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August 05, 2024

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

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

Ref: Godrej Properties Limited
BSE - Script Code: 533150, Scrip ID – GODREJPROP
BSE - Security Code — 974950, 974951, 975090, 975091, 975856, 975957 — Debt Segment
NSE Symbol - GODREJPROP

Sub: Transcript of the conference call with the investors/ analysts.

Dear Sir/ Madam,

Pursuant to Regulation 30 read with Schedule III Part A, Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call organized with the investors/ analysts on Wednesday, July 31, 2024, post declaration of unaudited financial results (standalone and consolidated) for the quarter ended June 30, 2024.

This is for your information and records.

Thank you.

Yours truly,
For Godrej Properties Limited

Ashish Sudhakar Karyekar
Digitally signed by Ashish Sudhakar Karyekar
Date: 2024.08.05 10:48:04 +05'30'

Ashish Karyekar
Company Secretary

Enclosed as above

"Godrej Properties Limited

Q1 FY '25 Earnings Conference Call"

July 31, 2024

MANAGEMENT: **MR. PIROJSHA GODREJ– EXECUTIVE CHAIRPERSON– GODREJ PROPERTIES LIMITED**
MR. GAURAV PANDEY– MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER– GODREJ PROPERTIES LIMITED
MR. RAJENDRA KHETAWAT– CHIEF FINANCIAL OFFICER– GODREJ PROPERTIES LIMITED
MR. KSHITIJ JAIN – INVESTOR RELATIONS – GODREJ PROPERTIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Godrej Properties Limited Q1 FY'25 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 star then zero on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded. I now hand the conference over to Mr. Kshitij Jain from Godrej Properties. Thank you, and over to you.

Kshitij Jain: Thank you. Good afternoon everyone and thank you for joining us on Godrej Properties Q1 FY '25 Results Conference Call. We have with us Mr. Pirojsha Godrej, Executive Chairperson; Mr. Gaurav Pandey, Managing Director and CEO; and Mr. Rajendra Khetawat, CFO of the company.

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. I would now like to invite Mr. Godrej to make his opening remarks. Over to you, sir.

Pirojsha Godrej: Good afternoon, everyone. Thank you for joining us for Godrej Properties First Quarter Financial Year 2025 Conference Call. I'll begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions. I'm happy to share that Godrej Properties delivered another robust quarter registering a multi-fold growth in bookings, operating cash flow and earnings. GPL achieved its highest ever net profit in the quarter of INR520 crores.

The residential real estate sector in India has been strong over the past few years and we believe the sectoral tailwinds will continue over the next few years as well. The significant levels of business development we executed in previous years at favourable terms continue to allow us to scale our bookings and margins which in turn will lead to strong earnings growth in the years ahead.

GPL achieved the highest quarterly booking value and volume across listed developers in India for the second consecutive quarter. Booking value grew by 283% to INR8,637 crores. Booking volume of 8.99 million square feet of area is the highest volume sold by any listed developer in India, surpassing GPL's previous best of 8.17 million square feet in Q4 FY '24. This strong growth can be attributed to an extremely strong customer response to some of our new launches during the quarter.

Godrej Woodscapes Bengaluru achieved a booking value of INR3,156 crores from 3.4 million square feet of area sold and Godrej Jardinia, Noida achieved a booking value of INR2,377 crores from 1.6 million square feet of area sold. Both these projects were GPL's most successful projects in their respective markets. With these two projects GPL has now achieved a booking value of over INR2,000 crores in 6 projects in the last 4 quarters.

GLP's net operating cash flow grew 737% to INR988 crores led by a 54% increase in collections to INR3,012 crores in Q1. This was also supported by deliveries of 2.7 million square feet. From a business development perspective, I'm happy to announce that Godrej Properties added two group housing projects products across Pune and Bengaluru with estimated booking value of INR3,000 crores in the first quarter. The pipeline for business development is looking very strong, and we expect Q2 to be another good quarter for business development addition.

GPL also recorded its highest ever reported PAT numbers on a quarterly basis. Our total income for the first quarter increased by 25% and stood at INR1,638 crores. Our EBITDA increased by 237% to INR774 crores and net profit increased by 316% to INR520 crores. These were all benefited by a revaluation of our commercial building Godrej Two here in Mumbai.

We've started financial year '25 on a strong note and hope to build on this momentum through the launch of a large number of exciting new projects combined with strong sustenance sales. While reported cash flow and earnings growth has been strong, we believe these parameters will see a sharp upward trajectory in the quarters and years ahead basis the high bookings combined with GPL's increased economic interest in these projects.

On that note, I conclude my remarks. Thank you all for joining us on the call. We'd 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. We have our first question from the line of Kunal from Bank of America. Please go ahead.

Kunal: Pirojsha, my first question is on your margins/profitability. I know last quarter, you gave your imputed margins for fiscal '24, which showed quite a bit of an upward move. I wanted to check, given what you've seen in Q1, and the way pricing has been behaving more recently, would you expect us to anchor our FY '25 and '26 expectations around FY '24 levels? Would you suggest an upward bias to that?

Pirojsha Godrej: Thanks, Kunal. Of course, the effort will be to continue to improve margins, and we'll continue to provide that pro forma P&L information on an annual basis. In Q1, I think we are very happy with the kind of number we've seen. There's a similar but slight uptick in margin over FY '24 levels.

And I think given the high booking value, we think the imputed return metrics are at a very attractive level. But certainly, we will continue to provide that on an annual basis. And I think FY '24 is probably reasonably -- I think it will be reasonably close to FY '24 levels this year as well, but hopefully, we can improve it a little bit.

Kunal: Understood. Okay. My second question is that from an area perspective, we are actually doing a pretty big number now on a quarterly basis in terms of sales. So I wanted to check if there's any tinkering you think you would need to do on the delivery side, just to make sure that project completions, et cetera, would keep up pace over the next 2 or 3 years?

Gaurav Pandey: Kunal, thanks for the question. Essentially, you're right, where our scale has multiplied and what we've been doing is a lot of investments have been given on the capability side. You would appreciate we always had our own structure where we had strong execution teams. In fact, we're the only company which has a site head operating model. So it's something like a bank branching model where you have a self-sufficient unit to lead scale.

But over the last, say, 9 to 12 months, what we've done is we've kind of invested in building up capabilities on certain engineering and execution side in various zones as well as in HO because we could clearly see this as a lead indicator for us in the future. And coupled with that, we've also managed to bring some very good contractors in projects which we've seen sort of had slowed down.

Like Godrej Reserve, we've got listed in it a very prominent contractor. So yes, this is something has been in our radar for good last 12 months, and now we are almost ready to execute the strategy.

Kunal: Got it. And then my final question is your progress in NCR and Bangalore has been there for everyone to see. Specifically on Mumbai and Pune, I think the presentation shows that by and large, you sort of converted 10% of your launch pipeline to actual launches in Q1. How are you sort of thinking about your ability to push through rest of the stuff in the pipe? Also noting that Maharashtra could have elections towards the end of Q2, start of Q3.

Gaurav Pandey: If I take a step back and give you a sort of a background and then maybe give you a year end picture, see, Mumbai zone has been a very strong turnaround we've seen in the last 2, 3 years. It used to do about INR1,500 crores to INR1,600 crores in FY '22, in FY '23 it doubled to about INR3,000 crores. Last year it became the second largest zone in GPL and did about INR6,500-plus crores. And the good thing is that all the great work of BD in the preceding say 18-odd months has given us a strong pipeline, which is getting into launch.

So coming to your specific question from the very short term, which is 3 months to, let's say, 6 months, we have a series of projects, which are a bit coming along and some of which we've almost secured the approval and some of which they're in almost last leg of approval which hopefully will be coming on time.

And to give you a sense, we will have a new tower launch coming up in Godrej Reserve which has been the highest selling project for not just Godrej Properties, but entire Mumbai market, so I'm hoping that will be a very good launch. We have something coming up in Bhandup and Khalapur as plotting launch. So yes, we have a robust short-term sort of a pipeline.

Again, similar trends we are noticing in Pune as well, we have a series of launches planned in Q2 and some may move to Q3, but looks to be very much within the quarter. To give you a sort of sense we have sort of a large important cluster launch in Mahalunge and looks to be more or less secured approval, last stage of approval is in process, Manjri, and then there is a low probability to medium probability of some retail in one of the Koregaon projects that we had acquired.

So yes, we're reasonably confident, Kunal, that we will see. Agnostic to this two zones, I would say generally in our business, we would appreciate, it's a combination of approval timeline. And if the approvals are in advanced stages, either certain launches happen in this or the other quarter, but more or less kind of secured.

Moderator: We have our next question from the line of Puneet from HSBC. Please go ahead.

Puneet: Congratulations on great numbers once again. My first question is just continuation of what Kunal has asked. Do you see any risk of delays in approvals in Pune and Mumbai given the upcoming elections?

Gaurav Pandey: Yes. I mean internally, we have, frankly, a larger set of approvals that we continue to do that, and we do see in any approvals, there is that risk. But the ones that I talked to you right now about, it was most likely high probability kind of cases. Yes, there is always going to be that risk, but it seems very likely that these should come in, more or less 80% of these will come in.

Puneet: Okay. And secondly, if you can talk a bit about the projects which we've been waiting for a while, Ashok Vihar, Worli, what is the progress there?

Pirojsha Godrej: Yes. So I think that, unfortunately, continues to be a bit delayed. The essential issue there is the trees on the site and how they are to be treated and at NCR unfortunately, over the last 12, 18 months there has been a huge focus on tree removal and there's several matters in the court. So it is taking longer than we expected to get that approval. We're, of course, working full steam on it.

But I think visibility in terms of exact timeline, frankly, is not currently available, and it's not likely to be a kind of this quarter, next quarter launch, but we're hoping to do it by Q4, if possible, but to be perfectly frank, that has moved slower than we would have liked. Of course, I think given the number of projects we've added both at NCR and elsewhere, we are quite confident of our ability to be able to make up from any gap in short-term sales by the delay of that launch.

Puneet: And does it -- has it impacted your underlying IRRs given that there is a delay on the other side, there could possibly have been an appreciation on the property price as well? How do you think about the IRR change if this were to get delayed to next year?

Pirojsha Godrej: I think the delays have also had quite a lot of benefits in terms of price appreciation. So I'm not sure if the IRR would be negatively impacted. But we'll have to watch out for the exact numbers. But certainly, the absolute profit and equity multiple would be sharply increased and just as a reminder, the land payment for Ashok Vihar are being paid in tranches.

So we're not sitting on a full capital outgo on that one which would, of course, dampen the IRRs even further. So actually, to be honest with, the returns in Ashok Vihar are looking very exciting. And if anything, the delay has enhanced them quite a bit because of the price appreciation that the market has seen. But the challenge is just obviously making sure we're able to launch that while market conditions are as favourable as they are currently.

Puneet: That's helpful. And lastly, if you can talk a bit about your experience in Hyderabad market, you named it out as the fifth city. And also, if you think there could be potential to enter into Tier 2 cities as well given that property prices there has matured? And do you see a progress a developer-led model there versus a self-build especially with Tier 2 cities?

Gaurav Pandey: No, the interesting thing that -- this will probably surprise a lot of people, but Hyderabad, I think last financial year, well, different reports read differently, but clearly all reports were indicating that Hyderabad's residential market, which used to be a lag to Bangalore, has actually exceeded Bangalore in terms of its market size.

And if you see from institutional reputed pan-India sort of developers, there is hardly much of names. So I think this is a huge opportunity to kind of tap into. We are, of course, taking one step at a time. So we have been very selective on the micro market we wanted to be in. And the two transactions that we've announced are in some of the most talked about places where launches have been blockbuster by competition or have the most aspirational from a pricing and positioning point of view.

So I think -- and that's where we want to see how this moves up. These are all planned for immediate launches. Design is going very well in terms of progress to give us very high hope in terms of an opportunity to unlock it. On the question of the other cities, per se, frankly, we'll not say looking at because the markets where we're operating we see a great headroom to improve our percentage of market share and we are selling faster than, frankly, we had underwritten them.

So there's no point of getting deflected into newer cities. But the only thing that you would see that we do opportunistic deals in plotting where we see there's good capital churn available, quick turnaround, get in and get out kind of a strategy. That is what we will, of course, keep on evaluating, but nothing on the group housing side.

Moderator: Next question is from the line of Praveen Choudhary from Morgan Stanley. Please go ahead.

Praveen Choudhary: Obviously, congratulations on such a good result, especially the pre-sales. I have two questions. First one is on gearing. Your gearing level is 71%. What's the plan, whether we want to take it down with equity offering or we think that the cash flow and collection will take care of it itself?

And the second question is, and I could be wrong here, but it seemed that your other income number was very high for this quarter. May I check other than interest income, what drove that number because the margin is high for the reported number, not the pre-sales number? And just to clarify, did you say that first quarter embedded margin was higher than FY'24 or similar to FY '24?

Pirojsha Godrej: Yes. Thanks for that, Praveen. I think the embedded margin I did say was slightly higher than financial year '24, but broadly comparable and we'll release more detailed guidance on that on an annual basis. The change in other income is largely the revaluation of Godrej Two, a commercial building we have here in Mumbai. Sorry, your first question was?

Gaurav Pandey: Gearing.

Praveen Choudhary: Gearing.

Pirojsha Godrej: Gearing, yes. So I think we've guided typically we'd like to be in a gearing range of 0.5:1 to 1:1. So we're kind of towards the middle end of that range, and quite comfortable. We are seeing a lot of opportunities on the business development side. And I think frankly, we're selling faster than we expected on the existing launches. So I think it's an interesting position that we're in when sales are where we thought, and I think business development opportunity is also very good.

We do expect operating cash flows through the rest of the year to be very strong. We've guided to about INR15,000 crores of collections for the year, we did about INR3,000 crores in the first quarter, but are confident of meeting and hopefully exceeding by a bit the annual guidance. So I think certainly, a moderate level of business development to support reasonable growth, I think we are more than well enough capitalized to do.

If we see opportunities beyond that, we wouldn't rule out an equity raise if valuations are also in an attractive range. But for now, I think the focus is on making sure we generate a lot of operating cash flow, bring a lot of the new projects we've already added to launch and close some of the exciting business development opportunities we're seeing in the pipeline.

Moderator: We have our next question from the line of Abhinav Sinha from Jefferies India. Please go ahead.

Abhinav Sinha: Congrats to the team on the strong numbers for the quarter. So a few questions. So firstly, on the pace of operational cash flow and project delivery. Are we expecting these numbers to largely sustain at the current levels, or we can still see some on and off quarters?

Pirojsha Godrej: So I think, Abhinav, this industry will always see some quarterly movement. But I would say, overall, we're very confident of meeting or exceeding all our guidance for the year. So from a booking perspective, it's at INR27,000 crores. I think we're well on track to do that given the strong start to Q1 and actually we're very happy with the strong start to Q1.

Typically, GPL had a little bit of a sluggish start in the first quarter after everyone goes all out in Q4. So quite happy to set the right tone at the start of the year this year. I think our collection average will certainly move up for the rest of the year. We've guided to INR15,000 crores for the full year which requires quarterly collections on average of INR3,750 crores.

We think there will be a little bit of a skew towards the second half in that, but we'll see a big ramp-up in both collections, which should lead to also strong operating cash flow growth over the rest of the year. I think the question to ask is how much -- how do we want to look at free cash flow given the opportunity on the business development side which is the part that is a little less certain. But certainly, visibility on deal flow remains very strong, and Q2 look like it will be a big quarter for business development.

Abhinav Sinha: Great. And Pirojsha, since you are mentioning that, what are the focus areas for bidding near term?

Pirojsha Godrej: So I think the primary focus, as Gaurav was also saying, remains on these top 4 markets of Mumbai, NCR, Bangalore and Pune. We've added a couple of projects in Hyderabad, we will probably now wait to launch those. We're fully confident that everything there is on track before we add more on the group housing side.

Plotted developments, we're adding across a wide range of market as per the strategy we've laid out. But within these four cities, I think it's more about where we see opportunities and what specific deals look attractive to us, but I would expect good additions across all four.

Abhinav Sinha: Sir, lastly, and I would also like to hear from Gaurav perhaps on this. So in Gurgaon market, we have come across some bit of wobble from market participants in terms of demand. You guys have a large launch there, which is ongoing. So just wanted to hear your thoughts and how that market is positioned. Can we still see price and volumes to sustain at high levels?

Gaurav Pandey: Actually, quite the opposite. If you see when we were building the Gurgaon portfolio from acquisitions, right? Just to give you some context, we did a serious acquisitions from Extension Road, a project called Godrej Aristocrat. Then we bought something in Sector 103, which, as you rightly said, is going in launch in this quarter. Then we bought something in the Sector 89, which is called as Godrej Zenith.

And we, of course, have two land parcels we had bought in auction from the authority in Golf Course Road. And very frankly, when we were doing these acquisitions, the idea was to ramp up the portfolio and look at like a 3-year sort of a model for this to sustain. But as a good problem we had only for Aristocrat selling like INR2,700 crores practically at the launch is a great price appreciation.

Similar questions were there in the market even when you're launching last quarter a project called Godrej Zenith which did about INR3,000 crores but this is quarter 4, right? But in the previous quarter, a number we were frankly not very sure we'll do because there was some price appreciation we had taken in Zenith, we sold about INR800 crores, right.

So now I think for us specifically, we are seeing inventory moving through the group. Actually, if you ask me till the time I had one or two projects I would like to manage inventory and increase price more, and we are seeing good offtake. So it's about balancing, right, That if you have -- if a residual inventory is not very large, how much do you want to sell at what price. So I don't see pricing pressure at the moment.

Yes, there is a bit of consolidation that in the initial first 6 to 18 months of NCR offtake, especially in Gurgaon, there was like everyone was practically able to push inventory. I think somewhere that consolidation and need for better brands will happen, and I'm sure we would be beneficiary of that, especially even the later part of the quarter, when we'll have our luxury launches coming in, in Golf Course Road.

So yes, I think what I'll say is that's the only risk if you kindly ask me, how do we balance the offtake with good inventory management till the time more BD gets added.

Moderator: We have our next question from the line of Pritesh Sheth from Motilal Oswal Financial Services. Please go ahead.

Pritesh Sheth: So just taking forward the previous question, right, from demand environment perspective, with the kind of response that you're getting, I just wanted to understand what's exactly working for you guys. Is it just the product and the right ticket size you are bringing in those certain markets or it's equally strong for across the segment in terms of demand? So just if you can elaborate on the kind of demand that you are seeing?

Gaurav Pandey: I think that's a great question. Essentially, we are a very product-obsessed company. We don't -- when we buy a land, just the amount of research we do, even if we are very strongly dominantly present in the market. But even after buying the land, our process to design the project is very, very quantitative and qualitative research led.

So we do a lot of primary research surveys. We use data and try and define what is the right concept. So we typically do three concept designs and then we go back to the market and do some concept testing with prospective customers, take feedback, and finally, decide a concept. Thereafter, we do a lot of analysis, analytics in terms of our previous inventory, competitive inventory and do assessment of what is the right sweet spot from a product mix point of view.

We tend to be very biased towards end users purely because that gives you countercyclical opportunity than just riding through a cycle. So that's the sort of a DNA in terms of thought process that design something for end users and be very obsessed on product. I think that thesis for us, fortunately has worked exceedingly well across markets. And that, I think, is the probably long-term approach to build up an institutional framework of building up the scale.

And on top of it, while we don't really share publicly numbers, what is even heartening is we do these sales not just by great booking value. Our cost of sales is extraordinarily low when we see competition. We don't do these typically back-ended schemes. Our 99% of last quarter was all front-ended sales, 1% because, the title of some projects is linked with OC which gets tagged as PLP.

So just focusing on great products and attracting the right customer and not really following the narrative of the pressure to sell more. I think that's the DNA we built. I think incidentally we're lucky I think that customers are able to find value in it and we are selling in bulk volume. But I think agnostic to that, just being product-obsession leads to long-term sustainable growth. That's the kind of approach and strategy we have.

Pritesh Sheth: Sure. And just a follow-up on that, so kind of price growth that a couple of your markets have seen, especially NCR and to an extent, Bangalore as well, right? Will those price increase combining our certain ticket size getting too pricy in terms of affordability or if you have a good product to back that, there is enough demand for those higher ticket sizes as well?

Gaurav Pandey: It frankly depends, right? I mean depends on you have to always have feet on the ground to assess the opportunity to increase prices. Big picture, if you ask me, pan-India, there are some markets which have not even off-taken from a price appreciation story. Like if you look at Pune, I think that is one of the market which should start surprising people towards quarter 3, quarter 4 or early Q1 next year across developers.

But yes, I think, yes, you have to be careful in terms of pricing your product. So if your underwriting is conservative, your ability to maximize price without the pressure is there and without the reason that, yes, you have to intentionally just overspend the market, that also is not right. I think it has a balanced one is there.

The opportunity for Godrej Properties is that if in markets, we see that we have lower inventory, we take a punt on increasing the price slightly higher than we would ideally want just to actually just slow the sales enough that the launch is successful, but our margin profile increases. And when we see we have good inventory lined up, then we make the prices slightly more attractive. So that's more like portfolio management strategy we use. Yes, overall macros there is a clear secular trend of price growth, and we are continuously enjoying that for the moment.

Pritesh Sheth: Sure. That's pretty helpful. Second one, launches, so we had a very strong start for the year. How does Q2 looks in terms of launches? I mean, obviously, it's a little short term, but if you can guide us on that? And Secondly, there were certain projects in terms of the size that was launched in 1Q was definitely probably higher than what you would have initially estimated for. So any revision in terms of your launch guidance that we can expect maybe a quarter or two down the line? Or you will still stick to that kind of number?

Gaurav Pandey: I think first of all, from a very short-term, quarter 2, we, of course, don't give guidance. But I think directionally if you ask me, it looks to be a good probable number that we'll hit, which is when we do estimation internally, very important, like a must have is delivering the annual guidance and of course, exceeding the annual guidance.

And we do typically run rate of what is a quarterly run rate. And that's like the bare minimum we anyways have to achieve. That's the way our mindset is. And then there is, of course, strategy put in place that what are the other projects that we can push numbers and if certain approvals come late, how do we compensate for that.

And sometimes when all of this comes up in place, you see a blockbuster quarter. And sometimes one or two slips happen, you will see the next quarter being exceedingly well. I think quarter 1, we saw extremely well because some of these were being tracked for even quarter 4 which got slip over to quarter 1, so we could kind of maximize on it. And I see this year is going to be that year where our brand will probably look at full potential.

If last year were only indication, this seems to be a very exciting year. Yes, we do see there's an upward bias and upward risk of beating our own estimate, but I think it's too early to really comment on it. And we would rather always stick to our guidance, but fingers crossed we might surprise you.

Moderator: Next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: So my question is given that you have such a large scale now, why would collections on a quarterly basis, customer collections continue to remain volatile, especially fourth quarter seeing a sharp jump and then the next quarter, we see normalization? My assumption was that with such large volume of ongoing projects, shouldn't collections be more like a stable number with kind of a more predictable growth and some impact obviously coming in from launches or completions. So just love to have your thoughts there?

Gaurav Pandey: I mean, see, if you go back and see typically the collection quarterly run rate that we've always had, quarter 1 usually is a little slow because collection is also linked to late-stage payments. So when you have -- later part of the year, when you have a lot of these OCs in fact kicking in, you do see a jump of collections run rate.

But this was a, frankly, a bit of a different year where our last year, if I still remember, our collections was something around there about INR2,000 crores. This year it's been about INR3,000 crores. And yes, I mean, ideally I would have wanted to do more, but it's exactly on our internal estimate.

Just to share with you some numbers, we track something called a collection efficiency which is basically how many customers tend to pay you within 30 days of raising invoice, right? The industry median would be about between 60% and 70% and last quarter for Godrej Properties was 94%. And there were -- if I looked at some advances of some customers pre-poning and taking the refund, it's actually crossed 100%, which is very unheard in the industry.

So I think collection run rate is very well. I think the real important thing for us would be that the H2 of the year, which looks to be quite important from OC calendar and all, if we are able to do that, we will surely meet our guidance, and there is, in fact, a slight opportunity to improve that as well.

Pirojsha Godrej: Just to add to that, I think the basic thing I want you to keep in mind is that within a couple of years, bookings are likely to reflect as collections. So the last 2 years, bookings growth has been 84% last year and 55% the year before. So you are likely to see very sharp collection growth when you have a base like that.

In a very rule of thumb way of estimating it, not -- I don't expect it to be fully accurate by any means, but it is something we track as kind of a rule of thumb is approximate collections for the current financial year to be something like the previous 2 financial years average bookings So we would be, the last 2, 3 years if you check, our collections would be within kind of a 10% range of the average of the previous 2-year booking.

And hopefully, we can do that this year as well. But we are extremely confident of meeting or surpassing our INR15,000 crores collections guidance for the year, but very clearly I think in a very rapid growth phase such as the one we're in, there will be a lag between bookings and collections just because of how the customer contracts are where you're selling at launch and then collecting as you construct over the next couple of years.

Mohit Agrawal: Okay. Understood. My second question is on business development. Should we now understand that essentially you are looking to add projects to replenish your sales plus a growth element or are you still looking to build a pipeline? So in which case, it could be substantially higher than -- while we know your guidance, but it could still be much higher than that if you get opportunity or are you just now looking at replenishing your sales and then looking at a growth number on that? So yes. So -- and in that context, how do we see land spend also stabilizing basically to 10% to 15% of that BD target?

Pirojsha Godrej: Well, there's a little bit of both of those things. I think we had made a disproportionate scale of investments a few years ago based on the equity we raised and our reading of the market being at the early stages. I think while we fully expected the market to improve, frankly, the visibility on sales has been even stronger than we had ourselves expected.

So some of these projects like our Bangalore project, where we sold a very large percentage of the project at launch last quarter, we would have expected sales to be a little bit more staggered there. So I think the importance of replenishing that is now kind of a little bit more urgent in the sense that the inventory is moving faster than we expected.

And also the growth rate are much faster than we had expected. So again, we expected a rapid growth but 84% last year, and on that base, at least 20% this year, but hopefully, we can do quite a bit better than that, does mean that BD is going to also have to keep pace to some extent.

And our overall reading of the market is still that we are at a good stage in the market that there are several years to run in the cyclical upturn, where we remain confident of kind of the valuations being attractive at current levels. So while we are focused largely on kind of replenishment and growth, I think the requirement for us has increased given the kind of scale of growth we're seeing. And if we feel that the scale of growth can be maintained, we would like to pursue that.

Mohit Agrawal: Okay. And my last question is, again, on business development. Has the threshold on, let's say, a minimum GDV per project evolved or changed over the last few years considering that you have a much bigger scale now? And in that context, would you be open to looking at, let's say, redevelopment projects in Mumbai, yes, so your thoughts there?

Pirojsha Godrej: I think it's broadly several years ago we said we don't want the very small projects. So if we, for example, don't think we can create at least INR100 crores of post-tax profit on a project, we prefer to avoid those because at this scale, they don't really move the needle and kind of add operational complexity.

But we are a little reluctant to go the opposite end of the spectrum as well where we only want to do very large projects because those have their own drawbacks in terms of kind of timeline for approval, kind of timeline to execute. So I think midsize projects where we feel confident we can generate at least INR100 crores of net profit we'd still be open to, though I think overall, our average project size and profitability expectations have inched up, but we have not made a bare minimum threshold that is higher than we had a few years ago, which is this INR100 crores.

Moderator: We'll take our next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a great quarter. So my first question is on -- so we have seen the pace of acceleration in the pre-sales has been outperforming.

Rajendra Khetawat: Can you speak little louder?

Parikshit Kandpal: So I'm saying that the pre-sales has been -- there's a huge outperformance, which we have seen in Godrej related to pre-sales. So just wanted to pick your brains in terms of deliveries and execution on the back end. So what kind of measures you have taken on the contractor ecosystem, on deliveries, on execution? So on the entire supply chain, are you seeing any challenges there because now we'll see significant ramp-up in your deliveries in coming years? So what kind of steps you have taken?

Gaurav Pandey: Thanks, Parikshit, for the question. So in the combination, we started the journey a few years back, there's some large procurement items we had started standardizing and also procuring centrally just to get economies of scale right. And this was a bit ahead of the curve say a couple of years back, but now it's coming very timely. So the time, process, all of this are strictly procured. And we have also got into a bit of lift and trying to sanitize it as well from vendors. So these are like high-ticket items.

The second is from a supplier point of view, things like RMC and vendors on steel and cement, we again have zonal tie-ups to do that. And the third part is with the actual execution contractor ecosystem, we have a combination of model, right? So for projects which are blockbuster, almost fully sold out or more or less sold-out launches, we are trying to get with the top-of-the-line contractors and give it like single contractor for initial and maybe separately look at finishing contracts.

But projects which are slightly mid-size and all or we've done phases on, there we tend to work with contractors who have delivered well for us, and we have got great relationships with them, but it's sort of a mix of say two, three contractors in a single project so that they can aptly execute to the scale that they have the capability to it. So I think it's a combination of these frameworks procurement strategy and vendor strategy, which is kind of coming very handy for us right now.

Parikshit Kandpal: Okay. So my second question is on, so when I see your guidance on pre-sales and when I see the mix. So you have added a new geography, and plotted is basically Indore. So I just wanted to get some sense, have you have any clear thoughts on mind on what kind of numbers or what percentage of plotted sales will contribute to your overall pre-sales over more near to midterm? So how big can this be as an opportunity for you?

Gaurav Pandey: I think frankly it depends. I mean plotted is never going to be the dominant part of the business, it's something we've even said a couple of quarters back as well. I don't think so in the very near term, we see this from a top line going beyond 10% to 15%. But yes, plotted also gives you a great opportunity to, one, address the market need, it's very quick turnaround and profit recognition is also a little faster.

So yes, it is going to be a minority part of our business. But yes, it does add value. So to the extent of 10%, 15% here and there is what we like to pursue. But not like it's a very dominant strategy and not that we get obsessed about it, and we want to build a huge funnel on it.

Parikshit Kandpal: Okay. Any comments you'd like to make on the project Reserve, any update there with regards to some issues which should come up on approvals and also on the commercial project where we've seen that OC has been revoked. Just any colour on that would be helpful.

Pirojsha Godrej: Yes. So on Reserve, we have not received any notice from any government agency. There has been, of course, as was reported a little bit of to and fro between these agencies. As of now, the project continues in full swing, we are in full compliance with all the laws, we have all our approvals in place.

And to be honest, some of these are, we believe, not very practical because if you look at these kind of perimeter from such areas, lots of Mumbai would end up getting covered by this. So as of now, everything is fully on track there, and there's no challenge there. We'll, of course, keep you posted if anything changes on that. Similarly, at Chandigarh we were a little surprised to get this notice. It's a project that was delivered almost 10 years ago.

We believe there's a misinterpretation of what exactly the law says, and we are in full compliance, and we're confident of having this issue fully resolved, either directly with the department or through the court. So that also we are anticipating hopefully bringing to a suitable solution over the next few months.

Parikshit Kandpal: Okay. And just the last question, Pirojsha. On the capital allocation bit, so I just wanted to understand if you have to take a single location exposure, say a large land parcel comes, so what kind of capital allocation you think you could make? I mean, if say it's INR1,000 crores or INR2,000 crores, so what could be a comfortable limit where you would see that you can write a big check?

Pirojsha Godrej: Yes. I think we wouldn't have any predetermined size in mind, depends on the opportunity. Obviously, the bigger the check, more confident one would want to be on the returns, the higher returns one would hopefully want. But I think one of the advantages is that probably only a handful of developers who in any given market can write checks of the size we can.

So happy to look at those opportunities as and when suitable but we are not necessarily of the view that it is better to only do these very large projects. We see a lot of opportunities in projects that can be turned around more quickly that can be then reinvested into new projects. So I think the broad indication of what kind of business development we'd like to do is probably what we've actually done over the last few years, which is we have been pushing to get into more premium markets.

And I think that's one of the questions was how our launches are doing so well. I think a lot of it is the fantastic work that Gaurav and the team has been leading. We've gotten much sharper in our capabilities, I think, on design, planning, market research, but certainly, we've also gotten much sharper in our ability to pick the right size, be more centrally located, be where customers are really excited with the location of the project in addition to us as a developer of the product they're buying.

So I think that has been one concerted effort to focus on high-quality locations. But from a size perspective, if we think we can create very strong product in this 10-acre, 15-acre kind of parcels that would be typical of what we do. And of course, we are looking at larger parcels for plotted development given the nature of those developments.

Moderator: We have our next question from the line of Yash from Stallion Asset. Please go ahead.

Yash: So I just wanted to understand your slightly longer-term view, let's say, 4 to 5 years, I mean, given the strong uptrend we've seen in real estate for the past at least 2 years and all the players in the sector are reporting really good results, do you think that we can sort of grow our bookings by at least like 20% CAGR for the next 4 to 5 years? Or what's your long-term sense on the industry and for your company?

Pirojsha Godrej: Well, I think the long-term prospects of the industry, we think are extremely exciting. If you look at the kind of stage of growth the country is in, we're already the fastest growing major economy in the world. I think most economists project that to continue over the next couple of decades.

What typically happens at this stage of economic growth as we've seen with China and other countries is rapid urbanization, of which, obviously, the real estate sector, and particularly the residential real estate sector, is a large beneficiary. So we think from a structural perspective, over the next couple of decades, there will be strong growth -- strong opportunities for a company like Godrej Properties to both participate in that sectorial growth as well as benefit from the opportunities for market consolidation by gaining market share.

Within that, of course, there will continue to be real estate cycles. We're currently in probably the early to mid-stages of an up-cycle. But within the 4-, 5-year timeline you indicated, it's quite likely that the cycle will cool off and start moving in the other direction. So I think it's important to be able to take full advantage of the structural growth story, but also to pay attention to where you are in the cycle and try to make appropriate decisions from a business development and capital strategy perspective based on where you see the cycle moving.

So I think that's what we've tried to do in the past. And I think Godrej Properties was perhaps one of the only real estate developers in the country who has been able to consistently grow even in the down cycle. I think last year was our seventh or eighth year growing our annual sales, many of those years where while the market itself was declining.

And we were also, I think, capable to, at the right time, raise capital and invest into business development the benefits of which we are seeing now. So I think tactically we'll have to be very agile and flexible on our views. But overall, I think certainly from a structural perspective, we think the opportunity is huge and growing.

Moderator: Ladies and gentlemen, we'll take that as last question for today. I would now like to hand the conference over to the management team for closing comments. Over to you.

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 do reach out. We'd be happy to be of assistance. On behalf of the management, thank you once again for taking the time to join us today.

Moderator: Thank you, sir. Ladies and gentlemen, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.