



Godrej Properties Ltd.

Q4 & FY2011 Earnings Conference Call Transcript May 10, 2011

Moderator: Ladies and gentlemen good afternoon 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 any assistance during this 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 Mr. Anoop Poojari from Citigate Dewe Rogerson. Thank you and over to sir.

Anoop Poojari: Thank you Farah. Good afternoon everyone and thank you for joining us on Godrej properties Q4 and FY2011 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 and Mr. Rajendra Khetawat, Vice President - Finance and Accounts of the company. We will begin the call with opening remarks from the management following which we 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 maybe 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: Good afternoon everyone. Welcome to Godrej Properties' Q4 and FY2011 conference call. I would like to begin by taking you through the operational highlights of the period under review, followed by a discussion on the financial performance of the company.

I am pleased to speak with you after a strong year and a particularly strong fourth quarter for Godrej Properties. The company has demonstrated significant growth in the volume of sales and construction progress achieved for the year. GPL's total bookings for the year in terms of the area grew by 132% from 1.38 million sq. ft. in FY2010 to 3.2 million sq. ft. in FY2011. In terms of value, the growth was even higher, as GPL grew by 152% from Rs. 425 crore in FY2010 to Rs. 1072 crore in FY2011. These numbers are the Godrej property share of area sold, so the total area sold including our joint venture partners shares is even larger.

Godrej Garden City, our township project in Ahmedabad continues to receive a tremendous response. In January 2011 we launched Phase III of this project and continuing on the success of the first two phases, phase III has registered strong bookings, and we have been able to sell 0.95 million sq. ft. within the first three months of launch. Gujarat's economy continues to witness strong growth and we are confident that subsequent launches will receive similar traction.

Among the other notable highlights for the year was the remarkable success of Godrej Frontier, our residential project in Gurgaon. We entered into the joint venture development agreement for this project in the first half of FY2011 and we have already been able to sell over 88% of our interest in the project despite this being GPL's first project in the National Capital Region. Construction of the project commenced in December 2010. Our residential project in Kolkata, Godrej Prakriti saw sales of 0.26 million sq. ft. in Q4 and a total of 0.63 million sq. ft. sales in FY2011.

I am delighted that we have launched our Flagship project, The Trees, on schedule in January 2011. Located in Vikhroli at 2.8 million sq. ft., The Trees is one of the largest real estate projects in Mumbai. Once completed, The Trees, will house premium office space, residential tower, high-street retail and five-star hospitality, all centered around a large four acre landscaped park. The first building of this project, Godrej One, is a commercial office building that will serve both as headquarters for various Godrej Group companies as well as a premium office building for external tenants. Construction of Godrej One is on schedule.

While our overall operational performance has been very strong, there have been areas where improvement is needed. Our residential project in Chennai, Godrej Palm Grove, is behind schedule due to the delay in Government approvals given the political climate in Tamil Nadu. We believe Chennai is a high growth residential market and we expect this project to deliver healthy volumes once the project is launched. Sales in our Kolkata commercial projects were also below expectations and effectively exiting these projects this year will be an important priority. These setbacks reinforce the advantage of being a diversified national player that is not overly dependent on the performance of any one market.

At Godrej Properties, we are firmly committed to continuous innovations, to improve the environmental sustainability profile of our 83.6 million sq. ft. development portfolio. During FY2011, we have decided that all Godrej Properties projects will be LEED certified. LEED is the pre-eminently globally recognized rating system for green buildings. In Q4 FY2011, Godrej Eternia, our commercial project in Chandigarh was awarded a LEED Platinum pre-certification which is the highest available rating from LEED. Godrej Palm Grove received LEED Gold pre-certification and was Godrej Properties' first LEED certified residential project.

During the year, we have created 100% subsidiary of Godrej Properties that will be focused on capturing opportunities in the Mumbai redevelopment space. We believe that the Godrej brand is a huge advantage in attracting tenants in the redevelopment space and we also believe that these projects fit in well with our strategy of focusing on assets like developments. The size of opportunity given the number and condition of residential dwelling in Mumbai is truly enormous. We hope to have some new redevelopment deals to announce in the coming quarters.

I will now discuss the financial performance of the period under review. Total consolidated income for the quarter was Rs. 334 crore registering a growth of 45% over the Rs. 230 crore in Q4 FY2010. These numbers benefited from significant contributions from Godrej Garden City, Ahmedabad; Godrej Frontier, Gurgaon and Godrej Prakriti, Kolkata. EBITDA for the quarter increased by 34% to Rs. 101 crore as compared to Rs. 76 crore in Q4 FY2010. Net profit improved by 4% to Rs. 60 crore in Q4 FY2011 from Rs. 58 crore in Q4 FY2010.

For the year, total income stood at Rs. 559 crore an increase of 43% over the Rs. 390 crore achieved in FY2010. EBITDA grew by 28% to Rs. 212 crore from the Rs.

166 crore recorded in FY2010. Net profit stood at Rs. 131 crore a growth of 7% compared to Rs. 123 crore in FY 2010.

We are excited about the future and expect to deliver significant improvement in the performance of the company. For new projects we remain focused on the high growth markets of Mumbai, NCR, Bangalore, Chennai and Pune. Demand for mid-income housing in India continues to be healthy and given our strong fundamentals, diverse project portfolio and the distinct business model, we expect to see continued momentum in FY2012.

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 with the question and answer session. At this time if you would like to ask a question you may press * followed by 1 on your touchtone telephone. If you decide you want to withdraw your question from the queue, you may press * followed by 2. Participants are requested to use only handsets while asking a question. Our first question is from the line of Aashiesh Agarwaal from Edelweiss Securities Ltd. Please go ahead.

Aashiesh Agarwaal: Just want to understand your development plans that you have for Vikhroli?

Pirojsha Godrej: As my father mentioned the Vikhroli project was already launched in January of this year. The building we are starting with this year is Godrej One which is a 750,000 sq. ft. A grade office building. About 200,000-250,000 sq. ft. of that space would be leased to various Godrej Group companies and that will act as their headquarters. The remaining 5 lakh sq. ft. will be leased externally. Following the completion of that building we would start on further phases of this development. The next phase which will be launched is to be a residential phase as well as an additional office building and finally the last of an office building and the five star hotel. All these buildings will have retail on the ground floor. And we expect the entire development to be completed in about six years and the first building Godrej One to be completed in about 24 months.

Aashiesh Agarwaal: Just want to understand what is the amount of area that you are looking for the residential component?

Pirojsha Godrej: About 5 lakh sq. ft.

Aashiesh Agarwaal: What kind of rentals are we looking at from the office property where 5 lakh sq. ft. that they are giving out to external tenants?

Pirojsha Godrej: I think it is a little premature to say that, but I think we are yet to determine that because it is about 24 months before these leases will be actually starting but we estimate somewhere in the range of Rs. 125 a sq. ft. Just to make it clear, even the Godrej Group companies will be paying market rent for the developments. There would not be any concessions for the Godrej Group rented spaces.

Aashiesh Agarwaal: I want to understand one more thing. On the overall funding strategy that we are looking at, I do understand that we're looking at some fundraising and we have done some fundraising even during the quarter by way of private equity investments. On one hand of course we are seeking to raise capital, on the other hand we are deploying capital in a fairly capital intensive business of putting up

commercial properties and leasing it out. How would one look at a setup like this, if you could just help us understand that?

Pirojsha Godrej: I think a large majority of our business and the focus of our business is on asset light types of real estate developments, joint venture model primarily for almost all our projects and focus on the residential space. And even within the residential space on the fastest moving path which is the mid income residential space. The thinking for Vikhroli is slightly different; given the size of opportunity that we have we feel by building a very high quality development the capital values will appreciate over time. We therefore see some advantage in retaining some of the assets. The other thing is that this first building needs to be an office building because we are actually moving a lot of existing Godrej offices into this building which would free-up the remainder of the site for development. So in any case we had to do an office building and we preferred to retain rather than sell it, both as it would be our own headquarter building and because we expect to see significant capital value appreciation in Vikhroli.

Aashiesh Agarwal: I completely appreciate that point, my point is that I am trying to come at it is slightly different. One could obviously look to do some residential component first, generate the capital and then redeploy into commercial, just a little thought over here but obviously I understand we are looking at it in a slightly different context.

Pirojsha Godrej: As I've pointed out and we would be keen to free up capital by doing the residential first but we need to start with the office space first because we have to move in the existing offices into this building before the area becomes available for residential. Rightly pointed out that as soon as we are able to launch residential, we will in fact do that.

Moderator: Thank you. Our next question is from the line of Akshit Shah from SBICAP Securities. Please go ahead.

Akshit Shah: My question is from the slide number 18 which is work completion status. If we compare this with Q3 presentation the project area seems to be a bit different. Like suppose if I am looking at Prakriti, there the area was 0.55 million sq. ft. Now in Q4 it seems 0.67 million sq. ft. So not being able to actually recognize?

Rajendra Khetawat: What happened is, in the Q4 some more additional four towers of buildings got added into the phase 1. So we got four tower buildings, three of the four tower buildings got added to the phase 1. That is why there is a shift in the total saleable area from Q3 to Q4.

Milind Korde: It is key design of four buildings to make them four storied, and have faster work completion. The layout was amended and that is the reason of the change.

Akshit Shah: Will it be the same reason for Waterside as well where the area has actually come down from 0.75 to 0.61?

K.T. Jithendran: No, Waterside remains the same. Waterside Phase I is completely sold out and that is also completed.

Akshit Shah: Actually I am just comparing Q3 and Q4 slides.

K.T. Jithendran: Waterside Phase I is completed and sold out and there should not be any change in that area.

Pirojsha Godrej: It is actually sold out prior to this quarter. Let us come back to you after this call.

Akshit Shah: Okay, no issues, I will take it up offline. On the net debt equity level last year it was 0.55 now this year it is 0.85. What is the satisfactory level for us to manage on the debt equity side?

Pirojsha Godrej: I think we have always indicated that we are quite comfortable with the debt equity ratio of anywhere between 1 to 1.5 is to 1, and the reason we are taking on new debt is of course, to fund expansion and to fund growth into new projects. We feel that those debt levels are quite comfortable, we are quite confident that the projects we are getting into can quite easily pay for that debt because we are not getting into projects that have huge gestation period for approvals and things like that.

Milind Korde: What you need to understand is that a large part of the debt is in commercial projects for which the cycle is just completing this year. They will be monetized during the course of the year, so the debt would come down significantly. I think about Rs. 650 crore is locked into commercial projects, the market value of that if we get current price it should be about Rs. 800 to 900 crore.

Adi Godrej: We are very clear, if the opportunities come our way we would like to grow tremendously. So long as we can raise debt based on the position at that point of time at a reasonable debt equity ratio we will do so. If it comes to the state where debt equity ratio is higher than we would like to see it, we could even raise equity. So, as you know, our promoter holding is 83%, so raising equity will not be much of an issue. But growth orientation and earnings per share orientation will be our main focus.

Akshit Shah: My last question is on the investment which has come down from Rs. 2000 crore odd to Rs. 140 crore. Can you help me to reconcile this?

Rajendra Khetawat: Rs. 200 crore. This investment was on account of IPO funds deployed into mutual funds, so as and when the off-take clause requires that fund we redeem the investment and deploy it.

Adi Godrej: It was not Rs. 2,000 crore, it was Rs. 2,000 million.

Akshit Shah: I am sorry Sir. Understood. Thank you.

Moderator: Thank you. Our next question is from the line of Gunjan Prithyani from J.P. Morgan India. Please go ahead.

Gunjan Prithyani: Can you give the pricing that is being achieved on your Ahmedabad and Gurgaon Project?

K.T. Jithendran: In Ahmedabad the current average price is in the region of about Rs. 3,060 per sq. ft. and Gurgaon the average pricing is about Rs. 4,300 per sq. ft.

Gunjan Prithyani: Rs. 3,000 in Ahmedabad, is this the average price for all the three phases or for the third phase?

K.T. Jithendran: For the current phase, this is Phase III. If you look at the overall phases, the average will be in the region of Rs. 2,700 per sq. ft.

Gunjan Prithyani: What would be the marginal price at which you are selling currently?

K.T. Jithendran: Currently we are selling at about Rs. 3,200 per sq. ft.

Gunjan Prithyani: On your Ahmedabad project, from what I see in your presentation Phase III is almost 20% complete. So has this project already started contributing to the P&L?

K.T. Jithendran: Yes, it has. It's in threshold so that is why it has started.

Gunjan Prithyani: Lastly, on your Chennai project you mentioned that it has been delayed because of approvals but from what I remember in the last conference call you had mentioned that there was some amount of area that you had sold in that project.

K.T. Jithendran: A prelaunch has been done to the extent of about 75,000 to 80,000 sq. ft. We are waiting for the final approval which we are expecting at any moment of time, we have been waiting for the last 2-3 months. So, as soon as we get that approval we will be able to officially launch the project.

Milind Korde: We have not recognized any revenues or profits.

Gunjan Prithyani: Construction also has not started on that project?

Pirojsha Godrej: Sales were made generally from a list of existing customers that we have and they were fully informed that the final approval was still awaited. Which is why actually given the political climate in Tamil Nadu over the past few months we actually took the decision to stop pre-sales until that was received and we certainly expect that eminently after these election results are announced and things settle down.

Gunjan Prithyani: Just one more question on your recent JV agreement on Chembur. Can you just throw some light on that and also the last agreement that you had signed in Chembur, when is that expected to be launched?

K.T. Jithendran: Firstly, on the new Chembur agreement that we had signed; basically it is a potential area of about a lakh of sq. ft. It is an area sharing arrangement with about 52.5% of area to us and 47.5% to JV partner and no advances are involved here. And the previous JV was a 50:50 sharing, the one which we signed in Chembur with a potential of 1.5 lakh sq. ft. and we expect that to be launched in July of this year.

Moderator: Thank you. Our next question is from the line of Arunabh Chaudhari from Morgan Stanley India Co. Pvt. Ltd. Please go ahead.

Arunabh Chaudhari: Just a couple of questions on some of your large projects. Ahmedabad I just wanted to enquire, when we are going to see the launch of Phase IV and how it is going to be in terms of million sq. ft.

K.T. Jithendran: Ahmedabad, the next phase is going to be Phase IV, we are expecting the launch in June and the approximate area would be about 0.8 million sq. ft.

Arunabh Chaudhari: What is the pricing expectation that we have here?

K.T. Jithendran: Now, pricing we are going to keep the same price; we are concentrating on volumes so we do not expect any kind of price increase there.

Arunabh Chaudhari: Regarding Hyderabad, when are we expecting a launch and are there any pending approvals in this project?

K.T. Jithendran: In Hyderabad, we have made tremendous progress. We are just waiting for the last approval which is a conversion. Our plans are ready so we expect the launch to

happen sometime in July. We are just gearing up for that. Conversion in terms of converting it from commercial to a residential.

Pirojsha Godrej: We initially had this project approved as an IT SEZ so we are in the final stages of converting that to a residential development. We have simultaneously prepared all our architectural plans so once that approval is in, time to launch we would be quite short.

Arunabh Chaudhari: And what is the size of our first phase of launch?

K.T. Jithendran: First phase is about 1 million sq. ft.

Arunabh Chaudhari: Alright, thank you so much.

Moderator: Thank you. Our next question is from the line of Puneet Jain from Goldman Sachs (India) Securities Pvt. Ltd. Please go ahead.

Puneet Jain: I just wanted to understand the cash flow cycle in 4th Quarter. Out of revenue how much was the total customer payments you received in this quarter?

Rajendra Khetawat: Puneet, whatever revenues we receive we use it, deploy it, to work completion done for the existing project. The exact quantum I can send you offline. I do not have the exact number as to how much we have received in Q4.

Puneet Jain: Just wanted to understand the accounting policy with respect to Godrej, your Ahmedabad project? Has that gone into revenue proclamations of Phase III of the project in this quarter?

Rajendra Khetawat: Yes.

Puneet Jain: What will be the approximate revenue recognition from the Ahmedabad project in this quarter?

Rajendra Khetawat: Phase III we have recognized close to Rs. 8 crore in this quarter.

Puneet Jain: For all the three phases combined?

Rajendra Khetawat: All three phases combined would be around Rs. 54 crore for the full year.

Puneet Jain: And for this quarter?

Rajendra Khetawat: It will be Rs. 47 crore.

Puneet Jain: And from frontier for this quarter?

Rajendra Khetawat: Frontier, Rs. 13 crore.

Puneet Jain: Then which will be the other large contribution projects for this quarter?

Rajendra Khetawat: Prakriti is the other large project which has contributed to this contribution, Rs. 24.4 crore.

Puneet Jain: But your turnover for this quarter is close to Rs. 3 billion in terms of turnover which are the other large contributors?

Rajendra Khetawat: Woodsman Estate Phase I, contributing close to Rs. 13 to 14 crore. Ahmedabad like I said, Rs. 47 crore has been contributed from Ahmedabad. Then Prakriti Rs. 24 crore and Rs. 13 crore from Frontier, then we have some compensation income of Rs. 5 crore.

Adi Godrej: What number Rajendra is giving you is contribution number.

Rajendra Khetawat: The turnover number if you want Puneet, Ahmedabad has contributed Rs. 125 crore and Prakriti Rs. 68 crore, Frontier 74 crore. These were the major three projects which have contributed to the revenue of this quarter.

Moderator: Thank you. Our next question is from the line of Abhishek Singh from B&K Securities. Please go ahead.

Abhishek Singh: I just wanted to understand a bit on the Ahmedabad project again. I believe we had some outstanding payments to be made in this particular project of approximately Rs. 125 crore as per the last quarter. First of all, have we paid all of this and since this is refundable deposit so have we started receiving it in some way? I am not sure how the accounting treatment of that particular thing is done. Do we take it in the revenue part or is it generally added to the cash?

Rajendra Khetawat: Abhishek, it's a balance sheet item where we give deposit as a part of our balance sheet and then when the money comes, the deposit gets adjusted against the money which we received. So it is an area sharing arrangement where whatever area of JV partners gets sold, the money gets deposited into a separate Escrow account and a part of the money goes towards refund of our deposit. So right from the Phase I launch we have started getting the money and the deposits have been already getting squared off.

Abhishek Singh: It in no ways reflects in our revenue?

Rajendra Khetawat: It is a balance sheet item which will get reflected into only balance sheet.

Abhishek Singh: What will be the amount spent on the construction during the quarter in some of the major projects like Garden City, Frontier and Prakriti?

Rajendra Khetawat: Right now I do not have that, offline I can share that number with you.

Abhishek Singh: I suppose the collections data also we can get later on, right?

Rajendra Khetawat: We can share that later on with you.

Abhishek Singh: Regarding our Vikhroli project how much do we intend to spend on a per sq. ft. basis in total?

Pirojsha Godrej: Well I think it will be quite different for different stages given that they are different asset types. I think for first the commercial building it would be Rs 4000 sq. ft.

Abhishek Singh: That is all inclusive?

Pirojsha Godrej: That is the construction cost, yes.

Moderator: Thank you. Our next question is from the line of Unmesh Sharma from Macquarie Capital Advisors (India) Pvt. Ltd. Please go ahead.

Unmesh Sharma: In terms of further expansion, in terms of acquisition of new projects what are the areas that you would be looking for? The geographies in which you are willing to expand and what areas would you prefer on that front?

Milind Korde: The thrust would be NCR, Mumbai, Chennai, Pune and Bangalore; apart from developing a large redevelopment portfolio in Mumbai where we formed a separate SPV.

Moderator: Thank you. Our next question is from the line of Arun Aggarwal from Religare Capital Markets. Please go ahead.

Arun Aggarwal: My question relates to the percentage completion data that you have given. Now when I compare 4th Quarter completion versus 3rd Quarter, for example, Gurgaon, you say it is 32% completed now versus 7% earlier which ideally means that 25% of the work completed in a quarter. What are the kinds of constituents that this 25% have because 25% seems way too big a number for one quarter?

K.T. Jithendran: See what has happened is that we awarded the contract in the last month of the 3rd Quarter which is December and advances to the contractor etc. amounts to about 7%. Bulk of the work - the kind of procurement, the kind of contracts for the architecture, liaisoning and all the initial setting up cost which is done for a project is all incurred in this last Quarter. And we also reached to a level of ground floor; the first space is in Gurgaon. It also meant investing in formwork etc. for the balance area of the sale; therefore we see a very healthy work progress in the last quarter. But going forward it may not be to this extent, it may taper off. It's always been this way when you start up the foundation work and initial setting up cost always there is a huge acceleration there.

Milind Korde: The joint venture partner has aspired to be a developer. He had done a lot of setting up work initially. This project you would see that we launched very quickly, a lot of work was done, spade work was done which normally takes time so that all reflects in that 32%.

Arun Aggarwal: Yes, I agree with you but my sense was that all the work that your JV partner would have done should have been reflected in the 7% that you gave in the third quarter, right?

Milind Korde: That is to contractor, 7% was the mobilized advance to contractor.

Arun Aggarwal: Okay. And is it the same reason for the Ahmedabad project where mostly 22%, 25% work seems to be completing?

K.T. Jithendran: Ahmedabad Phase-III of course since this JV partner amount was not there, so that's what it is more muted it's only 22.5%. Here again we have invested a lot in standardized form work, percentage progress, percentage mobilization advance to the contractor and investing in the infrastructure. Because it is a township project there is a lot of infrastructure work around it so that has been partly apportioned so that one comes up to about 22%. And as I said initially when the setting up is there a new phase there is a lot of work and investment which reflects in terms of progress.

Arun Aggarwal: Okay. Just one more thing on Eternia Chandigarh your presentation shows total area of 0.48 million sq. ft. versus 0.68 million sq. ft. that was there in third quarter, is there something that we are missing here?

Rajendra Khetawat: I would clarify that the last quarter was given at the total developable area and this quarter what has been done it is the total saleable area. So in Chandigarh there is no parking also, so 0.68 includes total saleable plus the parking area.

Pirojsha Godrej: Our apologies for the confusion we will standardize for the future quarters whether it is in saleable or developable so that consistency is maintained.

Moderator: Thank you. Our next question is from the line of Rajeev Desai from IFCI Financial Services. Please go ahead.

Rajeev Desai: I would like to know why the debtors have been increasing from a balance sheet point of view, there is a sudden jump?

Rajendra Khetawat: Yes, see what happens is the billing has been done in the last quarter, so when you do a billing you give some amount of time to the customers to pay so because of the reporting period it takes debtors but that money has started to come in this April May month. This has happened on all the reporting dates when you do a billing and you give a time, so the debtors get reflected in your balance sheet.

Milind Korde: Generally we give a 45 day period to pay.

Rajeev Desai: Okay. Any change in this interest rate recognition for first quarter right because normally you had a very low recognition?

Rajendra Khetawat: No, this quarter if you can see there are a lot of lines of credit that are getting enhanced so we have to pay processing fee plus document charges. So that's why you will see some amount of interest being recognized in this quarter.

Rajeev Desai: So henceforth more of the projects have been executed, you see more of recognition and less of capitalization?

Rajendra Khetawat: No, the capitalization policy would remain the same. This is the fees and the documentation charges which cannot be capitalized into the project that's why we have to expense it.

Rajeev Desai: Okay. And going forward which are the new launches for FY12? How will we be rolling out across the country?

K.T. Jithendran: First launch we are expecting is for the new phase in Kolkata which is expected in June. And Ahmedabad we are expecting the fourth phase to be launched in June and followed by fifth phase and it's got a million sq. ft. in September.

Rajeev Desai: So 0.8 for fourth phase was in June.

K.T. Jithendran: Yes and another million in September. In Chennai we are expecting to get the approval and launch it in June. The Hyderabad launch is expected to be in July, the Chembur's first project which we have signed that is expected to be launched in July.

Rajeev Desai: How much in Chembur, million sq. ft.?

K.T. Jithendran: About 1.5 lakh sq. ft. In Hyderabad the first phase will be about a million sq. ft. Chennai also a million sq. ft.

Rajeev Desai: Okay. And how much in Kolkata for June?

K.T. Jithendran: Yes, Kolkata is about 7.5 lakh sq. ft.

Rajeev Desai: Okay. So after July in Chembur?

K.T. Jithendran: After July we are expecting the second Chembur project to be launched in December and Kochi we are planning in the fourth quarter.

Rajeev Desai: Sir, how much for Chembur second phase? Million sq. ft.?

K.T. Jithendran: The whole project is about a lakh sq. ft., so we are just launching that.

Rajeev Desai: Okay sir, like in July and December, combined will be 2.5 lakh sq. ft.

K.T. Jithendran: Yes.

Rajeev Desai: Okay. How many sq. ft. in Kochi?

K.T. Jithendran: Kochi will be about 5 lakh sq. ft. we have planning to launch in the last quarter.

Adi Godrej: The big area will come from Ahmedabad.

Rajeev Desai: So that will be in the first and second quarter around 1.8 million sq. ft.?

K.T. Jithendran: Yes.

Moderator: Thank you. Our next question is from the line of Sachin Kasera from Lucky Securities. Please go ahead.

Sachin Kasera: Sir, you mentioned that there has been monetization of commercial properties worth around Rs. 850 to 900 crore in the coming month, so are you expecting most of it to happen in FY12 or it could be probably spill over in FY13?

Milind Korde: Yes, partly this financial year and partly in the next financial.

Sachin Kasera: Any broad range in terms of percentage say approximate range that you could give that?

Milind Korde: Kolkata is completing in June, July. So that should be monetized this year. Genesis is completing in September of 2012 and Chandigarh is completing in this financial year. So it will be partly this year and partly next year. Commercial market is a little weak and now it is improving, IT/ITES demand has come back and we are quite hopeful that we are able to get this done.

Sachin Kasera: So what will be your strategy in case we do not get the right pricing as you mentioned the market is a little soft on the commercial side, would we then look in terms of keeping on the books and leasing it out or would we look at taking some correction on the price and getting rid of it?

Milind Korde: Generally our experience has shown that the commercial property gets sold or leased on completion. So either we lease it out and then capitalize the lease or do strata sale. So, on both counts I think we should get market value.

Sachin Kasera: Okay, regarding the Vikhroli projects when are we looking at the residential launch?

Pirojsha Godrej: I think the residential launch will be in early 2013.

Sachin Kasera: One question regarding the leasing aspect if any understand it right that land is on a lease from Godrej and Boyce, is that correct sir?

Pirojsha Godrej: Yes.

Sachin Kasera: So how are you going to account for the lease because especially for the residential section how will it be worked out and what is the amount of lease that we will have to pay to Godrej & Boyce?

Pirojsha Godrej: Now the lease amount will change over the next few years and then the peak is going to be about Rs. 40 crore when the whole development is completed. So as a percentage of the total revenue from the project is relatively small. For the residential segment we are still working it out but we are likely to agree to some fix one-time fee to the Godrej & Boyce. The commercial assets that we leased out maybe will continue paying them on lease.

Sachin Kasera: So at peak it will be Rs. 40 crore a year will be the lease charges that has to be paid to Godrej & Boyce.?

Pirojsha Godrej: Yes.

Moderator: Thank you. Our next question is from the line of Tejas Sheth from Emkay Global Financial Services Ltd. Please go ahead.

Tejas Sheth: I just wanted to know any private equity deals you are looking henceforth?

Pirojsha Godrej: I think as we have always said doing private equity deals is a part of our strategy where we see we are getting appropriate value for our project. So I think it is something that we look at on a case by case basis. In all likelihood we would expect to see some private equity deal this year, but we have nothing immediately on the hand now.

Tejas Sheth: And which project would it be?

Pirojsha Godrej: There is nothing that is currently under discussion that is eminent and we would be open to a variety of projects assuming that we were able to get a good valuation.

Tejas Sheth: Okay. Is there any thought on the commercial property development in this Ahmedabad project which we are looking at?

Pirojsha Godrej: Yes I think there will be commercial, retail and other developments in Ahmedabad but our strategy has been to do as much residential upfront to get the cash flows of the project is quite positive. So we are not planning any large commercial developments in Ahmedabad this financial year. There will be some small amount of retail and other facilities to support the residential. We are looking at starting pretty soon on the school and on the clubhouse in Ahmedabad but not any office space for this financial year.

Tejas Sheth: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Suman Memani from Pinc Research. Please go ahead.

Suman Memani: Just one question on the construction cost, on the Ahmedabad project with L&T. Whether the contracts been revised for the other phases or is there same trend going on in other contracts in other cities?

K.T. Jithendran: We have a long term arrangement with L&T but we will always have to be fine tuned when we start every phase. The idea is that we get advantage of the scale with which we are operating in with L&T. There has not been much change in the phases that we have subsequently awarded to L&T except because of the basic change in the commodity prices of steel and cement. So we don't expect a very large variation in cost as we go ahead.

Suman Memani: So, Rs. 999 can be a budgeted.

K.T. Jithendran: Rs. 999 is of course going up because it depends on the phases which we have later on launched has a basement, has much high rises, etc., so that cost will get calibrated to that extend and that will be the variations from phase to phase.

Suman Memani: Okay, so about 20%, 25% - Rs. 1250-1300 would be the cost impact.

K.T. Jithendran: Yes.

Suman Memani: Okay. And is there any sort of cost revision in any other projects?

K.T. Jithendran: No, most of the contracts that are given are fixed cost. In that particular phase there will be no revision.

Suman Memani: Okay. Thanks.

Moderator: Thank you. The next question is from the line of Samar Sarda from Anand Rathi Securities Pvt. Ltd. Please go ahead.

Samar Sarda: Just wanted to understand your expansion plans with regards to your construction expenditure. How much did you expend a total in FY12 and how much have you budgeted for FY12 for the current projects?

Rajendra Khetawat: See, its sum of a lot of projects, the exact detail we will not be able to tell you, we can give it offline. But the work completion percentage can give you certain guidelines, based on the total area what we had sold during the year multiplied by work completion percentage into the cost K.T. Jithendran just mentioned, can give you a certain guideline about the total cost expenses.

Samar Sarda: We could take the actual numbers offline but from a percentage terms how much do we intent to increase in this fiscal?

Rajendra Khetawat: The cost towards work completion would get financed through the customers advances what we are going to receive. So basically all the residential projects over a period of time will finance itself. The basic money what we require is towards the commercial project, which Milind touched upon that the project are getting over and we will start monetizing very soon in this year as well as the next financial year. And the third set of money what we require is to grow to get into the new deal.

Samar Sarda: Yes, actually I was referring to your actual construction expenditure on building residential tower or commercial tower for all the projects given that we have around about 10 projects under execution, in percentage terms how much would we increase on our execution expenditure?

Rajendra Khetawat: No, it's all phased if you look at the contract they are phased, if you look as far as the increase is concerned it is not going to be a increase into the cost, but as progress happens that amount of money will be required.

Adi Godrej: If the increase in cost comes in the next phase then the price revision will also come in that phase, so it is sort of protected.

Samar Sarda: Okay. And with regards to being a LEED certified building and a normal construction building, is there any difference in the construction cost here?

Pirojsha Godrej: I think it depends a little bit on the level of lead certification you get, there is a lot of sustainability planning which can be done which does not involve any additional cost so things like how you orient the building, how much sun shading you provide and other strategies that can cost absolutely nothing and just require intelligent planning. To get to higher levels of sustainability for examples say a LEED Platinum building probably does cost a little bit more and putting a LEED Platinum building probably cost about 5% more to develop today than normal building. Although particularly if you are retaining the asset, the payback period on that can be very quick due to lower energy and water cost. So I think it makes economic sense even when there is an investment but in most case there isn't much of an investment.

Adi Godrej: Also in commercial building these days a lot of international companies and also large size Indian companies because of their internal policies insist on environmental friendly properties.

Samar Sarda: Okay. And with regards to you looking at investing or getting into more properties expanding in the city you mentioned, if at all we could have an idea with regards to the amount which could be invested in properties which are like in the near acquisition stage or a near JDA approval stage at today's date?

Pirojsha Godrej: So I think it doesn't make much sense to comment on that. Until the project is finalized it's very hard to tell whether they are actually going to come in. I think we are very eager to ensure is that we do grow very rapidly so we will look to add considerable amount of projects. Of course we continue to look to do it in the joint venture format so it doesn't become overly capital intensive. We are quite confident as my father indicated that we can raise both the debt and equity required to support these plans. But I think till the deal is finalized it is very hard to speculate on what will be finalized for the year.

Samar Sarda: And so one final question with regards to your projects at NCR and Ahmedabad. NCR again is a volume based market, now in Gurgaon, you have done good sales in Gurgaon, so how much of your sales, are through investors or to investors? For Ahmedabad another large township is being launched, you have already done some volumes in this year. So what do you think will be a sustainable volume to assume for Ahmedabad going forward?

Pirojsha Godrej: I think typically in real estate particularly the residential real estate there is some amount of funding that happens through investors. It is quite hard to determine the percentage because unless somebody wants to buy a large number of apartments, we don't really know if there is investor or not. On some of the projects we estimate it could be quite low and others a little bit higher. For our Gurgaon project it's not really much of a concern because we almost sold out the project, so we have a very small area remaining to sell. On Ahmedabad as you rightly pointed out, there have been very significant volumes; we sold about 3.2 million sq. ft. in the project since it was launched about 14, 15 months ago. You are right there have been other significant projects announced in Ahmedabad. These projects have been in

the market for some time. Our third phase was announced after a couple of these projects were announced and we saw a very strong demand. So again we wouldn't like to give guidance on what numbers in the future years could be, but we have seen up till now a very good demand. We will always be remain very, very focused on ensuring that the demand continues with international market, domestic markets and we will continue to do so and we will try to make sure that we retain the advantage of having been the first developer to get into market with such a large township.

Adi Godrej: I would like to add that our Ahmedabad project which is the largest of our projects is the only large township within the municipal limits of that area.

K.T. Jithendran: And another point I would like to add is that our focus would be to continuously focus on the infrastructure development, both physical and social. We believe that will actually add a lot of value to the project and also to the people who are invested in the project in the earlier stage.

Samar Sarda: Sure. Thanks.

Moderator: Thank you. The next question is from the line of Rahul Haria from Nalanda Securities. Please go ahead.

Rahul Haria: I just wanted to know the status on your Chennai and Kochi projects and the total area to be developed for the whole project?

K.T. Jithendran: Chennai is about 2 million sq. ft. and Kochi is about 2.2 million sq. ft.

Rahul Haria: And any predevelopment because I think in Chennai you have done so 80,000 sq. ft.

Milind Korde: For the area which we presold we have told very clearly that we are expecting the approvals to come shortly. And we expect a formal launch when the approval will be received in June.

Rahul Haria: Okay. And anything on pre sale on Kochi project?

Pirojsha Godrej: No, I think the Kochi is a regulatory approval which is still a little further away so we have not launched that project and we are not in a position to launch yet.

Rahul Haria: Okay.

Pirojsha Godrej: Maybe to take a Q4 or even first quarter of next financial year.

Rahul Haria: Okay. And about the Bombay redevelopment projects can you just put a light on the approximate pricing for per sq. ft.?

Pirojsha Godrej: I think it varies quite a lot, so redevelopment is an opportunity that's available even in South Bombay where prices can be extremely high and there are redevelopment opportunities in the suburbs and obviously the prices will be lower. So it's like any residential project in Mumbai, the price range could be something like Rs. 3000, Rs. 4000 a sq. ft. to a Rs. 1, 00,000 of sq. ft. even. But I think Bombay prices are obviously higher than most places, so most projects tend to be about Rs. 10,000 and upward.

Rahul Haria: Okay. And about your Bangalore Hebbal property what is the total number of row houses that are to be build and how many have been sold?

K.T. Jithendran: About 17 row houses are there, 14 belong to our share, the rest to the JV partner, of which about 3 has been sold.

Rahul Haria: Out of 14, 3 have been sold?

K.T. Jithendran: Three have been sold yes.

Rahul Haria: Okay. And what would be the approx price for each one?

K.T. Jithendran: Our average price is about Rs. 9,000 per sq. ft. Area is about 4,000 sq. ft. I think each apartment is about Rs. 5 crore each.

Milind Korde: Range is between Rs. 4 to 5 crore.

Rahul Haria: I just went to Bangalore and spoke to some local brokers. And area at which we are developing I just came to know that our prices are at 10% to 15% premium, so is there any specific reason?

Milind Korde: If you look at the location, its proximity to Sadashivanagar, which is one of the most expensive locations in Bangalore, the prices are not very high. Sadashivanagar is only about 4 km from the site. And this is one of the best located properties as you approach Bangalore from the new International Airport. So we are getting the right prices and as the row houses are nearing completion, we are completing it in this year I think that we should be able to achieve the prices.

Rahul Haria: No, but when I spoke to the brokers they have told that, for the same quality what we are building the prices are almost around about 10% to 15% higher, so I was just in a doubt that and is that scene in all over projects as such?

Pirojsha Godrej: No, I think it's hard to comment on what the individual brokers are telling you. I think we are very confident that project is priced appropriately. But that said certainly given the strength of our brand we would expect some amount of premium to neighboring project. We of course think the quality we deliver is of course higher but again its difficult to debate with individual broker, we are quite confident that the project will do well and they are priced appropriately and they are of very high quality.

Rahul Haria: Okay. Thanks a lot sir.

Moderator: Thank you. The next question is from the line of Aatash Shah from Nomura Financial Advisory & Securities India Pvt. Ltd. Please go ahead.

Aatash Shah: How much debt do we have to repay in the next 12 months let us say in FY12?

Rajendra Khetawat: Our debt in on lines of credit, rolling basis, which gets renewed every year. Term loan wise we have to just repay Rs. 20 crore into this financial year. From the project term loan Rs. 20 crore is what they have to repay otherwise all are lines of credit which get renewed every year.

Aatash Shah: Okay. All right, thanks a lot sir.

Moderator: Thank you. The next question is from the line of Shamik Chatterjee from Alchemy Share and Stock Brokers. Please go ahead.

Shamik Chatterjee: What is your gross interest expense this year and what is the gross interest income for the year from your deposits?

Rajendra Khetawat: We have total interest charges of Rs. 80.34 crore, what we capitalize is Rs. 76.94 crore, so net Rs. 3.4 crore is what is expensed out in SG&A.

Shamik Chatterjee: Okay, thanks.

Moderator: Thank you. The next question is from the line of Hitesh Doshi who is an Individual Investor. Please go ahead.

Hitesh Doshi: There was a talk of Pune and the Kalyan project to be launched in first half of current year so is there anything there?

Milind Korde: For Kalyan we have applied for the location clearance. We are awaiting the permission. And for Pune also the joint venture partners have applied for permission. The permissions have been delayed a bit.

Hitesh Doshi: So it's not happening in the current year as of now?

Milind Korde: Kalyan may happen in the fourth quarter of this year.

Hitesh Doshi: Okay. So it's basically delayed by whatever we are projecting last year. Thank you.

Pirojsha Godrej: Delayed, I think probably to the end of the year or next financial year.

Hitesh Doshi: Okay. Thank you very much.

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

Madhukar Ladha: On our balance sheet as of 31st March 2011 what is the amount of deposits that we have paid to our joint development partners, what's the balance left?

Rajendra Khetawat: We have paid Rs. 484 crore deposits as of 31st March 2011 all projects included. Balance what is left out is around Rs. 125 crore to Rs. 145 crore.

Madhukar Ladha: So that's the only amount which is pending as deposits in our advance.

Rajendra Khetawat: Yes those are all linked to milestones with which the JV partner has to perform.

Madhukar Ladha: In the first nine months we have done sales of close to 1.5 million sq. ft. and in the fourth quarter we have done 1.6 million sq. ft. Of which around 0.9 million sq. ft. is Garden City Phase III. Prakriti is close to 0.12 million sq. ft. and Frontier is close to 0.13 million sq. ft. Where is the balance point 0.56 million sq. ft., in which project?

Rajendra Khetawat: Sure so we have done Chennai. Chennai as we mentioned we have done a soft launch so around 50,000 sq. ft. has been sold in Chennai. Then there is Avalon Mangalore, Bangalore's small-small project put together is another 10,000 sq. ft. Then there is Mumbai, in Kalyan, another 10,000 sq. ft. comes from there. And then we have done two of commercial project, one is Genesis Kolkata we have sold

around 15,000 sq. ft. in this quarter and at Chandigarh we have sold around 18,000 sq. ft. for the quarter.

Madhukar Ladha: Okay. That's still quite low, as this adds up to close to 100,000 sq. ft.

Rajendra Khetawat: Prakriti what we have done is 2, 57,000 sq. ft. In Gurgaon we have sold 1, 26,000 sq. ft. So that adds up?

Madhukar Ladha: No there is still a small gap of 0.2 million sq. ft.

Rajendra Khetawat: Ahmedabad it is 1.1 million a sq. ft. it's not 0.9 million sq. ft.

Madhukar Ladha: Yes the balance phases are 0.2 million sq. ft.

Rajendra Khetawat: Yes, all inclusive its 1.1 million sq. ft.

Madhukar Ladha: In like my previous question, you were mentioning that project completion you paid off some advances which is why the completion level appears high. I would just want to know is in project completion based on actual work completed on the ground or is it more based on advances, payments made to contractors.

Rajendra Khetawat: See basically it's a mixture of both, because if you pay obviously progress will show for sure. The correct method is whatever total developments cost divided by the estimated cost, is how you derive at the work completion. So by the time like we mentioned in the call earlier, at the initial phases there is a lot of infra, lot of approval, and lot of architecture cost goes into the overall development cost along with the physical progress. Okay so at the initial phase the work completion would be higher but later on it will be based purely on the milestone base or slab base.

Milind Korde: Also for faster completion we have gone for Aluminum Formwork rather than the conventional form of construction. So it has to be purchased in advance for most of the development. So that takes away a lot of cost and that's why the progress is higher.

Madhukar Ladha: Okay. Understood.

Moderator: Thank you. The next question is from the line of Saurabh Kumar from J.P. Morgan India. Please go ahead.

Saurabh Kumar: Firstly on your Ahmedabad project. You said that the contribution of the project was about Rs. 45 crore and the revenue is about Rs. 125 crore. Is that right?

Rajendra Khetawat: Rs. 125 crore turnover and the Rs. 47.47 crore is the contribution for the quarter.

Saurabh Kumar: Okay. Perfect. So that imply a 37% margin on project, but I also recall you mentioned that the price on this project is about Rs. 2,700 and if I work at let's say a Rs. 1,400 Rs. 1,500 square foot cost and assuming that you have to give another to your joint venture partner, your rolling cost would be 2,000 to 2,100 so how do I reconcile the margins.

Rajendra Khetawat: What we said was, it's a total of all these phases summed up. So all these phases have separate cost. So you cannot assign Rs. 2,700. What we said was total consolidated average selling price, but the cost would not be in a proportion to that.

Milind Korde: The building types are different for the different period. So you have a mix of premium, iconic and mass housing building. So the average cost is much lower.

Saurabh Kumar: Okay what would be your average cost like Rs. 1,500 on this?

Rajendra Khetawat: So the average cost, for phase I is Rs. 1,320.

Saurabh Kumar: Including that your JV partners share or excluding that?

Rajendra Khetawat: No excluding.

Saurabh Kumar: Okay but even if I work with Rs. 1320 and assuming you have to give your 33% area share to your JV partner, the cost comes to about...

Rajendra Khetawat: First phase of the area is higher to us. First phase we have an area of 87%. Since the project was delayed there was some interest component which has come in a form of area drawn. The first share is 87.13% and the balance shares are 68% and 32%.

Saurabh Kumar: Okay and may be 36% margin was higher and should probably come down?

Adi Godrej: For the whole project it might be somewhat lower.

Saurabh Kumar: And second is just a very minor question on this redevelopment being done in a separate SPV. Is there some specific logic for that or just have you want to divest it to private equity player?

Milind Korde: In Mumbai that's quite different compared to rest of the country. So to have a better focus and get in more development we thought that separate SPV is your best answer. Because you require people with different skills, associates such as brokers to be developed and etc.

Pirojsha Godrej: To raise funds directly into this SPV, this will allow us to do that.

Milind Korde: Private equity into the SPV.

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

- ENDS -

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