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March 14, 2018

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**The National Stock Exchange of India Limited**  
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**Ref: - BSE - Scrip Code: 533150, Scrip ID - GODREJPROP**  
BSE- Security ID 782GPL20 – Debt Segment  
NSE - GODREJPROP

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

Dear Sir/Madam,

Please find enclosed a transcript of the conference call with the Investors/ Analysts held on February 02, 2018.

This is for your information and records.

Thank you,

Yours truly,  
For Godrej Properties Limited



Surender Varma  
Company Secretary & Chief Legal Officer

AB  
Encl: a/a





## Godrej Properties Limited

### Q3 & 9M FY2018 Earnings Conference Call Transcript

February 02, 2018

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

**Anoop Poojari:** Thank you. Good Afternoon, everyone, and thank you for joining us on Godrej Properties Q3 FY2018 Results Conference Call. We have with us Mr. Pirojsha Godrej – Executive Chairman; Mr. Mohit Malhotra – Managing Director and CEO and Mr. Rajendra Khetawat – CFO of the company.

We will begin the call with opening remarks from the management, following which we will have the forum open for an interactive Question-and-Answer Session. Before we start 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 'Conference Call Invite' e-mailed to you earlier.

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

**Pirojsha Godrej:** Good afternoon everyone. Thank you for joining us for Godrej Properties' third quarter financial year 2018 conference call. I will begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions.

I'm happy to note that we registered another strong operational quarter. The total sales for the quarter stood at INR 1,220 crore which represents a YoY growth of 76% and ensured a third consecutive quarter with sales in excess of 1,200 crore. We had strong launches in Noida, Mumbai and Bangalore and were able to combine that with strong sustenance sales across our existing project portfolio. I'm especially happy to see GPL's continuing momentum in the NCR market, which has been weak for the last several years. After having done well in Gurgaon, we successfully entered the Noida market last year and following in the footsteps of Godrej Golf Links in Greater Noida, Godrej Nest, our second project in Noida witnessed sales of well over 200 apartments with a booking value of 195 crore in the launch quarter. Within the first three quarters of FY18, our cumulative sales in the Noida market have crossed 1 million sq. ft. with a booking value in excess of INR 600 crore. We also witnessed good traction in the phase launches of Godrej Platinum in Mumbai and Godrej Eternity in Bangalore with sales of INR 100 crore and INR 83 crore respectively. In

addition to this, our sustenance sales witnessed strong traction and we sold 0.75 million sq. ft. worth 801 crore from our existing inventory. The value of residential sales has been higher in 9M FY18 compared to any other period in the company's history. The total value of bookings in 9M FY18 stood at INR 4,029 crore which represents a 140% year-on-year increase. As we commence the final quarter of the financial year, we are set to achieve our best ever year in terms of booking value.

On the commercial sales front, Godrej BKC registered sales of ~124,000 sq. ft. with a booking value of INR 425 crore in Q3 FY18. For 9M FY18, we sold close to 200,000 sq. ft. at Godrej BKC for INR 697 crore and we now have only ~51,000 sq. ft. of remaining inventory in the project. We are still to receive well over 500 crore of cash inflow from these recently completed sales and we do believe this cash flow will further strengthen our balance sheet and allow us to continue to invest for our growth. We also remain strongly focused on monetizing the balance inventory in our other two commercial projects at Chandigarh and Kolkata though the market conditions in these two cities are haven't been very conducive and our results there have not been as per expectation.

After adding 8 new projects in the first half of FY18, we have added three new projects with the saleable area of 5.25 million square feet in January 2018. The first project is located in Electronic City in Bangalore and has a development potential of 1.4 million sq. ft. with an option to further increase it to 2 million sq. ft. The second project is located at Devanahalli in Bangalore and will be GPL's first plotted development venture. Both these projects are under the profit sharing structure. We have further strengthened our NCR portfolio by signing a development management agreement for our third project in Noida which has a development potential of 1.7 million sq. ft. We are looking to further expand our footprint in various micro markets in our top four focus cities, which are Mumbai, NCR, Bangalore and Pune. We expect to close FY18 as the best ever year for business development in GPL's history.

Coming to the financial performance, I would like to highlight that there was significant contribution from the first phase of 'The Trees' reaching revenue recognition in Q3 FY17 which considerably augmented the overall financial performance in the base quarter. Our total income for the third quarter increased by 21% and stood at INR 670 crore. Our adjusted EBITDA decreased by 9% to INR 164 crore and net profit decreased by 66% to INR 26 crore. For 9M FY18 our total income increased by 23% and stood at INR 1,547 crore, adjusted EBITDA increased by 10% to INR 420 crore and net profit decreased by 35% to INR 93 crore. The two metrics we are tracking most closely to gauge our performance are booking value and operating cash flow and I'm happy to share that for both of these metrics this has been our best ever financial year. We have generated ~INR 1,200 crore of operating cash flow in FY 18, which has allowed us to reduce our debt by 435 crore while adding over 23 million sq. ft. to the company's development portfolio.

The real estate sector has witnessed some significant developments over the past year and a half. Key policy reforms such as introduction of GST, the Real Estate (Regulation and Development) Act, 2016 (RERA), incentives under the PMAY scheme and further relaxations in carpet area for affordable housing units have provided a much-needed thrust to India's housing market. With growing transparency and improving policies, the country's real estate sector is expected to become more institutionalized and we expect 2018 to be a year of consolidation and recovery for the property sector. Improved affordability, pent up demand and improved consumer confidence should further accelerate this recovery. We expect to close FY18 on a strong note as our launch pipeline looks robust and business momentum is strong. Our performance for the first nine months of the year underlines the effectiveness of our resilient and differentiated business model that is anchored by the strength of the Godrej brand and the ability that gives us to attract partners and customers across

the country. Our national presence, strong brand equity, and large number of new projects leave us in a good position to fully capitalize on this opportunity in the years ahead.

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

**Moderator:** Sure. Thank you very much. We will now begin with the Question-and-Answer Session. We have the first question from the line of Punit Gulati from HSBC. Please go ahead.

**Punit Gulati:** I have just three questions here; #1 to start with, if you can comment a bit on the reported profitability part, why would the EBITDA margin be down in this quarter?

**Pirojsha Godrej:** The reason for that is two-fold; I think one obviously, BKC is at lower margins than many of the other projects because our reported margin is only our share of the profit, it does not include the joint venture partner share. The second thing is recognition of DM fees in this quarter has been a little bit lower than it has been in recent quarters. There will be some quarter-to-quarter volatility.

**Punit Gulati:** But in terms of cash flow, would you be receiving the entire or would you have to share that with the partners?

**Pirojsha Godrej:** The cash flow, it is 100% true-up.

**Punit Gulati:** But it is only from accounting perspective, you record half the profit and full cost?

**Pirojsha Godrej:** That is correct.

**Punit Gulati:** Secondly, there have not been any deliveries or completion for last two quarters. So if you can give some color on what is the pipeline for deliveries over next four quarters or a year?

**Pirojsha Godrej:** I think the delivery numbers will be quite robust. If you see obviously, quarter-on-quarter there can be some variation but in Q4 FY17 and Q1 FY18, for example, we had a large delivery number. So obviously these were the big tickets. Usually we are delivering about an average of million square feet in a quarter. I think certainly the trajectory we should expect to see is an increasing delivery number and it should quite closely track our sales performance. We expect to deliver all our projects on time. So by and large, 3 to 4 years depending on the project after we launch the project, we should be delivering those projects. I think if you track our launches over the last 3 or 4 years, which will give you a fairly good indication of when deliveries will happen.

**Punit Gulati:** I am not doubting the delivery because I notice that every single quarter you have delivered something over last at least nine, ten quarters. So just trying to understand what would be the pipeline in terms of million square feet that you would deliver in this calendar year?

**Pirojsha Godrej:** I do not have off hand, maybe we can get back. In the last couple of years that number is in the range of 4-6 million square feet.

- Punit Gulati:** So last one is you intend to jointly development two projects in Bangalore. In one, you have profit sharing of 21%, other you have profit sharing of 50%. How should we think about these joint venture agreements?
- Pirojsha Godrej:** The one 21% profit share is a plotted development. The investments there it is almost nothing, little bit of infrastructure, the club house and so on. I think that is why clearly the land value there is a vast majority of the value and it is a very quick turnaround and a high IRR for our investments. That is why the absolute profit share is lower there. The E-City project is a very healthy profit share project in North Bangalore of 50%, which is higher when compared to our other profit share projects.
- Punit Gulati:** Will there be a trend that you would expect this profit share to go up from even these 50% levels or do you think that is where pretty much most of the new agreements of this nature would settle now?
- Pirojsha Godrej:** I do not expect it to go up that much because if we have to be successful in this model over the long term than we need to make sure that we are generating a good return for our partners as well. So if that share of profit to us gets too high, then there is not enough left on the table for our partner. And the other thing I will point out is that clearly there is an opportunity to improve terms a little bit and I think obviously we will seize that where possible, but we really do believe that the bigger opportunity the current market is providing us is to dramatically scale up in terms of the number of quantity of deals we are doing as we have been doing the number of new micro markets we are entering. So I think even the doubling the number of projects we do will create a lot more value for the company than improving the terms by 5% or 10% and then improving the terms beyond that which we do not think frankly is in the long-term interest of the company because it would not adequately protect our partners.
- Punit Gulati:** Did I hear it right you are talking of doubling the business development. So if you look at last four quarters, you have kind of added 26.3 million square feet of area. Would you foresee adding 50 million square feet in next four quarters?
- Pirojsha Godrej:** Certainly, there is a lot of opportunity. I do not think the area is probably the best way to look at this. Certainly, we would like to continue to look at significantly increasing the value that goes into the company from business development. I think we are quite clear that the most important performance metric over these next few quarters when market conditions are out there is business development. So certainly that is the intent and focus. Obviously, where we end up is something that is hard to project at this point.
- Punit Gulati:** So last question, it has been a year to demonetization and a couple of quarters from RERA. Are you seeing significant change in the way joint development agreements are happening and in the way customers are perceiving the business and new launches?
- Mohit Malhotra:** There are changes which are going to happen in joint development agreement more because of the GST impact. We are studying that, but one thing which is very noticeable because of these two major macro trends is the consolidation which we are observing. The number of deals which are coming on the table, the quality of terms are improving and you can see even the large developers now wanting to do partnership. This is a mixed trend which is very visible and most of you also speak about it, but is very visible on the ground as well. The revenue share models would get into a question mark because of the GST impact, which we are all studying now.
- Moderator:** Thank you. We will take the next question from the line of Manish Gandhi, who is an individual investor. Please go ahead.

- Manish Gandhi:** Just first question is on the plotted development. So this is our first foray into this. So is it one-off or you are planning to do this business in many other deals and what is the rationale behind it because how do you protect our brand in this, so you just sell plot or you build also?
- Pirojsha Godrej:** Clearly, if we find the model working well in the first 2-3 projects we certainly think this is a saleable opportunity and I think the brand protection will come from obviously planning the projects appropriately, having the right design guidelines. Yes, the advantage is that we are not actually building the home, but creating the infrastructure club house etc. and obviously laying out design guidelines and the rest to make sure quality is maintained.
- Mohit Malhotra:** Manish, there is a lot of demand for plotted development and as Pirojsha said, it is largely to develop a high-quality infrastructure, and then the plots are going to be developed by the individual homebuyer. If you see the entire Gurgaon developed by Unitech or DLF, it was through this kind of development initially. There is a big market for that and it is a big opportunity.
- Manish Gandhi:** I completely agree with you, Mohit. Just my worry is that when we do DM or something, we are always been control of construction. So how we will be able to be in control of construction of individual bungalows or something and then something goes wrong, so how do we protect because our brand is the asset we are banking on?
- Mohit Malhotra:** Manish, our commitment is that we will make the infrastructure. If I give you a parallel example, if you look at Delhi, DDA or HUDA, any of the government agencies, what they do is they make this infrastructure, they build the plot in this, sell off those plots. Then our responsibility ends there. So if you buy a plot from us, our responsibility will end from then on and you will build your own house as per your spec, your own contractors and that is nothing to do with our brand, our brand is more on a township level or at infrastructure level.
- Manish Gandhi:** My second question is on the Bombay market. So how do you see next two years from the supply side and the demand side because of this dumping ground issue? So we do not know when it will be solved? How is the supply side looking at and how it is affecting us to sign new deals?
- Pirojsha Godrej:** I think the dumping ground issue is already constraining supply, we are quite fortunate that many of our projects which were in the pipeline things like Trees including commercial, residential phases were not affected by this but certainly a lot of projects are being held up and everybody's projects will be held up if this issue is not resolved. I think that will create crunch of supply. Certainly that I think will be felt over the next 2-3 years and will perhaps have an impact on pricing once demand picks up. Our own view has been that predicting the exact timing is difficult, but it is very clear to us that there should be a very strong rebound in the cycle in the next year or two and the reason for that is that it is obviously a cyclical industry and we have had several years of a slowdown now, you have affordability at the best levels within the last 15-20 years once you look at the fact that interest rates have reduced by 300 basis points, people's income has been steadily growing, property prices are flat. So our sense is that there will be a strong rebound that would probably be first witnessed through volumes picking up quite sharply and then that will have an effect obviously specifically on pricing as well. So our own sense is that the best way to utilize the current period is to use it for business development, get a robust portfolio in place and then hopefully with new projects starting to get launched, we will be in a much better market.

- Manish Gandhi:** Pirojsha, you just mentioned that this 23 million square feet we have done, of course, this is the highest but as I know that you are not very happy with that. So you said that you look more as a value rather than the square feet recently. Is it you mean to say that you are now more looking at the deals within central area or more lucrative area, so I just want to understand that?
- Pirojsha Godrej:** I think we would like to have projects across the pricing spectrum and across different micro markets in the city, but yes, certainly I do not think it is reasonable to compare 20 million square feet on the outskirts of cities to say 20 million square feet in a more central location. I think we are certainly cognizant of the total area where I think we want to enter multiple different micro markets and not just be concentrated in the central location, but at the same time I think the central locations are the most preferable ones are the areas where we would most like to add new projects, I think there is quite a lot of discussion underway for very attractive land parcels, so hopefully we can close many of those.
- Moderator:** Thank you. We have the next question from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** My first question is on the commercial assets on book especially Godrej 2 and the Hotel. Have we made any decisions on whether it is for sale or are we going to have it as an annuity projects on our books?
- Pirojsha Godrej:** Nothing is finalized yet, but I think Godrej II is leading to us to do some kind of an equity partnership, but retaining the asset on lease.
- Abhishek Anand:** Especially in light of yesterday's budget, whether we have made any decisions on whether to hold on to the asset or it will be primarily for sale?
- Pirojsha Godrej:** That is right, I think we will have to decide upfront on that and we are still fully understanding the budget implications and how exactly to go about it. But yes, I do think that that will be an asset that we will lease and hold of course, we may not retain 100% equity in asset.
- Abhishek Anand:** Secondly, I wanted to understand on the development management model. I understand that you have a say during construction but post-delivery what is the role of Godrej and how it ensures that a particular project is maintained as per our standards. Just wanted to understand on the contract basis, how do we ensure that our brand name is maintained post-delivery?
- Pirojsha Godrej:** Operating structure with these projects is certainly no different than any other partnership project. We retain full rights to appoint contractors, contractors can only be from our selected list of companies and this is captured in the documentation. On the facility management part, typically, as a company we haven't been doing our own facility management, so even in a joint venture project we appoint one of these IPCs to manage the property and then we hand over to the society living in the development which is similar under the DM model. I think we are currently exploring to create more of an in-house facility management presence particularly for some of our signature projects that is something we have been evaluating and working on.
- Abhishek Anand:** Finally especially in Bangalore, I am observing that a few micro markets you have, heavy presence like Devanahalli and Sarjapur, just wanted to understand the strategy of the company on how it is going to differentiate between the projects so that they do not cannibalize among each other, so I understand this is a plotted development, but overall when you go ahead with the portfolio addition, what all

things you take into consideration and try to differentiate it at the projects among themselves so that in future they do not cannibalize each other?

**Mohit Malhotra:** To your specific question, if I were to generalize this question to across cities, we have very strict guidelines when a new project is added. We look at the inventory available in that micro market and when we look at inventory, we look at inventory which is available for sale. If it is already under construction, then that is a second stage project. So we evaluate that, we look at how much capital has been deployed, etc., so there are various parameters which are looked at, and in case we are adding a project within the same micro market, then there has to be a very clear differentiation either through product mix or through topologies or positioning, which is very clearly defined before the project is signed. Specifically on Bangalore, Devanahalli Electronic City, Sarjapur, if you look at the HDIL project which is again closer to Sarjapur, so these are very critical pockets which we would like to invest in. Whitefield is another area and this is something which we feel is a very large market and we are still quite small there compared to larger players there who are doing bigger projects. I think we see a big potential to grow in Bangalore.

**Abhishek Anand:** You will be present in these geographies or you will be exploring some other micro markets in Bangalore?

**Mohit Malhotra:** So as I said if we see a large concentration in one micro market, then we look at the other one. For us, the entire city is an option where we look at, so if you look at Bangalore East we do not have too much presence there, we are evaluating options there.

**Abhishek Anand:** Just a small query; this plotted development will be a very quick turnaround, right, so should be ideally a year, year and a half kind of project I think?

**Mohit Malhotra:** Yes, the moment we get approval, then it should be a very fast turnaround.

**Moderator:** Thank you. The next question is from line of Kunal Lakhan from Axis Capital. Please go ahead.

**Kunal Lakhan:** Just wanted to understand on our Noida and Greater Noida strategy. We have sold almost close to 3 million square feet in the last five, six quarters in Greater Noida and Noida launches. Firstly, what are we doing right versus say the incumbent developers over there? Second part to that is what is the profile of the customers there, few years down the line are we going to be in a situation where there is a lot of these units have been delivered and not occupied and then we have to then compete with some of the customers who might have been investors or would be looking to offload this inventory in future, I am just trying to understand would we see a situation similar to say in Ahmedabad in the next two to three years here?

**Mohit Malhotra:** I will answer your second question first. Right now if you look at any geography including Noida or Gurgaon as well, it is largely end user play, almost more than 75%-80% of the customers are end users, and the customers really spend a lot of time before they take decision. So actually Noida is a very end user market in-principle. So we do not see any concern of that inventory coming back and competing with us in the future. We have also spoken to a lot of customers who are also saying that, look, we would want to stay in these kinds of quality development. In terms of what we are doing right, I think when we entered Greater Noida, we were very clear about the risk which we were taking, right from how we structured the project in terms of financially securing the deal, to the way we did the product design. So we undertook a very massive consumer study to understand what is exactly would consumer want, what are their pain points. So we do the study for almost all



projects and we understood what the customer sought for. We also had one of the best designers on board who did a fabulous master planning. The way we did projects strategy, we split the projects into multiple strategies. So, we did a lot of things which helped us. If you look at Sector 150 that was a very interesting place because practically every developer of stature has a presence there and Tata had already launched a project there. So, that was a very tough market to come and deliver, but again I think the success was based on our research on what is the consumer requirement, how we deliver a product around it. One of the critical things which we observed in that geography, in that location was security. So, the entire project positioning was built on security and that is why it was called Godrej Nest. That really worked with the consumers and given the quality of development, it was a big success.

**Kunal Lakhan:** My second question was on the new launches front. If I look at your tracker, we have 5 greenfield launches and about 3 new phases in the existing projects and they seem to be on track. So, are we looking at a crazy Q4 in terms of new launches?

**Pirojsha Godrej:** We are still waiting for approvals on some of those, and are hopeful of getting some of them but I do not think all of them will end up coming through but we do have a couple of launches with high visibility and are hopeful of doing a lot more. I think only reason we have not taken them out of the tracker for now because we are still hopeful of getting approvals. But I do expect we will end up getting good start through Q1.

**Kunal Lakhan:** And lastly, just on the debt front. Firstly, I wanted to understand how much of cash from the BKC sale have we received in this quarter?

**Rajendra Khetawat:** So, it will be 20% of the sale value.

**Kunal Lakhan:** So, balance cash will be received in the subsequent quarter?

**Rajendra Khetawat:** Definitely next quarter and the one after that.

**Kunal Lakhan:** So, we should see some kind of a debt reduction happening in this quarter?

**Rajendra Khetawat:** Yes, it also depends on what is the BD opportunity which we are investing into. But definitely other than that, there will be a debt reduction.

**Moderator:** Thank you. Next question is from the line of Manish Jain from SageOne Investment Advisors. Please go ahead.

**Manish Jain:** I just had a balance sheet question, Rajendra. That in non-current assets, our investments have risen from INR 312 crore to INR 422 crore and in current assets, investments have risen from INR 366 to INR 556. So, overall there is INR 300 crore rise. So just wanted to know what is that pertains to?

**Rajendra Khetawat:** So investments is on account of investment into my JV projects. So, whatever money I am investing into JV projects that is on account of that. So current assets basically fall out on projects wherever we are investing and obviously because of the RERA, the certain money is fall under mutual funds. So, that gets classified as a current asset. So, that money is temporarily parked over there. Investments like I said, it is all because of the investment in the JV project.

**Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA.

**Abhinav Sinha:** Just wanted to check in 4Q, are we expecting Trees phase 3 and Noida to come into recognition?

**Pirojsha Godrej:** I think we do not obviously have that information fully ready and I think we should see Trees get recognize either this quarter or next quarter, Noida not this quarter.

**Abhinav Sinha:** And secondly on the fee income portion, can you give us a broad idea what is the run rate like currently?

**Rajendra Khetawat:** Abhinav, I do not have that. I can just get this to you offline but like Pirojsha mentioned in the earlier question, so this fee will keep on fluctuating because now DM fee has two portions, one is certain upfront we get when we sign our DM and then there is a steady income which comes over the life of the project. So, this quarter would be little bit of blip when you sign a DM project which has upfront component to it. So it is difficult to put a run rate to it, but definitely we will try and work out something and come back to you offline.

**Adbhinav Sinha:** So, suppose you do like a 10% deal you get like a quarter upfront, is that a fair assumption?

**Rajendra Khetawat:** So, again it depends on deal to deal, not every deal has an upfront DM component. Again it is all how you negotiate and how the other partner is comfortable.

**Adbhinav Sinha:** And you are also talking about investing the BKC proceeds in some business development in like quarter or two or so. Are we looking at a big purchase which will have some higher capital intensity than usual?

**Pirojsha Godrej:** I think it is quite clear we see this as time of huge opportunity on the business development side and certainly we would like to seize that opportunity. And I think we have been quite happy to put some capital to work obviously within the same structures we usually use with the same philosophy that we already have. But yes, I think we have been very keen to invest as much as possible assuming the structure and returns we usually expect.

**Adbhinav Sinha:** And we should hear this out in what couple of quarters now?

**Pirojsha Godrej:** Business development is one of our key deliverables. So, nothing different that I am talking about but yes, we will see continued traction in the next couple of quarters.

**Adbhinav Sinha:** Sir, just last question, BKC the remaining inventory you will expect this to be sold out this quarter?

**Pirojsha Godrej:** I mean, we certainly hope to sell it out, I think what we are happy is that we certainly want to target selling it out within this financial year, but we are pretty good about the numbers we have already achieved. The remaining areas, it is only about 50,000 square feet. We do not have any full floor, so there are two to three different pockets that need to get sold. I do not think it will all happen within the quarter, but again I think we are very happy with the traction and should see that project fully monetized very soon. As we mentioned earlier, we will certainly see the healthy cash flows from the project over the next 2 quarters from deals already locked in.

- Moderator:** Thank you. We take the next question from the line of Saurabh Kumar from JP Morgan. Please go ahead.
- Saurabh Kumar:** Sir, my question is this page 22, your cash flow slide. So this other project related outflow of INR 326 crore is this like your partner share of cash flows?
- Rajendra Khetawat:** So, this includes the topline sharing we do with the partner, statutory dues and taxes, marketing and all other related costs and overhead costs get plugged into this other project related outflow.
- Saurabh Kumar:** So, this INR 900 crore inflow essentially just an arithmetic of all the money you have received and the INR 326 is essentially you have to give them?
- Rajendra Khetawat:** No part of it belongs to the JV partner, rest of all is expenditures towards various sets which I mentioned like statutory dues, marketing and overheads everything falls into this bucket.
- Saurabh Kumar:** And the land and approval related outflow this section C and advance to JV partners, I am guessing is for new projects.
- Rajendra Khetawat:** When I say land and approval related, it includes approval cost, FSI cost which we have to buy for all the projects. So, that bucket is for that and advances is separate what we give to the JV partners.
- Saurabh Kumar:** So, advance to the JV partners is for the new one, land and approvals for the existing partner. So basis your operating cash flow we should remove this INR 124 if we were to think like that or?
- Rajendra Khetawat:** When you buy a land, or approval or an FSI and when you give a deposit, so instead of buying a land you are paying your deposit that is why we have kept it outside the operating cash flow. For us it becomes like a capital outflow.
- Saurabh Kumar:** Yes, so I understand that, but most of this will be related to the new ones or existing ones.
- Rajendra Khetawat:** Both because we pay a milestone payment to the JV partner also. Our advances are also linked to certain milestones, so that also will start getting recovered as and when the project starts generating revenue to the JV partner. So, those get classified as BD outflow for us. It is a capital outflow for us. Basically it is doing the land payments over a period of time.
- Saurabh Kumar:** And Pirojsha, you just mentioned that this is a metric now with that we should track the operating cash flow, so clearly first 9 months you guys have done awesomely well. But do you think this INR 300 odd crore run rate is sustainable or can be improved?
- Pirojsha Godrej:** Yes, I think obviously again there will be significant quarterly volatility, particularly for the next few quarters we will see good operating cash flow from BKC. But certainly the idea would be to continue to perform well on this and grow it over time. But I do not think it will be a completely steady performance. There will be quite a bit of quarter-to-quarter volatility in this. But certainly over a medium term horizon the call would be to continue to increase that.
- Saurabh Kumar:** On this projects that you have added this year, the 22 million square feet odd, what is the capital that GPL would have put in against all these?

**Rajendra Khetawat:** So, I do not have that number. Saurabh, I can just come back to you on that.

**Moderator:** Thank you. The next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

**Samar Sarda:** Pirojsha, I just have a couple of questions on the new launches and schemes and just one data point need. You launching a lot of projects in the suburbs, now from a marketing standpoint in a suburb like Joka and Mamurdi, Pune, what is the value proposition you intend to put because if I see your realization for Panvel also, it is pretty high at Rs. 6100.

**Mohit Malhotra:** Samar, this is Mohit here. See, value proposition is defined on a project-by-project basis. So, if you are looking at projects like Joka or if you are looking at Mamurdi, essentially what we look at is we do a very extensive consumer study of that micro market and the potential consumers and then arrive at what kind of the differentiation positioning we will do for the project. Accordingly, we design the project and then of course marketing is what you see at the end output. But there is a lot of work which happens before that, so if you look at something like Mamurdi, currently we are doing a lot of work to understand how we will position this project and how we want to develop this. So, that is how we do it. It is a project-by-project thing. But both of them are end user markets.

**Samar Sarda:** And out of the launches which have happened in this year barring Godrej 24 in Pune and the forthcoming launches, how many of them are classified under 80-IB for you guys?

**Mohit Malhotra:** None.

**Samar Sarda:** And just one bookkeeping question for Rajendra. So if I just total the land advances for the quarter and to JVs existing and new it is round about 152 crore and advances to related parties and JVs is round about 580 crore. So, do we assume that this is the working capital requirement required in some of the JVs?

**Rajendra Khetawat:** Yes.

**Samar Sarda:** And out of the collection, when I am saying working capital requirement means these projects like you have to spend little more than your collections?

**Rajendra Khetawat:** So, obviously collections are milestone based. It includes several projects across, which are at a different stages of construction. So, you have to keep on funding those projects. So, it is a timing mismatch which will get rectified over a period of time.

**Samar Sarda:** And what will be our share of collections in the first 9 months?

**Rajendra Khetawat:** I do not have that calculation, I can come back to you on this.

**Moderator:** Thank you. We take the next question from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

**Sameer Baisiwala:** If I see the revenue breakup, what you recognize in your P&L, then it is only in two buckets, the one is Trees and BKC, the other is others?

**Rajendra Khetawat:** For others, it is several small projects like our existing projects we have across the spectrum.

**Pirojsha Godrej:** Earlier in the IndAS also a very little recognize.

**Sameer Baisiwala:** No, fair enough. But if I compare with Q1 and Q2, you had many other larger projects over there which have not contributed this quarter. These are projects like Ahmedabad, Kolkata etc.

**Rajendra Khetawat:** They have been bucketed into others, they would have contributed but they are bucketed entirely with others.

**Sameer Baisiwala:** Oh I see, you changed the categorization, is it?

**Pirojsha Godrej:** No, I think like I said that there is reasonable percentage we put it in others. So, with 2% or 3% typically, we put it in others.

**Sameer Baisiwala:** The second question is on the affordable housing, any thoughts on your plan?

**Pirojsha Godrej:** Yes, I think certainly we feel there are a large number of our existing projects for which could take benefit of the new affordable housing benefits especially I think the government is obviously made its intent clear in terms of driving the growth for this part of the sector. So, I think we probably do not have currently any plan for separate brand or a separate subsidiary looking it at. Certainly, we think there are big opportunities within our current portfolio and we will also keep this in mind for new business development deals.

**Sameer Baisiwala:** And just one final one, over next 2 years as you see, do you think you will have capital needs which is anything out of ordinary?

**Pirojsha Godrej:** No, I think not unless the business development is something out of the ordinary. So, as of now, we do not feel that we need additional capital. Again only thing that could change is if the business development phase greatly changes.

**Moderator:** Thank you. The next question is from the line of Tanuj Mukhija from Bank of America. Please go ahead.

**Tanuj Mukhija:** Just two questions from my end. I know Godrej wants to be a top 3 player in 4 key markets. Pirojsha as per you, which amongst these 4 is the best market and could you rank them in terms of your visibility for volume uptick and may be price growth?

**Pirojsha Godrej:** Each of these markets is a big opportunity and it will come down to our own execution now in determining which market we do well in. Clearly, each of the four markets has interesting overall opportunities, a large number of micro markets that we have not got into and significant opportunity for us to grow our portfolio. I think Bombay being our home market and being obviously the market with the best pricing will probably remain the most important market for us particularly once you factor in the Vikhroli development. So, certainly I would put that as number one. But amongst the other 3 cities, really I think it will boil down to how well we execute and there is no shortage of opportunity in any of that business.

**Tanuj Mukhija:** And given that the response for all of your launches in Vikhroli has been fantastic, what are your plans for monetizing that large land parcel in Vikhroli? When would you start the next phase of launching new projects on the Vikhroli land parcel?

**Pirojsha Godrej:** So, certainly we hope to do with soon of it. There are some of this approval issues in Mumbai that we need to get to know some of the stuff particularly DP plan and things, but the idea will be to have new launches in Vikhroli in the near future.

**Moderator:** Thank you. Next question is from the line of Prakash Kapadia from Anived Portfolio Management. Please go ahead.

**Prakash Kapadia:** I had 2 questions. I think Mohit mentioned about the things happening on the ground because of RERA and demonetization. So, wanted to get some more color. Are we seeing smaller players completely exiting the kind of number of players which were there, and secondly in our JV route to scale up, are we ensuring the land owner continues to get approvals so his interest is aligned and our go to market route is faster. Some of these thoughts will really be appreciated.

**Mohit Malhotra:** We can see a lot of consolidation on the ground. Across markets, we see lot of these developers especially even the large developers are exiting. They are finishing their existing projects, but for all the new projects they want to do a joint venture and we see a lot of such situations. If you look at Noida the deals which we have signed, they are all actually large developers in Noida who have now come and partnered with us. The Greater Noida partner has partnered again with us. So, this is a big shift which we can see which is happening in this industry. On the second question, the interests are totally aligned and we do give approval responsibilities to our JV partner and they are totally aligned because it is a profit sharing, both parties obviously work towards to make it more profitable and faster.

**Prakash Kapadia:** And in that context, is it fair to say, as Pirojsha also mentioned the demand side looks reasonably good from the buyers perspective given low interest rates, affordability and income rising. So, when do we see pricing power coming back because the way prices have been because today if you think of it from a customer perspective, the most crucial thing is delivery and maybe the certainty of delivery from a buyers perspective. So, once this tailwind of some of these unorganized players is gone, some of the larger players not wanting to do, when does pricing power come to the brand?

**Mohit Malhotra:** So, Pirojsha did mention in the call that we expect it to happen in a year or two and again first coming with the volume growth and then followed by the pricing growth. So, that is what the view is.

**Prakash Kapadia:** So, next 1 year or 2 years we think that should happen.

**Mohit Malhotra:** Yes.

**Moderator:** Thank you. Next question is from Manoj Dua who is an Individual Investor. Please go ahead.

**Manoj Dua:** We are doing good in terms of presale, we are doing good in terms of signing new projects. So I want to ask what are the general challenges or the area we should take care going forward. So like maybe pricing or may be approval what are the challenges as of now which Godrej Properties is facing in achieving its mission of growth?

**Pirojsha Godrej:** So, breaking up a little bit, not probably captured that exactly, but I think obviously the real estate sector in India has a huge demand and opportunity but there are no shortages or challenges either, I think this call is definitely too short to kind of properly expand on those, but certainly the phase of regulatory approvals continues to be a headache, these new issues that keep cropping up from time-to-time like we are currently facing with the dumping ground situation in Bombay with the development plan being delayed. Similarly, there are issues in other cities. So I think that continues to be a slight headache. Certainly, there are internal areas of operation where we think there is the room for improvement as well. But I think

what really excites us is that this is a sector there is absolutely filled with opportunity, we think the next couple of decades are tremendously exciting period where India is likely to be the fastest growing major economy in the world. Within that, we really do believe that the real estate sector is likely to be the fastest growing major sector and we still well positioned to kind of fully capitalize on that opportunity. But needless to say with that much opportunity, there will be a lot of challenges that we need to encounter that we need to make sure that we are on top of which includes building our organizational capabilities to keep pace with the kind of growth we want to achieve.

**Manoj Dua:** In which sector we have tied up the new Noida project?

**Pirojsha Godrej:** It is in Sector 150.

**Manoj Dua:** 150, we have one project in 150 also. It is also in 150.

**Pirojsha Godrej:** Yes, but this is slightly better location than in the previous one.

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

**Pirojsha Godrej:** Thanks everyone for joining us on today's call. I hope we have been able to answer all your questions. If there is any other question or comment, please do reach us offline and hope you all have a great weekend and thank you.

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

- ENDS -

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