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.

Good afternoon everyone and thank you for joining us on Godrej Properties Q2 FY2016 Earnings Conference Call. We have with us Mr. Pirojsha Godrej – Managing Director and CEO of the Company, Mr. Rajendra Khetawat – CFO of the Company.

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

Good afternoon everyone. Thank you for joining us for Godrej Properties second quarter financial year 2016 conference call. I will begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions.

I’m happy to note that this has been the best ever quarter for GPL on every relevant financial parameter. Our bookings, revenue, EBITDA, net profit, and cash flows are all the highest they’ve ever been by some distance. The total value of bookings in Q2 FY16 stood at Rs. 1,957 crore which represents a 122% year-on-year increase and a 56% quarter-on-quarter increase. The total value of sales in H1 FY15 stood at Rs. 3,208 crore and has already surpassed the 2,681 crore of sales we achieved in all of FY15. Our total income for the quarter grew by 383% to Rs. 1,481 crore, EBITDA grew by 170% to Rs. 188 crore and net profit grew by 128% to Rs. 106 crore. In H1 FY16, our total income increased by 160%, EBITDA increased by 85% and our net profit increased by 75%.

The highlight of this quarter has been the large sale we closed at Godrej BKC. We sold 435,000 sq.ft. for Rs. 1,479 crore which makes it the largest ever end-user commercial real estate transaction in India. The price of Rs. 34,000 per sq.ft. is 30% above the average price we’d achieved in the project to date and is the highest price achieved on any major commercial real estate deal in Mumbai in the recent past. This deal is of significant strategic importance for the Company. It
allows us to fast-track our plans to unlock capital from our commercial portfolio, strengthen our balance sheet, and redeploy capital into the many high-return new project opportunities we are exploring. We expect to deliver Godrej BKC by mid-2016. We have already collected a large amount of cash from this transaction, which has allowed us to reduce our net debt by nearly 25% to Rs. 2,200 crore. We will have significant additional collections from this sale over the next six to nine months. In addition, we still have close to 300,000 sq. ft. of space in this project available for sale. We remain confident of monetizing this space at attractive valuations on the back of the deal we’ve just completed, the near completion status of the project, the encouraging lead pipeline, and the revival that is underway in the commercial real estate market.

While the large commercial deal was certainly the driver of our performance in the second quarter, our residential sales in the first half of the financial year are also higher than in any previous 6-month period. The response to our new project launches in Gurgaon and Chennai has been excellent and has continued the momentum in our residential launches across the country. At Godrej 101 in Gurgaon, we sold 174 apartments or over 315,000 square feet with a booking value of Rs. 215 crore in under a month. We have now sold a little under a million sq. ft. of space in Gurgaon with a booking value of Rs. 600 crore in FY16 despite the extremely weak market conditions in NCR. At Godrej Azure in Chennai we sold 161 apartments or 165,000 sq. ft. with a booking value of over Rs. 70 crore. Again the Chennai market which has been very slow.

On the operations front, we successfully delivered 1.4 million sq.ft. of residential space across four cities. In the first half of the financial year we have already delivered more than 3 million sq. ft. across the country. We are set to have our highest ever project deliveries this year and it is satisfying to see that almost all our deliveries are happening within committed timelines.

In the remainder of the financial year, we look forward to building on the strong start to the year. In the current quarter, we expect to have several important milestones. The most important of these will be the launch of our flagship project, ‘The Trees’, here in Vikhroli. We’ve all been working very hard to ensure an innovative and outstanding project and we are happy that our approvals for the project are now at a very advanced stage. We look forward to ensuring we have an excellent launch of this project in the current quarter. In addition to this launch we have two other important launches in Mumbai – in Byculla and Badlapur - both of which have already commenced and are doing very well. This is the first time we will have three new launches in the same city in the same quarter and we look forward to strong bookings in Mumbai from these launches. We are also focused on launching new phases in some of our existing projects in the second half of the financial year.

Our commercial portfolio is also at an important stage. Our projects in Kolkata and Chandigarh are essentially complete and our BKC project will be complete over the next 6 months. This gives us a great opportunity to monetize and release significant cash flow from this part of our portfolio. Our goal is to fully complete sales in all 3 commercial projects over the next 12 months.

One important area of focus in the second half of the year will be business development. High quality business development has played the lead role in transforming our project portfolio and company performance over the past 5 years. The period of weakness the sector is undergoing gives us an ideal opportunity to significantly strengthen our project portfolio in a short period of time and we are confident of demonstrating strong results in business development in the coming months.
The combination of robust sales in our own portfolio, weak market conditions that support rapid business development, and a strengthening commercial market which provide us the opportunity to generate strong free cash flows leaves us well positioned to meaningfully scale up the Company in the year ahead.

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

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Saurabh Kumar: I just had a question on the commercial assets, you expect to sell all these commercial projects over the next 12 months, so if I just add up the value and including what you need to get from Abbott the number comes to close to about Rs. 2,000-odd crore. So I was wondering is that a number you would have in mind as well. And the second is, since you said business development and you have a net debt to equity target of I guess 1x, so how should we think about it? Will you deploy substantial sums of money into doing this business development? These would be my two questions. Thank you.

Pirojsha Godrej: Commercial portfolio we have left is about 300,000 square feet in BKC, hopefully we can unlock about a Rs. 1000 crore from there. On the other two it is about Rs. 400 crore to Rs. 500 crore that we hope to unlock, could be a little bit less if we try to sell aggressively and move on. Did I hear you say Rs.2,000 crore, that sounds a little bit higher.

Saurabh Kumar: But you will have some money to come from Abbott as well, right?

Pirojsha Godrej: Yes, that's right. We actually have Abbott and of course some collection even on the previous sales at BKC but we also do have some outflows on BKC to get to completion. So it might be a little bit less than 2,000 crore that you have assumed. But yes I do think that certainly that is the source of fund that we need both to strengthen the balance sheet and look at new projects. I do not think when I say that we are aggressively looking at new projects it means we are going to change the format of type of project we are adding. We are very-very happy with the types of structures we have been working in, with the type of new projects that you have seen us add in the last three years. And the lynchpin of that strategy has really been being very conservative with the amount of capital that we are putting in at the initial stages. So I do not think necessarily we see huge investment requirements for the strong business development but certainly there will be some.

Saurabh Kumar: So then fair to say that your net debt to equity should drop substantially once these commercial sales are completed?

Pirojsha Godrej: Yes.

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Pirojsha Godrej: Yes.

Moderator: Thank you. Our next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Firstly, starting with the most important transaction in BKC, you have done it at a price of almost Rs. 34,000, would you be open to doing transaction at a price lower than this or would you set this as a benchmark now?
Godrej Properties Limited – Q2 FY2016 Conc all Transcript

Pirojsha Godrej: I do not think it is anything set in stone. Obviously we would like to get the best value we can but I think that will be sort of determined by how the market responds over the next few months. I do think that it is not going to be very-very far off from this price either up or down. So this is a good general benchmark, it might be a little bit below or a little bit above depending on how the market response is, but I do not think that we are saying we absolutely cannot sell anything below this or anything like that.

Puneet Gulati: And how much cash is yet to be received from this sales?

Pirojsha Godrej: Just from this sale, I think it is about Rs. 550 crore still to be received.

Puneet Gulati: What would be the carpet area of this transaction and what kind of efficiency ratios are here in this commercial project?

Pirojsha Godrej: I do not have it offhand, let us check on this, we will come back to you. I think the loading is about 60-odd%.

Puneet Gulati: And that has not changed across all the previous years?

Pirojsha Godrej: No, this is very much an apple-to-apple pricing as compared to our previous sales, there is no change in the loading or anything else.

Puneet Gulati: And lastly can you give some color on the progress of the Panvel project, is there any increased FSI coming in and how is the sales momentum there?

Pirojsha Godrej: Yes, the approvals there have been a little bit delayed, we are still waiting out construction start approval for the first phase and we hope to get that very shortly along with doing the second phase launch hopefully in the next few months. There isn’t yet full clarity on the higher FSI.

Moderator: Thank you. Our next question is from the line of Sumeet Rohra from Silver Stallion. Please go ahead.

Sumeet Rohra: Pirojsha, I just want to ask you one thing, on the BKC we are also doing 200,000 square foot for Jet as well, right, so we will receive some money from there as well on cost basis, am I right on that?

Pirojsha Godrej: Yes, so the way it works is that they are entitled to both a certain amount of space in the project at development cost and they are entitled to 50% of the profits in the project. So however much profits in the project reduce that cost by is what we will get ultimately as cash from Jet, but yes there is likely to be a few hundred crore of cash owed by them to us at the end of the project. That will add to the numbers we just talked about.

Sumeet Rohra: Sure. So it will be 300,000 square foot plus 200,000 you will receive some money from there, that’s the correct way to understand, correct?

Rajendra Khetawat: Minus Jet share of profit.

Sumeet Rohra: Yes, fair. And secondly Pirojsha as you mentioned just now that you hopefully look to monetize most of the commercial portfolio in the next 12 months and hopefully once that happens then do you think that aspiration is that our ROEs should go up to about 20%. Is that achievable because commercial was the biggest drag for us.
Pirojsha Godrej: Yes, I do think that very much what we are setting ourselves out to do. And a few things will support that, one of course the capital base itself declining as we monetize these projects. We also expect to see more and more of the residential projects reach revenue recognition over the next couple of years, so that will boost things as well. We feel quite good about it achieving that target.

Moderator: Thank you. Our next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: Pirojsha, just to understand on ‘The Trees’ commercial side, as we understand from our channel checks there is a hotel and retail outlets being envisaged. Just to understand group strategy whether it is going to be a construct and hold strategy or it is going to be an outright sale?

Pirojsha Godrej: Yes, I think frankly on the non-residential parts of The Trees we are still figuring our exactly how to do it, but the idea is not to just build and hold and invest the entire capital ourselves. So it will be either from some sort of partnership structure or a partial monetization and use that capital to build.

Abhishek Anand: Then just to understand on the overall Vikhroli land parcel strategy, post The Trees execution as I understand it is going to be done by 2020, are we planning to launch the DM projects after The Trees completion or we can actually launch the DM projects in between as well?

Pirojsha Godrej: No, certainly we can and will launch them in between. I think the 2020 date you are speaking of is really more of the full project completion delivery, execution, etc. I hope that by this time next year we are more or less through with selling the residential portion of The Trees except for anything small amount we may choose to retain. That will not take more than a year to sell at most, so certainly we will be launching further residential projects after that.

Abhishek Anand: So those would be the DM, any targets we have on that. Maybe by end of five years we are going to have x amount of DM projects or same projects?

Pirojsha Godrej: Aside from The Trees we have already announced two other residential projects. Unfortunately the confusion with the DP plan has delayed those. Between those two projects there is another 2.5 million square feet of residential. We also have the fourth tower of Platinum. Of what has already been announced of we have about 4 million square feet of residential in Vikhroli.

Abhishek Anand: Lastly, just to understand the Group’s growth strategy, if I am looking at the current scenario are you getting more attractive JDA opportunities firstly or you are as well looking at some distressed developers and trying to enter into a DM model just to tap the current environment, are we thinking in that terms?

Pirojsha Godrej: All four of the strategies which have been deployed which is profit sharing JVs, the development management fee model, redevelopment and our residential platform, we will very much look at adding projects in all of these structures. We are definitely seeing more opportunity on the business development side and expect to have a lot of good news on that front in the months ahead. And the opportunity for us is both in joint ventures, in development management fee, in deploying funds from the platform because I think clearly the market situation is such that if you look at it the better developers in most cities are actually seeing quite steady and strong results to their projects whereas many of the smaller developers are struggling. That definitely presents an opportunity both by reducing competition for projects where a land owner is looking to partner with the developer and also in terms of
giving us the opportunity to directly partner with other developers who feel that we can do a better job or they can do a better job by partnering with us.

Abhishek Anand: So are we in negotiations already or is the situation still not bad enough for people to approach Godrej and to take over the projects or maybe have a JV with them.

Pirojsha Godrej No, Abhishek I think I would say this is frankly the most value adding part of the business for any developer is really well executed business development. We have at any given time probably well over hundred discussions with land owners at some stage or the other, we have something like 10 or more term sheets already signed. Of course a lot of those will fall through but the large number of projects we are evaluating in all parts of the countries and these deals have come to us both through people approaching us but of course we have a very active team that is constantly looking for these deals and our all regional teams are also part of that. Their responsibility is obviously ensuring the future growth of the region and the Company. So I think business development is a very strong concerted effort.

Moderator Thank you. Our next question is from the line of Puneet Jain form Goldman Sachs. Please go ahead.

Puneet Jain: My question is actually with respect to the transaction which you are doing on Vikhroli, so what are the timelines for that?

Pirojsha Godrej So the goal is to complete that merger process by the end of the financial year.

Puneet Jain: And you will also subsequently raise some money from external investors at that point of time?

Pirojsha Godrej Yes, we have to come to that 75% threshold, so we have not frankly decided what means we would use to do that. But yes prior to doing this we will have to make sure we are within the 75% threshold.

Puneet Jain: And can you share your gross margins for this quarter for BKC project, because your gross margins are still on 20% levels?

Pirojsha Godrej What is important to understand on the BKC project is that the way it is structured it is very tax efficient but it does not make margins optically look the best. Essentially the way it works is that both jet share of profit in the project as well as the interest cost is not shown in the EBITDA margin, so the difference of that you actually factor both of those two things, the EBITDA margin growth to 38% or something on this deal. But because of those two reasons, yes, it is not the highest margin but I think our intent on the project has been quite clear to focus on unlocking cash in any case.

Puneet Jain: So if I look at gross profit margins for this quarter will they be higher for Godrej BKC or will they be higher for non-Godrej BKC in second quarter? And how do you think this gross margin will trend for the next couple of quarters?

Pirojsha Godrej Certainly in the future quarters it will grow higher. I think the DM fee component was a little bit low this quarter so it was not very drastically different between BKC and the rest of the portfolio. But as we have said, there would be a fair amount of short-term volatility in margins, as some of the legacy projects continue to be a critical driver of the P&L. As some of newer projects which are all in profit sharing structure, a lot of them in development management fee structure contribute more and more, we see a very clear visibility on margins substantially improving. We expect ‘The Trees’ to be meaningfully contributing to the P&L again from next year.
I think that will be another strong boost to margins. But in the short-term depending on the specific projects margins will be quite volatile.

Puneet Jain: And just one final question, on these profit sharing projects, how do you account for that? Does it go into other income which the profit share is 38% or 46%?

Rajendra Khetawat No, Puneet the way the accounting is done depends on whether the control exists. So if there is a control existing it will be sales and cost of sales and JV partner share will be taken out from the minority. Here the Jet accounting was different because it was profit sharing before tax that’s why it has been accounted for tax planning purpose, it has been accounted as a cost of sale.

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

Sameer Baisiwala: Pirojsha, on BKC just wanted to check how much is the pending cost FSI and construction?

Pirojsha Godrej I think the FSI we have one installment left, that’s about Rs. 160 crore, the construction I do not have the exact number but it will be about Rs.300 crore.

Sameer Baisiwala: I thought you said last con-call Rs.200 crore?

Pirojsha Godrej No, I do not think that’s right, no.

Rajendra Khetawat We said around Rs. 500 crore all inclusive including the installment which is pending.

Sameer Baisiwala: So Rs.150 crore on FSI and Rs.300 crore on construction cost, that’s what is pending?

Rajendra Khetawat Yes, and plus finance cost is what it is, that’s what we have mentioned.

Sameer Baisiwala: And how much debt is sitting in that SPV right now?

Rajendra Khetawat So as of September the entire debt was sitting because the money was received as on the last day, so it is around Rs.2,000 crore of debt sitting into that book. Some of that has been paid out and that is subsequently in effect in this quarter.

Sameer Baisiwala: So you have paid what, Rs.1000 crore?

Rajendra Khetawat Around Rs. 900-odd crore.

Sameer Baisiwala: So basically you need to pay off another Rs.1,100 crore and this Rs. 500 crore is the pending cost with some interest, so that would be all?

Rajendra Khetawat Yes.

Sameer Baisiwala: And versus that, what you probably will get inflows about Rs. 1,700 crore in BKC. I mean unsold and receivables for all that has been sold?

Pirojsha Godrej Well, I think it could be a little bit more than that because again it depends obviously on the pricing of the unsold inventory. But if you assume approximately the pricing we sold the last deal that’s about Rs. 1,000 crore and this is about Rs.
550 crore from that deal. Another Rs. 150 to 200 crore from previous sale and then the partner payment which again will depend on the pricing of the unsold inventories, but it could be in the range of Rs. 2,000 crore overall.

**Sameer Baisiwala:** And fair to assume that once all of this is done my guess second half of calendar year 2016 then you would be required to pay off all the debt in SPV and it all gets closed, whatever is left gets shared 50-50 and that’s the end of this project?

**Pirojsha Godrej:** Yes.

**Sameer Baisiwala:** And Pirojsha, the second question is on your net debt, obviously it has come off I think about Rs.700 crore sequentially speaking, but if I were to back off this BKC in slow then there is negative Rs.300 crore, what is driving this?

**Pirojsha Godrej:** So actually there were outflows on BKC and one of the land install payments, quite a lot of construction, I think it is about Rs. 250 crore or so on BKC if you include that installment and we have dividend.

**Rajendra Khetawat:** Dividend and the land payment which we have to make for the Vikhroli on a quarterly basis.

**Sameer Baisiwala:** And just one final question on Trees, your presentation says where you got launch tracker fiscal 2016, the slide 15 says both Phase I and Phase II will get launched in the current fiscal.

**Pirojsha Godrej:** Phase I looks all but certain, I think depending on the response there is still a chance to do second phase as well. But I doubt and we were just discussing that perhaps we should change it as it also says that Platinum Tower will be launched. Platinum Tower 4 is the one which is unlikely to be launched this financial year.

**Sameer Baisiwala:** And fair to say that both phases Trees is about 0.88 million square feet?

**Pirojsha Godrej:** Correct.

**Moderator:** Thank you. Our next question is from the line of Manish Gandhi. Please go ahead.

**Manish Gandhi:** So actually my question is on the business deals and the environment, actually you have explained but from our side do you feel that now we have more liberty to look at the deals in more central areas or maybe our threshold which you might be having like Rs.50 crore upfront we can increase a bit or more going through a platform kind of deals. Is it beneficial now given our strength of balance sheet, what is your view about it?

**Pirojsha Godrej:** Yes, Manish I think the key is less absolute that's given upfront and more the kind of returns that can generate. So while putting a very small amount obviously our overall returns on the investment are much higher. So if we can maintain very high returns we are certainly happy to put slightly higher amounts upfront as well. But I think we are not going to use the fact that the balance sheet is stronger to start investing more than we need to at early stages of project because we do not think that's in the long-term value creation interest of the Company.

**Manish Gandhi:** And one more thing about this, now we have a lot money coming from Abbott, so do we need to dilute because of promoters holding. I know even promoters do not want money but is there a thought that promoter can sell that 2% and we do not increase that equity at least for the Company?
Godrej Properties Limited – Q2 FY2016 Concall Transcript

Pirojsha Godrej: Yes, nothing has been concluded on that yet Manish, we have heard your feedback on this. I think we are still evaluating it. As you say I think the promoter would like to see this company scale up and do not have any particular need for selling the shares. We are still considering this.

Moderator: Thank you. Our next question is from the line of Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: Sir, I am a shareholder and we have received this postal ballot as per earlier announcement that the Godrej Properties is buying the Godrej Industries shares of Vikhroli LLP of 40% in lieu they are issuing approximately 1.67 crore shares of Godrej Properties. So what kind of earnings we are expecting from this portion of the land in the future years?

Pirojsha Godrej: We felt this structure of putting this project entirely into Godrej Properties and consolidating Godrej Industries’ real-estate exposure all in Godrej Properties made a lot of sense. We also see it from a Godrej Properties’ perspective that this will be a significant way to conserve cash within the Company because there is minority interest already accrued from the development of Godrej One that would have to be paid out as well as significant cash that will be generated in a relatively quick timeframe from the rest of ‘The Trees’. So retaining that cash in Godrej Properties was seen as a key advantage and this also will give a great boost to our near term earnings for the Company and make sure that we stay on the trajectory of rapid growth. So from all of those perspectives we think this makes a lot of sense. The residential portion of it of the development is about 1.2 million square feet, that itself will be over Rs.2,000 crore revenue generating project. We see substantial value in the office component as well. So I hope that addresses your question.

Manoj Dua: If you can give some number in terms of profitability would be great otherwise also no problem.

Pirojsha Godrej: Yes Manoj we prefer not to of course try to give any guidance about profitability, it obviously depends on what selling price is.

Manoj Dua: Secondly, now that the balance sheet has been quite good as compared to last year. Do you think in future course of time would be there any equity dilution or it could be done from the internal accrual?

Pirojsha Godrej: Yes, certainly the idea is to grow from internal accruals. We have maintained that we think the commercial portfolio is going to be the source of capital we need to grow the Company. We have hopefully demonstrated a little bit of ability to generate some cash in that part of the portfolio, we hope to continue that in the next 12 months. So I do not think we are considering any equity dilution as such.

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

Abhinav Sinha: Firstly on the deal front we did not see any significant deal being signed this quarter, so is there sort of a rethink here or do you still target adding about 3-5 million square feet every year?

Pirojsha Godrej: No rethink at all. In fact we are thinking about how we can do much better than that. Every three months period perhaps is not the ideal window to preview this and I think like some other parts of the business it can be a little bit lumpy, so do not be too surprised if you see a large number of deals in a single quarter as well. Certainly the appetite is there. We think it is the ideal time to be adding new
projects. I think in this sector it pays to be a little contrary to what the general mood of the sector is, so when things are a little bit weak it is the right time to be adding project. We are looking at a lot of projects, we have got term sheets in place for a large number of projects, we are looking at adding to that list. So I expect strong continued momentum in business development and I would say that’s one of our big priorities.

Abhinav Sinha: Any new locations you are looking at?

Pirojsha Godrej New locations, yes, in the sense that new micro markets within the cities we are already in. Maybe things like Thane, here in Mumbai or Noida in NCR, so they are new locations but obviously within the metropolitan area of the cities we are already in. We certainly are not currently looking at any fully new cities because we really do not think that there are any very attractive markets that we are not already in. So the opportunity for us is to do a lot of business development to improve the depth of our presence in each of the markets that we are in.

Abhinav Sinha: And are you sort of benefitting in the deal terms now, I mean considering this slowdown in the market?

Pirojsha Godrej Yes, I think our terms over last years have been quite attractive, the structures are inherently quite attractive. What is definitely visible is just the number of deals with other developers, the number of deals where some of the planning and approvals are at a fairly advanced stage. So it is a good environment for business development. It is not that I think the terms are going to vary dramatically or anything like that.

Abhinav Sinha: And secondly, it is now good to note that most of the project pipeline has ticks against it now. But what is the pipeline beyond this? I think you will be exhausted by newer projects by the third quarter?

Pirojsha Godrej Abhinav we hope to have, I think we have put in a color for if we can launch something that we did not guide at the start of the year. So let's see if we can get a couple of those done in Q4. But there is a pipeline, we have projects in Bangalore that we are looking to launch, we have projects in Okhla in Delhi, we have few of the business development projects that we think can be launched quite quickly after being signed although not this financial year. So I think we are not overly concerned about the launch pipeline.

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

Bharat Sheth: When we are talking of next launches, like Malad project and Bhandup project and all. So when do we expect those project launches?

Pirojsha Godrej I think various stages of approval issues continue to sometimes delay some of the projects. Bhandup certainly we hope to launch next financial year. Malad, that's a little bit stuck with DP issues and things, so we will have to see about that one. Bhandup I think there is a little better visibility and hopefully that should come in the first half of next year.

Bharat Sheth: So next year probably only one launch in Mumbai that we are expecting?

Pirojsha Godrej No, not at all, I think several. We will have subsequent phases of Panvel, subsequent phases Vikhroli. We hope as I said to add some new projects in the coming months that we can launch next financial year. We will have a good
number of launches in Mumbai hopefully and good news also is that we hope to get three Mumbai launches this quarter for the first time, so that's quite encouraging.

Bharat Sheth: And Panvel as you said still we are awaiting for a lot of clearance as well as FSI increase, correct? What is the status of the Bhugaon project anything is moving on that front?

Pirojsha Godrej: Yes, the joint venture partner there is supposed to get some approvals for a long time which have not happened, but there has actually been a little bit of movement, so we will see how that goes. Panvel, again there has been some movement, so we expect things to start picking up in the next few months.

Bharat Sheth: And sir, the kind of large deal which had happened in Chandigarh. Do you see that chances of that monetization in short-time or again will be delayed?

Pirojsha Godrej: Bharat frankly the Chandigarh and Calcutta commercial markets have been very weak. We study the overall data along with our own projects and it's not been the most encouraging. I think the deal you mentioned was for a leased space. That said, I think with commercial markets improving with our projects now complete as I mentioned in my opening remarks I do think that we think this should be now fully monetized in 12 months. It could be a little bit quicker if things go very well, of course there is an outside risk if market doesn't improve at all. But I think that is kind of reasonable estimate in goal that we have set ourselves. But I do think that the project completing really does help a lot in being able to sell commercial project. We did have a slow moving commercial project that we fully monetized in Calcutta about year and half ago, so the goal will be to do something similar here.

Bharat Sheth: And you said, I mean this big scenario and we have lot of term sheet as well as newer association, so what kind of business development which area you think in next 12 months we will see more deal sign up?

Pirojsha Godrej: The focus cities for us are Mumbai, NCR, Bangalore and Pune, so those are kind of clearly the key focus markets and then opportunistically we might look at things in Kolkata and Chennai. But amongst those small cities it will really depend a lot on which specific deal moves forward and so on, but those are the four key markets.

Bharat Sheth: And can you just give, I mean amongst all these four market plus two market which you mentioned you are seeing more slowdown in residential side.

Pirojsha Godrej: I think all markets have been a little bit slow from the overall perspective. Markets like NCR, Chennai, and Ahmedabad perhaps have been slower than the other ones. But our sense is that for the better developers in each of these markets there has not been any great problem whether you look at our own sales of project we have been launching or if you look at our good competitors who come out with good projects, I think you are seeing a very strong response here in Mumbai and elsewhere. So the weak market actually does, I mean of course it present us with headaches as well obviously prices going up and things is capped in such an environment but it perhaps presents just as much as opportunity as challenge. So if we play this next few quarters well we think we could emerge a much stronger company with a very exciting portfolio.

Bharat Sheth: And last question, see since our platform is fully exhausted so are we again looking for some more pie or with the improvement in balance sheet we would like to go alone I mean?
Pirojsha Godrej: We do think the platform is a useful sort of tool for business development because it does allow us to do projects where the investment is more than we would want to make ourselves, so we are currently exploring a possible second platform.

Moderator: Thank you. Our next question is from the line of Param Desai from IDFC Securities. Please go ahead.

Param Desai: Two things, one is, you talked about the significant increase in the business development activities going forward, so both on the BD side and on the project management side how have you gone about strengthening capabilities across the organization?

Pirojsha Godrej: Well, it is probably a pretty in-depth question to try and answer in a couple of minutes. Obviously both have involved a lot of efforts on various fronts but I think to boil it down we are really looking at our regional teams to be very strong and capable and look at more and more decentralized structure where each of the team is responsible, both for successful execution and continued growth of the region. So that is obviously a key, we are constantly doing a lot of work in building the teams, getting right people in the right positions and all of that work is leading to good results. Business development has been quite strong for several years and that's really what we think has transformed the portfolio of the Company and we have an opportunity to further transform it in the months ahead.

And on the execution side, again we will have to continually work to improve what we are doing, but we are quite satisfied with the progress we have made. We are delivering very significant amount of space, largely our projects are on time and budget control and things is much better than it has been in the past. So a lot is going on behind the scenes to make that happen, but some of the key things as I said are getting the right structure in the organization and the right people for the right role.

Param Desai: And secondly, I guess if all goes to plan in terms of monetization of the commercial assets will almost be back to a clean slate from where we started some years back before we got into some issues with the commercial part of the strategy. So on this clean slate, is there anything apart from the stuff that we are doing right now on the BD front are there any more scale ups in the business model that we are looking at or how do we see the Company really moving forward from here on?

Pirojsha Godrej: We do not think we need to kind of venture into new areas or things like that, we are kind of at a great place at a great time and with a great positioning in the market. We think the residential real-estate business all that you will hear about how there might be hard times and things, we think the medium to long-term story is as exciting as any business opportunity could be and that growing scale and doing a better job of what we are currently doing can yield dramatic returns for quite a long period of time. So the focus will just be to do what we are doing now, do it at a higher scale and do it as well as we can and that we think leaves more than enough opportunity for growth.

Moderator: Thank you. Our next question is from the line of Ritwik Sheth from Span Capital. Please go ahead.

Ritwik Sheth: Firstly on the Godrej Garden City in Ahmedabad, what is the update like, how many phases are left and what is the inventory still to be sold out?

Pirojsha Godrej: Well, the entire project that we have launched so far our sales are about 5 million square feet. We would have inventory of about 4 lakhs or so square feet. We are
planning a new phase launch there in the second half of the financial year, I think we will see the volumes in that project pick up quite considerably in the second half.

Ritwik Sheth: So we are around just one-third of the way in terms of launch, is that understanding right or it can be mentioned we have around 16 million square feet so 5 million is launched, right?

Pirojsha Godrej Yes, that’s approximately right.

Ritwik Sheth: And sir secondly on the Hyderabad which we have applied for conversion from commercial to residential, what is the status right now?

Pirojsha Godrej Yes, so that conversion is almost through. Our decision is that we will enter Hyderabad when we have kind of four or five projects to go at one time rather than starting off this one project. That project probably is still more than a year away from being launch, although there has been progress on the conversion.

Ritwik Sheth: And sir Rs.35 crore we have been paying to Godrej and Boyce for The Trees project. How many more quarters do we need to pay them?

Rajendra Khetawat So another 8 to 10 quarters is what we have left, 8 to 10 quarters roughly.

Pirojsha Godrej We will check the exact number of quarters, but it is in that range.

Ritwik Sheth: And sir lastly, just a broader question. What is our bandwidth as a group, like currently we have around 100 million square feet that is phenomenal, so is this the threshold level where we can manage the projects or there is still further headroom considering now all commercial projects are almost out of the way.

Pirojsha Godrej Thanks for that question actually, it is one we get quite a lot. I must say, I sort of little bit disagree with the fundamental premise of the question which is that as we scale up in this industry the kind of implied argument is that it becomes more difficult from a bandwidth perspective. But I think just like in many other industries scaling up starts bringing in a lot of advantages and forces you to get better and allows you to get better people in right role. So I would say, we are doing many projects today as compared to when we were doing 10% as many projects five or seven years ago. Our ability to manage them well, deliver on time, manage costs better are all much stronger than they were on a smaller number of projects and I do not think we are anywhere near kind of bandwidth level constraints that we kind of cannot do anymore. And I do not really think this industry is so different from many others where big multinational companies in many other fields would not kind of be asked a question about bandwidth. So I think, and I do not mean only other industries, if you look at say big Chinese developers, the big developers they have managed to sell 100-150 million square feet a year and consistently deliver. Even if you look in India and you look slightly outside the real-estate sector but you look at maybe the contracting sector and what a company like L&T would be managing, it is not very different from a project management or management bandwidth perspective. I think where real estate developers have gone wrong previously is really much more on the financial management part of the business and that is really what ended up being the constraint more than management bandwidth. So certainly we do not think we are anywhere close to being constrained by our ability to handle more projects.

Ritwik Sheth: So we can like go to another 20-30 million square feet in the coming 2-3 years?
Pirojsha Godrej: It is all about getting the right project, obviously if you grow in a haphazard manner and I think we have frankly in the past we have done a little bit of that. But if you get the right project, if you make sure you are building up to being able to handle those I do not see any problem in scaling up quite considerably from here.

Ritwik Sheth: And sir just one last question, this seems to be the favorite right now, so I will just jump on this. Sir, assuming all things go as to planned, say 18 months down the line March 2017 all our commercial projects are sold. Can we see a net debt to equity of less than 0.5x?

Pirojsha Godrej: Yes, it is possible, obviously it will depend on happening on the business development front. Frankly we have been saying for a while that we are not a company that sees any great importance getting to zero debt. Our borrowing cost is actually a fundamental advantage we have, CP’s currently at kind of under 8%. So a little bit of debt is perfectly reasonable and attractive tool to use if kept within proper limits. But yes certainly we also do not see any need to have kind of elevate it.

Ritwik Sheth: So what I meant to ask was that, 0.5x is a realistic assumption right, like if all things fall into place

Pirojsha Godrej: Yes, I think so.

Moderator: Thank you. Our next question is from the line of Rishabh Nahar from Girik Capital. Please go ahead.

Rishabh Nahar: Sir I just have one question, in terms of cost in our projects like Central and Prime and City, basically the ones we are doing in Bombay, so what is the cost structure because you have to pay tenant cost and your redevelopment cost and your fungible FSI cost. Is it about Rs.8,000-9,000 per square feet?

Pirojsha Godrej: Obviously each project is quite different, Panvel is not a redevelopment project, the two Chembur projects also have different costs, so maybe Rajendra can take it offline.

Rishabh Nahar: And one more thing, in the BKC, so in this quarter what is the profit contribution from BKC?

Pirojsha Godrej: Our investor presentation has this split by revenue, we do not give a profit split by project. I think it is fairly straight forward to work out an approximate number.

Moderator: Thank you. Our next question is from the line of Krish Shanbhag from Pride Capital. Please go ahead.

Krish Shanbhag: Sir, given that we are seeing a sharp decline in net debt, does it still make sense for GPL to purchase a Godrej Industries’ 40% stake in The Trees project. Does it still make commercial sense for you?

Pirojsha Godrej: Yes, I do not think the two things are related. It was a strategic decision on what the best holding structure for the project is and what is in both individual companies interest and both companies have determined that it makes a lot of sense. As I was mentioning earlier in the call I think the advantages of doing this to Godrej Properties are couple, one is first of all from a cash flow perspective it will further strengthen the Company's performance. I do not think just because we have got a little bit of cash inflow from BKC that we should pay any less attention to generating
more cash for the Company. Maintaining that minority interest with GPL will be a big advantage. The other thing is, we look to continue the quick scale up this company has been seeing, the returns that this project will generate in the near term are very considerable and we think will give a lot of continued momentum to the Company. So those were kind of the key reasons that we have decided to do this and I do not think the BKC deal in any way changes the fundamental logic for the deal.

Krish Shanbhag: My second question is, from Godrej Properties side till date what is the total investment on your Godrej Prana project which you own I think 40% in Pune, and your 57% revenue share on Godrej Park project in Bhandup?

Rajendra Khetawat: So Prana is around Rs.35-40 crore odd.

Krish Shanbhag: That is sir your share?

Rajendra Khetawat: No, it is the total project share, so obviously when we do profit sharing, working capital is our responsibility, however it is leveraged against the project.

Krish Shanbhag: And for your Bhandup project?

Rajendra Khetawat: Bhandup is around Rs. 50-odd crore, this includes the deposits paid to the JV partner and other thing.

Krish Shanbhag: So this is again the total cost for your share?

Rajendra Khetawat: It is total capital deployed into that project.

Krish Shanbhag: Sir and the last question, now we have seen a lot of commodity prices coming down, so whom does it benefit, does it benefit people like Godrej Properties because with the rate contracts that you have or it is just the construction companies such as L&T?

Pirojsha Godrej: No, it certainly benefits us. Most of the contract on which the commodities are kind of item rate so it depends on what the price at the time is, so there will be a benefit from that.

Moderator: Thank you. Our next question is from the line of Manish Jain from Sage One Investments. Please go ahead.

Manish Jain: Just one quick question, given the kind of scale up I just wanted to get some insights, the kind of changes that you would like to see in your sales and marketing function.

Pirojsha Godrej: So we have been working quite a bit on that and I think the more we scale up the number of projects, the more efforts we will have to make in this area. Some of the key things that we have been doing, that have been working well and we think there is still substantial room for growth in things like how we are approaching international market, how we are working with channel partners across the country and really making sure that our reach is constantly expanding. We have been doing a lot of work also around training our sales resources in an attempt to improve conversion ratio. So those were some of the areas that we will continue to focus on.
Manish Jain: For the Devanahalli project at Bangalore, what is the total capital commitment from Godrej side?

Rajendra Khetawat: Again, it is a profit sharing deal Manish, so it will all depend on how the project gets shaped up, how the launches get shaped up. But obviously the working capital responsibility is of Godrej Properties and as and when the working capital would be required we would be arranging for that.

Pirojsha Godrej: Yes, but the project is profit sharing residential project, so we will use the customer cash flows for the project expenditure for the large part.

Moderator: Thank you. Our next question is from the line of Ravi Naredi. Please go ahead.

Ravi Naredi: Sir, our finance cost is Rs. 2.26 crore, why our long-term and short-term borrowing is Rs. 3,765 crore, so why this finance cost is too much low?

Pirojsha Godrej: The accounting standard states when the project is under construction for the interest cost to be capitalized.

Rajendra Khetawat: As per the standards as and when you do a POCM your finance cost gets expensed out through cost of sales. So if you see we started giving EBITDA and adjusted EBITDA, if you take a difference the interest cost is getting expensed out through cost of sale.

Ravi Naredi: And sir one more thing, Rs.1,609 crore is lying in cash balance and our short-term borrowing is Rs.3,178 crore, so why not you repay the cash balance to short-term borrowing?

Pirojsha Godrej: Yes, we are going to do that this quarter to a large extent.

Ravi Naredi: And sir when our ROC will be 25% or more in time to come, can you tell the time frame?

Pirojsha Godrej: Again, it depends obviously on a lot of factors, over the next two to three years we would like to see it get to 20% and take it up as possible.

Ravi Naredi: And sir what is the atmosphere of demand?

Pirojsha Godrej: I think the demand environment if you mean for the sector as a whole has been quite weak. There is still a lot of negative kind of media reports and other things talking about pricing in the sector coming off. We think the external coverage of the sector makes it sound worse than it is but it certainly is a fact that the overall market has not been doing too well. But as I was saying earlier, I think that if you look at the better projects in each city being done by developers that are considered credible, I do not think there is any great problem with sales. We are very happy with the kind of sales we are seeing across our residential portfolio and with commercial markets also picking up now we expect by a huge distance the best ever year for sales.

Ravi Naredi: And sir last, your comment on input cost, what is the input cost now?

Pirojsha Godrej: I do not know what you mean by that, obviously input costs are a lot of different things and very different for different project.
Moderator: Thank you. Our next question is from the line of Sandeep Baid from Quest Investments. Please go ahead.

Sandeep Baid: I guess it will vary from project-to-project but we just wanted to check what would be the average time gap between booking of sales and revenue recognition?

Pirojsha Godrej: It does vary quite a bit because there are a couple of key things. One is, you can start sales once the planning approvals are fully in place whereas construction is after your construction start approval. So sometime there should not be too much of a gap in that time but sometime it does end up being there, but assuming that that was according to plan then the only other major variable is the number of basements in the project because those do take more time to construct. But I think on an average one should assume about four quarters.

Sandeep Baid: So maybe 12 to 18 months or so?

Pirojsha Godrej: Yes, in that kind of range.

Sandeep Baid: So would you say that the sales booked over the last 18 months would be a good indicator of the revenue that will be recognized over the next 18 months or 24 months?

Pirojsha Godrej: Yes, obviously you will have to adjust for our sharing ratios etc, but yes that should broadly hold up.

Sandeep Baid: I guess we booked about Rs. 6,000 crore of sales over the last 18 months or so, so that can be used for doing some calculations then?

Pirojsha Godrej: Yes, but again just to make sure you properly get it, obviously you have to look at which projects, the development management fee projects, profit sharing and make all those adjustments.

Sandeep Baid: My second question was on the interest cost, I think last year the total interest outgo was about Rs. 500 crore.

Pirojsha Godrej: Yes.

Sandeep Baid: How much would it be this year and next year?

Rajendra Khetawat: So this year it would be roughly half of that. In next year, we do not give guidance but hopefully next year it should come down with interest cost coming down and with bulk of our debt for BKC getting repaid.

Moderator: Thank you. Our last question is from the line of Mr. Sameer Baisiwala from Morgan Stanley. Please go ahead.

Sameer Baisiwala: A quick clarification actually on the number, slide 26 your net debt is about Rs. 2,230 crore. Is it fair to say that this includes your Jet SPV debt in full capacity, not 50% as is your economic interest there?

Pirojsha Godrej: Correct.

Sameer Baisiwala: So if I back it out it is about Rs. 550 crore lower than that?
Pirojsha Godrej: Yes.

Moderator: Thank you. I would now like to hand the floor over to the management for closing comments. Over to you, sir.

Pirojsha Godrej: Thank you everyone for joining us today, hope we have been able to answer all of your calls and would like to take this opportunity to wish all of you a very Happy Diwali. All the best and thanks again.

Moderator: Thank you very much. On behalf of Godrej Properties Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

- ENDS -

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.
November 25, 2015

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Re: - BSE - Scrip Code: 533150, Scrip ID - GODREJPROP
      NSE - GODREJPROP

Sub: - Investors Call

Dear Sir/Madam,

We are enclosing herewith a transcript of the conference call with the Investors/ Analysts held on November 05, 2015.

This is for your information and records.

Thank you,

Yours truly,
For Godrej Properties Limited

[Signature]

Ashish Karyekar
Sr. General Manager (Company Secretarial)

Encl: a/a