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February 11, 2020

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The National Stock Exchange of India Limited
Exchange Plaza,
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Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

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 a transcript of the conference call with the Investors/ Analysts held on Tuesday, February 04, 2020.

This is for your information and records.

Thank you,

Yours truly,
For Godrej Properties Limited

Surender Varma
Company Secretary & Chief Legal Officer

Encl: a/a

Godrej Properties Limited

Q3-FY20 Earnings Conference Call Transcript

February 04, 2020

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 from CDR India. Thank you, and over to you, sir.

Anoop Poojari: Thank you. Good afternoon, everyone, and thank you for joining us on Godrej Properties Q3 FY '20 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'll have the forum open for an interactive question-and-answer session.

Before we start, 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 earnings presentation shared with you earlier.

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

Pirojsha Godrej: Good afternoon, everyone. Thanks for joining us on our third quarter financial year 2020 conference call. I will begin by discussing the highlights of the quarter and we then look forward to taking your questions and suggestions.

In the third quarter, our total revenue increased by 4% to Rs. 491 crore. Our adjusted EBITDA increased by 22% to Rs. 177 crore, and net profit increased by 9% to Rs. 45 crore. For the 9 months of the financial year, our total revenue decreased by 21% to Rs. 1,569 crore. Our adjusted EBITDA increased by 11% to Rs. 582 crore and our net profit increased by 72% to Rs. 166 crore.

In terms of access to capital, while leading developers are in a relatively comfortable position, liquidity continues to remain severely constrained for the rest of the industry. We believe this is an opportune time for developers like us to maximize the opportunity to gain market share. With this in mind, we saw good progress during the quarter on the business development front. We added 4 new residential projects with a salable area of approximately 13 million square feet. This included 3 projects in the Mumbai metropolitan region micro market of Navi Mumbai, Ambernath and Thane, and 1 new project in north Bangalore. These projects will significantly enhance GPL's portfolio and strengthen the company's presence in key markets across India's leading cities.

Given the current business development pipeline with a large number of deals at an advanced stage of discussion, we expect to have several additional positive new project announcements in the coming weeks. It has been a reasonably good quarter operationally with collections of Rs. 1,131 crore and net operating cash flow of Rs. 244 crore for the quarter. We expect this trend to continue going ahead as many of our newly launched projects start generating collection. The total value of bookings in the third quarter stood at Rs. 1,189 crore. During the quarter, we launched Godrej Nest in Mumbai and sold approximately 170,000 square feet with a booking value of Rs. 221 crore. While our overall sales number was moderate due to several launches getting delayed due to regulatory approval, we saw a strong uptick in sustenance sales during the quarter.

For the 9 months of financial year '20, despite challenging market conditions, we've managed to sell about 5.2 million square feet, worth about Rs. 3,500 crore, which represents a year-on-year growth in booking value of 12%. With a strong launch pipeline for the current quarter, we hope to close the financial year on a very strong note.

We also successfully delivered approximately 1.7 million square feet across all projects in 3 cities during the third quarter. In the second half of 2019, the Indian economy saw a sharp slowdown with nominal GDP slipping to its lowest levels in nearly 2 decades, resulting in extremely weak consumer sentiment. While we believe the current weakness in the sector will persist for a few quarters, we remain extremely optimistic about the medium-term prospect of the sector, especially considering the residential real estate affordability is now the best it has been in almost 2 decades.

On that note, I conclude my remarks and would like to thank you all for joining us on this call. We'd 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 Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Just on the P&L front. So we saw 1.7 million square feet of completions this quarter, but that didn't have much of bearing on the revenues. So any color on that?

Rajendra Khetawat: So Kunal, the 1.7 million includes bulk of The Trees portion because The Trees we're handing over and the other 4 was Godrej Prime, Godrej Aria, these are all JV projects. So like we said, JV goes into an equity reporting method. So while there was recognition on those JV, but at the same time, we have been doing launches, so there are outflows happening on account of marketing and advertisement cost, so those are higher as compared to the revenue recognized.

Pirojsha Godrej: And some of these are older projects where our stake is quite low like in Aria project in NCR, which was in partnership with a relative private equity firm.

Kunal Lakhan: Okay. But even on the associate front, if you look at, there's a loss of about 26-odd crore. So these...

Rajendra Khetawat: So bulk is like we have been doing launches. Q4 is a big launch quarter for us. So this launch activation starts much earlier. It's not necessary that the activities should begin only in Q4. So the expenditure starts happening. And like we have said earlier, this expenditure go as a period cost. So that's why all those, so while you may see a quarter-on-quarter difference, it's a timing difference. So the profits will keep coming into the future quarter for us.

Kunal Lakhan: Sure. My second question is on the collections front. I mean, we've seen a very strong ramp-up in collections this quarter. Is that a one-off year? Or we can assume that this is going to be the sustainable level, like 1,100-odd crore of collections every quarter?

Pirojsha Godrej: No, I think obviously, there will be some quarter-to-quarter fluctuations. But I would want to say that overall, it should be in a continuous upward trend. I don't think even stabilizing here will be good enough given the kind of ramp up we'd like to see. But certainly from quarter-to-quarter, there may continue to be some amount of variation.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

A. Chattopadhyay: I'm referring to Slide 14 on the launch tracker in the presentation. So sir, for the remainder of this year, it seems that we have got more than 10 projects to launch. So what is the status of the launches? And how much do you expect versus what you put out to actually achieve?

Mohit Malhotra: Adhidev, this is Mohit here. So we have a pretty ambitious plan for Q4, and we have already launched couple of projects, one in Pune, one in Bangalore and one in Mumbai, and we are expecting to launch many more projects in Q4. Of course, there are certain approvals, which are pending, but we are pretty confident that we will be launching at least 3 or 4 more projects within this quarter now.

A. Chattopadhyay: Okay. So at least 6-7 projects you're saying, on an aggregate basis, is what you expect to launch at least in this fourth quarter. Okay, got that. Sir, secondly on this business development, we have done a very large project now in Navi Mumbai. Sir, could you just tell us which micro market or which area of Navi Mumbai would it this be located within?

Mohit Malhotra: So this is an area which is closer to Kharghar. It's part of the industrial area, beyond the industrial area, but I would say there is a road which is getting connected, which will link it to Kharghar and make it very attractive. There's also metro connectivity happening. So for us, when we are looking at a large land parcel, some of these infrastructure works play a very important role. And this is a long-term project, which we are going to do a bit of high-rise and mid-rise development, so we are pretty confident about it.

A. Chattopadhyay: Okay, sure. And just to continue on that. Sir, one is, what is the status, I remember on the Panvel project you faced some issues earlier on the approval front. So what is the current status of the land? And by when do we hope to launch the first phase of this project? Any indicative timeline there?

Mohit Malhotra: We didn't have any, Panvel project is actually going quite well. And we had a very successful launch in the Q2, and construction is going full swing. So maybe you're referring to some of the old approval issues which happened. And that was happening because of the uncertainty surrounding the formation of CIDCO and NAINA and some of the agencies. So we don't envisage such issues to come up because things have become quite stable in Navi Mumbai from then on. In terms of this project, we, right now, are in the master planning stage, and our intention is to first do a very high-quality master plan and then maybe launch it either next year or a year after that, depending on, again, the approval timeline.

A. Chattopadhyay: Okay. And all the payments for all these BD we have done in the last quarter, this 13-odd million square feet, the payments would come this quarter or it has already been done in the previous quarter?

Rajendra Khetawat: So like we have said in the earlier calls, now our payments are linked to the milestones. So there are certain milestones define into this deal. So as and when those milestone gets hit, we will do some payments. So as of now, we have not made any significant payment in those deals.

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

Dhawal Somaiya: I just wanted to know where are we on the Bandra project, and if we have got any further clarity in terms of its launch timeline and everything?

Mohit Malhotra: Dhawal, this is Mohit here. So we are working full stream on Bandra project. We have already put our plans with our JV partner for approval. So on the design and approval front, we are going on a good pace. Unfortunately, on the site clearance level, there has been a bit of a delay from the JV partner side, which we are kind of working with him to figure out how to expedite that. But we are targeting to make sure that we launch this project definitely in the next financial year and make up for that lost time.

Dhawal Somaiya: Okay. And is there any incremental CAPEX pending for the project from our side in terms of approval or any such?

Rajendra Khetawat: No, not anything further on that. But obviously, there would be as and when we go further into this project, there would be some approval payments required to be made. But as of now, whatever we have made on account of small registration of documents and all those stuff other than that, we have not made any payment.

Pirojsha Godrej: Yes, on this project, it's worth remembering is that I think most of the outflows will be quite tightly linked with the launch of the project and given kind of the high value bills, we expect the timeline to get the capital back to be quite short as compared to more mid-income projects.

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

Tanuj Makhija: My first question is actually on Godrej Properties strategy. We recently launched 2 premium projects, 1 in Delhi and the other, I would say, in Chembur, Mumbai. So would in the future Godrej Properties look to increase exposure to the premium segment?

Pirojsha Godrej: Tanuj, I think we've always had a reasonable mix, right? So we've always had projects like, say, our project, The Trees or some of the redevelopment projects we've been doing in Chembur. So I don't think this is something entirely new. But we certainly want a large number of projects like these in the portfolio. But I think the majority of projects will continue to be more mid-income projects, priced at more about probably 7,000 to 10,000 range. But we do think that these projects that aren't in the kind of out-and-out luxury brand, but offer kind of high per square foot prices with the opportunity to also sell high volumes as we've seen in, say, projects like The

Trees previously do offer an interesting opportunity, and they certainly will continue to be part of the mix for the company.

Tanuj Makhija: Okay, understood Pirojsha. Just a follow-up on that, if you could elaborate, how has been the response to the project in Delhi and the RKS project in Bombay?

Pirojsha Godrej: I think we're quite happy with the response to both of these. It's still obviously very early days for RK, we've just opened it in the last few days. So the Delhi project, we've sold about 400 crore worth of inventory in that project, which I think is a decent number given where the NCR market is at the moment. I think given also the kind of volumes we have to sell in both of these projects where RK is only about 3.5 lakh square feet and Delhi one is about 8-odd lakh square feet. We don't think that's a very big ask from a volume perspective. So we've been quite focused there on ensuring very healthy margins, ensuring we're doing the best to achieve attractive pricing. And we have seen good sales already, and we think these are the kind of projects with the sort of quality we hope to bring to bear and they will also continue to sell well during the lifetime of the project.

Tanuj Makhija: Okay, very helpful. And just to move on to your business development. You've added 4 projects in this quarter, 1 of them being a pure land acquisition in Thane micro market. Could you share with us the acquisition price, first is acquisition price. And secondly, what is the total deposit to be paid for the other 3 projects?

Rajendra Khetawat: So Tanuj, I don't have this detail. Like I said earlier, I think our payments now even if it is an acquisition, we don't make it an outright payment at one go. Again, it is linked to the approval, but I can give you this detail offline.

Tanuj Makhija: Okay. Understood. And just one question to Mohit, if I can, right? So Mohit, you've now seen a mix of pure land acquisition and moving towards profit share plus DM. How does the strategy team or BD team go about identifying projects? And what is your IRR benchmark? And the last part of it is, when would those IRR benchmarks be reflected in the financials of Godrej Properties?

Mohit Malhotra: Yes. So quite a number of questions and tough ones. But again, the good news is that all of these deals are being underwritten in extremely high IRR, upwards of 30% plus. So that's a good news. And obviously, in this market, given the distress, which is available and with our strong brand name, execution and the capital, now we are able to get high-quality deals at very attractive terms. So this is something, which is a very positive news. Now in terms of when these will reflect in the P&L, unfortunately, we've moved to Ind AS 115, which is going into project completion basis. So any of the performance, whether it is Okhla or RK or any of these high strategic projects, even Godrej Aqua, these are not getting reflected in the P&L in the near future. So hopefully, in the 2- to 3-year horizon, we should start seeing a complete change in the P&L for the organization when these large critical projects get the OC and reflect in the P&L.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia: Continuing with the previous participant, I think you did clarify about the IRR. So is the softer land price in the current environment helping you get the better IRR? Because, I guess, pricing would not have seen much of a change.

Mohit Malhotra: Yes, that's correct. The land prices have corrected quite a lot in various parts of the country. So we underwrite them assuming no inflation, so current pricing becomes the base on which the entire business plan is built. So the reduction in land price is the real place where we are able to get the benefit.

Pirojsha Godrej: And also structuring our outflows to be linked as closely to actual operational milestones like starting a sale by linking significant portions of the payments to regulatory approvals, such as commencement certificates and RERA approvals and so on.

Prakash Kapadia: Understood. Yes, that also helps. Secondly, on the Mumbai market, Kandivali has seen a good start. We've had 3 launches recently. So is worst over for the Mumbai market? And what is giving confidence specifically for Mumbai? Because prices here have been fairly elevated. And we've had a history of not being very focused in Mumbai. So is that a change as part of our strategic plans and Mumbai will be a core market?

Pirojsha Godrej: Yes. I think a few years ago, we had said that the 4 focus markets for us are going to be Mumbai, NCR, Bangalore and Pune. I think overall, internally, we are a bit dissatisfied with the progress we've made in Mumbai. I think we could have done more and could have done it faster. So certainly, one of the priorities for this year was to ensure that our Mumbai portfolio is strengthened. I think we have good visibility on seeing that happen as we do also in other cities like NCR and Bangalore. Our Pune portfolio has already gotten strengthened quite considerably last year. So certainly, we continue to remain very focused on these 4 cities, and do think that a city like Mumbai, which has historically been the largest real estate market in the country and is, of course, our home market is a very important area of focus, and we'll probably, with the combination of Vikhroli plus all the other opportunities we have in Mumbai be the company's biggest market going forward.

Moderator: Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: So sir, your cash flows, although they were better than the last 2 quarters, given the kind of operating sales performance we've had in the last, say, 6-7 quarters, it is still low. Like if I go back to maybe, say, last year, the rate of inflows we were seeing, it is still lower than that. So I'm just trying to understand why is that the case? Is it because of some of the cash flow arrangements we have with our partners in various projects? Or is it because of how the payment terms are scheduled with the end consumers?

Pirojsha Godrej: No, I think it's all about 30% or so growth in cash flows in the third quarter. So I think that's been reasonable. I think one of the things to keep in mind was that the 2 previous years did see a lot of unlocking of capital that has been invested in our BKC project specifically, including huge one-off payments from the big transaction we did with Abbott in that project and other sales. I think on the residential cash flow, clearly, this year is tracking better than last year as we would expect. And we certainly see room to further grow it as we continue to grow sales.

Swagato Ghosh: And sir, one clarification. So for some of the JV or the JDA projects, the partner share, do we like adjust it upfront against the deposits we have paid?

Rajendra Khetawat: So it is an agreed arrangement. So there are certain deposits paid, which are sometimes refundable and nonrefundable. Most of the time, it is refundable, so it gets adjusted from their share of revenue or profit as and when they start accruing to them.

Moderator: Thank you. The next question is from the line of Srinath from Bellwether Capital. Please go ahead.

Srinath V: Just wanted to understand what would be the growth in sustenance sales, either for the quarter or for the 9 months? And the second question would be, couple of projects that we delivered this quarter saw very strong booking numbers. So is this a kind of trend that towards OC, we are seeing a surge in demand for our projects?

Mohit Malhotra: Yes. So we are seeing a very healthy growth. Q3, we had a very high growth on sustenance sales. There is a consistent trend, which we are seeing in the growth of sustenance sales over the quarters now. Now it depends, in some quarters when we don't have too many launches, the sustenance sales surge up quite rapidly. And in some quarters when the launches are there, it kind of remains moderate. But overall, if I have to give you a big picture, it is on a very positive trend and we are quite happy with it. On your second question, on the sales closer to OC, I would say it's a combination of both where we are also very focused in making sure that we sell stock closer to OC and people get GST benefit at the time of OC and also customers, certain end users prefer to buy at the time of OC. So it's a combination of both. But if you look at an overall level, I will say the sales closer to OC is a very small percentage of our overall sales. So I would say the trend of customers buying early during the launch and plan their cash flows is still a bigger trend in India.

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

Sameer Baisiwala: Raj, what's the gross debt on the books?

Rajendra Khetawat: So gross debt is around 3,500 crore.

Sameer Baisiwala: Okay. So we have about what 2,400 cash...

Rajendra Khetawat: Yes. So it has come down, gross debt has come down as compared to September quarter.

Sameer Baisiwala: Okay. And any update on the new deals in the pipeline? Anything big in Gurgaon?

Pirojsha Godrej: Yes, we have got lots of big things all over the place. But I think it's always prudent to let them to include before we start talking about that. So as we say, hopefully, we can have some very positive announcements this quarter on the business development front.

Sameer Baisiwala: Okay, great. And just, Mohit, on the Taloja deal, which is 7.5 million square feet, what does the land owner get for giving up 55% profit share? If it's a deposit, then you say it's refundable. So what does he really get in lieu of this?

Mohit Malhotra: Yes. I think the most important thing they get is the brand and execution capability to deliver these kind of townships because these are not very easy townships to execute. So our ability to design, sell and execute these townships in record time frames, whether you look at GGC or whether you look at Godrej Golf Links, it's a value which we add on the table where we are converting a raw land into a real estate product. So because of that is where the land owners are willing to participate with us and give us a high share of profit pool for delivering that value.

Sameer Baisiwala: So in the same sense, there is no capital that goes to the landlord, is it?

Rajendra Khetawat: It's very little, just to meet their initial cash flow requirements. Our strategy now has been mostly to link it through a timeline or to a milestone. So like profit sharing, obviously, he will be sharing a share of profit. So solely for small purposes to get the approval in case of anything or to meet his initial cash flow. Otherwise, it's not a very big payment, which we make in the profit sharing.

Mohit Malhotra: So it's not a big payment, which he is getting because of which he's giving us the share. Here, the largest thing is because of the value add. And when we structure the deal, we always look at the value-add component. Now in a city-centric property, the location is very good and people might feel that the value-add might be x, but when you're outside the city limits, the value is much higher because of our ability to unlock the land. So these are all very specific negotiations, which happen on a project-by-project basis. But yes, there is a premium for the value which we add as a brand.

Sameer Baisiwala: So in effect, this is all sweat equity, isn't it?

Mohit Malhotra: Yes, almost. You can say almost practically everything is sweat equity.

Sameer Baisiwala: Okay. And just to do the math for Taloja, if you don't mind. How is this profit calculated? Is this cash cost of construction, project-related approvals and all, and then post-tax whatever profit you get, you share? Or is the land cost adjusted etc.?

Mohit Malhotra: Land cost is never adjusted in profit share.

Pirojsha Godrej: So it's the sales minus the development cost after tax whatever profit gets distributed.

Sameer Baisiwala: If you don't mind, one final on Taloja. So what the selling price would be 5,000 and cost would be what 2,500 - 3,000, is that a fair number to go with?

Mohit Malhotra: See, we don't have a view right now on pricing. We will have it closer to the launch. But if I have to give you a benchmark, this project, once the infrastructure gets developed, it will be in good proximity to Kharghar, where the selling price is between 9,000 to 10,000. So depending on where the timing of launch and how much infrastructure has got built, we will price it accordingly. Also, there's a national highway, which is also actually touching the site. So all of these are very important infrastructure developments. And the final pricing will be closer to the launch day, but yes, it will be much higher than maybe what you've just mentioned.

Sameer Baisiwala: Okay. And would you be availing of affordable housing benefits? Or that's not the case here?

Mohit Malhotra: We would explore that.

Moderator: Thank you. The next question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: Our question is on the borrowing profile. There is a high proportion of short-term debt. Is this part of a conscious strategy, looking at the cash flows of the company or?

Rajendra Khetawat: Yes. So actually, on the pace it is looking as short term because it gets classified as per that. Otherwise, the proportion is almost 50-50 because we have certain lines from banks because for the purpose of the way it is structured, it gets renewed every year. Otherwise, they have been running from decades with us.

Vivek Ramakrishnan: Okay. So the working capital lines, some banks have regarded as, in theory, they're short term, but in practice they'd be long term, that's what you're saying?

Rajendra Khetawat: Yes.

Vivek Ramakrishnan: Okay. Sir, the other question that we have again is on the debt profile. The debt in the company, let's say, if I include the debt that the investment projects as well as JVs have, how much over the 3,100 crore would that be?

Rajendra Khetawat: So for the JV, debt is on to the JV book, there is no recourse of Godrej Properties because those are on a standalone basis. And obviously, the JV partner shares that debt along with you. So it should not be correct to include that. And on my book like I said, the gross debt is around 3,500 crore. However, I'm sitting on 2,500 crore, so net debt is around 1,100 crore is what the Godrej Properties book presently stands at.

Vivek Ramakrishnan: Okay. Just one last question, loans and advances are to the JV projects, right?

Rajendra Khetawat: Those are advances, those are already baked in into my net debt profile or the gross debt profile because those are given as advances to the JV project, they start coming back to me as and when the revenue starts accruing into those projects.

Moderator: Thank you. The next question is from the line of Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: So I was looking at the consolidated cash flow statement, the line item interest in corporate taxes seems to be rising for the past 2, 3 quarters. So you were doing 100 - 110 crore kind of a run rate. Now it's suddenly risen up to 185 crore. So why is that happening?

Rajendra Khetawat: So it is on account of interest. If you see the interest, we have been paying on account of the overall borrowing at the company level. If you see my interest outflow, since it's a gross figure out there, the interest factor is always there, like -- that kind of a number. So that is how it is, as you pay advances, obviously, your interest outflow also goes up and down, depending on what you are paying and how much you are receiving back. So that is a bulk item. Otherwise, corporate taxes more or less stable.

Manish Agarwal: And up to what level can this extend going forward? This is currently...

Rajendra Khetawat: I think this is the peak. I don't think it should go beyond it.

Manish Agarwal: And one more question. So you have indicated that the RK Studios is one of the most profitable projects you'll be having in your portfolio. So what sort of EBITDA margins can we make in this project?

Mohit Malhotra: We would be expecting between 30% to 35% on this kind of a project.

Moderator: Thank you. The next question is from the line of Dipan Laddha from Elixir Equities. Please go ahead.

Dipan Laddha: Sir, my question is more broad based in the sense that, sir, what percentage of the ongoing project would the land owned by the Godrej Group, some sort of idea as to what is the land, which is available because of the Godrej, other companies? And what is it that we have acquired or JVs, percentage wise?

Pirojsha Godrej: Well, I think what is even currently in our portfolio is available in our investor presentation. If I'm correct, it would be in the range of 5% to 10% of our overall portfolio, which would largely be land parcels we have partnered for and announced in Vikhroli with Godrej and Boyce and a large project in Bangalore with Godrej Agrovet. The opportunity beyond this, I think, is largely the Vikhroli land, which is, of course, a very big opportunity and something we've talked about previously.

Dipan Laddha: So in your presentation, the annexure, wherever it is written own, what do I understand own as?

Rajendra Khetawat: So those would be borne by the third party. You mentioned about the Godrej Group land. So that's what Pirojsha was mentioning, Godrej Group land is hardly 5% to 10%. But there is an Ind AS classification, like the old projects, wherever we are saying, The Trees is like own project, which is again a part of Godrej, but the Godrej Park which is one of the projects, which we have taken over, but may not be a part of a Godrej Group land parcel. That's what the description is. So we have 4 categories of projects in our kitty. One is which is 100% belonging to the company. One is development where we are development manager. Third is where we are into a JV. So that is the categorization, which we have given into the annexure.

Dipan Laddha: So going forward, what would be the arrangement with other Godrej group companies? I mean, will they be JV partners or DM? What is the strategy? I'm not concerned about the Godrej Property because there is a huge opportunity for the company, and how we go about...

Pirojsha Godrej: No, in Vikhroli, we have so far announced that the project would be developed as a development management project. I think from our GPL perspective, we are now more interested in doing projects where our equity stake is higher. So hopefully, that can reflect in some of the projects we do with the group as well. But I think for now you should assume that what we've already announced, which is the development management structure is what will continue. If and when there is any change to that, we will, of course come back to shareholders.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: Sir, my first question is regarding the launches. So every year, like in last year, you had given a guidance start of 12 million square feet, and we achieved 75%-80% of it. And at the start of this year, you had given guidance of around 16 million square feet. So do you think we will be able to get to that 75%-80% of our target levels?

Pirojsha Godrej: So we've listed, if you see on our investor presentation on Slide #14, we try to update every quarter what we call the launch tracker, which shows our current best estimate of what projects will get launched during the quarter. Obviously, this has some dependence on regulatory approvals, which is why never exactly what we indicate at the start of the year. So for example, this year, we have had a couple of projects from out already, such as our Bandra project and we are planning in Vikhroli. But we've also new projects that were added during the year that we've been able to bring into the launch calendar and have already been launched, like RK Studios project. So I think some amount of variation in this is, unfortunately, somewhat unavoidable given the dependency on regulatory approvals. But as it stands right now, we hope to launch the same number of projects, new projects that we had committed at the start of the year and only one new phase. Of course, that's still dependent on all of these coming through in the next couple of months.

Aman Vij: Sure, sir. On the delivery side, we have delivered approximately 3.1 million square feet in 9 months. And for the last 2 years, we have been hovering around this number only. So any guidance on that part, when do we see the traction in that? And also a request, if we can get a delivery tracker kind of. So you have done a very good job with launch tracker each year, but I've not seen any kind of delivery tracker for us to track those things.

Pirojsha Godrej: So that's a fair point. We'll certainly discuss that and consider adding it next time. But broadly speaking, I think, delivery should pretty closely track sales launches because now with RERA you're starting sales at the same time as you're starting construction. And currently, the average construction cycle for us is about 3 years, we hope to bring that down over the coming years. But as of now, you should be able to see a relatively close linkage with kind of a 3, 3.5-year lag between launches and delivery.

Aman Vij: Sure. And final question is on if you can give the project-wise revenue split for 9 months and for this quarter as well? The broad projects, not the...

Rajendra Khetawat: Yes. Okay, we can give that. So the bulk of the revenue for this quarter has come from Trees and Central. These are the 2 major contributors. And balance coming from all other small, small projects. So these are the bulk of the revenue contributors, there is an operating income, which is another 50 crore, and obviously, other income has been separately disclosed.

Aman Vij: And Trees and Central will be how much, combined?

Rajendra Khetawat: Combined, around 350-odd crore.

Aman Vij: Okay. And for 9 months, similarly, if you can give?

Rajendra Khetawat: So 9-month data, I don't have. I can just give it to you offline on this.

Moderator: Thank you. The next question is from the line of Manoj Dua from Geometric Securities. Please go ahead.

Manoj Dua: My question is regarding Godrej Two. How much square feet we have pre-leased in it in the office?

Pirojsha Godrej: We are in advanced discussions for about, I think, about 20% of the building. Some of which has already been finalized. I don't have the exact data of when we can...

Manoj Dua: How much it is?

Pirojsha Godrej: We'll get back to you on this, but I think we're pretty happy with the pre-leasing momentum. Generally, the commercial market, as you know, has been quite strong. So we have about 100,000 square feet that I think has been confirmed and another 100,000 square feet that is at a very advanced stage. We can come back to you with the exact details.

Manoj Dua: Okay. I think we have started work on the hotel project also, which is a tie-up with Taj. Can you share some economic interest with that deal with the Taj?

Pirojsha Godrej: Yes, we own that hotel 100%. So Taj would be the operator of the hotel, but doesn't have any equity stake in it.

Manoj Dua: Okay. In these days, we are reading that how China has constructed a hospital in 10 days, and that brings to my memory a couple of years back you were talking about how to construct fast and have better turnover. And I saw that in your Godrej Golf Links case when project was very fast being constructed, looks like 1 year ahead of the schedule date. But after that, that seems slowed down, the construction slowed down in that project, is it going to be delivered on the promised date. So can you throw some color on that why construction got slowed down in that? And what's your view on that thesis of constructing fast?

Rajendra Khetawat: So Manoj, which project are you referring to?

Manoj Dua: Godrej Golf Link, Noida, Phase 1.

Pirojsha Godrej: No, I think we actually all noticed that 10-day hospital construction, we were circulating some messages on it our internal group yesterday. I think lots of learnings for us and a lot of potential opportunities for improvement. So I think the Golf Links has not slowed down at all. It's obviously our first time doing precast. I think we want to be very sure of several quality aspects and other things. But we actually have decided to progress with that construction strategy. And for a large portfolio of projects in Pune, we are in the process now of setting up another precast factory that will actually service all of those projects. So I think we intend to make sure we are learning from global best practices and improving performance on construction timelines is a very important priority for the company.

Manoj Dua: No, I understand that you want to deliver on time because I want to understand what's the challenges we face, if we construct fast? Is payment plan from the customer, that's okay, we don't want that kind of faster payment plans. What are the challenges can we face if we want to construct fast?

Pirojsha Godrej: I mean, yes, I mean, what you mentioned could be a potential challenge. But I think there are probably more customers who would appreciate fast construction than customers who would not like the pace of payments to be too fast, but certainly, that could be one potential constraint. But the bigger issue is just the knowledge and kind of trained labor and trained contractors able to do this consistently at scale and at the quality and safety standards we expect. But frankly, none of these are overwhelming challenges, so we do expect to demonstrate improved performance on this going forward.

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

Manish Jain: First of all, outstanding, congratulations on the kind of launches that you all are planning in the current quarter. Now from a landowner's perspective, when I look at Godrej doing between 18 to 20 launches in the current financial year, and I was looking at other Tier 1 competitors in real estate, none of them doing more than 6. So as a landowner, I am tempted to come towards Godrej compared to other players. Now should there be a significant business development opportunity come your way, do you think you have a sales engine capability to significantly ramp up launches over this increased base in the current year?

Pirojsha Godrej: Yes, Manish, I think it's not that the company today could automatically do say 10x what we are doing at the moment. But I think the whole idea is that we know now that the opportunity that we're trying to capture is one that will require us at some point in the next 2 years to be doing 10x, what we're doing now, hopefully. And that is why we need to continue to build our capabilities. I think 5 years ago, we probably couldn't have done the number of launches that we are doing today. So certainly, I think we don't think scale is anywhere near becoming a constraint to our ability to scale. We are still a pretty small company. We're nationally still selling under $1 billion of real estate a year. If you look at it on a regional basis, which is a more relevant basis, we think that, that number would be further small. And if you compare this to now, say, some of the large Chinese developers, what you see is they're doing literally 100x the kind of value and volumes that we're doing. And I don't think there's any reason that if the market opportunity in India grows, as we all expected, will over the coming years that GPL can't continue to strengthen its sales capabilities, its sales reach and be able to do a much larger number of projects simultaneously than we're currently doing.

Moderator: Thank you. The next question is from the line of Srinath Gandhi from Arka Fincap. Please go ahead.

Srinath Gandhi: Sir, I want to understand from the management, basically, which geographical markets are we seeing as a positive outlook on? We have a portfolio in between Pune, MMR, Bangalore, NCR, out of these which micro market are we targeted? Or do we think that it is a positive outlook on?

Mohit Malhotra: See, we have a positive outlook on all of the markets. And if you look at our own performance as an organization, even in the worst affected market like NCR, we have been doing outstanding sales. So for us, all the markets are equally good and we are evaluating opportunities in each one of them.

Srinath Gandhi: Sure. On the debt raising, I had a query. Basically, we have a net debt of around 1,100 crore. So on the upcoming projects, which we have on the JV basis or own basis, do we have any plans of debt raising?

Rajendra Khetawat: So we keep looking or exploring on a project-by-project basis because bulk of the projects are self-financing. You may recollect if there's a large township kind of a project, you may require to raise some debt, but that also is not very substantial. So we keep evaluating on a case-to-case basis.

Srinath Gandhi: And one last question. On the business development slide, we have a project in Bangalore, which is a JV. So what would be the broad arrangement in the JV basically?

Rajendra Khetawat: Sorry, which project are you talking?

Pirojsha Godrej: The one we announced this quarter?

Srinath Gandhi: Yes, in this quarter.

Rajendra Khetawat: So it's a 50-50 profit sharing arrangement with the JV partner. And we have some share of DM coming over and above that.

Moderator: Thank you. The next question is from the line of Janaki Krishnan from Cogencis. Please go ahead.

Janaki Krishnan: I'm not sure if this has been covered. I wanted to have more clarity on the pricing, actually, whether the prices are going up or down and whether Godrej Properties is taking any kind of price cuts in order to lure customers?

Pirojsha Godrej: No, I think, by and large, I think prices have been quite flattish in most parts of the country. It varies, of course, a little bit from city to city. So if you look at a market like

NCR, I think over the last 4, 5 years, there's clearly a 20%-30% price reduction in that market, and that has reflected in some of our projects there as well. But in most other parts of the country, I would say the general trend has been quite flattish, with maybe gradual increases in most of our projects.

Janaki Krishnan: Okay. And how do you expect the prices to trend in the future for the next year or so?

Pirojsha Godrej: No, I think it's a very hard thing to forecast, of course. But our best guess is probably that will continue to be in this kind of flattish zone for the next 12 months because I think there still continues to be a lot of weakness in the sector, a lot of liquidity concerns with many developers. That said, I do think affordability now, as I mentioned earlier, is probably the best it's been since at least 2002 or 2003. And while there's a lot of talk in the sector, the commentary on the sector about oversupply and huge inventory, my sense is that while that is true of the current moment, what has also been happening is that over the last 2 or 3 years, very few developers have been working on bringing new projects to market. While they may have had projects that they had bought the land for 5 or 6 years ago that they brought to launch, almost no totally fresh development activity has happened. So once the market does start picking up, which we think it will in the next year or 2, and the current supply gets absorbed, to us it seems very likely that 2, 3 years from now, we'll be in a situation of undersupply. And again, there's nothing very new or unique about this. This is a typical real estate cycle that when things are good, too much supply gets created, when things turn negative, too little supply gets created. So our best guess would be that we are in for a period of sluggishness for the next 12 to 18 months, but that there will be both a strong volume and pricing movement after that.

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

Himanshu Zaveri: I wanted to ask, like, the last couple of quarters, we've been launching projects like the Godrej South Estate and the Kolkata one, the Aqua one and couple more. So what I see the run rate over there in the Godrej Nirvaan also, the launch factor is showing like we're launching like 6, 7, 8 lakh square feet, and we're selling like 2 lakhs, 3 lakhs. So is it a little concern for the company that the sales have been slower? Or are we going on margins so it's a typical intentional thing to do for the company?

Mohit Malhotra: On South Estate, we are quite happy with the sales, which we have done close to 400-odd crore is a big number. And for this kind of ticket sizes, I don't think volume is the right number because the sales are gradual and steady. And we are seeing steady sales even now. Specifically on Aqua, again, it's a project where we are at maybe mid-flat of RCC. And if I'm not wrong, it's a pretty well sold out project. So Godrej Aqua, we would have sold maybe 70%, 80% of stock by now. So may be Godrej Nirvaan is one project where we had a low sale, but that's not a trend. That's a specific situation, which happened because the competitor next door launched at almost 1,000 prices lower than us where Mahindra brought in a launch at 1,000 price discount to us. So that was the reason why we couldn't do the numbers, which we had earlier forecasted. But we see a very strong traction even on the sales, projects which we have launched in Q4, that the trend on high volumes continue.

Himanshu Zaveri: And what's the news on Godrej Alive that there was some problem with the partner, right, over there?

Pirojsha Godrej: So, yes, there was an ongoing discussion with the partner. As and when there is any sort of announcement on that, we'll come back. So that project is on hold for now.

Himanshu Zaveri: Okay. And I wanted your view on the, I stay in South Mumbai, so generally, you get flats on rental yield of about 3%. So longer term, do you see any threat in a longer term, like abroad and everywhere, U.S. and all, people shifting to the rent concept where they don't want to buy houses and looking for rental more. So is it a long-term threat for the company or something?

Pirojsha Godrej: No, I think home ownership to us is not something that is going to disappear. I think there's obviously a lot of comments on rental yields and people, perhaps the newer generation being more interested in co-living and things like that. Our sense is, while there are certainly opportunities in some of these areas as well, and perhaps over time, we may look at some growth. Also, by far, the largest opportunity and by far the largest market in real estate in India will continue to be the residential for sale market, and that's where we want to disproportionately focus our efforts. And as you yourself pointed out, 3% yield is not a very attractive investment opportunity. So while there are structures that can potentially get that yield up, certainly, I think the for-sale market is probably going to be the most lucrative one going forward.

Moderator: Thank you. The next question is from the line of Zaharah Sheriff from Fedwinteg. Please go ahead.

Zaharah Sheriff: Just wanted to know with respect to developing township, what is the upper limit, if you will, with respect to size that you think you're currently willing to go to?

Pirojsha Godrej: Well, we already have in our portfolio, things like Vikhroli development is obviously many tens of millions of square feet. We've added a project in Ahmedabad that's over 20 million square feet. But I don't think that is the main priority. I think the vast majority of the company's projects are going to be in the 1 million to 5 million square feet band. If we see particular locations like this one that we've talked about in Navi Mumbai that we recently added that we want to bet on for infrastructure reasons, we may do a project here or a project there above that size. But I think it's fair to say that the vast majority of our projects will be in the 1 million to 5 million square feet band.

Zaharah Sheriff: It is too far into the future to ask, I guess, but if at all you feel you can answer, when you talk about at some point of time having to work at 10x scale compared to where you are today, do you think those will be fewer projects of larger size or continue like you are right now? And also, do you think the 4 cities that you're looking at can support that kind of activity?

Pirojsha Godrej: I think it will probably be a combination. I think average project size will probably continue to trend somewhat upward. But certainly, a lot of the growth will have to come from handling more projects in more varied micro markets so that we're tapping demand across each part of the cities that we are in. I also think, by the time we get to, hopefully, 10x where we are today, but it won't be just the 4 cities that we are in now. But certainly, I think these 4 cities will continue to be a very important part of the portfolio indefinitely. I think, the current data suggests that well over half of the real estate sold in the country is in these 4 cities.

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

Pirojsha Godrej: We hope we have been able to answer all your questions. If you have anything further or would like any additional information, we'd be happy to be of assistance. On behalf of all of us, thank you again for taking the time today.

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