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May 05, 2022

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The National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra Kurla Complex,
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Mumbai – 400 051

Ref: - BSE - Scrip Code: 533150, Scrip ID - GODREJPROP
BSE- Security Code - 959822 – Debt Segment
NSE - GODREJPROP

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

Dear Sir/Madam,

Please find attached transcript of the conference call organized with the Investors/ Analysts on Tuesday, May 03, 2022, post declaration of financial results for the quarter and financial year ended March 31, 2022.

This is for your information and records.

Thank you,

Yours truly,
For Godrej Properties Limited

Ashish Karyekar
Company Secretary & Compliance Officer

Encl: as above

Godrej Properties Limited
Q4 FY22 Earnings Conference Call
May 03, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Godrej Properties Limited. 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 touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mit Shah of CDR India. Thank you and over to you, sir.

Mit Shah: Thank you. Good evening everyone and thank you for joining us on Godrej Properties Q4 FY '22 earnings conference call. We have with us, Mr. Pirojsha Godrej, Executive Chairman; Mr. Mohit Malhotra, Managing Director and CEO; and Mr. Rajendra Khetawat, the CFO of the company. We would like to begin the call with the brief opening remarks from the management following which we'll have the forum open for an interactive Q&A session. Before we begin, I'd like to point out that certain statements made in today's call maybe forward-looking in nature and a disclaimer to this effect has been included in the results presentation shared with you earlier. Thank you, and over to you, sir.

Pirojsha Godrej: Good afternoon, everyone. Thank you for joining us for Godrej Properties' fourth quarter financial year 2022 conference call. I'll begin by discussing the highlights of the quarter, and we then look forward to taking your suggestions and questions. I hope you and your families are all doing well. I'm happy to report that from an operational perspective, the fourth quarter was Godrej Properties' best ever quarter on multiple parameters. On the sales front, GPL had its best ever quarter in terms of the volume and value of real estate sold. We sold 3,699 homes during the quarter with an area of 4.24 million square feet and the value of INR 3,248 crore, representing a quarter-on-quarter value growth of 111% and a year-on-year value growth of 23% over what was our previous best ever quarter. This resulted in our 5th consecutive year of record annual sales of INR 7,861 crore despite the tremendous volatility this sector has undergone during this period.

We also recorded our highest ever residential cash collections of INR 2,678 crore during the fourth quarter. These collections led to our highest ever net operating cash flow of INR 1,045 crore and for the full year our residential collections grew by 57% to nearly INR 7,000 crore. We launched 9 projects or phases during the fourth quarter and received a strong response to all of them. Our project Godrej Woods in Noida delivered sales worth INR 1,650 crore within a year of its launch, making GPL the most successful residential launch by booking value to date. Whilst sustenance sales of the financial year grew by 6% to INR 4,826 crore, we are happy to note that our new launch sales increased by 40% to over INR 3,000 crore. On the operations front, we successfully delivered approximately 5.84 million square feet across 5 cities in the fourth quarter. With a large number of project completions in the last quarter, GPL recorded its highest ever-reported numbers on a quarterly and annual basis. Our total income for the fourth quarter increased by 191% and stood at INR 1,476 crore. Our EBITDA increased by 611% to INR 403 crore and net profit increased by 236% to INR 260 crore. For FY'22, our total income increased by 97% and stood at INR 2,397 crore, EBITDA increased to INR 705 crore and net profit increased to INR 352 crore.

While the pace of new project additions in the first half of the financial year was a little slow, we added several projects during the second half of the year. In the fourth quarter, we added 3 new residential projects with a total saleable area of 6.1 million square feet and an expected combined revenue potential of over INR 4,100 crore. We extended our existing arrangements with Shivam Realty to develop a 0.7 million square feet housing project in Kandivali in Mumbai, which will add an estimated further INR 1,000 crore of booking value. In addition to the new projects we have already announced, we have a robust pipeline of new development opportunities, and we are confident new project additions will pick up substantially in financial year '23. The real estate sector has recovered strongly during the year. While commodity cost inflation poses a substantial near-term risk to operating margins of projects where most of the sales have been completed, the price hikes we have taken will fully mitigate the cost pressure on upcoming projects. We are optimistic that the financial year ahead will be a strong year for Godrej Properties. We hope to grow residential bookings to over INR 10,000 crore this year through the launch of a large number of exciting new projects combined with strong sustenance sales. This combined with strong project deliveries should allow us to maintain rapid growth in operating cash flows. One of our biggest priorities for the year will be to add a large number of new projects to our portfolio, which in turn will set us up well to remain on a rapid growth trajectory.

On that note, I conclude my remarks. We'd now be happy to discuss your questions, comments or suggestions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We'll take our first question from the line of Puneet from HSBC. Please go ahead.

Puneet: Yes, thank you so much and congratulations on once again reporting quarters. My first question is with respect to your FY '23 launch guidance. Is it possible to give a sense sort of what would be the total revenue potential from these projects that we're looking at?

Pirojsha Godrej: Hi, Puneet, thanks. I think, again we've -- obviously things like the pricing of the project, etc. will be decided at the time of launch and we have given the details on both the locations and areas. So, I think an approximate amount of sort of revenue potential can be garnered from that, but we can perhaps help you offline with our more detailed thinking on this.

Puneet: Okay. And this is also likely to be an important year from delivery perspective, right? Any sense of what is likely to be delivery target for FY '23.

Pirojsha Godrej: Yes, I think it will be a big year for deliveries as you've said. I think we did about 6.5 million square feet in the last financial year. I think that number should at least cross 10 million square feet in the current year, if not more than that.

Puneet: Thank you, understood. And my last question is, if I look at your cash flow statement, you have broadly being spending close to INR 2,000 crore a year on development costs and you alluded to business development being the biggest priority for the current year. So, what kind of number should we pencil in for that?

Pirojsha Godrej: Rajendra, you want to take that?

Rajendra Khetawat: Yes, so Puneet, basically the construction as the progress of the projects across the sites are going up, so construction costs will also proportionately increase. And like if you see the operating cash flow, we have been able to do INR 1,750 for the year, so hopefully this operating cash flow would be positive and will be stronger as more and more projects keep getting into the launch and to the cash flow cycle. As you rightly said about the cash flow would be for the new BD purpose. That obviously would continue for at least a year or 2 where we are investing into the new BD opportunities. Otherwise operating wise, I think the cash flow would be healthy and we expect this should grow further.

Puneet: But the BD cash flow which is land approval and advanced to JV partners what can that number becomes from current --

Rajendra Khetawat: That also, Puneet, is again like the deals, which have been tied up, so there would be some outflow on account, which is a milestone laying. That will be in the range of INR 1,000 to INR 1,500 crore. Rest will depend on the new BD opportunities which we will tie up in the coming quarters. That will also be directly proportional to the BD, new BD opportunities which we will be able to tie up, like we are sitting on a INR 4,000 crore of cash flow. The idea is to deploy that into the coming quarters.

Puneet: Understood. My last question is just on the sales strategy side. Historically you focused on selling as much as you can when you launched the project. Do you intend to continue that strategy given how the cost pressures are there in various phases of projects?

Pirojsha Godrej: Mohit, you want to comment.

Mohit Malhotra Sure. Thanks, Puneet. I think overall, the strategy is to sell as much as possible, Puneet, as launches. Of course, we are adjusting prices significantly, given the way inflation is moving and also budgeting a slightly more future inflation in our budget. Having said that, there is obviously a project has large phases, so on a continuous basis it kind of catches up on a portfolio basis.

Puneet: Okay. Understood. That's all from my side. Thank you so much and all the best.

Pirojsha Godrej: Thanks, Puneet.

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

Abhinav Sinha: Hi, congratulations on a strong set of numbers this quarter. Just wanted to, couple of things on the sales front, when you're talking about INR100 billion plus in FY '23. Is it going to be a similar sort of back-ended mixture on both launches in sales or do we have higher visibility in the first half of the year?

Pirojsha Godrej: I think we do have higher visibility on the first half. I'd also just reminded that the last year, the start was, the first quarter was of course marred by the delta wave. So, we had only INR 500 crore of sales in the first quarter. We actually even in the second quarter of the year did quite well and had about INR 2,500, -INR 2,600 crore of sales in the second quarter. So not that the first half was really cyclically weak but rather that this pandemic impact was quite strong. I do think that this year we will have a reasonable percentage of these sales in the first half of the year itself. Already we have a couple of Mumbai projects that will be launched this quarter and so I think we'll have a better balance in the first half of the year this time.

Abhinav Sinha: Right. And you also alluded to higher pricing now. So can you quantify that, I mean, what does that number look like on a pan India Y-o-Y some such number.

Pirojsha Godrej: Mohit, you want to take that.

Mohit Malhotra: Sure. See what we have done is in the start of the quarter 4, we did an exercise to look at what is the inflation impact. The prices are also significantly rising up then. And we took almost 5% to 7% hike across project at the start of quarter and just to let you know even at the start of April we have already instructed projects to take the price hike for the inflation which is set up now in the last quarter. In Q4, we took almost 5% to 7% price hike wherever it was possible.

Abhinav Sinha: Also cumulatively, you would have raised prices by maybe 7% - 8%.

Mohit Malhotra: I would say if you have to ask me a blended average, I would say it will be closer to 5%.

Abhinav Sinha: Okay.

Mohit Malhotra: Plus/Minus 1% on a blended portfolio basis.

Abhinav Sinha: And how much have cost up by broadly?

Mohit Malhotra: Almost similar in terms of percentage or booking value, around 5%.

Abhinav Sinha: Okay. So, margins should be under control incrementally you are saying?

Mohit Malhotra: At a portfolio level, yes, because we are taking that price hike, but projects which have already been sold a lot there would be some kind of margin pressure and the new launches, we are kind of increasing prices to mitigate both the cost inflation hit for that project and also some hit for the portfolio.

Abhinav Sinha: Finally, my question on balance sheet side is on the gearing front. You are seeing strong cash flows already. I mean is the 0.5 target on gearing, is that likely to be hit in FY '23 or do you think we are slightly behind or how are you seeing that now?

Pirojsha Godrej: Abhinav, I think – we think it can be done during the year. I mean, look, ultimately, there are some deals that are quite large also in a single shot can help us achieve some of these targets. At the same time, we don't want to let this cash burn a hole in our pocket. We want to wait for the right deals and do the right quality of deals. But we've seen, as I said a pickup in momentum in business development over these last 3-4 months. In addition to the deals we've already announced, we actually have a few deals, which are already fully concluded, but will be announced post the completion of certain condition precedents that the partners have to complete. So, we feel pretty good about the momentum on the business development side and would certainly not want to be at kind of zero net debt levels that we currently are. I don't think it's out of reach to get to that 0.5 kind of number this year, but again, it depends on us getting the right quality and quantity of deals.

Abhinav Sinha: Sure. Thank you and all the best.

Pirojsha Godrej: Thanks so much.

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

Kunal Lakhan: Yes, hi, good evening. Thanks for taking my questions. My first question was on the new launches. A couple of key launches, if you can give us some indication on when those are expected to launch like say Ashok Vihar and Wadala I believe we have already launched or pre-launched. So, if you can give some indication on these 2 launches.

Pirojsha Godrej: Mohit, you want to jump in.

Mohit Malhotra: Yes, you're right. Wadala, we have already pre-launched. We have all the approvals. So that will be our big launch in quarter 1. On Ashok Vihar, the approvals are at final stages but given the way approvals have been moving, we are quite hopeful that either in Q1 or Q2 we should be having a positive outcome on that launch.

Kunal Lakhan: And any indication on like how the response has been for Wadala so far?

Mohit Malhotra: Very early to comment on that.

Kunal Lakhan: Sure, sure. Just a related question on your launch tracker. I mean when I look at last year's launch tracker couple of Mumbai projects, Sanpada, Bayview and Riviera, which we couldn't launch last year, I find those names missing in the launch tracker for this year. So, any particular reason.

Mohit Malhotra: Bayview, we did launch last year. Sanpada was a project which we have signed in Navi Mumbai and unfortunately there is a litigation going on between the 2 government agencies there because of which this project and not just our project, but the whole set of projects there have got stuck. So, we have kind of taken it out from this year unless we get visibility on the litigation front between the government agencies.

Kunal Lakhan: Okay. And my second question is on the booking side or rather the revenue recognition side to be delivered 6.5 million square feet this year and against which we booked INR 1,800 crore of top line and INR 350 crore of bottom line and now with the 10 million square feet plus kind of a guidance for FY '23, we are actually reaching close to what we are selling in terms of deliveries, right? So, my question is on when we can see the revenue and PAT coming closer to the sales in terms of value that we've clock on an annual basis because clearly INR 1,800 crore and INR 350 crore worth of PAT is not nearly close to what we sell on an annual basis.

Pirojsha Godrej: Mohit?

Mohit Malhotra: Yes, I'll answer on PAT because revenue is a combination of how the deals that are getting recognized especially in JV projects, it comes as a line item as PAT. So clearly, revenue is not something I would like to comment on. On PAT actually we feel very confident that the trajectory of PAT for the company is now absolutely on the track of the guidance we have been giving in past. So, I think next year is going to be a spectacular year for us on PAT and FY '24 is where we should be able to hit our original guidance which we had given to the investors.

Pirojsha Godrej: And Kunal, just to add. The revenue, the way the accounting works because of our JV, the JV revenue doesn't get reflected into our top line. So, to that extent you will always find that gap because booking value reflects the entire booking value of the JVs whereas the revenue only reflects the one-line item as Mohit said. So, to that extent, there would be a gap.

Kunal Lakhan: So yes, I get that. So, in terms of like, say for example we do, let's say INR 7,000 crore or INR 8,000 crore of presales, on a PAT level even at the JV level or even after accounting for the JV, we should be at least making 1,000 per square feet kind of PAT on a 10 million square feet kind of delivery or sales velocity. So, my question is that if you are delivering like 10 million square feet, could we see profit or PAT levels of say INR 1,000 odd crore.

Mohit Malhotra: Yes, we should be able to see that in 2 to 3 years' timeframe. I think FY '24 onwards, we will see a number closer to what was intended.

Kunal Lakhan: Sure sir. Thanks. This is very helpful. Thank you so much.

Moderator: Thank you. Our next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Hi, thanks for the opportunity and congrats on both operationally and financially, very strong performance. My first question is on again on P&L. So, I was trying to reconcile your fourth quarter's revenue definition. Since we have only completed one outright project that is Godrej Aqua and rest all were JV and that Godrej Aqua if I understand it correctly it won't be more than INR 400 crore, INR 450 crore kind of a revenue top line. So, where this INR 1,300 crore is exactly coming from. I mean, just any clarification on that.

Rajendra Khetawat: Okay. Thanks, Pritesh. We have not only completed one JV project. Godrej Aqua is our outright project. Apart from that Godrej Aqua, we have completed two of our plotted development. One is Godrej Retreat, which is at Faridabad. Second is Godrej Woodland. So, both have contributed, Retreat has contributed around INR 350 crore of top line, Woodland has contributed around to another INR 250 crore of top line and then we have Godrej Avenues, which is again our own project, that has contributed another INR 178 crore. So, all 4 projects together contributed around INR1,150 crore of top line.

Pritesh Sheth: Okay, great, thanks, that clarifies. And secondly on business development, so we have already last quarter with the deal with DB that obviously got shelved off, but we have cleared out our intentions on large size SRA project. So how the pipeline is looking right now. Are we still thinking of a couple of opportunities from those DB lands or how is it going to be done?

Pirojsha Godrej: Yes, I think we have said that we're open to looking at project level partnerships. I think basis the feedback we received from our various stakeholders, we decided to call off the strategic investment, but we are open to project level partnerships and of course, there are lot of other potential new project additions in Mumbai. We are very happy actually that the project we added last year, which is quite a sizable redevelopment project, not a slum redevelopment of course, is actually already getting launched this quarter. So, we certainly one of the key priorities for the year will be to strengthen the Mumbai portfolio and we are quite, we think we have quite a good pipeline in place to be able to do that.

Pritesh Sheth: Great. And lastly, I mean so saying that Wadala project we turned it around within 9 months timeframe. Would that be the similar timeline that we should look forward to from the projects that you guys sign in from here on because previous projects we have seen some delay. So, what should be the turnaround timeline from here on.

Pirojsha Godrej: I think projects of course are at different stages when we enter them sometimes and I think this one was at a more advanced stage. It did allow us to turn around very quickly. Of course, the goal will be to always turn it around quickly. None of the projects we're adding, do we think of as like a future land bank that we're expecting to wait many years, but you do sometimes have situations particularly in some of the larger projects that they end up taking a little bit longer than one hopes to launch. But certainly, the goal is always to do it as fast as possible. And we're very happy with the timelines in this one but I wouldn't necessarily say that for all redevelopment projects we can expect this quicker turnaround.

Pritesh Sheth: Sure. Thanks, that's helpful, and all the best.

Pirojsha Godrej: Thank you.

Moderator: Thank you. Our next question is from the line of Samar Sarda from Axis Capital. Please go ahead.

Samar Sarda: Thanks. Good evening and congratulations on a good FY '22. I had a couple of questions on collections and cash flow and one on Vikhroli. So just to take a quick question on Vikhroli first. FY '23 launch pipeline also does not include any residential launch in Vikhroli. We have some like stage is more or less completed and sold out. Any reason why we not releasing more area in that micro market.

Pirojsha Godrej: Yes, I think its again regulatory approval linked, Samar. So certainly, I think both Vikhroli and Worli, we would hope to launch something during the financial year, if possible, but I think the level of conviction was not high enough to be included in the guidance. So hopefully, we can have a positive surprise on those.

Samar Sarda: Great. And on collections, probably Rajendra or Mohit could take it, collections were really good in FY '22 like INR 7,700 odd crore. Increase in construction as a percentage is not that much. So, which is why like we see a phase good. So will our construction expense increase a little more in FY '23/'24 on a percentage basis versus like how collections has gone up. A related question here is we did a lot of subvention sales during COVID. So, most of those collections has chipped in for this year or might come in FY '23 and '24 as well.

Rajendra Khetawat: So, Samar, just to take your question. It will be, it is coming over because know when we did subvention, those projects were at different stages. So as and when those projects reach that milestone of OC where the 90% guys do, so those will fall, must have fallen due in '22, some will come in '23 and some will come in '24. So those collection will chip in in the next 2 years also. That was your question. What was your second -- other question on collection?

Samar Sarda: Construction expenditure increase.

Rajendra Khetawat: Yes, so if you see there is a steady increase in the construction expenditure because as and when your milestone construction, milestone increases your billing milestone also increases. So, definitely with more projects under construction those expenditure if you see compared to last year construction expenditure has substantially gone up as compared to last financial year. And that is going to keep happening and similarly our collection also will keep pace with that milestone. Obviously, you know, we have sold it. So as and when you build your milestone gets triggered and that's where the collection will keep coming in.

Samar Sarda: One last question on OCF like if I go by your numbers of INR 7,700 crore, then INR 750 crore of OCF for this year. So, we have given a guidance of 10,000 the collections might reach there probably in a year or 18 months but if we really collect INR 10,000 crore, will our collection margin or OCF margin also likely improve and go up where we are doing some outright project acquisitions. How do we see this moving over the next 2 years?

Rajendra Khetawat: It should improve, definitely it should improve because the margins are like we have been doing a mix of outright, plotted, and other and even the JV projects are our high margin project. So as and when they start contributing, definitely we should also see an improvement in the OCF.

Samar Sarda: Great. And great going on the guidance and operations. All the best for the forthcoming quarters.

Pirojsha Godrej: Thanks so much, Samar.

Rajendra Khetawat: Thank you.

Moderator: Thank you. Our next question is from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Thanks for the opportunity. Sir, just wanted to understand when I look at the interest expenses, they look so low, right? I mean at 5.95%. If you could give some colour as to how we are able to borrow at such low cost assuming it's construction finance.

Rajendra Khetawat: So, thanks for your question. What we do, we do 2 types of borrowing. Even the construction finance, we are able to catch a very low rate. So, our construction finance is in the range of 7% to 8%. So apart from that we do a lot of corporate financing where we are able to negotiate a very fine rate and we have some mix of product. We have done some long-term tying of debt. We have placed NCDs in the past for long tenor which were at a very fine rate. So blended we are able to keep our average borrowing cost down.

Venkat Samala: And what would that mix be? I mean between construction finance and these other NCDs or other type of finance.

Rajendra Khetawat: So, mix would be in the range of 70 or 75/25 kind of a thing.

Venkat Samala: 75 in favour of, sorry?

Rajendra Khetawat: 75 towards the corporate finance, 25 towards the construction finance.

Venkat Samala: Okay. And what would be the costs, sir, of this corporate finance?

Rajendra Khetawat: Our average borrowing cost is 5.9 -- 5.95 of YTD that we have reported.

Venkat Samala: Right. So, assuming that is 7% to 8%, then this should be around 5%, right?

Rajendra Khetawat: Yes, it's blended. For the JV, it's not getting reported in this and so it should be around 5.5 is what we are at the corporate level we are able to borrow. So blended is -- will come at around 5.95 kind of a thing.

Venkat Samala: Understood. Right. And one last question is, sir, I mean the bookings number that we report, does it include any taxes or any other elements. What I want to understand is assuming it's an outright sale that you're doing whatever--

Rajendra Khetawat: No, it's a pure booking value, it doesn't include any GST or other taxes.

Venkat Samala: Okay. So, assuming it's an outright sale whatever amount we are booking we expect to -- that to be recognized in P&L as revenue whenever it does.

Rajendra Khetawat: Yes.

Pirojsha Godrej: With the exception of joint venture project where the single line consolidation.

Venkat Samala: Yes, and Sir even now we are seeing some losses on the JV side despite such good completion of projects. Any reason?

Rajendra Khetawat: Sorry, come again.

Venkat Samala: Even in this quarter we are seeing some losses being reported, right, on the JV side.

Rajendra Khetawat: Let me explain for better understanding. The JV losses, actually those are not losses. It comprises of 2 parts. One is because of the Godrej commercial project G2 which is completed, and it is not yet fully leased out, so the interest gets expensed out. So, bulk of that INR 80 odd crore is coming out of that as an expense item. Secondly, a lot of projects, which have not contributed to the revenue recognition, the marketing and other period costs get expensed out. So that is another. And the third important part is most of our JV are structured in a manner where we do most efficient tax planning. So, lot of income from the JV is being taken as interest income or a DM income or in the other form. So, it is grossed up. So, what, till the time the JV comes to OC completion stage, you will not see that, and period costs will keep expensing out. Otherwise, the JVs are always in profit, maybe JV to JV it may depend at the time -- the margins may differ, but none of the JVs are like in red. It is only the reporting because of which it is coming as a one-line negative item.

Venkat Samala: Right. And sir, just as a follow-up. This Godrej 2 what will be the hit if you could quantify, annual or quarterly.

Rajendra Khetawat: Like we said, around INR 80 odd crore.

Venkat Samala: INR 80 crore in a year.

Rajendra Khetawat: Yes, this will come down as and when the premises get leased out.

Venkat Samala: Okay, Thank you.

Moderator: Thank you. Our next question is from the line of Mohit Agarwal from IIFL. Please go ahead.

Mohit Agarwal: Yes, thanks for the opportunity and congratulations on great set of numbers. I have just one question, trying to understand your business development strategy. In the last quarter, we have added projects in Nagpur, in Sonipat. You have earlier expressed our interest that we want to focus on 4 markets, has that changed? And is there something that you're doing different this time around.

Pirojsha Godrej: Yes, we are focused on the 4 market still. I think what we have also said if it's a plotted development, we are willing to look at a broader range of cities. So, these would both be plotted development projects that you've mentioned.

Mohit Agarwal: So, outside the 4 markets, it would be only plotted development.

Pirojsha Godrej: That's right. And for that, I mean we may still of course occasionally add projects like Kolkata and Ahmedabad etc. But yes, for almost all the projects are outside these 4 markets will be plotted.

Pirojsha Godrej: Okay. And apart from faster turnaround, also is the margin profile or the IRR profile different for plotted projects in these markets versus our core portfolio.

Pirojsha Godrej: Yes. They are much faster to complete. So, both the margins and IRRs tend to be higher.

Mohit Agarwal: Okay, Thank you.

Moderator: We'll take our next question from the line of Manish Gandhi from KPMK Investments. Please go ahead.

Manish Gandhi: Yes, hi. Congratulations on a very good strong quarter on all the fronts. My first question is with regards to construction timelines and our aspiration to reduce it by 50% and going by few projects of say Pune and Bangalore, I have observed that despite COVID-related disturbance we are delivering in 2 to 2.5 years. So, do you think we can make it 2 years or below for say 20 to 25-floor developments in the near future and which could lead to strong competitive advantage as well as satisfying great customer needs?

Mohit Malhotra: Hi, Manish. Thanks for your observation. We have significantly brought down the OC timeline for the type of buildings you mentioned, we recorded the best ever OC timeline by a project in Pune at 22.5 months, so which is the fastest ever. Last fastest was 24 months, we have got it down. Also, the flat cycles we have been consistently bringing it down. So, this year, the average flat cycle for the company has been brought down to 12 days. So, a lot of work has been happening on this front and we remain confident that with our focus on construction, we should be able to continuously bring the timeline down, but I think 24 months is something we are now kind of working towards as almost consistent average for all projects.

Manish Gandhi: Actually, that's a great achievement for the Godrej team, especially our records in India to give possession. And my second question is on the launches this year, very exciting line-up. Would like to understand your thought process behind launching Wadala 1.6 million in one go which could be INR 3,500 crore plus sales. So, what gives you the confidence to launch the whole project in one go.

Mohit Malhotra: No, I think we are not launching the whole project at one go. This is the overall potential of the project. We will be launching it in phases but depending on how each phases perform, we can significantly bring more phases If you see what happened in Noida last year, we actually sold close to INR 1800 crore of sales in 12 months periods. I think this is the overall project size. The exact area would depend on how the launch is performing for each phase.

Pirojsha Godrej: Manish, thanks for pointing this out. I was just looking at the presentation. You're right, I think this has been incorrectly put. Rajendra let's correct this.

Manish Gandhi: I was hoping that you must be thinking of selling INR 2000, INR 2,500 crore-
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Pirojsha Godrej: We'll do our best.

Manish Gandhi: Thanks, and all the best for FY '23 and I'm sure, Pirojsha, you will meet your guidance on the upside of INR 10,000 crore.

Pirojsha Godrej: Thanks so much, Manish.

Manish Gandhi: Thank you. That's all from my side.

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

Manish Jain: Yes, congratulations on raising the bar for you all because you all are setting up new trends in the industry and what was really heartening to see is that now first glimpse of scale is visible and really as the previous speaker asked on launches, I had 2 questions. First is on the business development side. On the business development side, we have been doing an excellent job on NCR and Pune. In what timeframe do we plan to excel in Mumbai and Bangalore. I'm leaving out the plotted project for now.

Manish Jain: Plotted project, which land to do across outside the 4 geographies, I'm leaving that but in what timeframe do you plan to come back to excellence in NCR and Mumbai. Sorry, Bangalore and Mumbai.

Mohit Malhotra: Thanks, Manish. This year actually we were very happy with what we did in Mumbai. We have committed more than INR 1,000 crore of capital in Mumbai in business development in FY '22 and have a very strong pipeline of projects in Mumbai for the next year, which is already in term sheets and at fairly advanced stages of closure. So, I think from an overall perspective, very, very strongly focused on turning around Mumbai business development and we feel it could give us a big scale in Mumbai. On Bangalore, we have been adding 2 - 3 projects every year but I think we really need to get our strategy right in Bangalore and I'm hoping that next 6 to 9 months, we should see a turnaround in Bangalore as well. Mumbai, I see a very strong visibility upfront, Manish.

Manish Jain: Excellent. Congratulations once again. It's really a delight to see the kind of performance like launch tracker to see 26 projects planned and of those 11 new launches. Phenomenal.

Mohit Malhotra: Thank you.

Moderator: Thank you. Our next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a great quarter and the year. So, my first question is on business development. So, we have seen a big spike in input costs. So, what's happening on the land side. Do you intend to do a lot of land acquisitions this year? So can you give us any overview on how the land cost is going up or how is the inflation there, some sense on that.

Pirojsha Godrej: I think it's varying a little bit by geography but certainly we expect both in property prices and land prices to continue to move upwards over this next couple of years. So, I think we are quite keen to do business development this financial year, but we are already seeing some increase in pricing on the land side over say, a year or 2 ago.

Parikshit Kandpal: My second question is on Mumbai. So, I think Mohit did mention that you're looking to add a large pipeline in Mumbai. We have to pay an outlay of 100 rupees next year. Is it right there has been a large part of that will go into MMR now in this year?

Pirojsha Godrej: I think we're open to doing projects in all of these geographies and would like to expand in all of them. Yes, I think it's fair to say that Mumbai amongst these 4 cities is the number one priority for new project addition. So, we're quite hopeful that a big chunk of new investment will go there.

Parikshit Kandpal: Okay. Just last question on what I've been hearing from the market is that you are not buying like you're buying land but you're not buying land say where the development potential is for 10 years. So, you are looking to do like more 3-to-4-year one single phase kind of new land acquisition. So, but if the opportunity comes in where you have to write a big check of say INR 2000 crore or INR 3,000 crore, which in India hardly like two, three developers can do, are you open to that kind of opportunity because government has recently formed that land monetization authority wherein you can see those kind of opportunities opening up from the government side on government land. So, are you open to exploring those kinds of opportunities that could be big outlays maybe 8, 9, 10 years kind of project?

Pirojsha Godrej: Yes, I think we're open to any opportunity within residential development in these few cities. I think for the kind of investments you are talking about, we of course, have a great deal of confidence in the micro markets, saleability of them and our ability to deliver strong annual sales on an ongoing basis but certainly, I think the appetite to do big projects is very much in place. If you look at a project like our Ashok Vihar project in NCR that's probably INR 6000 to INR 8,000 crore top line project. We bought the land for INR 1,300 crore. We have a project we're launching now in Bombay would be INR 3,000, INR 3,500 crore top line project that we added. So certainly, as the company scales, I think we do want to focus on good returns on capital in doing projects that we can turn around quickly. I think that there's a lot of merit in those projects but we're certainly also happy to cut large checks for strategic opportunities of a larger nature.

Parikshit Kandpal: Because my concern is only coming that this year if you touch INR 10,000 crore plus purely on basis of volume growing beyond that it will be difficult. So, you will have to take the average utilization much higher. So, for that you will have to add more of premium projects. That will get the growth kick off, so that we need to see a lot of BD opportunities being worked out there in that front. That was the only concern which I had.

Pirojsha Godrej: I mean yes and no. I think the growth opportunity in India, us and any other developers is just scratching the surface of the opportunity. I always like to say the whole top management team, just before the pandemic had spent a little bit of time in China meeting with the top developers there and if I recall correctly, I think we have done about 6 million square feet of sales that year and the big Chinese developers were doing 600 million square feet. So, with a 2% or so share of the market currently, we don't see any sort of market-imposed constraint on our growth. But you're certainly right that as the company continues to scale, the proportion of meaningful size projects that we should have in our portfolio should also scale concurrently and that will be the endeavour.

Parikshit Kandpal: Okay, thank you. That's all from my side and all the best.

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

Dhruv Jain: Hi, congrats on a great set of numbers. Pirojsha, as a shareholder, when can we expect dividend as it's been like long time now, 7 years already.

Pirojsha Godrej: Yes, I think our thinking has been that the company has a fairly unique opportunity to re-invest and grow for a sustained period. So, I don't think that from our perspective, we're thinking of dividends as a key means of shareholder value creation. We do think that reinvestment into this space, given the kind of opportunities makes more sense. To be perfectly honest unless something changes in that outlook, I wouldn't expect any dividends over the next few years.

Dhruv Jain: Okay. And any idea on Mumbai, as I have marked, the sale is always little slow compared to NCR, Pune or Bangalore, any particular reason because I have marked like in NCR like Godrej Golf Links, Woods, Faridabad one or in Pune, the Mahalunge, etc., all have been selling like very, very fast as compared to Mumbai where the projects are little slow in selling, what's wrong.

Pirojsha Godrej: I think the issue has been our projects in Mumbai, has been a little bit on the smaller side in terms of the recent launches, we've been able to do. We've certainly seen very strong launches in Mumbai in the past including at The Trees in Vikhroli, our redevelopment project in Chembur. We are quite hopeful that this quarter, we will have a have a good response to that question in terms of a couple of launches in Mumbai.

Dhruv Jain: Wadala one and the Thane one which you are launching.

Pirojsha Godrej: That's right.

Dhruv Jain: Okay.

Moderator: Thank you. We'll take our next question. That's from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Good afternoon, sir. My questions are on the margin front. So, if you can talk about region wise margins, which we are achieving as of now, say NCR, Mumbai, Pune and Bangalore. What kind of EBITDA margins, do you think are we achieving as of now?

Mohit Malhotra: I don't have a region-wise breakup right now but on the sales, what we are doing our blended average margin for company is right now upwards of 20% plus.

Rajendra Khetawat: So, the company EBITDA margin is 30% kind of a thing. So, region wise obviously depending on the project configuration, it will change. Our plotted would be in the range of 40% kind of a thing, group housing depending on the type of project whether it's a JV or it's an outright or that will depend on a project-to-project basis. So, like I said Faridabad, NCR had a 40% margin similarly Bangalore plotted has a 40% margin, group housing would be in the range of like Mohit said 20% to 25%. So again, it will be overall different for different projects but blended it will be like our EBITDA is 30%.

Aman Vij: So just a clarification on this part. When you talk about blended is 30% versus reported numbers. I understand the JV numbers are coming directly but the costs are also I think coming, we are not including in the top line. So that 15%, 16% margin, which we achieved in Q4. Is it because of the older projects or this kind of margin only we should assume?

Rajendra Khetawat: The blended, it's a mix. It's a mix of old plus new.

Aman Vij: Sure sir. So that was my point. So going forward when the newer portion increasing, say for example in next couple of quarters should there be uptrend on this margin and can it cross this 20%, 25% number also.

Rajendra Khetawat: So, the endeavour would be to take that higher but obviously it's still there would be old projects which will keep coming into the revenue recognition and like I explained our revenue recognition depends on the project completion. Till the time that project completion happens, the period costs will keep expensing out. So, there would be some amount of averaging out across the high margin contributing project with the projects that have not yet started contributing. So obviously the endeavour would be to improve our margin profile but for some time, there would be averaging out of old, new and the marketing expenses.

Aman Vij: Sure sir. My second question is on the Bangalore side. You have talked about we are lacking somewhere. If you can talk more about it because whatever we have aimed in the last 3, 4 years, the gap between what we have targeted and what we have achieved we see maximum in Bangalore region. So, if you can talk about where according to is our gap, is it project selection, is it something else and what are we doing to fill that gap?

Mohit Malhotra: I think the key issue in Bangalore if you really ask me has been business development. We haven't been able to add as many projects as we would have liked to. On operations actually, the region has done quite well. The sales performance has been quite good. The delivery performance has been pretty good, but it's been largely a function of the lack of new projects and business development which has pulled it down but as I said earlier that we intend to correct it at next 6 to 9 months timeframe.

Aman Vij: Because we are targeting a lot more in Bangalore for FY '23, it's like 2 to 3 times our average sale, which we have achieved over the last 3 years.

Mohit Malhotra: It's a function of launches. We have couple of launches planned in Bangalore and they are at fairly advanced stages of approvals, so this we are pretty confident on the numbers we had in the recent years for Bangalore.

Aman Vij: Sure, Thank you.

Moderator: Thank you. The next question is from the line of Harsh Pathak from B&K Securities. Please go ahead.

Harsh Pathak: Good evening and congratulations for a strong quarter. So, this is in continuation to one of the earlier questions on land prices. So, this is what our check suggest is that land prices in Tier 2 cities have risen sharply in the past year. So, if you could please quantify or give a ballpark figure on how much the land prices must have risen and would this likely put pressure or put hindrance to our target of getting better margins and IRR profile or plotted elements on this land parcels, please.

Mohit Malhotra: Yes, if you're talking about Tier 2, we have just entered 2 cities which is Sonipat and Nagpur and there we are seeing both margins and IRRs actually much upwards of 30% plus, closer to 30%, 35% which is a very good return which we're very happy to underwrite and we'll be happy to have that.

Harsh Pathak: Right. But how much have been the land price increases in the past year? Is that putting any pressure or getting it difficult for us to procure new land parcels. What trend are you seeing on ground?

Mohit Malhotra: There has been pressure of land pricing in NCR which I have observed especially in Gurgaon but if you look at other parts of the cities like Mumbai, Bangalore, Pune, we haven't seen significant increase in land prices. They are in line with the pricing increase.

Harsh Pathak: That's helpful, and my second question is regarding the smaller players are re-entering the market is what we are hearing for the Mumbai region at least. So, in your experience, are they launching projects all by themselves and how is the response these players are getting from homebuyers and does this make negotiating new attractive deals tougher for us. What trend are you seeing on ground?

Mohit Malhotra: Not really. Actually, if you ask me, if you see our Shivam project, the Kandivali project is by a local developer, and they came back and asked us to do the second phase as well. So, people see value in cleaning up the land but at the time of sales and launches, they would like to partner with bigger companies like us and some of the other players. So, I think there could be sporadic launches by existing players but new launches definitely they are going and tying up with the larger players. Not seeing much issue with business development in Mumbai as of now.

Harsh Pathak: Sure, that's helpful, thanks a lot.

Moderator: Thank you. Our next question is from the line of Neeraj Sahjwani, an Individual Investor. Please go ahead.

Neeraj Sahjwani: I have 2 questions, mostly around Bombay. So one is, do you have any clarity on the Bandra project. I think that's marked even probably beyond FY '23 and second is there has been wave of redevelopment in the Western suburbs of Mumbai especially in society redevelopment. Have we intentionally kept out of that, considering they're usually smaller in size?

Mohit Malhotra: So, answering your second question first, we have evaluated society redevelopment projects, but we can only do it if there is a certain scale to it. So smaller projects we are kind of avoiding because it doesn't make sense to spend bandwidth on it. On Bandra project, there has been an unfortunate situation at the JVP end. And so, the project has got delayed, but I believe that once the situation on the joint venture partner side gets resolved, I believe it is getting resolved, then we should see a positive traction on it but unfortunately, it's got stuck because of some of the unfortunate incidents which has happened there.

Neeraj Sahjwani: Okay. Thank you, Mohit.

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

Pirojsha Godrej: I hope we've been able to answer all your questions. If you have any further questions or would like any additional information, please reach out and we'll be happy to be of assistance. On behalf of the management, thank you again for taking the time to join us today. All the best.

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