pirojsha Godrej Yes, I think it's fair to assume that most of the projects you mentioned there won't be new launches.

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

Sameer Baisiwala Pirojsha on Vikhroli, you mentioned there is 500 to 1,000 acres of developable land. How much of this is on the city side, if it is to be divided by Eastern Expressway and how much of this is on the mangrove side?

Pirojsha Godrej No, almost all of it is on the city side for that definition, the land is essentially in 3 parts. One is on the mangrove side, one in between the Eastern Express Highway and LBS, and one is on the other side of LBS. So that is two big developable parts of land, the biggest overall land is on the Mangrove side but we don't expect much of that to be developed fully. Even if some of it is, it will be a smaller part. And certainly, none of the actual mangroves obviously will be ever developed. And then there is a big chunk between the express highway and LBS and another big chunk on the other side of LBS.

Sameer Baisiwala Okay, this is very helpful and this is the same part that if one is standing on the Platinum higher floors and looking towards The Trees, a lot of this is then on the other side of the railway line.

Pirojsha Godrej That is right. So, that would be the portion between or beyond LBS. So everything from Platinum to the Trees and all of that in between is all in between the Eastern Express Highway and LBS.

Sameer Baisiwala Okay, got it. And for this part, which is sort of some construction already there, would you say this is all industrial designated and you need to change the land use over there?

Pirojsha Godrej Not all of it but the significant part of it is in industrial zone, but there is parts for the residential and other zones as well.

Sameer Baisiwala Okay. So, for this part which is sort of completely not connected to mangroves, or what is really what would constrain getting these into the development phase? Is there any major roadblock to that?

Pirojsha Godrej There are couple of specifics, talking of big piece of land there are a couple of specific issues but yes, the part that probably has the least issues is the part where we have had our factories and things, which I think clearly will be developed over time. Also happy Sameer if you'd like to come over and we will show you around the various sites.

Sameer Baisiwala Absolutely, let's plan something. And just on this last point, is that 10% DM arrangement, is this contractual and legal between GPL and Godrej & Boyce for the life of the development which will run many years and decades or is this something that is just a broad understanding?

Pirojsha Godrej It is a binding MOU that the two companies have agreed to. But yes, unless both companies agree to change it for some reason that is a legal binding arrangement.

Moderator Next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan This is on Origin sales, assuming that you would have already incurred some cost towards the common areas and amenities, can we expect Origin sales to cross revenue recognition threshold in FY18?

Pirojsha Godrej I think it depends a little bit on construction progress. It could happen but I think it could just as easily be lower. So I think it is probably safer to assume it's in next year for now, but certainly our endeavor will be rest of the year.

Moderator Thank you. Ladies and gentlemen with this I hand over the conference to the management for their closing comments. Over to you sir.

Pirojsha Godrej Thank you all very much for joining us today. I hope we have been able to answer all of your questions. If you do have any other comments or questions, don't hesitate to reach us offline. Thank you again.

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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