

November 07, 2021

BSE Limited

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The National Stock Exchange of India Limited

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BSE- Security Code - 959822 – Debt Segment
NSE - GODREJPROP

Sub: - Transcript of the conference call with the Investors/ Analysts

Dear Sir/Madam,

Please find a transcript of the conference call with the Investors/ Analysts held on Tuesday, May 04, 2021.

This is for your information and records.

Thank you,

Yours truly,

For Godrej Properties Limited

Surender Varma
Company Secretary & Chief Legal Officer

Encl: as above





Godrej Properties Limited

Q4 FY 2021 Results Conference Call Transcript

May 04, 2021

Moderator: Ladies and gentlemen, good day, and welcome to the Godrej Properties Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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. Devrishi Singh from CDR India. Thank you and over to you, sir.

Devrishi Singh: Thank you. Good afternoon, everyone. And thank you for joining us on Godrej Properties' Q4 FY 2021 Results Conference Call.

We have with us Mr. Pirojsha Godrej – Executive Chairman, Mr. Mohit Malhotra – Managing Director and CEO, and Mr. Rajendra Khetawat – CFO of the company.

We would like to begin the call with opening remarks from the management, following which we will have the forum open for an interactive Q&A 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 has been included in the results presentation emailed to you earlier.

I would now like to invite Mr. Godrej to make his opening remarks.

Pirojsha Godrej: Good afternoon, everyone. Let me start by saying, I hope all of you and your loved ones are safe, doing okay. Thank you for joining us for Godrej Properties Fourth Quarter Financial Year 2021 Conference Call. I will begin by discussing the highlights of the quarter, and we then look forward to taking your questions and suggestion.

As you all know, India is currently going through a crisis of significant proportion with the second wave of COVID resulting in higher numbers of infections and death than any country has witnessed at any stage of this pandemic. From an economic standpoint, while this is likely to once again disrupt the first quarter of the financial year, we believe the impact will be lower than it was last year as we avoid a national lockdown, and as construction sites are allowed to continue functioning. Our primary focus at this difficult time will be to ensure the safety and well-being of our work force, including all the construction workers that remain in our sites. A prolonged second wave of infection and renewed restrictions could impact construction timelines, and regulatory approvals for project launches. While this situation will interrupt the improved momentum for construction, pace and property sales in the current quarter, we expect the sector to continue its recovery in subsequent quarters. With a net cash balance sheet, we believe we are well positioned to withstand any temporary setback and invest for the future, which we continue to believe looks very bright.



In March of this year, we successfully raised to be Rs. 3,750 crore, in the largest QIP by any real-estate company in India. Our equity raise was specifically timed to take advantage of a likely cyclical upturn in the real-estate sector, and the proceeds will be used to fund exciting growth opportunities ahead. The current market dynamics where the majority of the sector still faces liquidity challenges, provides us with an opportunity to utilize this capital to significantly strengthen our new project portfolio.

From an operational perspective, the fourth quarter was GPL's best ever quarter on many parameters. The highlight of our Q4 results was our highest ever cash collection of over Rs. 2,000 crore, which included collections of Rs. 214 crore from projects where GPL is the development manager. These collections led to a strong net operating cash flow of Rs. 785 crore. We have been able to generate our highest ever residential collection of Rs. 4,389 crore in FY 2021, despite the tremendous disruption in construction activity in the first half of the financial year, when we were able to collect only Rs. 1,115 crore.

On the sales front too the fourth quarter was GPL's best ever quarter in terms of volume and value of real-estate sold. We sold 3,602 homes during the quarter with an area of 4.2 million square feet, and value of Rs. 2,632 crore, representing a quarter-on-quarter value growth of 77% and a year-on-year value growth of 10%. This ensured our FY 2021 sales was 9,345 homes with a total area of 10.8 million square feet value at Rs. 6,725 crore was the highest in GPL's history, representing a growth in value terms of 14% and in volume term of 23%.

We launched seven projects during the fourth quarter and received a strong response to all of them. Our project Godrej Woods in Central Noida delivered sales worth over Rs. 500 crore during the launch quarter, making it one of the most successful launches in India in the financial year 2021. We sold more than 1.5 million square feet with a booking value of over Rs. 1,300 crore in each of our focus markets of Mumbai, Pune, NCR and Bangalore. While our launches did very well, with total sales of Rs. 2,175 crore during the year, we were especially pleased with our sales from existing inventory, which grew by 46% to Rs. 4,550 crore in financial year 2021.

On the operations front, we successfully delivered approximately 2.3 million square feet across two cities in the fourth quarter, including 1.17 million square feet at Godrej 2 in Vikhroli, 950,000 square feet at Godrej United in Bangalore, and 170,000 square feet at Godrej Platinum in Vikhroli. For the full financial year 2021, we delivered 6.5 million square feet across three cities, which is the highest ever for GPL in a financial year.

The revenue recognition from these deliveries in the fourth quarter was muted, because of two residential projects were under the development management fee model and a commercial project which is 50% owned by us and will be a leased asset. As a result, in the fourth quarter, our total revenue decreased by 60% to Rs. 508 crore. Our adjusted EBIT stood at negative Rs. 72 crore while the net loss stood at Rs. 192 crore. For the full financially at 2021, our total stood at Rs. 1,217 crore, our adjusted EBITDA stood at Rs. 150 crore and net loss stood at Rs. 189 crore.

The loss reported in the fourth quarter was due to three one-time charges to the P&L relating to provisions. The first of these charges was the long-term incentive scheme payable to certain employees in financial years 2023 and 2024, subject specific parameters being met. This amounted to Rs. 121 crore and was taken in FY 2021 basis prudence and high likelihood of these parameters being achieved. The second of these charges amounted to Rs. 81 crore and was required due to our shift to the new tax rate, which required remeasuring our deferred tax assets. The last of the charges was due to a write-down in our legacy project, including Godrej Prakriti in Kolkata, Godrej Palm Grove in Chennai, and Godrej Alpine in Mangalore amounting

to Rs. 76 crore. Excluding these one-time travel to the P&L, adjusted EBITDA stood at Rs. 125 crore and net profit would have stood at Rs. 37 crore in the fourth quarter.

In the first half of last financial year, with the impact of the pandemic, a subsequent lockdown is uncertain. We adopted a wait and watch perspective for new business development, leading to us only adding four new projects to our portfolio in financial year 2021. Our business development pipeline is very strong, and we expect FY 2022 to be an exceptional year for new project addition, as deploying our recently raised capital will be a key focus. At the same time, we will be disciplined with our investment choices and will seek to identify and secure the best opportunities across our focus markets.

While there is no question that it's been a challenging year for the world and for India, and the risk to the Indian economy remains significant, we are encouraged by resilience the real-estate demand has seen and are confident of being able to deliver sustained growth in financial year 2022. Our ambitious and capable team, robust balance sheet and strong brand give us the confidence to weather this storm and continue to deliver sector leading growth in the year ahead.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: I had two questions. Given that we have seen the second wave coming, and our focus markets be it Pune, Mumbai, Bangalore, what is the consumer behaving this time around versus last time? Is buying a house now not being prioritized, is it being deferred or is closure taking more time? That was the first question. And secondly, we have seen a higher contribution from existing inventory to total sales due to new launches. Will that trend continue? And what is the pipeline for a pipeline for FY 2022 in terms of regulatory approvals, BD, given whatever you are sensing in micro market, if you could give some colour that would be very helpful.

Pirojsha Godrej: Yes, I think the pipeline for FY 2022, I think it is quite strong. And as mentioned in presentation, we of course have a number of projects that we hope to launch during the financial year, both new projects as well as new phases of our existing project. Beyond what we mentioned in the presentation, we also have several other projects where approval timelines are somewhat uncertain, so we have kept them out of the guidance we have provided. But we do continue to hope and expect to launch them during the financial year, including new phases in Vikhroli and hopefully our redevelopment projects in Mumbai, like the one in Worli, and possibly if we see increased momentum, hopefully even the one in Bandra. So, I think the launch pipeline, in terms of new projects, looks quite positive. And we will do our best, of course, to get as many of those launches as possible.

Our experience basis, the first wave of the pandemic last year, is that the things that suffer the most, as a result, are regulatory approval timelines, as government offices are either not functioning in normal ways or focusing their attention rightly on the most pressing issues related to the pandemic. So, we would expect to see, again, perhaps some delays in the current quarter or two regulatory approvals. We have of course learnt the lessons on construction, labour strength at sites and are doing our best to retain construction workers this time around. That said, I think we have already seen 25% or so reduction in construction workers from their recent peak over

the last five or six weeks. So, that's certainly something that we are going to have to work hard to counter and make sure we can continue with construction.

On the sales side, I think while certainly we would expect to see this quarter be impacted, obviously, there is a very large-scale crisis unfolding hitting people's ability to visit projects, to even take decisions in this environment will be somewhat impacted. I don't think overall from an industry perspective it will be quite slow down we saw last year first quarter, but it will certainly be, I think, a slowdown of strong momentum that was visible in Q3 and Q4 of the last financial year. That said, I think all the parameters that we think led to the recovery in the second half of last financial year, including low interest rates, including the pandemic's focus on the importance of a home and particularly a modern home where you can have amenities and things within your development if you are not able to go out as much as you usually do. We think all of those will continue to drive a resurgence in property demand beyond the period of this immediate crisis. I think most expert forecast, as you know, suggests that the peak in India for the second wave will be sometime in the next couple of weeks. And then after that things will start gradually improving.

So, we do expect a significant impact in the first quarter, but recovery beyond that. And I think we were able to see last year that you can make up for lost time in this sector. We had almost no new launches in the first half of the financial year. But because of the strong launch pipeline we had in the second half, we were able to deliver strong growth in booking value despite those constraints. So, we continue to expect pretty strong financial year and we have a good pipeline, both on launches as well as new business development. And if anything, I think the current crisis will again strengthen the level of business development opportunities available. So, we will of course do our best to ensure current operations or maintain the highest level possible. And that we also use this opportunity on the business development side.

Prakash Kapadia: That's helpful. And you mentioned about some of the launches in Mumbai, which would be possible sometime this year. So, assuming until both grow, the value growth will be much higher than the volume growth for FY 2022, right? Mumbai is a much higher price market.

Mohit Malhotra: Yes, obviously Mumbai launches are high value launches, especially projects like Worli and Bandra. So, in case they come in onboard then they will have a significant impact on the value growth.

Moderator: Thank you. The next question is from the line of Puneet from HSBC. Go ahead.

Puneet Gulati: Congratulations on good sales. I have three questions. The first one is, you have given an employee incentive program for 2023-2024, is it possible to get some sense of what kind of targets are being set for 2023-2024?

Pirojsha Godrej: Yes, actually this is not a new program, this was a program we launched in the FY 2018 which was a five-year program that ended in FY 2022, so the current financial year. It's actually linked to the stock price performance, and also has several operating parameters that needed to be met. Based on the visibility or high likelihood of that being met, because of the stock already crossing the target we had set during the fourth quarter, we from a prudence perspective have taken the charge to the P&L in the fourth quarter, whereas the payout for this, if any, will be decided basis final evaluation of the planned performance at the end of the current financial year, and with payouts made equally in FY 2023 and FY 2024. So, from a cash flow perspective, the payments will only be in those financial year. But from a P&L perspective we have taken the charge now versus the last year's growth being achieved. And of course, if they are not achieved with developments during this year,

then those amounts would come back into the P&L. And if they are achieved, there would be no further P&L impact.

Puneet Gulati: Okay. So, this is target for FY 2022 and not 2023-2024?

Pirojsha Godrej: Correct. This is a plan we had put up for our senior team launched four years ago, with a five-year duration, and with payments in the sixth and seventh year, and a one-time long-term incentive.

Puneet Gulati: Got it. My second question is, you raised substantial amount of capital last year, what is the timeline that you see you will take to deploy this capital?

Pirojsha Godrej: No, I think we expect to deploy it between this financial year and the next financial year. I think a couple of things that will we look at here. On the one hand, I think obviously we will use this capital to fund rapid growth, we do believe that there is a period of time here where sales have recovered largely for the sector, notwithstanding any new developments due to the second wave. But where liquidity conditions for developers remain very tight, therefore there will continue to be deals available at what we think are attractive valuations. So, we specifically raised the capital to kind of address this timeline and do believe this won't last indefinitely. This is as sales continue to improve, business development markets in terms of land markets will also get tighter, so we would like to try to deploy most of this in the next couple of years.

At the same time, we obviously want to be prudent, we want to understand if there are any changes to that hypothesis that will be required because of what we are currently seeing in the country. Our current expectation is that there won't be, but certainly we will have an eye on what's happening and make sure that we are being prudent about the deployment and focusing on getting the right quality of deals and not rushing to do deals because we have the capital available. But I think our current visibility would suggest that we should be able to deploy a lot of it within the current financial year and next financial year.

Puneet Gulati: Okay. The third one is, you have talked about 20% ROE, so how do you think about it on the expanded capital base?

Pirojsha Godrej: I think, clearly on the expanded capital base the timeline for this get pushed out quite considerably. I think, obviously, we should be able to demonstrate, we think financial year 2023 we have been saying is a year where we expect meaningful inflection upwards in P&L and cash flows. We think we can continue to grow bookings and cash flows this year very strongly and have reasonable earnings. But we really think something meaningful in the P&L will be starting from next year onwards. But clearly on the new capital, I think the way to think about it is, if we take a couple of years to deploy it and even best-case timeline from hereon would be another three to four years to see any P&L benefit from that deployment, which has to, of course, get the project, go through the regulatory approval in the design phase, launch the product and fully deliver them before the P&L is benefited. So, I do think that that that guidance on an overall balance sheet gets postponed quite significantly because of this capital raise. But obviously, we should be able to demonstrate clear movement towards that goal through much stronger margin and actual P&L from next year onwards.

Puneet Gulati: Okay, that's helpful. If you don't mind, last one, how are you looking at the valuations on the land side, have the deals become more attractive versus FY 2020?

- Pirojsha Godrej:** No, I don't think the deals will become more attractive than FY 2020. I think FY 2021, despite the massive shocks to the sector in the first half of the financial year, we have to remember it was a year that ended on a fairly strong note for the sector, I think most developers saw quite rapid growth in the second half of the financial year, and not just growth over the lower pandemic base, but even growth year-on-year over the pre-pandemic numbers. So, I think the general hypothesis prior to the second wave, our hypothesis projects the general sort of ground reality prior to the second wave was that conditions were improving in the sector, demand was picking up across various price points, offtake was quite high. And obviously, developers with land are also able to notice that and were not, I think, further lowering prices over FY 2020. Now, what impact this second wave has? I think this is obviously a little bit early to comment on. Our sense is that as things stabilize from a pandemic perspective over the next couple of months, because they hopefully will, you will see something similar to last year where property sales did quite well. So, I think we remain quite optimistic beyond the first quarter of how the sector was there. And therefore, do feel that now is the time for business development, because as markets continue to improve, land markets will tighten as well. But given the scale of liquidity challenges in the sector, even prior to the pandemic, there certainly will be significant opportunities, we believe, over the next couple of years.
- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.
- Abhinav Sinha:** Good to see the sales number and the cash collections. So, a couple of things I wanted to ask. One, are we seeing some impact already on the cash collections as we go forward? Are your customers asking you for deferral in payments?
- Pirojsha Godrej:** Nothing of any huge concern at the moment. I think the main concern, as I mentioned, is that we have seen a 25% reduction in construction labour. We have recently launched some incentives for contractors and for labour at our sites to try and retain as many as possible. And we don't see the situation of last year repeating where we lost 75% of the construction workforce at the world stage last year, so this year currently it's 25%, we don't expect it to get much worse from here. But certainly, there is no way of knowing that for sure. So, I think the impact on cash collections will be more from those milestones and what you think because of the lower construction labour than from customers being unwilling to pay. And so far, I think we are not seeing anything really surprising on the collection side. Mohit, anything you want to add to that?
- Mohit Malhotra:** No, Pirojsha, the same view.
- Abhinav Sinha:** Okay. And since we are on this, Mohit also maybe you can help us, are there some markets which are lagging, say, NCR has higher labour lag and something like that?
- Mohit Malhotra:** It's across actually, markets, where we are seeing the labour strength is falling. But as Pirojsha said, we have spoken to contractors, we are working on some new kind of incentives for labours for them to be retained, and we are seeing positive traction, early signs of that. So, nothing significant across geographies from a trend perspective.
- Abhinav Sinha:** Okay. Secondly on the P&L for the current quarter, and also in this context the stake increases that you have done. So, I wanted to check, I mean, has the stake increase in the Avenues project had any impact on the revenue for fourth quarter? So, that's one. And secondly, for the land payment outflow that we have seen, what does it include in 4Q?

Rajendra Khetawat: So, Abhinav, it's not a major impact on the P&L because most of the revenue has been recognized. So, it was a natural stake buyout and exit to a JV partner. So, it doesn't have a major impact. Whatever the residual P&L will be left out, now it will come 100% to us. Sorry, what was your second question?

Abhinav Sinha: Secondly, on the outflow for the land payments during 4Q.

Rajendra Khetawat: Yes. So, in the fourth quarter, the outflow was majorly on milestone linked payments, and like we have to make certain payment in our Okhla project, which is around Rs. 100 odd crore. So, for Agrovat 50% payment was made in last financial year, 50% was balance, which we made into this financial year. Chandivali, there was a TDR payment which we made. Similarly, there was some Noida payment or authorities payment in Sector 43, which we launched. Accordingly, some small, small, small, small, which is time linked or approval linked, or event linked payments were made into quarter four.

Abhinav Sinha: And the CIDCO option is paid for or it will come later?

Rajendra Khetawat: No, we have yet to pay, we have just bid, we have won the bid. So, that also is linked to certain milestones. So, we have paid Rs. 5 crore, balance will be linked to the performance of CIDCO on certain milestones.

Abhinav Sinha: Okay. And, finally, if you can, Pirojsha, maybe guide us a bit on what to expect from the BD front next year in terms of geography or maybe the sort of stakes you are looking at? Or even the locations, are you looking for more premium projects now? Thanks.

Mohit Malhotra: So, on BD, I think that strategy has been working very well. And we would like to continue on this strategy. If you look at even the last few years, we have focused on city-centric properties. So, we would definitely follow the same strategy of taking higher equity stakes in our joint ventures and opportunistically look at buying out lands when valuations are very attractive. So, a lot more of the same, Abhinav.

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

Kunal Lakhan: Just on the collections front, so we had like a good collection run rate this quarter, was there any one-off or anything in the collections? Because Rs. 2,000 crore on a Rs. 2,600 crore sales, it's like almost 77- 78% of sales, which historically that number has been a little significantly lower than that. So, just trying to understand whether this run rate is sustainable or was there any one-off in this?

Mohit Malhotra: A lot of this was actually pentup, which was there from Q1, Q2. If you see, in Q1, Q2, the registrations had come to a grinding halt, so that created a backlog, construction was severely hampered. So, in Q3, Q4, we really ramped up the construction, a lot of billing milestones were achieved in Q4. So, it was a lot of the backlog of registrations and also the good progress we made on construction site, which helped us achieve those customer milestones.

Kunal Lakhan: Sure. That is helpful.

Pirojsha Godrej: And like you mentioned, we continue to be strong in this financial year. Again, there could be some more disruptions in the first quarter. But even some of these sales we have done on payment plans, like we did in the first quarter of last financial year, a lot of those payment plans will now create quite a bit of cash flow in this financial

year and next financial year. So, we do expect to see collections growing even faster than booking value in the current financial year.

Kunal Lakhan: That's encouraging. On the sales side, we have clocked a 14% growth in this year, how should we look at FY 2022 in terms of internal growth targets and beyond?

Pirojsha Godrej: Yes, I think as we sit in the middle of this crisis, it is a little difficult to project that with much accuracy. I think we will all have to keep an eye on what is happening in few of the markets. Our best estimate currently would be that we will see muted first quarter given what is happening. But as we saw last year, that can be quite quickly made up for new launches and increased momentum once things turn more positive, which we expect will from the second quarter. We certainly expect to deliver booking value growth over FY 2021. Whether that growth is relatively modest or very high, I think it's a little hard to say given the current environment. So, I think we probably prefer to comment on that next quarter. But absent this current situation, we were expecting 20% plus booking value growth, that might still be achievable if the medium-term impact of this isn't very severe. But I think it is a little premature to comment on that. And certainly, over the medium term, we think booking value growth and earnings growth should be very robust. If we are looking at just this new capital raise we did in the fourth quarter, should allow us to increase the scale of operations by more than 50% once this capital gets deployed, not leaving aside the natural growth the business could have enjoyed aside from that. So, certainly we would like to see the scale of our operation increase manifold over the next four or five years. In the immediate term, I think in FY 2023 we hope to cross Rs. 10,000 crore of booking value, that's next financial year. So, those are some of the numbers we have in mind.

Kunal Lakhan: Sure. That's very helpful. And my last question is to Rajendra. Rajendra, if you can throw some colour on like how the revenue recognition has been. I think Pirojsha mentioned at the beginning that there were three projects which got completed and two were DMs and one was a joint venture, but if you can give a breakup of like what was the revenue recognition. I am trying to understand that DMs typically on the margin front should be better than our development projects and considering the top-line in terms of absolute number itself was upwards of Rs. 400 crore, just trying to understand why even if we exclude the impact of say one-offs and even the other income, the margins are still a little softer than before.

Rajendra Khetawat: Majority, again, this time was from our Trees residual whatever it is the balance work completion, and there was a AOS handover which happened on obtainment of OC for Godrej 2. So, there was a recognition of FSI into the book, so that contributed majorly. Apart from that, we had inventory in Planet Godrej which got sold out, plus there is another small project, Genesis or Central, which are our own projects, it gets contributed into the top-line, otherwise one line item, Kunal you know, it passes through JV project, so it doesn't contribute to the top-line. So, these are the three, four main items, the Trees was the biggest there.

Kunal Lakhan: Sure. But Trees would be like a 35% kind of EBITDA margin, right, probably even higher than that?

Rajendra Khetawat: So, Trees, mostly the residual, which was a development residential portfolio, was completed. It was not much. Like I said, there was AOS handover, amenity open space, because of that we got the recognition. So, yes, that was a higher margin project. But obviously, like we said, it was offset by other legacy projects which we have taken a right-off, so that's why you see the margin muted.

Moderator: Thank you. The next question is from the line of Kunal Tayal from Bank of America. Please go ahead.

Kunal Tayal: Pirojsha, a couple of questions from my side. The first one is, now that volumes have been good in the sector for, give or take six, nine months, do you spot an opportunity for price hikes in projects? Or will that still have to wait for later in the cycle? And then the second one was, as we look to deploy this expanded capital over the next couple of years, like you said, would you still be targeting an IRR of 20%, 25% or could it be different for the stake now?

Pirojsha Godrej: Kunal, I think on the pricing front, while certainly there may be opportunities projects by projects to look at some increases, and there we have taken some steps. I think it's still way too early to consider it meaningful at a portfolio level and certainly at an industry level. I think we probably need to see a few more quarters of sustained volume pick up. And obviously, the current crisis that the country is facing, is going to create some interruption as well. So, I think the pricing outlook is, if the crisis comes under control this quarter and improved momentum resumes, certainly in the second half of the financial year we think we might be looking more at the industry level price increases. As of now, while both us and competitors at individual projects have seen some price movement, I think it's too early to consider any kind of industry level movement. I am sorry, your second question I am forgetting.

Kunal Tayal: I was asking about what would be your IRR expectations from the projects that we are looking to get into in the next couple of years. In the past your targets been in the range of 20%, 25%.

Pirojsha Godrej: Yes, so I think the similar targets remain, obviously, different categories of projects which might vary a little bit. But certainly, our expectation will remain quite high. We do think that while the sector has shown some improvement in the second half of last financial year, but conditions for most developers on the liquidity front remain very tough, the second wave will obviously only worsen that. So, I think the opportunity is to deploy capital, those kind of returns should remain.

Moderator: Thank you. Next question is from the line of Girish Choudhary from Spark Capital Advisors. Please go ahead.

Girish Choudhary: A couple of questions from my side. Firstly, on the deliveries, in fiscal 2021. If I exclude commercial projects and also the quarter development, there was around 3.4 million square feet of deliveries. And if I see this number in FY 2020, it was around 5 million. So, going ahead, what is the schedule like in FY 2022 and 2023, any internal estimates or numbers will be useful here. So, that's my first question.

Pirojsha Godrej: I don't have the exact number offhand. But clearly, I think a reasonable way to gauge this would be to look at the past year sales and launches and assume a roughly three-year lag between when projects are launched and delivered, of course, it could be a little bit more, a little bit less, depending on the specific project. So, clearly, we would expect, as I mentioned, particularly next year, to see a significant increase in delivery, which is why we have been saying that FY 2023 is when we think the P&L will start seeing an upward inflection. Because a lot of the projects that we have added under the structure where economic interest is higher, have been added since FY 2018. And those projects, by the time we have launched them, and we get them delivered, I think a lot of deliveries will start in financial year 2023. So, I think we did, as I mentioned in the earlier remarks, sales of about 10.8 million square feet in financial year 2021. So, with a three-year lag, we would expect those products to get delivered. Similarly, last year, we did 8.8 or so square feet in a couple of years, so that would be kind of the number. So, I think the best way to look at this will be to look at launches and a roughly three-year timeframe from launch to delivery.

Girish Choudhary: Got it. Secondly, on the collections again, good effort here on achieving a record quarterly collection. So, if I look at the total collections of Rs. 2,000 crore this quarter,

so how much would have been from sales of this quarter itself? Just to get a sense, because there was an earlier comment that there was a lot of pent up for collections which came in, so this number will be helpful.

Rajendra Khetawat: Girish, we can come back to you on this data. Exactly how much was from the quarter collection and how much was from the previous collection, we can come back to you.

Mohit Malhotra: But usually, it's quite insignificant to my in-quarter sales.

Rajendra Khetawat: Yes, that's right, Girish.

Girish Choudhary: Got it. And just one more if I may, in terms of the inventory write-offs we saw for the legacy projects, is the entire amount provided for or is there something more expected from these projects or any other projects?

Rajendra Khetawat: So, what we do, Girish, we look at the market situation, what is the prevailing market. As you know the standards, we need to take the lower of cost or market value, whichever is less. So, depending on the market prevailing prices, we have taken this write-off. So, as of now we feel it is adequate. However, if the markets worsen further, we may have to reassess, because this is an ongoing process, we have to reassess this every quarter. But as of now, I think, for this project, what we have taken, I think that would be it, we don't need to have a further write-off in this project.

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

Sameer Baisiwala: So, a great year, Pirojsha, under very trying circumstances. Quick one is on Godrej 2, how are you seeing the leasing environment given such a high-quality completion in locations such as Vikhroli? I would have thought that it may get leased out very quickly.

Pirojsha Godrej: So, the way I think, we are very positive on building and how it's turned out and what we are hearing from customers and their interest. Obviously, from a timing perspective, it was a little unfortunate that the building got delivered in the middle of the pandemic, I think leasing as a whole has taken a bit of a hit last year and will continue to I think face a little bit of challenge this year given what we are seeing on the pandemic, a lot of work from home happening. In our own offices, for example, have been barely open at all over the last 13 months. So, it's not too surprising to us, but things have been a little slower than we would have liked. That said we think we can get to about 70% plus leasing in the building, financial and the revenue next financial year. I think, again, from a qualitative perspective, what we are hearing from clients were very happy. I think we have got a couple of major leases already locked in with leading tenants like Amazon and Maersk. The pricing on the building is also quite attractive, I mean, leasing at Rs. 160 a square foot on saleable area. So, I think nothing was there that confirms that, so a lot of this we would like it to be a bit better had the pandemic not impacted us. But I think it's a temporary delay. We are also now in the process of building Taj Hotel in Vikhroli, so I think the earning we expect of the location to get even more established, and I think the leasing we expect will be completed by next financial year.

Sameer Baisiwala: Yep. Okay, great. And the second question is on the new launch pipeline for fiscal 2022. I mean, you have taken quite a few Mumbai projects off the chart, it's not only Worli and Bandra, it's also Ambernath, Vashi, etc. So, just wondering, is it project specific issues or is it city specific in terms of regulatory delays, etc.?

- Pirojsha Godrej:** So, I think Mumbai does tend to be one of the most time-consuming cities from a regulatory approval perspective. I think we don't obviously love to have a chart like we did at the end of this financial year, with as much red in the launch guidance as we ended up this year. So, I think we will try to be a little bit more conservative in terms of what we are guiding. Obviously, the focus internally remains very high on getting these launches done and then obviously adding them back at a later stage. But we wanted to stick from a guidance perspective to the ones we were most confident on.
- Sameer Baisiwala:** Okay, great. And Pirojsha, I think the biggest value driver for Godrej hereon would be how you deploy the capital, and there have already been a lot of questions. So, just a couple of more from my side. On one side, I see, transactions such as Sanpada 1.5 acres, which is quite small, relative to your wallet size, and on other side you have got Rs. 1,400 crore sort of deferred payment Ashok Vihar type projects. So, where does this sit in terms of your size criteria? What do you do in quite a few Rs. 500 crore, Rs. 1,000 crore transaction, is that the way we should think about it?
- Pirojsha Godrej:** No, I think we would like to do a larger number of big projects, but we are quite clearly of the view that relatively small projects do also have a place. I think one of the things that I think is important to understand in the sector, that from a sales perspective your overall ability to deliver is quite dependent on the number of micro markets that you are present in. Because if you are overly concentrated in a handful of micro markets, your growth is somewhat limited by the natural demand in those locations. So, we have intentionally been following a strategy of trying to enter as many micro markets as possible. So, for example, Navi Mumbai is a market we wanted to enter for some time, there are not typically too many large land parcels available there, which is why we were okay with doing this smaller project in that location. And I think we continue to believe that there is a place for these projects, we don't want to do very large project, because, again, for several reasons, including the gross scale by entering other geographies, also ability to sell that much in one location, all of these I think make it that there are benefits to having multiple projects in different micro markets. At the same time, we have obviously been looking to increase the number of larger projects we are doing, whether Ashok Vihar or Worli or Bandra, and we are looking at some opportunities for that type as well, and certainly expect those kinds of projects to be more common for us going forward also.
- Sameer Baisiwala:** Okay. Thanks, Pirojsha. One final, if I may, and that's maybe slightly more promoter side and less on the company side. So, any updated thoughts on your 10% stake from your family office in Sobha.
- Pirojsha Godrej:** No, nothing sort of. As I said that more investment opportunities the family office saw and stock prices in general in the sector got to unrealistically low levels, I think knowing them as a competitor we know there are obviously good company and the valuation they were trading at were quite attractive. But no, nothing, I think from a GPL perspective.
- Moderator:** Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.
- Swagato Ghosh:** So, on the employee incentive, can you just clarify, apart from stock price what other parameters were they linked to?
- Pirojsha Godrej:** Yes. So, the basic scheme was linked to stock price. And the way we designed this was that we reasonably expect for the scheme to open up, we expect a minimum 20% compounding of the stock price. And then it escalated a bit above 20%, up to 26 or so percent over different thresholds. We also said that we expect some minimum gap between our own stock price performance as opposed to the realty

index performance of at least 10% compounded per year, so that threshold is also met. And then from an operational perspective we thought we expect to be amongst the top three developers in the country from a scale perspective. And also, at a minimum imputed return on capital employed. So, as of now, the visibility is that all of those will be delivered. And that's why we have taken this provision this year as opposed to FY2022, FY 2023 from a prudence perspective.

Swagato Ghosh: Okay. So, what was the minimum return on capital that you were targeting back in 2018?

Pirojsha Godrej: I think, again, the scheme was designed linked to the stock price. I think I forget the exact details on the minimum imputed return on capital, I think it was in the low to middle double digits, and that threshold has been met as well.

Swagato Ghosh: Okay. No, I am curious because back in 2018 we were actually talking about that 20% ROCE and because this is a significant payout compared to our usual run rate of employees spend, as expected that there were probably slightly more aggressive financial parameters linked, like which should have been the target when we had rolled this out.

Pirojsha Godrej: I think one of our thoughts back then actually turned out, given some of the equity raises etc., is that using only return on capital, given the uncertainty on where the capital base would be, would create challenges. So, we at that stage, perhaps rightly or wrongly linked it mainly to stock price performance. Judging that that would be the best all-around indicator of how the company has progressed. And we did keep the model hygiene metrics, stretch was on the stock performance, and we expected at least 20% to 25% growth rate and at least a compounding in excess of 10% above the index. And we kept these scale and operating parameters more at hygiene to make sure at least what was currently being delivered was at least marginally improved, not trying to create stress on these dimensions as well. So, that's how we thought of it.

Swagato Ghosh: Got it. Fair. And so, one quick follow-up, going forward if we have any similar incentive, then can we expect certain financial parameters to be targets and maybe slightly stringent ones at that?

Pirojsha Godrej: Yes. So, I think actually we found this long-term five-year incentive a good tool to kind of align the senior team on the objectives of the company. While obviously the current scheme is still open and I think we will know where that ends up by the end of this financial year, so that would be the timeline, if at all, we would think of a new five-year scheme ending in FY 2027 or whatever. And I think if we were to do a new one, it would be linked to actual profits delivered, given now that the company's at a more mature stage, the capture rate is fully in place. And I think we are quite clear on the profitability of that. So, I think it would now be focused on that as opposed to link to the stock prices as the last one was.

Moderator: Thank you. The next question from the line of Murtuza Arsiwala from Kotak Securities.

Murtuza Arsiwala: So, the question was on balance sheet, the inventories moved from about Rs. 2,000 odd crore to Rs. 4,800 crore. I would assume most of this is because of the land acquisitions done during the year, could you highlight how much of this Rs. 4,800 crore would be land purchases which is still not launched, etc.? And the second is just a smaller one is on the other non-current financial assets, that number has moved from about Rs. 3 crore last year to about Rs. 750 crore. So, any color on what that number would be, what that underlying would be?

Rajendra Khetawat: Okay. As far as the inventories is concerned, you are right, because it has moved from Rs. 2,000 crore to Rs. 4,800 crore because of accounting for the land, like the biggest is the Ashok Vihar, we had to account for the full land cost whereas the payment is deferred over the period of seven years, so that Rs. 1,500 crore of land cost is sitting into the inventory. At the same time there is a trade payable which is going up, so you can just cross check that. So, it is becoming a gross block accounting. So, similarly, we have done a lot of land purchases like RK Studio, Chandivali, Faridabad, Whitefield, so all those land costs have actually increased the inventory levels. What was the second question?

Murtuza Arsiwala: Sure. The other non-current assets, the numbers moved from about Rs. 3 crore to about Rs. 750 crore.

Rajendra Khetawat: Rs 3 crore to?

Murtuza Arsiwala: Rs. 753 crore, so almost a Rs. 750 crore jump out there.

Pirojsha Godrej: Yes. So, the money which we have received in QIP, we have parked into fixed deposit. These are all long-term fixed deposits, so as per the requirement it gets classified.

Moderator: Thank you. The next question is from the line of Manish Gandhi, an individual investor. Please go ahead.

Manish Gandhi: I hope you all and your families are safe. And I would like to congratulate team for fundraising and highest ever yearly pre-sales. So, my first question is about our strategy for MMR, just a little bit of repeat also. In last two years, what I have noticed is that we have done more or equal pre-sales in Pune compared to MMR, though it is a great achievement for Pune but how do you think company can achieve same level of success in MMR which is by far the largest market in India and very important to have much larger market share for GPL to achieve our ambition?

And continuing in the same question, related to launches in MMR. I have noticed that in FY 2021 and even in FY 2022 our new launches are only where we have 100% share, and many important JV projects, as you mentioned before, Vashi, Bandra, Worli, Taloja, Ambarnath, for some reason are delayed. So, is there a special issue in permission in JV projects you are facing, and you will be looking at more 100% projects in MMR to tackle this problem? Because, like our ambition, we have to be Rs. 5,000 crore plus in MMR going forward, right?

Pirojsha Godrej: Absolutely, Manish. I think it's a great question. I think if we are being frank, we would share your disappointment with our MMR performance over recent years. I think we have done decently, but nowhere near up to the potential the city offers. We have made some changes, including we have got a new CEO in the MMR region who's focused on building the scale we want to see in this region, we fully agree with the potential is about Rs. 5,000 crore over the medium term. I think on the approval front, yes, there have been a lot of projects that have faced delays. Frankly, though, I think outright purchases, it's not that there is a natural difference, we will only buy the land typically once we are very clear on the approval timeline, whereas JV we will often put a small amount of capital and be more willing to take certain approval risks and wait for those to come about, given that we will not have deployed any significant capital in those projects, whereas an outright purchases obviously will be very focused on ensuring approval timelines are quicker.

That said, I do think we need better working both on business development to get the right projects we can launch within 12 months into the portfolio. And then making

sure, obviously, those are successful from an operations standpoint. So, I think the team is very focused on turning around this MMR performance and delivering strong growth. We do believe we have all the ingredients in place needed to do that. So, hopefully, we can start seeing results over the next couple of years.

Manish Gandhi: I am sure you will do, and there is a lot of market cap in MMR, so we have to fill that gap. And my second question, again, see, even in the second quarter call you also mentioned that on Bangalore, my question is on the BD, but first I would like to congratulate on what you have done in NCR and Pune. Now, because of this pandemic, in Bangalore, the structural story of the technology and the startup could be a huge opportunity for the next 10 years. And you mentioned in Q2, Mohit mentioned that we were exploring Pune platform type deal. So, can you please share your strategy in BD for Bangalore in next one, two years in a little bit elaborate manner?

Mohit Malhotra: So, the strategy is same, Manish, that we would like to gain significant market share in Bangalore. And as you rightly highlighted, we already are the market leader in Pune and NCR, no reason why we should not do the same in Mumbai and Bangalore. For Bangalore, if you see the strategy, we have added multiple projects in the areas which we would like to, one was in Whitefield, other was in Sarjapur, and there are multiple new opportunities we are evaluating in Bangalore. So, one can see a rapid growth in Bangalore portfolio. On that specific deal which you are mentioning, there are multiple deals we keep evaluating. And even right now we are looking at individual deals, the portfolio deal right now is not visible, but lot of individual exciting opportunities are available in Bangalore, and we are trying to find more projects there.

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

Pirojsha Godrej: Thank you all very much for taking the time to join us today. We hope you and your families continue to stay safe. I hope we have been able to answer all your questions. Of course, if you have any other, please reach out to us and we would be happy to be of assistance. All the very best and stay safe. Thank you

Moderator: Thank you. On behalf of Godrej Properties Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.