



## Godrej Properties Limited Q2 FY 2015 Conference Call November 07, 2014

<b>Moderator</b>	<p>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 the conference please signal an operator by pressing * then 0 on your touchtone telephone. 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.</p>
<b>Anoop Poojari</b>	<p>Thank you. Good afternoon everyone, and thank you for joining us on Godrej Properties' Q2 FY2015 results conference call. We have with us Mr. Pirojsha Godrej, Managing Director &amp; CEO; Mr. KT Jithendran, Executive Director; Mr. V. Srinivasan, Executive Director; and Mr. Rajendra Khetawat, Chief Financial Officer of the Company.</p> <p>We will begin the call with opening remarks from the management following which we will have the forum open for an interactive question and answer session.</p> <p>Before we begin this call I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the conference call invite e-mailed to you earlier.</p> <p>I would now like to invite Mr. Pirojsha Godrej to make his opening remarks.</p>
<b>Pirojsha Godrej</b>	<p>Good afternoon everyone. Thank you for joining us on Godrej Properties' Quarter 2 Financial Year 2015 conference call. I will begin by discussing the highlights for the second quarter and we then look forward to taking your questions and suggestions.</p> <p>In terms of Godrej Properties' financial performance, our net profit for the quarter grew by 36% to Rs. 47 crore while our total income for the second quarter declined by 4% to Rs. 307 crore. For the first half of the financial year, our total income has increased by 19% to Rs. 670 crore and our net profit has increased by 25% to 92 crore.</p> <p>On the business development front, we signed our first development management project of the year, a 13 acre project with a development potential of 1.25 million sq. ft. in Badlapur here in Mumbai. Our deal pipeline for new projects across the country's leading real estate markets looks robust and we expect to have further positive news on the business development front in the months ahead.</p>

I am happy to note that GPL in Q2 FY15 registered an increase of 177% in volume of sales bookings and closed the quarter with 1.4 million square feet of sales. The total value of sales in the second quarter stood at Rs. 880 crore which represents a 164% year-on-year increase. For the first time in the company's history, we have now crossed 1 million square feet in sales in three consecutive quarters. Our sales for the first three quarters in calendar year 2014 stands at Rs. 2,770 crore, which is already higher than the total sales GPL has ever previously registered in a full financial year.

The response to the launch of our new project, Godrej Aria, in Gurgaon has been excellent. We were able to sell over 250 apartments or approximately 400,000 square feet with a booking value of Rs. 284 crore in the quarter. We launched the project within just four months of signing the development agreement, which is the quickest turnaround time for any project launch in GPL's history. We have achieved this high level of sales despite the market in NCR currently being very challenging. I am particularly pleased with our recent performance in the NCR market given that we had no presence in the region just 4 years ago. In a short time, we have added 5 projects in NCR and launched 4 of these projects with tremendous success. Our cumulative sales in NCR are now approximately 3 million square feet. Our ability to effectively market our projects despite weak market conditions further enhances our ability to add new projects at attractive terms.

At the very end of the second quarter, we also successfully launched our second township project, Godrej City in Panvel, Mumbai and sold approximately 300 apartments or 90% of the launched inventory in just 2 days. The project has achieved total sales of 330,000 square feet with a booking value of Rs. 190 crore. We expect further inventory in the project to be released in the current quarter.

We also had a successful launch of the second phase of Godrej United in Bangalore several months ahead of our target launch date. We have now sold over 400,000 square feet of space worth Rs. 245 crore in the seven months since the launch of the project. We were able to increase the pricing of the second phase by approximately 17% over the pricing at the launch of the first Phase 6 months ago.

These successful launches across all three of India's leading real estate markets NCR, Mumbai, and Bangalore combined with strong sales of existing inventory in Ahmedabad and Kolkata allowed us for the first time in the Company's history and possibly for the first time by any company in India, to sell over 150,000 sq. ft. of space in each of 5 separate cities located in all parts of the country. We think this is a testament to the efforts we have been making in building our project pipelines, teams and capabilities across the country.

Our sales performance for commercial projects during the quarter was mixed. In Kolkata, we sold more than 100,000 square feet at Godrej Genesis. This is a very positive development and will help us meet our goal of quickly exiting our older commercial projects in Kolkata and Chandigarh. At Godrej BKC, while we were disappointed to not close any transactions in the second quarter, the lead pipeline for the project is healthy and is growing considerably with the improved economic outlook and business sentiment. We remain confident of an improvement in sales in the months ahead. The project is progressing well on the construction front and is on track to complete within our targeted timelines. I would also like to mention that we had very significant cash outflow towards

FSI and approvals for the project in the second quarter. We spent approximately Rs. 650 crore on Godrej BKC in Q2 and while the project is now much more capital intensive than we would have liked, it is also at a stage where the additional investment required is almost covered by the receivables from existing sales. As we register additional sales in the months ahead, we hope to soon start unlocking capital from this project, which we can redeploy more productively in our residential portfolio.

There were a couple of additional noteworthy events in Q2 and I will briefly touch upon these. In Nagpur, we successfully delivered 200 apartments in Phase 1 of Godrej Anandam in September 2014. Our long-term debt rating by ICRA has been revised upward to AA- from A+. This rating increase will help us further reduce our borrowing cost. We received 19 awards at the Company, project and individual levels in the second quarter.

It is also encouraging to note that with the coming in of the new government at the Centre and with new state governments in important real estate regions like Maharashtra and Haryana, there is optimism about the general Indian macroeconomic story as well as the real estate sector that has been missing for quite some time. For the first time in recent memory, the policymaking and news flow towards the sector is of a positive nature. The Government has announced guidelines for REITs, easing of FDI investment norms, affordable housing and tax incentives for home buyers. While all of these policies have some direct benefits, the larger benefit is the signaling of intent to support growth in the sector, which in turn will lead to an improvement in sentiment in the sector and amongst customers. We believe our national presence, strong brand, and ample and growing project portfolio leave us well positioned to benefit from an improvement in the external environment.

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

**Moderator**

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Aashiesh Agarwaal from Edelweiss. Please go ahead.

**Aashiesh Agarwaal**

First of all, I would like to congratulate you and your team for excellent sales volumes that you have done and have been doing over the past couple of quarters.

**Pirojsha Godrej**

Many thanks, Aashiesh.

**Aashiesh Agarwaal**

Sir, my question was more on the cash generation side. Even after ex-BKC land payments the cash generation in the quarter appears to be still fairly subdued at about Rs. 25 crore if I net off the BKC payments. So despite such high volumes and we would have sold most of our ongoing inventory, why are we not able to generate enough cash?

**Pirojsha Godrej**

Sure Aashiesh, I think there are few reasons. First of all, aside from BKC, we did have other outflows during the quarter like dividends and some land payments for The Trees and so on. But I think it is important to note that while there is a perception that the launch of a project immediately signifies a very strong positive cash flow timeframe to the project, it also coincides with getting relevant final approvals which involve certain costs and cash outflows. So we feel that we have

been launching a lot of projects, generating much more cash, but there has also been in the near term, some more additional outflow towards approval expenditure. We think as more and more of these projects are launched and construction starts and we start getting the second and third payments from customers, it is when the cash flows will really turn positive. Clearly the area where we haven't been throwing up enough cash from is our commercial portfolio and I think that is where we would see a lot of focus over the next year in unlocking capital. We had of course already unlocked a fair amount of capital from Kolkata commercial projects, but the big opportunity for cash generation for the Company really is Godrej BKC where a very disproportionate share of our capital is currently locked.

- Aashiesh Agarwaal** That is helpful. Sir you mentioned about some land payment that you have done for 'The Trees', so how much FSI payments have to be made over the next 3 to 4 years including BKC and excluding BKC?
- Pirojsha Godrej** I do not have the exact number. For BKC we have about little under Rs. 300 crore, about Rs. 280 crore to be made. For 'The Trees' we have around Rs. 350 or Rs. 400 crore for a 4-year period. And those are the two meaningful ones. I think all the rest are small advances based on approvals.
- Aashiesh Agarwaal** I have been seeing your project additions. Last 2 years, you have done about 25-26 million square feet between FY13 and FY14, but in the first half we have seen only 3 million square feet of new project additions. So do you see this as a more of a conscious decision to keep project additions lower and focus on execution or is it only a question of some timing difference that we are looking at?
- Pirojsha Godrej** I think Aashiesh, we have always maintained that one does not stop the other. In fact there are many positive synergies between the two. So I do not think if we stopped adding projects we would suddenly see some kind of better execution by any means. Certainly we continue to look for value accretive new projects. I hope we have demonstrated over the last 3 years the type of projects we would like to enter, the type of capital we would like to commit to new projects and all of which is a little bit different from perhaps what we were looking 3 or 4 years ago. But certainly you can expect a continued momentum in business development and I think we will end this year with hopefully just as many deals as any of the last 2 or 3 years.
- Aashiesh Agarwaal** Sir, my next question is on the debt equity ratio which obviously has gone up to about 1.3 which I understand is slightly above your comfort zone. Would you be looking to access equity capital in the near future to bring it down or you think the accruals would be enough to bring it back to the one target level that we have looked at historically?
- Pirojsha Godrej** Aashiesh, I think we are reasonably comfortable with where it is currently. I think ever since our IPO, we have been guiding debt equity range of anywhere from 1:1 to 1.5:1. So I do not think it is sort of outside our comfort zone in anyway. That said clearly we do have an eye on making sure we are unlocking capital from projects. We would like to reduce our debt, but certainly we would like to focus on doing that from operations. We have no immediate plans and certainly can rule out any kind of equity raising at least for the rest of this year.
- Aashiesh Agarwaal** Sir, how much payment is totally due from BKC customers YTD and how much we would have received so far, if you have those numbers handy?

**Pirojsha Godrej** I do not have the exact details, but a fair amount is still due from existing BKC customers. But the real opportunity in BKC is over 700,000 square feet of space that we have still to sell. So even if you take a very conservative assumption on the value of that space it starts sounding like a very big number that can be unlocked. Our expectation is now that as the project is at a much more advanced stage of construction, reaching over 50% of the structure completion and as the general economy and corporate sentiment improves, we certainly think that there is even a room for price appreciation in BKC. But even leaving that aside, I think the kind of cash we can collect from BKC over the next few year is well in excess of Rs. 2,000 crore.

**Aashiesh Agarwaal** Sure, when are you delivering the BKC project?

**Pirojsha Godrej** First half of calendar year 2016.

**Moderator** The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati** Just wanted to understand a couple of things on BKC. How much have we spent and how much is still to be spent?

**Pirojsha Godrej** The current capital employed is about Rs. 1,900 crore. The exact amount to be spent will vary a little with the interest and other things, but we have about Rs.300 crore construction and about Rs.300 crore of FSI payments and the rest is largely interest.

**Puneet Gulati** And in terms of Godrej Central, how much have we spent there?

**Rajendra Khetawat** We will get back to you as we do not have that exact breakup of that construction cost.

**Puneet Gulati** And also the fact that Serenity and Godrej Palms have been pretty slow. Do you think the Central is cannibalizing sales there?

**Pirojsha Godrej** No, Godrej Palms actually is on a little bit of pause while we work out some issues with the joint venture partner. That is why after the initial release of inventory, there we have sort of held back there. Godrej Serenity is progressing very well, two-thirds sold out. Given that it is a small and premium project, we do not want to sell out very rapidly and will gradually sell as the project completes. Frankly the positioning of these two projects versus Godrej Central is totally different. Apartments at Godrej Serenity are Rs.4-5 crore per unit and higher while at Godrej Central, most of the inventories are in the Rs. 2-crore range. I do not see any cannibalization nor we have had any problems selling at Serenity.

**Puneet Gulati** And lastly on the new projects which you added in Badlapur, how soon can you launch that and what are the plan for this? Is it going to be residential or is it going to be mixed use?

**Pirojsha Godrej** It is a residential project under the DM model. We hope to launch it early next financial year.

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

**Gunjan Prithyani** I have two questions. Firstly on the debt, would you be able to split up the debt as to how much is on the BKC project and any other substantial debt on other projects? May be just the BKC and the rest of the debt?

**Pirojsha Godrej** Essentially, about 70%-80% of our debt is on BKC. So it is in the range of Rs. 1,800-1,900 crore on BKC of the total of about Rs.2,400-2,500 crore.

**Gunjan Prithyani** Rs. 1,800 crore is on BKC.

**Rajendra Khetawat** Around Rs. 1,900 crore, Gunjan.

**Gunjan Prithyani** And in terms of payments, you mentioned that for BKC Rs. 300 crore is outstanding and for Vikhroli, we have additional Rs.300 crore. So Rs.600 crore in total. For BKC, is there any substantial payment that is expected this year in the next 2-3 quarters or it is going to be staggered as we saw substantial chunk going out this quarter.

**Pirojsha Godrej** We expect most of it now to be in subsequent financial years. So there could be another payment or installment in the fourth quarter. We do not currently expect that, I don't want to say it won't happen because there is a possibility.

**Gunjan Prithyani** So there can be an additional Rs. 150 crore which goes out for BKC in the fourth quarter.

**Pirojsha Godrej** There is a possibility.

**Gunjan Prithyani** So I do not know if my understanding is correct because initially we were expecting this to be staggered over the construction timeline of the project. So is it that we are paying up for the FSI payments in advance now.

**Pirojsha Godrej** No, Gunjan, it is staggered. You should also keep in mind that for the last couple of years we have not made those installment payments and we have spoken to you guys about having successfully deferred those payments. So whatever was deferred along with interest and other approval costs has been paid this quarter. And as we have always said, the overall payment is staggered through the life of the project. We will be finishing construction on the project essentially in little over a year. So we will even have an installment that is perhaps due after construction completes.

**Gunjan Prithyani** Okay and Vikhroli stands staggered. So that Rs. 300 crore is stable in the next 3-4 years.

**Rajendra Khetawat** Yes, another 3.5-4 years time.

**Gunjan Prithyani** On the BKC project, I think you mentioned that you have funded for the construction cost from the receivables that are there on the project right now. So is it the reason that we are keeping the sales relatively slow right now so that we can get better realizations because at current realizations, I think the margins on the projects are extremely low.

**Pirojsha Godrej** Gunjan, we are sort of accepting that this is not going to be the highest margin project for us. So I do not think we are intentionally slowing down sales. The sales we are discussing do tend to be of a fairly sizable nature. I think it is the kind of

project where the full years target in terms of sales can be met even in one or two deals getting actually completed. So I do think that it will be best to that extent that more sales we do towards end of the project when it is complete, we will get a better realization, but our intent is not to purposefully delay for better realizations. Because our sense is that we could redeploy this couple thousand crore on the residential space. I think the results are starting to be demonstrated in terms of what we can do with new business development and new project launches. So even at the cost of accepting a little bit of near term pain on margins, we will be quite happy to unlock the cash and then put it into new projects.

**Gunjan Prithyani** And what is the price at which we are currently selling in terms of the deals which are in negotiations right now?

**Pirojsha Godrej** I think our last sale was at between Rs. 27k-28k per sq.ft.

**Gunjan Prithyani** Will we see contribution of this low margin projects on the P&L, as long as we have the BKC project going on and the monetization of those legacy commercial projects where we have seen significant progress. Is it fair to expect that the margins on the P&L will continue to look depressed in FY16 as well?

**Pirojsha Godrej** Gunjan, I think it is fair to say margins will be little bit more subdued than they have been in the last couple of years as a result of this. But what is important is that the kind of revenue growth we will demonstrate will mean that earnings would still grow handsomely despite margins being a bit lower. So yes, I think it is fair to expect some pressure on margins as we monetize these projects, but perhaps the revenue growth is also being under estimated.

**Gunjan Prithyani** And what would be the high margin projects that you are expecting to hit recognition from the residential portfolio which could aid improvement next year?

**Pirojsha Godrej** So we have several projects, of course even this year we will have projects like Summit, Central coming in. Next year, we will have projects like Oasis, Panvel, Aria coming in. Hopefully we will have Vikhroli Trees coming in which is an important and a very high margin project. We of course have smaller projects like Platinum in Kolkata and the DM projects which are currently under execution and the ones which have been added. So I think we may have to be slightly patient to see the full result of that margin expansion. But I do think clearly the strategy now is executed in a manner that there is visibility on that margin improvement over the medium term.

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

**Sameer Baisiwala** Pirojsha, if my memory is right, I think your total FSI payment for BKC was Rs.750 crore, of which you had paid about Rs.120-130 crore earlier and now you are paying Rs. 650 crore. Is this entirely for FSI payment and you got another Rs.300 crore pending.

**Pirojsha Godrej** It is not entirely FSI. That Rs. 650 crore number includes construction and a lot of specific approval charges like staircase premium, other scrutiny charges which for a project of this magnitude are quite high as well as interest charges.

**Sameer Baisiwala** So FSI would probably be Rs. 300 crore out of this?

**Rajendra Khetawat** Yes.

**Sameer Baisiwala** And you mentioned Rs. 300 crore is still pending for FSI. Are there any other charges which are pending?

**Rajendra Khetawat** The FSI charges remain. So like Pirojsha mentioned, the two installments of balance FSI which is another Rs. 290-300 odd crore and the interest cost accruing over those.

**Sameer Baisiwala** And the second question is how much interest costs were capitalized for the quarter and also how much interest cost was expensed through COGS line this quarter?

**Rajendra Khetawat** So now if you consider this MMRDA interest payment the total interest cost expensed out was Rs.267 odd crore and capitalized was around Rs. 266 odd crore. So the net was around a crore rupees.

**Rajendra Khetawat** Rs. 267 crore is expensed out because along with the FSI premium, we have paid interest to MMRDA also. So that also is expensed out. In the interest finance schedule, it will be shown as an expense and subsequently it is capitalized to the BKC project.

**Sameer Baisiwala** Okay, fair enough. How much interest was getting charged to P&L through COGS?

**Rajendra Khetawat** P&L through COGS was around Rs. 68 crore for the half year and for the quarter, it is around Rs. 30 crore.

**Sameer Baisiwala** And Pirojsha, the other question is on Panvel. Is there FSI clarity now because I do not think till last call we knew where we are heading on that.

**Pirojsha Godrej** No Sameer, unfortunately there still isn't FSI clarity. Essentially, earlier it was a case of sort of a township policy FSI. Now with this being part of NAINA under CIDCO, they are formulating a new policy. So for now, I think the assumption is that what we have 0.5 FSI currently. I hope and the expectation is that it will increase, but that will depend on this NAINA policy getting formulated which is being quite delayed as compared to our earlier expectations.

**Sameer Baisiwala** And Pirojsha, general question about the next 12-month period, little bit different macro only feels a bit better. What is the expectation in terms of pricing outlook once you look at your portfolio across all the major markets?

**Pirojsha Godrej** I think probably it will be different in different markets. So I think generally speaking, the last year or two have obviously been pretty tough for the sector. I think even pricing over the last year has been quite flat. So my sense is if we do in fact see a pickup in economic growth as most expect we will see and also interest rates are coming down in sort of a 6-month timeframe, both of these will be key positives for the sector. Now the amount that plays out through volume increases for the sector versus price increases is yet to be seen. I think in many markets, pricing is still at reasonably fair levels, although we have seen various cost increases on FSI, land cost and other things. So I do not expect any rapid price movement in either direction, but certainly I think over the next year or two, there will be an upward bias.



**Sameer Baisiwala** And the same question for the input cost. Is it now stabilizing or even that is inflating a lot?

**Pirojsha Godrej** I think the commodity cycle seems reasonably favorable and hopefully will remain so over the next year or two. We are reasonably optimistic on that front. I think the cost of various government charges, land charges seems to only be moving up. So there it is little bit of an upward pressure, but I do not see the cost side as a massive challenge currently.

**Moderator** Thank you. Next question is from the line of Manish Gandhi who is an individual investor. Please go ahead.

**Manish Gandhi** Pirojsha, first I would like to congratulate you and your team for the new deals of 23-24 million square feet which seems to be very high ROE and capital efficient deals coupled with the new launches and sales in the last 2-3 years. But my question is regarding the execution and handouts. So like two years back, we were doing 1-2 million. Now we are almost near 4 million a year which is still a big achievement in this kind of GDP growth, but with this speed in next 2-3 years, you can go to 6-8 million. But what is our preparedness for execution for delivering because historically we have seen very few developers in India which have successfully demonstrated this huge execution capacity. So please if you share something on the work you have done on this front, it will be very helpful.

**Pirojsha Godrej** Thanks Manish, thanks for the positive feedback and thanks for your question. Frankly, what we are doing is not anything very revolutionary with our brand; with new projects we have added, we expected see these sort levels of sales. And frankly many other developers in India have achieved sales of this level and even higher historically.

As you rightly pointed out where most developers have gone wrong is on the delivery which becomes a very negative spiral for a company. If you do not deliver, the customers no longer have faith in you. I think ultimately that matters much more than any kind of short term positive. So I think first of all, this is the thing that most of us are most focused on. We realized that we have a huge advantage in the sector of having a strong and trusted brand. We also realized that comes with high level of expectation from the Company and from the brand. We have done a fair amount of work on our execution capabilities.

For the last 2 years, although we have concluded this project, we have been working on something which is called Project Pyramid. The goal of which is to create a very strong foundation and base for the Company, processes, systems, right people and teams in place to be able to handle the growth that we felt was coming through increased business development and sales. So there are many different facets of the work that have happened, a lot of which has been on the approval piece and how we can expedite that. I think we are starting to see some results from there. We have had the fastest ever launch in this quarter. Of course we still continue to be frustrated by approvals in many other projects like most developers, but the majority of the focus of that project was on actual execution.

What are the policies that we have, for example, when we open sales as compared to when we start construction which I think historically some developers had a very huge gap which also did not allow them to show positive cash flow at the launch of a project as construction and other things would not

be proceeding at the same pace. I think we are avoiding those kinds of mistakes. We are of course doing a lot of work on how we are setting up our teams. We also have fairly unique situation of being in many different cities and growing quite quickly in these. We have been much focused on the way we are structuring the teams in each of those cities to manage the kind of growth, and create accountability. All of which we think is yielding results.

So even if you look at our recent project handovers for example, one of the most complicated projects we are currently doing is Godrej Garden City in Ahmedabad and the first phase of that project of course was particularly difficult but we did manage to hand that project over to our customers on time. Similarly in Kolkata and elsewhere. So I think things are going as per plan on execution. But certainly I do not think we can ever not be paranoid about this. I think we are scaling up very quickly. It is extremely important that we keep building our process and capability team to make sure that we do not falter on the delivery front. As you rightly pointed out, once that happens, everything else becomes very difficult to manage. Because if you are not delivering, eventually you are not going to be able to add new projects or sell either.

**Manish Gandhi** What is your strategy going forward. So you would like to stabilize at 4 million kind of a thing and we will see how we can execute or you will go simultaneously if we have a chance of selling next year, next to next year with 6-8 million.

**Pirojsha Godrej** We have already sold 2.5 million this year. So I hope we do not end this year with 4 million let alone future years. But Manish, I think we do feel we can do both things simultaneously. Just like I said on the focus on operations versus focus on BD, I do not think these things are mutually exclusive. I think for us to build a very successful company with very strong senior level talent and strong teams and strong processes should feed into each other. I do think we can both scale up our operations and deliver our operations better. I would say for us delivering a project today is a much simpler exercise than it was 4 or 5 years ago when we operating on a smaller scale, not the other way round. Because today our teams are much stronger, our processes have also evolved. So the way we go about delivering a project is much better understood. Potential pitfalls are much better understood. The idea is that the more you take on to deliver, the worst you will deliver is not really something that we buy into and I think if you think about it in any field, the larger companies tend to be the ones that execute more efficiently.

**Manish Gandhi** Actually that is helpful. I always have faith that is why I have invested. And one more question on Vikhroli. So we had done some 8 acres deal last year with Godrej & Boyce. So when can we launch that or we will wait for this to complete?

**Pirojsha Godrej** It was not 8 acres, it was about 800,000 square feet. I think the good news there is that the salable area is more likely to be close a million square feet in that project now. But I think the launch is certainly not very imminent. We have quite a lot of work to do on the approval front. So hopefully that will be launched in the next financial year. The focus will be on launching the fourth tower of Godrej Platinum which is a DM Fee project as well as of course there is a very important launch of our Trees residential project.

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

**Ritwik Sheth** Sir, we opened the booking in this quarter for Godrej City Panvel, how has the response been?

**Pirojsha Godrej** The response is excellent. We opened the booking literally in the last 2 days of the quarter and sold out essentially everything we launched. I think we had sold 90% within those 2 days. We actually wanted to launch a slightly larger area and still have customers very much ready to buy a larger area. Then we had a slight approval thing to work out on the second piece of what was supposed to be at the 1<sup>st</sup> Phase. So we expect that inventory which is about equal to the inventory we launched in the last quarter to be released in this quarter and we expect a similarly strong response. So certainly on this 1<sup>st</sup> Phase, we had anticipated a very strong response and I think that proved to be great. The demand actually was in excess of what we could supply in Phase-I. So I think that ended up nicely. But clearly it is a big project. This was done without any marketing push or advertising or anything like that. So I think in subsequent phases of the project, of course we will push much more strongly.

**Ritwik Sheth** Have you received the approval for the second phase which you are talking about?

**Pirojsha Godrej** No.

**Ritwik Sheth** By the end of this quarter, should we receive the approval?

**Pirojsha Godrej** Hopefully, yes.

**Ritwik Sheth** Second question is on the commercial project of Kolkata and Chandigarh. Have we received the OC in Chandigarh project?

**Pirojsha Godrej** No, but we are hopeful it will come either by the end of this quarter or very early next quarter. So I think that hopefully will be an important development.

**Ritwik Sheth** And have we seen any traction in terms of any enquiries in those two projects?

**Pirojsha Godrej** Certainly in the Kolkata one, we sold over 100,000 square feet which is about 20% of the remaining area of the project sold in Q2. So certainly that was a positive development. Of course earlier this calendar year, we sold huge amount in Godrej Waterside which was 400,000 square feet and completed that project from a sales perspective. So I think those two have been progressing well from a sales perspective this year after a poor couple of years before this. Chandigarh, I think we still need to do better. We have obviously not had any sales for some time while there is pipeline of deals that we think we can move forward with once we get the Occupation Certificate. I do think we are going to put in more effort and build our pipeline even more strongly if we have to successfully exit that project as quickly as we would like.

**Ritwik Sheth** In the next 2-3 years, can we exit these two projects?

**Pirojsha Godrej** We hope to do it before that.

**Ritwik Sheth** And one final question. About the Godrej & Boyce Vikhroli land parcel that we have done the agreement which you mentioned in the previous question. We have signed an agreement for 8 acres. So what will be our economic interest in that and what will be our expense?

**Pirojsha Godrej** Again just to clarify, it was not 8 acres, but 800,000 square feet that we had mentioned. As I have just said, we expect that number to now slightly increase to about a million square feet. Just like all our projects with Godrej & Boyce, our share of the revenue is 10% and we expect an approximate 2% of cost in terms of marketing cost. All other costs will be borne by Godrej & Boyce.

**Ritwik Sheth** So 10% on the top-line?

**Pirojsha Godrej** Correct.

**Ritwik Sheth** And sir one more question. It is like we have around 100 million square feet and currently not much is being contributed from the Vikhroli land, only a couple of projects are ongoing. So say by the end of 2020, what kind of percentage would you want your total portfolio to be of Vikhroli? Where I am getting at is most investors and analysts are very gung-ho about the Vikhroli land parcel that you have access to more than 500 acres. So how can we monetize it and what kind of revenue can we see not in the immediate term but over the next 5 years, by end of 2020 or something like that.

**Pirojsha Godrej** Nobody is more gung-ho about the Vikhroli land than I am. So we will do our best to monetize both what we have already announced as quickly as possible and certainly add to that quite rapidly. I think there is no doubt that Vikhroli is the single biggest opportunity we have by some distance and I think it has as much focus as it deserves. But certainly of course there are big opportunities in other parts of the country as we talked about earlier. We have seen exceptionally strong performance in places like NCR. Also we have very big plans for places like Bangalore. We do think that there is huge opportunity for growth in areas other than Vikhroli here in Mumbai and of course strong plans in places like Ahmedabad, Pune, and elsewhere.

So I do think the Company as a whole has a very exciting set of opportunities before it, but none of those opportunities can compare to Vikhroli as a single opportunity. I do expect Vikhroli to be an increasing part of our business and already if you look at our financial performance and business development over the last couple of years, you will see that we have added a fair amount already in Vikhroli. I think the projects that we are already working on are over 5 million square feet in a way which itself would make it one of the largest projects in Mumbai.

**Moderator** Thank you. Next question is from the line of Aashiesh Agarwaal from Edelweiss. Please go ahead.

**Aashiesh Agarwaal** So the first question was in terms of the inventory. The total inventory stands at about Rs. 4,500 crore. Would there be a broad breakup available as to what this comprises of?

**Rajendra Khetawat** Basically Rs. 1,900 crore pertains to BKC and another Rs. 300-400 crore would be another two commercial projects which we have in Chandigarh and Kolkata and balance would be spread across various residential projects. So right now I do not have the break up Aashiesh, we can just connect offline and give you a broad breakup on this.

**Aashiesh Agarwaal** Sure. If I can just spend a minute more on this, you said about roughly 2,000 odd crore on the various residential projects. This would be mostly under

projects which are in planning stage or this should also include projects which are currently under execution.

**Rajendra Khetawat** It is all because for us right from the day one it is an inventory. The moment we sign the DA agreement, it becomes an inventory cost to us.

**Aashiesh Agarwaal** And second is on the cash collections. If you could just throw some light on the cash collections you have done in the quarter and for H1 and likewise the expenditure for construction that you would have done for quarter and for H1?

**Pirojsha Godrej** Aashiesh, we are not currently breaking up the collections and construction spend exactly. What we can say is that collections this quarter were perhaps one of the strongest ever except when we had a large collections on Godrej One in a particular quarter. So I think collection have improved markedly in the range of approximately Rs.500 crore this quarter. But we are not giving on a specific construction breakdown and cash inflows this quarter.

**Aashiesh Agarwaal** Sure and would you be sharing what kind of DM fees that you would have earned for the quarter for H1?

**Rajendra Khetawat** Aashiesh, I do not have a breakup. On that also I can come to you offline.

**Moderator** Thank you. The next question is from the line of Abhishek Bhandari from Macquarie Securities. Please go ahead.

**Abhishek Bhandari** I had one question. Is it fair to say that the debt which is right now around Rs. 2,400 crore will somehow peak over next 2-3 quarters once the payments for BKC and the remaining construction cost is spent?

**Pirojsha Godrej** I think that is our expectation.

**Abhishek Bhandari** And would that number be roughly around Rs. 3,000 crore that could be a peak debt in your internal estimate?

**Pirojsha Godrej** I think our goal will be to keep it under 1.5:1 and we should be able to meet that goal. Of course a lot will depend again on commercial portfolio both on the outflow, but more importantly on the inflow. I think we may have even peaked now, we could go little bit further up, I hope we do not need to go to Rs. 3,000 crore.

**Moderator** Thank you. Next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

**Bharat Sheth** Congratulations on good bookings in such a subdued market. You have spoken about all the market, now after this formation of Hyderabad separate state, how do you see now? Do we see some revival and what is the status of that one land that we have signed for conversion?

**Pirojsha Godrej** I think revival in the Hyderabad market is still going on and we are hearing about some noises about an improvement. Frankly, it is not a market we have been tracking extremely closely. We are working through the approvals on that project we have there but I would say that our main focus now really is on these top 7-8 markets that we already have a presence in. I think certainly as we get

the approval from Hyderabad we will look to launch that project. But I do not think from a perspective of importance to GPL currently that the Hyderabad market is very meaningful either currently or even in the near future.

**Bharat Sheth**

And what is the status of that land parcel that we have in JV?

**Pirojsha Godrej**

We have two properties in Hyderabad. One we own outright and one is joint venture with Development Management fee project with Godrej & Boyce. Both are sort of in the approval stage and the first one which we had bought the land, we had initially got an IT SEZ approval and we are going through a long process of de-notifying that to be able to do as a residential project. We have been making steady progress on that, but the final approval has not come through.

**Moderator**

The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

**Kunal Lakhan**

We are holding cash of about Rs. 740 crore. Just wanted to understand the mindset here like we actually took a debt of about Rs. 640 crore in this quarter. So why not use up the cash right now on hand and then probably like whenever we have need for newer projects, we can add up more debt thereon.

**Pirojsha Godrej**

It's a fair question, I think actually our cash still looks larger than what we are actually holding. A lot of it is at the project level with subsidiaries where we have partnered for example Godrej Summit in Gurgaon where we have a lot of cash sitting there which will be used to fund that project development. Similarly Godrej Central. The actual cash that we have at the Company level is only about Rs.275 crore which I think is a reasonable amount to keep with us. So I think we were not in any way trying to hoard cash nor in anyway have any immediate use for that cash.

**Kunal Lakhan**

Secondly, lot of debt went up in this quarter because of BKC. Now this is going to be a back ended project. Are we still looking at divesting some stake here via PE route or may be some other route so as to keep our cash flows intact here.

**Pirojsha Godrej**

We obviously did make a lot of efforts for that about a year ago period. I think we were not very successful in getting a reasonable deal for the project. Frankly at this stage the cash flow pain has mostly been incurred. We have certainly disproportionate part of our balance sheet already allocated to the project which is about Rs.1,900 crore of capital employed. As I had mentioned also in my opening remarks, now just the receivables on existing sales are quite close to matching up with further outflow required and we do have a large amount of inventory that we can directly monetize. So I do not think a private equity deal at this stage is going to be the way this can be monetized and cash can be generated. I think obviously we have to go out and demonstrate this, but we do think sales if they pick up even a little bit can unlock cash quite quickly.

**Kunal Lakhan**

And lastly, could you help me understand what is the unsold inventory in terms of area and also in terms of value in our Kolkata and Chandigarh projects?

**Pirojsha Godrej**

About 400,000 square feet in each projects.

**Moderator**

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

**Sandipan Pal** My question is about the readiness for the next be 3-4 quarters. So I can see the kind of launch pipeline we have, but in terms of approval where we are standing currently?

**Pirojsha Godrej** Thanks Sandipan and it's a hard question to answer. Obviously, we have a large number of projects, each at different stages of approval. But I think the big focus for the remainder of the year from a project launch perspective will be the second redevelopment project in Chembur. Obviously, we are very happy with the response we received on the first one, we sold about Rs. 800-900 crore worth of the space which we think could make it one of the highest selling projects in India this year and without any major marketing push. So we are quite optimistic on our plan for the second redevelopment project in the same location. ' We also have the launch of 'The Trees', another very important launch for us. We have a launch in Pune. We have new phase of project launches in NCR, Nagpur and Chennai, all of which we think will give us good volumes. We will obviously come back with more specific launch guidance in the fourth quarter. But I think it will be a pretty good about how next year's launch pipeline is shaping up for things like Badlapur, Bhandup, Okhla, our township project in Bangalore and the subsequent phases of our Panvel and 'The Trees' and many other projects. We have been adding deals quite consistently over the last 2 or 3 years. I think we are starting to see over the last few quarters how well those new projects are being received in the market. So the focus will be on continuing to bring as many projects that we have already added to the portfolio and I certainly think that there are some projects that are not yet officially in the portfolio that we have at the business development stage that we will add by the end of this year which will also very substantially add to next year launch pipeline. So I think that part of the business is moving well.

**Sandipan Pal** Going forward, as far as your business development activities are concerned like we see in case of Gurgaon project where the turnaround time was impressively very fast. So those kind of project additions will be your preference rather than going for a long gestation period?

**Pirojsha Godrej** Certainly, that would be a preference. I wish we had an ability to know beforehand exactly how long the process will take. Because frankly the whole problem with the regulatory approval process is that it is extremely unpredictable and suddenly something will go wrong or some committee would not be in place or some new rule will come into force. So for whatever reason, our experience has been that Mumbai has been by far the more challenging market from an approvals perspective. We have pretty good experience in the city now of projects under various parameters and dealing with multiple agencies like BMC, MMRDA & CIDCO. And for some reason although the agencies are different but the issues are different the Mumbai approval process seems to be one that is very difficult to bring under the kind of timelines we have seen for some of these recent launches. But certainly we are making continued efforts to make sure we do that. So I think it is a bit of a long-winded answer, I think the substance of it is that certainly we like to look at projects which we can launch very quickly, but the ability to predict ahead of time is not always perfect.

**Sandipan Pal** And just lastly one thing. I mean in this total of Rs.650 crore of outflow for the BKC project, how much you have paid for the interest component because of the deferment of FSI payment?

**Pirojsha Godrej** The overall interest payment is about a couple of hundred crores.

**Sandipan Pal** So just out of curiosity, wanted to check why we have not actually paid that in previous years to avoid this incremental interest payment.

**Pirojsha Godrej** Some of this interest is not just on the payments for the last couple of installments. We would have preferred to defer the payments and pay it out of the cash flows of the project instead of increasing the capital employed in the project. The interest rate is not very high, but some of this interest amount was even from a time before we entered the project when Jet had taken land from MMRDA. Of course we were aware of that and built that into our models of the project.

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

**Pirojsha Godrej** I hope we would have been able to answer all your questions. If you have any further questions or would like to have any additional information, we will 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 today.

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

- ENDS -

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