



Godrej Properties Limited

Q4-FY2019 Results Conference Call Transcript

April 30, 2019

Moderator: Ladies and gentlemen, good day and welcome to Godrej Properties Limited Earnings Conference Call. As a reminder, all participants' 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 sir.

Anoop Poojari: Thank you. Good evening everyone and thank you for joining us on Godrej Properties Q4 FY2019 Results Conference Call. We have with us today Mr. Pirojsha Godrej – Executive Chairman, Mr. Mohit Malhotra – Managing Director and CEO and Mr. Rajendra Khetawat – CFO of the Company. We would like to begin the call with opening remarks from the management, following which we will have the forum open for an interactive question and answer session. Before we start, I would like to point out that some statements made on today's call maybe forward looking in nature and a disclaimer to this effect has been included in the conference call invite shared with you earlier. I would now like to invite Pirojsha to make his opening remarks.

Pirojsha Godrej: Good afternoon everyone. Thank you for joining us for Godrej Properties' fourth quarter financial year 2019 conference call. I will begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions.

We have just completed the best ever quarter in GPL's history in terms of the value and volume of real estate we have sold. The total sales for the quarter stood at rupees 2,161 crore which represents year on year growth of 105% and a quarter on quarter growth of 41%, despite Q3 FY19 being the previous best ever quarter for residential sales. The volume sold during the quarter of 3.7 million sq. ft. was by some distance the largest amount of area GPL has ever sold in a quarter. The total value of bookings in FY19 stood at rupees 5,316 crore, with the second half of the financial year contributing two thirds of the sales for the year. I am happy to note that we have sold more than 1.1 million sq. ft. with a booking value of over rupees 900 crore in each of our focus markets of Mumbai, Pune, NCR and Bangalore. This has been possible through the combination of strongly performing new launches with sales of rupees 3,062 crore and sustained momentum in sales from existing inventory, which stood at rupees 2,254 Cr in FY19. In Q4 FY19, at Godrej Central Park in Pune we sold more than 700 apartments measuring more than 575,000 sq. ft. with a booking value of rupees 316 crore. At Godrej Aqua in Bangalore, we sold close to 387,000 sq. ft. with a booking value of close to rupees 200 crore. At Godrej Habitat in Gurgaon which was launched in the last week of March we sold more than 300,000 sq. ft. with a booking value of rupees 178 crore.



On the commercial sales front, Godrej Genesis registered sales of close to 200,000 sq. ft. with a booking value of INR 82 crore in FY19 and we now have only ~150,000 sq. ft. of remaining inventory in the project. At Godrej BKC we sold more than 25,000 sq. ft. with a booking value of 88 crore and we now have only ~25,000 sq. ft. in the project left to sell. While we have made good progress towards fully monetizing our commercial inventory in BKC and the Kolkata, we still have significant inventory in our Chandigarh project and one of the focus areas for the current financial year will be to achieve 100% monetization of all our older commercial projects.

FY19 has also been the best ever year for business development in terms of area added and the expected future profit from this area. GPL added 11 new projects with a saleable area of approximately 31 million sq. ft. This includes a portfolio of 6 projects measuring 25 million sq. ft. in the Pune market. This is GPL's largest ever business development deal and will dramatically enhance our presence in Pune. We also added two projects in Mumbai in Q4 FY19. The first project is located at Bandra and has a development potential of 1.1 million sq. ft. and provides us the opportunity to develop a high value project in one of the most desirable locations in India. The second project is located in Vashi and will yield a saleable area of 0.5 million sq. ft. Both these projects fit into our strategy of expanding our footprint in newer micro markets across our top four focus cities. Despite a very strong year for business development, we believe we can do much better still in Financial Year 2020 given the current market dynamics.

We achieved revenue recognition at The Trees - Phase 1 within 32 months, one year ahead of schedule, which significantly enhanced the P&L numbers for the year. Our total income for the fourth quarter increased by 133% and stood at INR 1,200 crore. Our EBITDA increased by 327% to INR 314 crore and net profit increased by 271% to INR 157 crore. For FY19 our total income increased by 57% and stood at INR 3,236 crore, EBITDA increased by 111% to INR 597 crore and net profit increased by 191% to INR 253 crore. During the quarter we delivered 1.6 million sq. ft. across four cities. This includes 0.5 million sq. ft. at The Trees, Vikhroli, 0.5 million sq. ft. at Godrej Oasis in Gurgaon, 0.25 million sq. ft. at Godrej Prana in Pune, and 0.3 million sq. ft. at Godrej Azure in Chennai.

After a year of disruptions, the Indian economy is consolidating the gains from recent reforms. Never in the history of Indian real estate sector have so many significant events taken place within such a short period of time. While the initial days of the new regulatory environment saw Indian real estate going through a phase of transition, we now see an opportunity for disproportionate growth. Our sales performance has strengthened significantly in H2 FY19. We expect to further scale our sales momentum in FY20, given our exciting launch pipeline across the country which has been significantly enhanced by new project additions. Given the liquidity situation in the sector, which has become even more apparent in light of the NBFC crisis, the visibility on business development is the strongest we've ever witnessed and we hope to have numerous positive portfolio enhancement announcements in the coming financial year. We believe our national presence, strong brand, and robust project portfolio leave us well placed to capitalize on this opportunity.

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: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Puneet Gulati from HSBC.

Puneet Gulati: Just trying to understand a bit on the financial side, the net worth for December 2018 seems to have been restated. Can you help me understand what has changed?

Rajendra Khetawat: So the Q1 net worth what we stated was unaudited. At the end of the year, auditor has relooked at the entire thing and because of 115 certain projects were reclassified, certain phases were reclassified. So, that is where the change has happened. So like we said earlier this is an adjustment where the reversal of revenue which happens to 115 it will start coming back. For e.g. The Trees which has happened has already started contributing back to the net part. So this will come back over a period of time in the coming year.

Puneet Gulati: Yes. But wasn't 31st December 2018 net worth already adjusted for 115?

Rajendra Khetawat: No, it was adjusted. But like I said it was an unaudited one, so once the final audit happens there were certain adjustments which auditor suggested to make, so we have made those adjustments.

Puneet Gulati: Okay, great. Secondly, will it be possible to get some color on how much you would have invested to add these new projects to the portfolio?

Pirojsha Godrej: Well, our net cash flow shows that Puneet, largely shows what has been invested into lands and approvals for the quarter.

Puneet Gulati: So that is largely for these 6 projects?

Pirojsha Godrej: The 6 new projects.

Puneet Gulati: Yes. The 688 crore is for Pune and Mumbai both, or is there more to it?

Pirojsha Godrej: The bulk of that is from the Pune project.

Puneet Gulati: Okay. And there is nothing more that you need for Pune?

Pirojsha Godrej: No, there will be a link to certain approval milestones etc.

Puneet Gulati: Okay. Also, Magadi is now out, so have you been able to recover money from that partnership?

Pirojsha Godrej: It was a DM project, it stands cancelled.

Puneet Gulati: Yes. But there was no investment there?

Pirojsha Godrej: No.

Moderator: Thanks. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: My first query will be on the slide where we mentioned the planned launches for FY20. Firstly no mention of any subsequent phase launches in Vikhroli, if we could get some clarity there. And secondly, we are planning to launch 15.5 million square feet that includes the subsequent phases as well and last year we were planning to do 14.9, so almost similar number and we eventually launched 12.1. So are we going to see similar performance of around 5,500 crore. I was just trying to see the trajectory of growth based on the launch profile?

Pirojsha Godrej: Abhishek, I just looked at this slide and I think there is a slight error. The Vikhroli is actually planned. I think we accidentally put 0.2, let me get that corrected. I think that

is the new project and we certainly will launch an area much larger than that. The total project that we were talking about would be in the range of 2.5 to 3 million square feet. Not all of that would be launched but I think the launched area would be closer to a million square feet. It will of course be finalized closer to the launch. So we will have that corrected in the presentation. We think it is a fairly robust portfolio. We certainly think it gives us the opportunity if all of these project launches happen, to go well past this year's number and I don't think necessarily just looking at the area would be the best way to do it. For example in FY19 although the value growth was quite small over FY18, the volume growth was very significant at 40%. So I think this year if we have projects like Bandra and Vikhroli launching, you could again see with similar area much higher value. So certainly, I think if we are able to execute all of these launches, we are reasonably confident of doing good sales growth during the year but of course we don't like to give any sort of range specific guidance for that.

Abhishek Anand: No, that is very helpful. Secondly of course as you mentioned Bandra project. This is our first SRA project where we will be involved in, what is the status of the project, what is the status of slum rehabilitation, how much payments we have already done to the counter party? And since we have mentioned it in launch tracker in this year, these statistics will be very helpful?

Mohit Malhotra: This is Mohit here. So we are in the design phase of the project. You know, we are at advanced stages of design and we are targeting the launch within this year, so of course we are also submitting for approvals very soon. On the status of slum clearance, we have the LOI and our partner is very well known for clearing slums in record time. So we are very confident that before Diwali we should positively have the slum cleared up and then subject to approval we would be ready to launch.

Abhishek Anand: So Mohit, just a clarification. Does the counter party require to construct the SRA building and then only we will get the commencement certificate or we will get it before hand?

Mohit Malhotra: No, we will get the IODs and everything before the construction of this building. Our construction will be linked to the construction of SRA building. So it is plinth-to-plinth kind of working and there also the way we do it is, we are taking control over those particular aspects which affect our development.

Abhishek Anand: Sure. So we will be constructing the SRA?

Mohit Malhotra: We won't be. There will be someone else constructing it, but cash flow is something where we will be taking control over the development.

Abhishek Anand: Okay. And LOI etc. is available with us?

Mohit Malhotra: LOI is already in place and that is when we announce the transaction.

Abhishek Anand: Sure. Perfect. And lastly if I am looking at our realization in Tranquil, I see decline, whereas there is an increase in Godrej Infinity. Especially in Tranquil I see a material decline?

Mohit Malhotra: Decline in terms of?

Abhishek Anand: In terms of realization.

- Mohit Malhotra:** See, there are two kind of inventories which are there in the Tranquil project. One is facing the national park which is a very premium inventory and the other inventory is facing the slum. So the pricing difference is pretty stark in these two inventories. It depends on which side of the stock got sold. Given that this is last phase of the launch and we had these more of a slum facing inventory, the realization might be lower than the previous sales. So that is as per statistics, there is nothing to worry about.
- Abhishek Anand:** Okay sir. And Godrej Infinity we saw material jump in realization. So is there a price increase there or again there is a mix change?
- Mohit Malhotra:** We will just clarify this.
- Abhishek Anand:** Yes, because it is almost a 10% increase from what we reported in 3rd quarter. So, just trying to understand that. Thank you so much. I will get back in the queue for more queries.
- Moderator:** Thank you. The next question is from the line of Mohit Agarwal from IIFL. Please go ahead.
- Mohit Agarwal:** I am trying to understand that, now that we get lot of deals, lot of these deals may be distressed. I am trying to understand what is the distressed element in this deal, how do we read that and where all of it is reflected? Is it only reflected in a higher share in the project or a lower upfront value or have you kind of increased the IRR benchmark that you have taken. So could you give some perspective on that? That would be helpful. So what all parameters have changed? Let us say a deal which would have come 2-3 years back versus now, how has that changed and how will that reflect in our profitability going forward?
- Pirojsha Godrej:** Yes, I think couple of things. First of all, I think the kind of deal, the location of the deal, the kind of developers who are willing to partner on deals is what has probably changed the most and I think some of these locations like Bandra etc. we do think are fairly outstanding locations. I think the scale of the Pune deal for example to do a 6 project deals simultaneously is quite exciting. We obviously do think valuations are also attractive. We have always said that beyond a point there isn't much more we can do on valuations because our partners also have to make a fair return on their investment. So I think our focus is on using this period of opportunity to improve the total share of profits that are accruing to us from these projects and improve the quality of locations that we are entering and in an absolute sense increase the quantum of area in projects that we are adding to the portfolio. Of course, we will where possible also improve the terms of the deal, but that I think has a natural limit we should also understand.
- Mohit Agarwal:** Okay. And going back to a previous question on Vikhroli, so you said that this number would be higher than 0.2 million square feet. Just trying to understand that, probably could you give a guidance or just an idea on how you see this panning on a long term? So could you see this like a steady state, a million square feet kind of a number going forward or do you think that what is your sense of annual absorption of the residential or mixed use in that market, over the next 5-10 years?
- Pirojsha Godrej:** I think over the next 10 years my sense is that it would change dramatically because the million square feet you mentioned could be a reasonable number for today, but our sense is that once we have established Vikhroli as one of the most desirable locations in the city, that itself will create more pull factor for people wanting to come here which in turn will increase the kind of absolute sale possible here. So if you look at it in terms of something like Gurgaon and in NCR. I think it is obviously completely

changed in terms of what its scale is today versus what its scale has been 15-20 years ago. So I do think in Vikhroli we will see something similar. As we deliver more real estate, and get some of these other asset classes like retail, hospitality, that will have its own pull factor which will allow us to further increase demand. But I think in the short run a million square feet on residential seems like a reasonable level to target.

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

Tanuj Makhija: My first question was, Godrej Properties has had a long-term ROE target of 20%. Would you say that you are on track right now to achieve a 20% ROE target in the next 3-4 years and if yes then what are the levers that would drive improvement in ROEs?

Pirojsha Godrej: Yes, I think broadly we are on track Tanuj. Obviously, a lot of the work that needs to happen to make show that this is delivered, it still ahead of us. But we do think if we look at the kind of product, we say I think this year we look at the kind of scale up that has been on the sales side, we do think those are some of the steps needed to achieve this. Similarly, if we look at the timeline in which a project like The Trees was delivered, I think quicker turnaround on the construction side is one of the key areas of levers that we have in our disposal to achieve this. I think the only thing is that has happened that is negative to our plans is probably some of the accounting related issues of IndAS 115 when our revenues get recognized only on project completion which I think provides some natural stretch to that. Also, I think the amount of capital we want to deploy in some of the new projects having increased and these reach revenue recognitions will clearly we think deliver this ROE aspiration and are a critical part of delivering this ROE aspiration, but in the short term will obviously increase the capital employed without any P&L impact. So I think those are the two such things that could delay slightly, but certainly we think the overall the progress we made over the last 2 years since we announced that journey and goal have been positive and we are well aligned with achieving it.

Tanuj Makhija: Great. The second question was, also there has been very good traction in terms of pre sales by Godrej Properties. Are you seeing any pricing power in any of your micro markets? Could there be a case of price rise in any of your micro markets in FY20 or beyond?

Pirojsha Godrej: Yes, look that would be linked to the overall market performance. I would say in most markets we are at a premium to most of the developers in the area. Of course, that would depend a little bit in which area and what other developers we are comparing ourselves to, but as such typically we are certainly at pricing premium and at a very significant volume premium. But in an absolute sense we can't be delinked from the market. While we can get some amount of premium, it obviously can't be stretched beyond a reasonably point. So I think we will need to wait for a market recovery for the pricing to move. I think there is a good case to be made that you will see the market starting to improve this year or next year, I think we have obviously now been in 6 years or 7 years of residential downturn. You got affordability now as the best it has been since probably 2002 or 2003 with interest rates having come down 300 basis points, people's income in the last 5-6 years probably I mean increased by 50% and property prices in most places remaining quite flattish. So I think all the underlying factors that are needed for the next bounce back are probably in place. There have been some of these external shocks like demonetization first and RERA, GST, most recently this NBFC liquidity environment then I think I have continued to push back a recovery and we are maybe still another year or two away from a recovery. But I think when it comes back when you will start seeing obviously volumes pick up even more substantially and you will see pricing start to improve. I

think in the interim from the company's perspective what we are very focused on is it there are two avenues available for us to grow. I think one is obviously the sector itself growing and we believe that represents a huge opportunity for us over the next couple of decades as India continues to urbanize, continues to grow economically and sees the sector continues to do very well, but in the short term while has been happening, I think the second opportunity is the one that we are more focused on and that is the opportunity to grow our own market share to make sure that we are doing whatever we can to consolidate the industry to enter as many new micro markets as possible within the focus cities and we are relatively satisfied with the kind of progress we have made on that part of the journey over the last couple of years.

Tanuj Makhija: Could you please give us the revenue recognized and the margins realized at Trees in this particular quarter and what are the pending collections from Phase-I of Trees?

Rajendra Khetawat: Revenue recognized was around Rs.900 crore. This is the total income recognized in the quarter and the margin is around 35%-36% over there.

Tanuj Makhija: Sir, what are your pending collection at Trees?

Rajendra Khetawat: Only whatever is based on the OC which has come in the previous quarter. So it should be around 10%-15%, should not be more than that and on the outer side, it should be around 10%-12%. This is the collection pending in Phase-I where the recognition has been done.

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

Kunal Lakhan: Just on our strategy for Pune, I think last year we had seen some serious acquisitions there, similar to what we have done in the NCR market in the previous years. So just wanted to understand what is the strategy and outlook in the Pune market?

Pirojsha Godrej: No, I think for all the top four markets, which again from our perspective Mumbai, NCR, Bangalore, Pune, the goal is to enter as many new micro markets as we can. We believe in each of these four markets, despite of having achieved some reasonable scale there remain huge amounts of untapped opportunities. For example if you use Pune as an illustration, prior to this transaction we actually had about 3 projects in Pune and frankly not the most ideally located projects for the most parts and despite that with those three projects we have either been the number one or number two developer in terms of most residential inventories sold by the developers in an individual year. So we think now with these 6 new projects which are largely better located combined with our existing projects gives us an opportunity to very quickly ramp up our market share in Pune to hopefully a very significant degree. I think the goal is similar across all of these four markets. The quality of execution during the year would clearly be different. I think this single deal in Pune made it the best city in terms of our business development performance. I think we had a decent performance in places like Mumbai and NCR where we added very high-quality locations in Bandra, in Noida and Sector 43. I think the good thing is that the visibility in all four markets from a business development perspective continues to be very strong. The team is extremely focused on it, so hopefully we can have a better-rounded year from a business development perspective this year and I would say, overall when we look it at a national level. I think last year was the excellent year for business development.

Kunal Lakhan: Sure, that is helpful but I am just trying to understand because Pune typically absorbs about 30,000 units to 33,000 units in a year and we have a very serious inventory,

which we will bring to the market, may be over the next 2 to 3 years. So in terms of market share and if I look at it that way, the traction that we have got in the past projects, it looks like either the market seems to be going up significantly in terms of absorption or probably it is Godrej will be achieving some serious market share in the region?

Pirojsha Godrej: I think for this strategy to work in any of these cities, if the market itself is relatively flattish, we will obviously have to grow our market share, but I don't see that as a very daunting task considering that our market share in most of these markets is anywhere between 1% to 4% or 5%. So I think with our brand name, with hopefully the kind of the product insight that we can bring to any new project launch, we can continue to deliver on track record of residential launches being successful and I don't see any reason why the market share can't even very significantly grow up, go up from current level and as I mentioned. When you look at the portfolio like this of 25 million square feet, we are really talking about kind of 10-year portfolio. It is not that all of it is going to get sold obviously in the next 2 or 3 years and certainly over that length of time I would also expect to see a big contribution from the work itself ramping up.

Kunal Lakhan: Secondly, question to Rajendra, you just mentioned in the previous comment that the margin on Trees was about 25%?

Rajendra Khetawat: 35%.

Kunal Lakhan: Okay, but just in the March quarter our EBITDA margin, if I exclude the other income, it is around 16% odd and even the PBT margin is in single digits and I was trying to reconcile these numbers with the Q3 FY17 numbers when we had actually first recognized Trees Phase-I and the margin profile back then was significantly higher than what we have reported in Q4 FY19. So I just wanted to understand like how we should look at the margins first of all and secondly, like Trees being one of the better margin projects, does 9% PBT margin going ahead because considering we still have some legacy projects which could come to revenue recognition, how do you look at margins going ahead for the next year and even post that?

Rajendra Khetawat: So Kunal, as you rightly said, we still have these legacy projects and that is exactly what has happened in this quarter which have pulled down our overall margin in spite of Trees giving us 35% to 36% margins since we are unlocking the inventory as per our strategy. Those inventories are getting unlocked either at the breakeven or just above breakeven which is not a very great margin and because of the 115 there has been certain re-recognition of the revenue at BKC, INR 1,100 crore of revenue has been re-recognized which is at 13% to 14% margin, we have sold around 2 lakh square feet of Genesis, which is our commercial project, which is at the breakeven, so if you account for all those, it is pulling down the margin. To your question on the Trees, Trees was always between 35 to 40, we have always guided that the Trees' margin would be around 35% to 40%, so as you go towards the end of the project towards your OC, your costs and other things get finalized, so more or less it will be around 35 to 40% because we have certain high price inventories like penthouses and all in those Phase-I still to be sold, so that would make up for the margin. And going forward obviously as a strategy, we have been unlocking the legacy projects. Chandigarh is something which we will have to take head on to unlock the capital over there, so that may also depress our margin in spite of some good projects like Trees giving us a higher margin. So may be in 2 to 3 quarters, we will be able to start reporting.

Mohit Malhotra: I have here a couple of things which you had asked for what is going to happen in future. See, if you look at the current project profile which we were adding, the margin

profile is significantly higher for this new project addition and we feel that as these projects come into recognition, it will make a big difference in the profile.

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

Abhinav Sinha: Sir, first question is on the business development part, so the scale of the bets that you have taken seems to have gone up and is there a limit that we have there as such, I mean can we take like INR 1000 crore plus bets also?

Pirojsha Godrej: This will have to be calculated bets, we will have to understand the risk and the upside. But I think the scale of the company has also obviously gone up over the last 4 or 5 years. We have now established confidence in our own abilities in a lot of these areas and we would like to see that in the current period of opportunity where capital is very scarce in the industry if they are the right opportunities where we think we can generate adequate risk adjusted returns we are certainly happy to put more capital to it.

Abhinav Sinha: And sir, should we see the 2500 crore resolution more as an enabling one or it can be actively utilized as such in near term?

Pirojsha Godrej: I think it is a little bit of both. I think clearly it is meant as an enabling resolution and any actual decision on this that we want to have with any kind of fund raising is something that we haven't realized that yet. A lot of it will depend on how the market environment on the business development side is looking. I think clearly for the current set of deals and kind of normal pace of business development, we don't feel we need any kind of equity raise there and honestly, we are quite hesitant to have an equity raise. At the same time, we have commented that we think this current period is a fairly unique opportunity that may not come again over the next 10 years and we were continuing to see the kind of opportunities and do believe that more will be available, we would like to consider raising some equity and do it in a way that we are not raising it after the fact and after we have already made a huge amount of investment. So I think it is something which we will have to keep monitoring on a quarter-to-quarter basis, but now it is an enabling resolution, but I would not rule out the possibility of us considering a raise if market conditions continue the way they are.

Abhinav Sinha: And gearing target at 1.5 is still, you are okay with that?

Pirojsha Godrej: Yes.

Abhinav Sinha: Okay. Secondly on the Bandra deal that we have done, so I mean Bandra as well as the Vashi one, are there some significant pending payments which you still have to make next year or we are done with that?

Pirojsha Godrej: Yes. But I think particularly in Bandra the period that we will put the investments will be relatively small given the high value of sales once they start and a lot of the payments are linked to regulatory approval. So there would be significant pay out. But I think the period for recovery would be much shorter than you have in typical project.

Abhinav Sinha: Right. In what sort of products exactly we are looking at, I mean 50 crore apartment, 20 crore, so what is the range here?

Mohit Malhotra: So we are looking at a product which would sell in the market. So we are not looking at an ultra-luxury product. We are targeting product which will I would say work with

the middle class or premium middle-class segment and typically our product would be in the range of 5 crore to 10 crore kind of an apartment. So it will be, I would say affordable in the segment which we are talking about.

Abhinav Sinha: So broadly the 1000 sq. ft. -1200 sq. ft. carpet remains the ceiling as such,

Mohit Malhotra: Yes, not too far away from that number.

Abhinav Sinha: Okay. And sir finally on the sales itself. So we had a very high skew of 2H, right in FY19, so what are we expecting any sort of early bird projects ?

Pirojsha Godrej: We don't want to have the same first half this year as be last year. I think it put unnecessarily high burden on the second, I think I am very happy that the team was able to deliver against that high burden, but I think we must rather start with a bang this year. So I think the first half visibility looks very strong, but of course still linked to some regulatory approvals and so forth and there will be some projects that are clearly big ones that will be in the second half like Bandra, Vikhroli etc. But I think visibility is pretty good.

Moderator: Thank you. The next question is from the line of Parvez Akhtar from Edelweiss. Please go ahead.

Parvez Akhtar: What is the pending commercial inventory in Kolkata and Chandigarh?

Rajendra Khetawat: So Kolkata is another 1.5 lakh square feet. Chandigarh is still 4.5 lakh square feet of inventory to be sold and BKC is another 25,000 square feet of balance inventory.

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

Manish Jain: My question was primarily on Mumbai as the focus market excluding Vikhroli. Given the kind of launch that one can expect from Bandra, do you see a similar kind of BD pipeline in Mumbai. I am just trying to look at, do we have kind of visibility the way we did Pune kind of deal because Mumbai so far has been a little bit of laggard within the four focus markets as far as the BD side is concerned?

Pirojsha Godrej: Yes, I think that probably a fair assumption Manish. I think we also feel that Mumbai performance last year could have been stronger, both from an actual sales perspective. BD we do have some stuff that is in fairly advanced stage and a lot in the pipeline. So I think we are confident of bringing that to a fairly high levels and certainly I think a lot of the deal flow is actually in Mumbai which we are quite excited about. So hopefully we can have some more good news on that front in the coming quarters.

Manish Jain: And second was, looking at the outstanding deal terms in Pune, on a large volume and value of deal, if that is a kind of trend that we are looking at and we have clearly seen 2500 crore, you just mentioned earlier in the call, I think is 20% ROE don't you think is a very conservative number? I understand that when these projects get launched and there is a transition phase where equity gets issued earlier, but on a sustainable basis, on an existing 2500 crore net worth and we are planning to raise 2500 crore even though it is an enabling resolution.

Pirojsha Godrej: Manish, first of all, I really don't think we are planning to raise 2500 crore even though it is an enabling resolution. Even if we were to raise, I highly doubt we would look at raising that kind of a quantum. You know on the ROE thing, while obviously I wouldn't

say 20% is the absolute maximum that can be achieved in the business, I think that is a very fair and I think aspirational level to get to. I think if we are able to get there over the next 3-4 years, I think that will be a strong achievement. And we think that would be a very self-sustaining value creation engine if we can combine that 20% ROE with the kind of scale we are aspiring and certainly we want to get there, I don't think anyone is going to stop pushing us to look at further improvement. But I do think that it is the appropriate kind of midterm goal that we have set. And again we will obviously continue to keep pushing ourselves to do better.

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

Manish Gandhi: My first question is, so Bandra is our second project in slum redevelopment. Though we don't do the slum part, but I would like to know, is there any big opportunity for us opening in this kind of slum projects which was not possible earlier. In Mumbai most of the land which you are planning in a city centric, so slums are the big opportunity there. Just wanted your views on that?

Mohit Malhotra: So Manish, we are looking actively at opportunities both in open land, in redevelopment space and also in SRA space. Of course, we enter in to the project with a clear strategy that all of the risk related to SRA or redevelopment is kind of mitigated. So that strategy would continue even going forward and in case there are opportunities within the SRA space which meet our risk guideline, we will be very happy to look at them.

Manish Gandhi: Okay. But do you feel that this kind of market has given you entry in, which seemed like a difficult segment to enter?

Mohit Malhotra: So, we don't want to expose ourselves to the SRA business as such. We would want to focus on development and partner with good partners like we have done in past on these SRA projects.

Manish Gandhi: What is your view on student housing and co-living space with enhanced activity you see in this space and most of the players talking about adding 1000s of beds capacity in next 1-3 years. We know what has happened to the commercial real estate in WeWorks of the world. So do you feel, it will help clear inventory for the sector in next 2-3 years which we might not have thought. I just want your views on that?

Mohit Malhotra: I think these are good concepts which are at early stage. So I think it is difficult to make a very specific comment about whether it is student housing or co-living as a concept. We are also evaluating some of these things internally and talking to partners if in some of our projects can be looked at doing some of these interesting concepts. But I would say it is like a concept still Manish, still needs to be proven before we can really take it them to a large scale.

Moderator: Thank you. The next question is from the line of Nimit Gala from Edelweiss. Please go ahead.

Nimit Gala: We have been hearing on some issues with respect to disbursement to local builders. Does this affect our projects under the DM model?

Rajendra Khetawat: No, I don't think. What we do is we make a provision into our DM agreements that the project has to be funded by the land owner and as and when we launch we have escrow mechanism whereby the money is separately kept in an escrow so that the project construction doesn't suffer. So obviously there is a stress in the market, but as of now I don't see that we will have that issue of funding to the DM project.

Moderator: Thank you. The next question is from the line of Saral Bhanshali from Enam Investments. Please go ahead.

Saral Bhanshali: So, I had a question on Vikhroli, you talked about the incremental 2 million square feet that we are talking about in the next phase of launch. So I understand that the 35 acres that we own out of the whole Vikhroli land parcel, how much of this 2 million is going to come on that land parcel and how much of it will be under the DM agreement?

Pirojsha Godrej: Yes. So this new land parcel which we are talking about is going to be under the DM arrangement and all of this new project is under that structure.

Saral Bhanshali: Okay. And it will continue like that in the foreseeable future. Is that correct?

Pirojsha Godrej: Yes. That is the correct understanding.

Saral Bhanshali: Okay. Just one more question. You know about the fact that under the Godrej brand we are selling products which are, let us say this Bandra project and we are selling projects in Chembur and in other micro markets which maybe at very different price points. So have we ever considered using sub brands or a strategy to differentiate based on the price points that we are selling at?

Pirojsha Godrej: Yes, we have considered it. You know in the past we thought of having a single brand and sort of differentiating the project level brands makes more sense. Interestingly we are actually currently at the outset of a major marketing study where we are having some external support also in addressing just this question. So on revisiting that question and we will hopefully have an answer in the next few months. I think the pros and cons to both strategies, so we will have to find the right mix for us. But that is something we are kind of studying at the moment.

Moderator: Thank you. The next question is from the line of Dhaval Somaiya from PhillipCapital. Please go ahead.

Dhaval Somaiya: I was just trying to get a flavor of which Prana and Azure which got recognized in FY19. I would like to understand the breakup of that 14 crore of profit and loss from JV partners. So what would be the Azure's contribution and Prana's contribution?

Rajendra Khetawat: This is a share of profit. There are projects which are under profit sharing whereby we would get only our share of profit into our P&L. So it is a summation of all JV projects and the marketing expenses which because of the IndAS has to get expensed out. So the net is what keeps coming to the P&L. So that is why there is a negative for all the new launches which has been there into this JV project.

Dhaval Somaiya: Okay. So going forward with more of the profit sharing projects getting getting recognized, we will see this number substantially going up in the next 2 years or so.

Rajendra Khetawat: Absolutely.

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

Manoj Dua: Sir, what do you see the role of market revival in this Godrej's performance? What do you see how much is the role of market also reviving or it is that market is still not reviving at this stage?

Pirojsha Godrej: Yes. I don't think the market itself, if you are talking about last year's numbers has contributed much. I think the market remained tough even towards the end of the year if we are looking at it from a sector perspective, but as we highlighted including earlier on calls, I think there are two opportunities that GPL can benefit from at the moment. One is the overall sectoral growth and while that has been nonexistent in the past 3 years, we think that would be a very strong contributor to growth over the next few years. But the second opportunity that is very little to do with the market is how our own execution is going, how our own portfolio addition is going, our own efforts to gain from consolidation and improvement in our market share. And I think most of the sales performance that you have seen in the last two years is reflective of that. I think we have done a good job adding new projects, bringing those projects to market, improving our market share, but certainly it would be exciting to start seeing both those factors contributing at the same time.

Manoj Dua: Can you give some color on what is the demand scenario in 5 crore-10 crore in Mumbai currently?

Mohit Malhotra: Manoj, it is difficult to answer this question on a price band basis because it depends on the location. But I think if you are talking about Bandra or South Mumbai, then in this particular segment there is a sufficient demand.

Moderator: Thank you. The next question is from the line of Himanshu Jhaveri from Dhruv Gems. Please go ahead.

Himanshu Jhaveri: I just wanted to ask regarding the Panvel project. As from what I see we are only launching around 5 lakh a year. Is there any particular reason why you are going slow on this project and what is the news on the extra FSI in that project?

Mohit Malhotra: So we are looking to evaluate whether we should transition to the new policy which has come which significantly gives the FSI benefit. So that is the reason we are currently launching limited phases and then basis the final call on that subject, we will take the next call on this project.

Himanshu Jhaveri: Yes, because from what I see if we launch more also we can sell easily.

Mohit Malhotra: That is correct. But I think there is a huge FSI benefit. So we are just evaluating the tradeoff basis that.

Himanshu Jhaveri: Okay. And what are the new projects we are looking at, that Chembur RK Studio is one we are closing that deal I guess. The Delhi Ashok article which had come in the newspaper. Is there anything more there?

Mohit Malhotra: So right now I would like to refrain from commenting from both of these transactions, we haven't signed them. Once we have clarity, we can come back on this.

Himanshu Jhaveri: And the last one, I would just like to understand, as a company what we are doing different as in the current liquidity scenario. Most builders are finding it tough even to sell the ready projects. So from what I see we as a company apart from a brand, we are like selling even immediately as we launch the projects also. What are we doing different as a company apart from our brand which we have already built?

Pirojsha Godrej: Yes, I don't think there is one thing Himanshu, I think it is the combination of the things that hopefully we are getting right everything from selecting the right locations after understanding things like infrastructure and supply demand. We are spending a lot of time figuring out what is the right kind of product through our own research and our own understanding from our other projects and then obviously over the years

we have also build a strong sales engine in the company city level, national level and even through our international sales. So I think those certainly contribute. But I really don't think it is any one factor, it is a combination of all of these. Some of the areas we spent a lot of work on for example, during the last financial year was focusing on net promoter scores from all our existing customers working to improve that, working to make sure that we are sort of the best regarded developer in the country from a customer's perspective. We think some of those factors if we are able to get right will really be bigger drivers of future performance than any of the kind of short term operational or financial indicator. So I think it is a lot of different things which tend to revolve around kind of focusing on getting the right product. So the customer and the right service experience overall.

Himanshu Jhaveri: And in Trees can I expect any deal like the Vikhroli Trees land which we bought because the main profit driver would be if we buy some more land in this land parcel, rather than the DM model. I know the current structure is for the DM model, but in future is there any chance or you can't comment right now, anything?

Pirojsha Godrej: I think the best is the current DM model, obviously if there is no way to improve things in the future we would all look into that.

Moderator: Thank you. The next question is from Tanuj Makhija from Bank of America. Please go ahead.

Tanuj Makhija: Just one quick question. In the current stress area for the entire sector, would you be open at acquiring a developer or per se any under construction project?

Pirojsha Godrej: I think the answer is probably yes to either a source, but I think with the very high degree of caution and conservatism built into it. So it is more likely we will continue to see projects that are preconstruction being added, but certainly if we are seeing the right risk reward balance we can also look at opportunities that are under construction and we have seen such projects and including some of the one that we have added historically and on the entity level again something we are open to, but we would be very cautious about it the same time.

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

Pirojsha Godrej: I hope we have been able to answer all of your questions. If you have any further questions or would like any additional information, please do reach out and we will be happy to be of assistance. On behalf of the management, thanks again for joining us today.

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

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