



Godrej Properties Limited

Q2 & H1 FY2017 Earnings Conference Call Transcript November 10, 2016

Moderator Ladies and gentlemen good day and welcome to the Godrej Properties Limited Earnings Conference Call. As a reminder all participants' lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari of CDR India. Thank you and over to you Mr. Poojari.

Anoop Poojari Thank you. Good afternoon, everyone, and thank you for joining us on Godrej Properties Q2 FY2017 Earnings Conference Call. We have with us Mr. Pirojsha Godrej – Managing Director & CEO of the company, Mr. Mohit Malhotra – Executive Director and Mr. Rajendra Khetawat – CFO of the company.

We will initiate the call with opening remarks from the management, following which we will open the forum for question and answer session. Before we begin this call, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect have been included in the results presentation shared with you earlier. I would now like to invite Mr. Pirojsha Godrej to make his opening remarks.

Pirojsha Godrej Good afternoon, everyone. It has been a stressful couple of days, but thank you all for taking the time to join us on Second Quarter Financial Year 2017 Call. I will begin by discussing some of the highlights for the quarter, and we then look forward to taking your questions and suggestions.

In the current financial year, as you know, companies having a net worth of Rs. 500 crore or more are required to comply with IndAS in the preparation of their financial statements. GPL has reported all its numbers under IndAS and has also given a recast of the previous year's financial statements in order to enable a fair comparison.

Our total revenue for the second quarter stood at Rs. 368 crore, decreased 73% over the corresponding period of the previous year. Our EBITDA decreased by 63% to Rs. 62 crore and our net profit decreased by 77% to Rs. 23 crore. However, if we look at the same numbers, excluding the large single buyer sale at Godrej BKC in the corresponding quarter for the previous financial year, all of our reported numbers grew significantly.

We had a few important sales highlights in the second quarter. The response to the launch of our new project in Thane, Godrej Emerald has been excellent. This

project was one of the fastest to launch projects we ever had in Mumbai and we managed to register robust sales despite fairly challenging market conditions. We sold 269 apartments with the total area over 300,000 square feet and a booking value of about Rs. 259 crore within the quarter. We also saw strong sales with our Pune project, Godrej Infinity, where we sold apartments worth Rs. 100 crore during the quarter.

On the commercial sales front, we sold the retail component of our BKC project at the attractive price of nearly ~Rs.47,600 per sq. ft. on saleable area. This is the highest per sq. ft. price GPL has achieved on any sale in its history. We also sold ~28,000 sq. ft. at Godrej Genesis for a booking value of Rs. 12 crore. We remain focused on expediting the pace of sales at BKC as well as at Godrej Genesis and Godrej Eternia to deliver on our goal of completely monetizing the remaining inventory in all our commercial projects.

In another positive development, we opened our second international representative office in Singapore during the second quarter. We believe Singapore is an important market opportunity for us and with this new office, our NRI customers located in Singapore and neighboring geographies will now be able to directly interact with us, thereby helping us expand our sales reach and capability.

From a business development perspective, we added one new project with the saleable area of approximately 1 million square foot at Sarjapur Road in South Bangalore. This project will be developed in partnership with our Godrej Residential Investment Program II. It is the second project under that program, during which we raised \$275 million fund in March of this year.

This period of weakness in the sector gives us an ideal opportunity to significantly strengthen our portfolio and get into the right set of projects. We expect to significantly enhance our business development performance in the second half of the financial year as there are a large number of exciting projects across the top markets where we are in advanced stages of discussion with prospective partners.

Sustainable development is an important part of our company's vision and we have received several recognitions for our leadership in environmental sustainability in Q2 FY17. I am extremely happy to share with you that GPL was ranked 2nd in Asia & 5th globally by the Global Real Estate Sustainability Benchmark, which is an industry-driven organization that assesses Environmental, Social, and Governance performance of real estate companies globally. GRESB is widely recognized as the global standard for portfolio-level sustainability and governance reporting and benchmarking in the real asset sector. We also received several other sustainability recognitions in the quarter. Godrej One received a LEED Platinum Rating under the Commercial Interiors segment from the US Green Building Council (USGBC). This is one of the first such certifications in the country. In addition, 3 of our projects received Indian Green Building Council certifications during the quarter.

Another positive development in the second quarter was the outstanding customer response to our entry in to the Noida market. It was our first launch in a totally new city in several years and we view this as a very important milestone because Noida was the last major real-estate market in the country in which we did not have a presence. We sold over 6 lakh square feet of villas and the booking value well in excess of Rs. 300 crore in a single day, making this one of GPLs most successful launches. It is important to note that this performance has been achieved against the backdrop of a very weak NCR market, which makes us even happier with the traction we have received.

This also reinforces our belief that even in a slow market there remains strong demand for good projects in good locations from trusted developers. Despite the structural challenges in the sector, we remain confident of a much stronger second half of the financial year. The Noida launch serves as a reflection of our brand strength, sales capability and ability to successfully attract customers across the country's leading real-estate market. We will do our best to ensure that we replicate this performance across the portfolio to deliver from here.

Before I close my remarks, I would like to mention that we welcome the recent demonetization steps the government has announced, which is another step we believe towards increasing transparency in the real-estate sector. We believe this step in addition to the Real-Estate Regulation Act will tremendously help to professionalize the sector and will be beneficial to all companies with good governance standards.

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

- Moderator** Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Ritvik Sheth from Span Capital.
- Ritvik Sheth** Firstly, you mentioned that you sold retail area in BKC, so is the entire area which we sold in this quarter is the retail portion?
- Pirojsha Godrej** Yes.
- Ritvik Sheth** That's why the higher rate?
- Pirojsha Godrej** Correct.
- Ritvik Sheth** And in the presentation you mentioned that there are a few important launches coming up. Can you quantify in which geographies we expect to launch and throw some light on the same?
- Pirojsha Godrej** Sure. I think the presentation mentioned the significant projects in detail, but the important one for us is Greater Noida that we have already launched and has seen a good initial response. We hope to build on that. We have a project in Noida as well that we hope to launch in the fourth quarter. There are a couple of possible launches in Vikroli, both in the next phases of The Trees and Godrej Platinum. There are some delays but there is still an opportunity to launch projects in Bhandup and Delhi.
- Ritvik Sheth** Is there any ballpark figure that we are looking at, or it is like as and when we have approvals we will go with the launches?
- Pirojsha Godrej** Yes, we have also said that our launch timeline is totally driven by our approvals, and that continues. I think as and when we have been able to complete the approval process we have seen good response to our launches. It is good to see that we have managed to significantly bring down the timelines for approvals for several projects. So both the Thane and Greater Noida launches are good examples where we entered very recently and have been able to launch both and see a good response to both. So clearly, sometimes the regulatory approval process does take longer than we hope, but our goal is to do everything we can to

	expedite that and as soon as we are through with that we are always ready to launch.
Ritvik Sheth	Can we expect somewhere around 10 million square feet of launches coming up in the second half?
Pirojsha Godrej	We do not give any guidance on that and it sounds like a very big number. We do not give specific guidance because each project size, time of the launch, etc, is decided pretty close to the launch phase.
Ritvik Sheth	If you can give a data point on the inventory in commercial, what is the current inventory in our commercial projects?
Pirojsha Godrej	The net cash flows which we expect from monetization of commercial projects is about Rs. 1500 crore.
Rajendra Khetawat	So in BKC we have around 2.6 lakh square feet to be sold and Genesis and Eternia Chandigarh put together would be another 8 lakh square feet.
Ritvik Sheth	So we are more or less the same minus the retail portion from last quarter that we have sold?
Pirojsha Godrej	Yes, and a small sale in Genesis.
Ritvik Sheth	And sir one question, if I see last 12 to 16 quarters, only focusing on the residential portion, then it seems that this first half we are at the lower end, around 600,000 square feet. So what would you attribute this to? Is it a slow down or whether it is slowing of the new launches?
Pirojsha Godrej	I think launches are a very important driver of sales, particularly in the current environment. And I think, if you actually look at launch-by-launch we are very happy because of the results we have achieved. Whether it's the Thane launch, Pune launch or the Greater Noida launch now. We are very satisfied with the numbers and response to the new launches in our target markets. I will agree with you that we are not very satisfied with the company level bookings in the first half. And we hope we can put a much better show in the second half, and we are confident of the same.
Ritvik Sheth	Just one final question on the new projects? The Trees you were going to launch as you mentioned in the opening remarks. And any other new projects coming up in Vikroli with our parent, some JV or anything, any news on that or anything in the pipeline, because that seems to be one of the core focus areas for you?
Pirojsha Godrej	Yes, the two most immediate ones will be The Trees and the fourth tower in project Platinum.
Ritvik Sheth	So other than that, there is nothing in the pipeline, right?
Pirojsha Godrej	It is in the pipeline, but next 6 to 8 months these are the only ones.
Moderator	Thank you. The next question is from the line of Saurabh Kumar from JP Morgan.
Saurabh Kumar	My first question is on your margins, so ex-BKC what have been your core margins, the EBITDA margin if you adjust out for BKC sales?

Pirojsha Godrej So, excluding BKC our operating margin would will be in the range of 8% - 10%.

Rajendra Khetawat We did have some budget increases during the quarter.

Saurabh Kumar So this is on account of cost increases you have taken in this quarter, normally you take it in fourth quarter, right?

Pirojsha Godrej We take it as and when, it is not fourth quarter or anything as such.

Rajendra Khetawat Actually as per the rules, if you foresee any cost increase we should account for it in the subsequent quarter itself.

Saurabh Kumar And how do we think about the target in all new projects which we have added post 2013, these are all at 30% plus margins. Does that math still sustain?

Pirojsha Godrej For the most part that is true.

Saurabh Kumar And just one final thing, the net debt on slide 20, what is the net debt as of today?

Pirojsha Godrej We have printed the same and as of 2016 it is around Rs. 3,000 crore.

Saurabh Kumar One final thing on this Black Money Bill, you said that you welcome it, but do you foresee any freezing up of primary sales at least for a quarter or two till this thing fully resolves or is there a view that given that there may be pressures on secondary real-estate prices, property prices even for Tier-I developers like you who do not indulge in any of those things can correct down?

Pirojsha Godrej Well, we will have to see. But our sense is that for the organized sector there will be clearly a very strong benefit in the medium to long term, and even in short term if anything, people are forced to not use any cash, I think that will naturally improve competitive positioning for developers like us. Because there were certain developers who benefitted from a willingness to deal in cash etc, those benefits are not useful anymore. In the short term there could be some benefit. But frankly it is little bit speculative at this time. I think we will have to wait and watch. But I think more the important take away from this is that along with the Real Estate Regulation Act and the other steps the government has been taking; we are clearly witnessing what is going to be even faster clean up coupled with increase in transparency and governance standards in the sector. This will be tremendously beneficial for all of the leading developers and will lay the path of consolidation in the industry.

Saurabh Kumar That is all fine, but if there is a correction in the secondary market which is a general expectation right now. All investor sales might freeze up for some time. Do you think, let's say prices around Thane correct down by 10%? Do you think it should lead you to correct your prices also by 10%?

Pirojsha Godrej I do not think so. But it is a little speculative at this point. I do not necessarily agree that it can have a dramatic immediate impact on pricing and even sellers if they would be taking money in cheques will be impacted by that outcome. I do not think we will need further drop prices that easily. So pricing in the short term has a lot of different things impacting it. My own best guess is a very significant, immediate price reduction in the sector, it is quite unlikely. But we could be proven wrong. But certainly it is meaningful; marketwise in fact I do not think any individual company, including us, can be totally isolated from it. But I think our competitive positioning only improves as a result.

Saurabh Kumar	And what is your expectation of this Vikroli project earnings recognition now?
Pirojsha Godrej	I think the construction of the project is moving well. We are doing our best to get it as soon as we can.
Saurabh Kumar	But it should be what, Q1, Q2 next year, or...?
Pirojsha Godrej	I think we are not totally clear. We would like to bring it in within the financial year, but we will have to see.
Moderator	Thank you. The next question is from the line of Manoj Dua, individual investor, Please go ahead.
Manoj Dua	First question is that, how do you take the criteria of the sale figure, just by token figure of Rs. 5 lakh etc. or there is something like minimum we have to receive like Rs. 10 lakh to classify it as a pre-sale? And my second question is, margins are still not quite the way we were kind of expecting, even though 40% is from BKC, but your good projects like Godrej Summit are also now contributing to the overall revenue. It is like that unless Vikhroli comes, we will not have a good PAT margin. Can you comment on this? Thank you.
Pirojsha Godrej	Yes. So in your first question, there are different recognition standards for booking and for revenue recognition. From revenue recognition perspective in the P&L, there are clear rules laid out, including 10% of the sales price collection. But from a bookings perspective once we have received the initial booking amount which can vary depending on the project, usually in the range of 5% in the first payment, so that we count as a booking and that money is generally nonrefundable. So there is a significant lock-in that we have on the customer. So the bookings are reported after the initial payments, and as I said, the revenue recognition has its own criteria. And on your second question, certainly we would expect margins to improve excluding Vikroli. Vikroli itself will be a significant contributor, but as more profit sharing projects start coming in and as the company sales further improve, we will see improved margins. A lot of the older projects are at very weak margins, which is certainly an issue we are focused on resolving.
Manoj Dua	In this Greater Noida project, what criteria have you taken for the pre-sale, a token of Rs. 5 lakh or 10% of the received figure of the project?
Pirojsha Godrej	Different villa sizes we have different amounts. So I do not have the exact details of that.
Manoj Dua	Going forward in which quarter we can expect a good PAT margin or operating margin on the revenue recognized sales?
Pirojsha Godrej	Margins will trend upwards, but it will depend quarter-to-quarter on the specific projects that are in revenue recognition. But I do not like to give any guidance on that.
Moderator	Thank you. Our next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
Sameer Baisiwala	I am looking at slide number 25, where you have got the cash flow statement. So of that Rs. 855 crore inflows how much of this includes BKC?
Pirojsha Godrej	About Rs. 300 crore.

Sameer Baisiwala And would you say that, are there any pending receivables from the portion that has already been sold?

Pirojsha Godrej Yes, a little over Rs. 100 crore.

Sameer Baisiwala Otherwise, whatever has to come will be coming from the unsold 2.6 lakh square feet?

Pirojsha Godrej That is right. And, at the end of the project settlement, we believe there will be some more coming from the JV partners. So our estimates on total net cash flow from BKC, assuming the last commercial price, for the remaining sale is about Rs. 1,100 crore.

Sameer Baisiwala And how much is the debt pending in that entity?

Rajendra Khetawat Rs. 950 crore.

Sameer Baisiwala So, the earlier point of the two matching each other, the net debt and the inflows, that stands, once we get all the money in?

Pirojsha Godrej Sorry, I didn't really get you.

Sameer Baisiwala The earlier point that you had mentioned on the concalls that the entire debt would be taken care of by the pending inflows, that point stands?

Pirojsha Godrej Yes.

Sameer Baisiwala And Pirojsha, just your views on the RERA, I mean what are the timelines for the more important states like Maharashtra, Karnataka and Haryana for you? And do you expect any impact on yourself?

Pirojsha Godrej Again it's hard to predict with any accuracy, but our best guess is sometime in the next financial year. Whether it is the beginning of the year or the end of the year will probably depend on pace of movement, so that will be my current guess. My sense is that there will be a short-term impact or a little bit of confusion and possibly delays. There are some clarifications and issues which need to be sorted out. And clearly, I think the medium-term impact will be quite positive, and as I said, already over the last five years there has been some amount of consolidation happening in the industry. I think RERA will only hasten that process, because it will be quite difficult, I think for many developers with their cost of capital to remain in the sector.

Sameer Baisiwala Pirojsha, just to get an understanding. So if you launch the Thane project, are customers able to do registration at the word go, and how are you documenting the sale agreement, because that may change when RERA comes, and this would be retrospective in nature. So how is the documentation for some of your new launches taken care of?

Pirojsha Godrej I am not sure I have fully followed the question, but yes, I think for the existing projects, each authority is going to have to lay down specifically what is to be done. Obviously, as and when that happens we will follow the process that they lay down. But it's clearly going to create a lot of short-term confusion, particularly this idea of projects are being brought under it. But, we'll wait for clarity to emerge on the policy front.

Sameer Baisiwala Maybe, Pirojsha, I was not too clear on this question. Let me just try to rephrase it. A lot of developers are holding back new launches or registration of the recently launched or pre-launched projects, because they do not know what would be the final terms in the RERA regulations. So they cannot foresee and therefore have a sale agreement that goes for registration. So they are holding back the registration process or even launches. So how are you taking care of this aspect, especially for some of your recent launches?

Pirojsha Godrej No, Sameer, I think there will be a process, obviously it will have to be followed. I am not totally clear on what holding back launches will allow a developer to do, and I am not aware of too many developers holding back launches. But I think our sense is that there will be a set of rules about how or what is to be followed when properties will be registered, what is to be done in the case of existing launched project, how will the cash flows etc be treated. And obviously, the government will have to explain what is expected during this time of transition and we will, needless to say, comply with whatever the expectations are.

Sameer Baisiwala How is the new project acquisition pipeline looking like and any new markets that you plan to go into?

Pirojsha Godrej I think the pipeline is looking very good. Large number of concluded MOUs and term sheets and things like that. But, it is only done once we have the development agreements in place. So I think that is certainly, the senior team's top focus for the next few months. And we hope to show good results there. We are not looking at any new markets, other than things like new micro markets, which we even consider some new cities like Noida. But we are not looking at any totally fresh cities. As we have said, our whole focus now is on very significantly deepening our presence in the top four markets of Mumbai, NCR, Bangalore and Pune.

Moderator Thank you. Our next question is from the line of Manish Gandhi, Individual Investor. Please go ahead.

Manish Gandhi As you have mentioned the next one year looks very promising for the new deals, and you said that you are in advance talks with many of the prospective landowners or whatever. So how the thinking has changed after this black money thing? So, do you want to pause and think that you might get a better deal? What kind of pricing have you built in for the future? So, we do not know, it might go down, prices, we do not know. But how you think about it and do you see that we get better terms or you wait for that or you go ahead as planned?

Pirojsha Godrej I think more go ahead with plan, but also keep in mind that almost all our structures are well protected. Even if there is regular correction in property prices, well, the absolute returns will reduce. The structures are quite capable and quite well protected from that perspective. So development management fee model or a profit-sharing model, there is a very substantial margin in the projects where the land value is included in the profit calculation. So we feel that these projects are more resistant to any pricing shocks. And our own assumption is that there is not going to be as major a price correction as some people are speculating about.

Manish Gandhi And one more thing on this Bombay High Court order. Any updates on that?

Pirojsha Godrej Which Bombay High Court news, the dumping ground?

Manish Gandhi Yes, dumping ground.

Pirojsha Godrej Our Vikhroli project and others, we do not think are going to be affected by it at all.

Moderator Thank you. Our next question is from the line of Himanshu Zaveri from Dhruv Gems. Please go ahead.

Himanshu Zaveri I just heard a lot of reports saying that the land prices would correct by 25% to 30%, so the real-estate prices would also correct in a big way because you see India is a big black money economy and people will lose almost like 25% - 30% of the capital by this new demonetization scheme. So people will be left with no option, their buying power will reduce. So that same question, do you think the prices will not correct in a big way, and by signing these new deals, don't you think it is a big risk? Rather should we just start monetizing the big portfolio which we already have?

Pirojsha Godrej No, I do not agree with that for a couple of reasons. One, first of all, for the longer run I think land prices correcting, even if that does result in property prices also correcting, will actually be a very positive development for the company because that will improve affordability for customers, will increase the volume of transactions and I think will aid in growth. Again, it comes down to understanding the models in which we are partnering. I think if we were buying land outright, perhaps there would be more reason for pause. Perhaps, I think we should look at the fund management deals, where we are buying land. I think it is more relevant to consider this more seriously there. But in a profit sharing and development management fee kind of structure, the structure itself takes care of a lot of the concerns that could emerge from prices reduction. But, I also would reiterate that while, anything is possible in the short term, I would be surprised if this has a major short-term pricing impact.

Himanshu Zaveri And when do you think the debt will come down, as a lot of BKC money you have received and the debt is still at around at Rs. 3,000 crore. So once we receive that Rs. 1,000 crore - Rs. 1,500 crore from the commercial real-estate, only then correspondingly can you reduce the debt. Otherwise, you do not feel like reducing the debt so much, as you have said before, right?

Pirojsha Godrej No, if we do not require it, then we will reduce it. But I think what I have said in the past is that we do not feel that being zero debt is an important or major objective for us. One of the competitive advantages we have is the cost of capital. Our average borrowing cost now is just over 9% and that does not seem to us a very concerning level of borrowing rate, given the returns we hope we can generate with our capital. At the same time, of course, we want to be prudent and manage the total debt level, so it does not ever become a concern, as it has for some real-estate companies. So we are reasonably comfortable where things stand. And yes, I think as you yourself just said, the monetization of the already completed commercial project, leaving aside any other project, will halve the current debt.

Himanshu Zaveri And one last question, the inventory we have at BKC, around 2,60,000 square feet and the other ones, don't you think it is a good idea now to just slowly just clear it off as fast as we can and put that money into high margin new projects, as these would be at very attractive valuations since the market has been very subdued?

Pirojsha Godrej Yes, I think that is a very good idea.

Moderator Thank you. Our next question is from the line of Ritika Mazumdar from ICTC.

Ritika Mazumdar I had two questions. First is, if I see this quarter, the other operating income, has gone down about 65%, from Rs. 69 crore to Rs. 23 crore. So can you please explain the component for that?

Pirojsha Godrej This is largely development management fees, for which there are certain milestones where bigger fees get paid out. So there will be some movement in this.

Ritika Mazumdar And if I see the finance cost, it had gone up by almost 100%, whereas the debt figures have gone down. So the explanation for that?

Rajendra Khetawat As per the standards once the project receives OC the interest cannot be capitalized. So, our BKC project has received occupation certificate, so whatever interest we have to pay on the debt is getting expensed to P&L. So the difference is on account of that.

Moderator Thank you. Our next question is from the line of Bharat Sheth, Quest Investments.

Bharat Sheth First, on demonetization, how it can be better for new development in, say, joint venture participation? Do you think it can open up a better opportunities for us?

Pirojsha Godrej Yes, Bharat, I see it as another important step towards the government improving transparency and governance in this sector. And such steps will benefit the more organized and leading developers in the country. So we will be one of the beneficiaries. And I think, essentially, the way that will happen is that smaller developers will become less and less competitive. A few of the things that smaller developers were able to do and perhaps benefit from in some way was ability to deal in cash, possibility to launch without any plans or approvals and we see that part going away. It will be harder and harder for some of the smaller developers to attract the customer, which in turn will improve the prospects of the larger developers, which will also improve business development opportunity.

Bharat Sheth And just can you touch upon more on our business development pipeline?

Pirojsha Godrej The goal is to quite rapidly increase the portfolio in these four markets, which I mentioned - Mumbai, NCR, Bangalore, Pune. And within those markets, the goal is to enter as many new micro-markets as we can, so that our projects do not have a lot of cannibalization between them. And I think in all of those cities, there is pretty good visibility on the business development front. But I always caution that in business development till a deal is done you never know what can happen in the diligence stage and other stages. But, certainly, we are seeing perhaps a larger number of opportunities than we have ever seen in the Company's history and it is up to us now to make sure we successfully close them.

Bharat Sheth And in the initial remark you said that we have signed up several MOU. So which are the geographies that we have maximum development pipeline?

Pirojsha Godrej In all four of these top markets, we have a good pipeline. I think, depending on the moment, one may be more than the other. But both the goal and the current reality is that all four of those regions we will have a focus and we're seeing good response.

Bharat Sheth And we plan to launch one project in Delhi, so what is the visibility on that launch?

Pirojsha Godrej We have to work on some approvals related to that project, so I think that is frankly 50-50 whether that will get launched. It is an important project for us in Delhi, will also be quite high value. So there will be a good level of bookings from that project, but I think we still have to finish some approvals before we can launch.

Bharat Sheth	And Rajendra, can you tell us, I mean, how much is receivable from Jet once BKC, is closed?
Rajendra Khetawat	Around Rs. 300 crore. Overall, it is around Rs. 1,100 crore from the entire BKC project, including Jet recovery.
Moderator	Thank you. Our next question is from the line of Himanshu Zaveri from Dhruv Gems. Please go ahead.
Himanshu Zaveri	Yes, Pirojsha, I just want to ask you, even if we exclude last year's BKC project sale of around Rs. 1,500 crore, how are the half yearly sales looking? Unless we go very high on the second half, we would not be able to match last year sales, or we can better them, still you feel?
Pirojsha Godrej	We are not totally satisfied with the level of bookings in the first half. But it is important to keep in mind that everything we are launching, we are very happy with the response to, so it is more a question of what we are able to launch. I do not think we are worried about being able to generate good sales if we are able to launch. Some of the projects, as I said, will be linked to approval. I think the second half is off to a very good start with the Greater Noida launch. We are looking at several other projects increasing sales. We do have some high value projects we hope to launch, including Vikhroli. So I certainly expect the second half to be much better than the first half, but I think where exactly we end up will really depend more on which launches happen more than anything else.
Himanshu Zaveri	And one more thing, with this demonetization scheme, do you think by next year, or like longer-term, like two, three years down the road, inflation is going to come down in a big way and then vice-versa, the interest rates are going to come down, so it's going to help us in a big way in the long-term?
Pirojsha Godrej	Yes, I think certainly that's a possibility. I would think already inflation has been coming down, interest rates have been coming down, which is beneficial to the sector. I think there is a great deal of pessimism currently in the sector. We do not think that that pessimism is fully warranted. Of course, it has been a tough couple of years in the sector, but it is a very cyclical industry. If, as most people expect, India's economy continues to start performing better and better and as affordability has already improved with some amount of time correction in the sector, we think that once the pickup happens, it will be much more significant than people are currently expecting and we're doing our best to position ourselves well for the time that happens.
Himanshu Zaveri	And any news on the BKC project, like this 2,60,000 square feet which is left, some big deal like the last one which you did, or you are just looking at monetizing it slowly?
Pirojsha Godrej	I think, commercial real estate, unlike residential, can be a little bit lumpy by nature, because the deal size can vary quite dramatically. Last year the big sale was over 400,000 square feet, which is obviously much more than we had then. At the same time, some of the deals like the one in last quarter was about 20,000-odd square feet. I expect a reasonable range of deal sizes. But the good thing is that fundamentally the project is well received and appreciated. Again, BKC, as a location is doing well. So, to my mind, I do not see BKC anymore in any kind of a risk. Obviously, we want to monetize this and demonstrate as soon as we can. But clearly it is a timing issue and we do not have any concerns on the demand unlike Kolkata or Chandigarh, where fundamental demand itself is a concern. I think BKC is just more about timing and hopefully a few good deals clicking soon.

Himanshu Zaveri So, you are very confident of finishing it by the end of this financial, right?

Pirojsha Godrej That's actually the goal. I wouldn't say very confident, because we have to make it happen. But certainly, that's a very important goal for the company and we'll do our best to make it happen.

Moderator Thank you. Ladies and Gentlemen, we will take the last question for today, that from the line of Shrinath V from Bellwether Capital.

Shrinath V Just wanted to find out if The Trees-II inventory has been fully sold out? And the second question within that, the banks have large amount of NPAs and a good part of all this has been land collateralized. Do you see a special situation where we could launch a fund, or we could approach these banks and tie up for land deals? Thank you.

Pirojsha Godrej So, what was the first question again?

Shrinath V Has The Trees-II been fully sold out?

Pirojsha Godrej It is not 100% sold, but most of the inventory is sold, or almost 90% sales for the combined I and II. We do have a little bit, but I think the next big volume will be coming in the next phase launch, and this small remaining inventory will gradually get sold as the construction continues. We have actually had one or two propositions with some banks on this land parcel. So it is a possible opportunity and it does form some part of our business development proposition.

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

Pirojsha Godrej I hope we have been able to answer all your questions. If you do have any further questions, or would like any additional information, we would be happy to be of assistance. On behalf of all of us, thank you once again for taking the time to join us today.

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

- ENDS -

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