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February 08, 2021

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**The National Stock Exchange of India Limited**  
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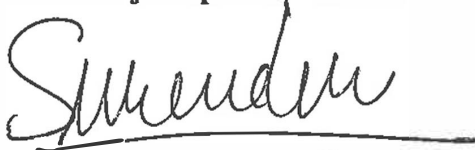
Dear Sir/Madam,

Please find a transcript of the conference call with the Investors/ Analysts held on Thursday, February 04, 2021.

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 FY 2021 Results Conference Call Transcript

February 04, 2021

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**Moderator:** 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. Devrishi Singh from CDR India. Thank you and over to you, sir.

**Devrishi Singh:** Thank you, Steve. Good afternoon, everyone. And thank you for joining us on Godrej Properties' Q3 FY 2021 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 would like to begin the call with opening remarks from the management, following which we will have the forum open for an interactive Q&A session.

Before we begin this call, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the results presentation emailed to you earlier.

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

**Pirojsha Godrej:** Good afternoon, everyone. Thanks for joining us for Godrej Properties' Third Quarter Financial Year 2021 Conference Call. And I would like to take this opportunity to wish you all a very Happy New Year. I will begin by discussing the highlights for the quarter, and we will then look forward to taking your questions and suggestions.

The third quarter witnessed a turnaround in sentiment towards residential real-estate in India. The pandemic seems to be receding in the country despite activity levels having considerably risen. This fact combined with the start of the vaccine rollout is cause for cautious optimism that the worst of the pandemic is now behind us. The improvement in economic activity, combined with increased desire to pursue home ownership as a result of the pandemic leave us optimistic over the years ahead for the residential real-estate sector in India. The Maharashtra government has contributed to this momentum through its decisions to reduce stamp duty and construction premiums in the state. With limited fiscal room, the government has done a splendid job in delivering a firmly growth-oriented Budget 2021. The major thrust on infrastructure spending will benefit the real-estate sector. Additionally, a stable tax regime, despite the fiscal pressures the government is under, will greatly benefit demand in the housing sector. Lastly, the extension of



benefits for affordable housing by one year re-emphasizes the government's intent to focus on housing.

After recording an encouraging sales performance in the first half of the financial year, despite challenging times, I am happy to announce that we have sustained this momentum in the third quarter. The total value of bookings for the quarter stood at Rs. 1,488 crore, which was up 25% on a year-on-year basis, and 38% on a quarter-on-quarter basis. This was achieved through sales of 2,236 homes with a total area of 2.4 million square feet, despite a few of our planned launches getting postponed to the fourth quarter due to a delay in regulatory approvals. For nine months of financial year 2021, we have managed to sell 6.6 million square feet of real-estate worth Rs. 4,093 crore, which represents a year-on-year growth in booking value of 16% and is also the highest ever in the company's history on a first nine months basis.

Building on our previous successful launches at Godrej Hillside 1 and 2, we sold more than 500,000 square feet, which is approximately 85% of the released inventory, with a booking value of Rs. 312 crore at Godrej Hillside 3 in Pune. At Godrej Retreat, our first ever project in the Faridabad market, we sold around 490,000 square feet, which is more than 95% of the released inventory, with a booking value of approximately Rs. 279 crore. At Godrej City in Panvel, we sold more than 370,000 square feet with a booking value of Rs. 244 crore in the launch quarter.

With a strong launch pipeline for the current quarter, we expect to launch about 12 projects this quarter. And if we are able to do that, we expect to see the highest ever sales in a quarter this quarter, which will also, of course, ensure that we have our highest ever annual sales in any financial year. And this would be, I think, a good achievement despite challenges in the first half of the year.

On the operations front, the construction activity has picked up on all sites across the country, and our workforce strength continues to remain significantly higher than pre COVID levels. We successfully delivered approximately 1.3 million square feet across two projects in the quarter.

In the third quarter, our total revenue stood at Rs. 306 crore, adjusted EBITDA stood at Rs. 96 crore and net profit stood at Rs. 14 crore. For the nine months of the financial year, our total revenue was Rs. 709 crore, adjusted EBITDA of Rs. 222 crore and net profit of Rs. 2 crore. We expect that the financial reported numbers will sharply increase as the sets of projects that we have been adding to our portfolio over the last three years enter revenue recognition.

Operationally, it was a good quarter with robust cash inflow of Rs. 1,257 crore and net operating cash flow of Rs. 445 crore led by strong construction activity across all the sites. Our collections in the third quarter were significantly higher than in the first two quarters combined, and we expect to build on this momentum in the year ahead.

On the business development front, we added two new residential projects with saleable area of approximately 4.1 million square feet in Bangalore, both of which are outright purchases of land. The Sarjapur project will offer approximately 1.6 million square feet of saleable area, comprising of residential apartments of various configurations. While the Whitefield project, situated near the new proposed metro line connecting Whitefield to Hope Farm Junction, will offer about 2.5 million square feet of saleable area. These projects will significantly enhance GPL's portfolio in Bangalore, which has been one of the key focus areas for us from a business development perspective.

Contrary to the belief, at the start of the pandemic when the real-estate sector was virtually written off, the sector has proven to be resilient and recovered ahead of expectations. We have emerged stronger during this period and we think that the opportunity has actually enabled significant market share gains. We expect the year ahead to be the best ever period for our company across all operating metrics.

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

**Moderator:** Thank you very much. We will now begin the questions-and-answer session. The first question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

**Prakash Kapadia:** I had two questions. With input costs rising, do we believe the price increase is due in the sector or are we behind the current price and it would extend upwards? That's my first question. And secondly on the sector, have we dropped double-digit market share in key markets post-COVID? And on the demand side, Pirojsha, if you could give some color, how much of recent demand trend is due to the stamp duty, how much of the demand is cyclical and how much of it can be sustained? That will be very helpful.

**Pirojsha Godrej:** Yes. So I think there has been, as you rightly pointed out, some cost inflation pressures through commodities like steel and cement. At the same time, I think very clearly visible in the third quarter numbers for both us, but for other large developers as well, is that you are seeing demand return to the sector in quite considerable numbers. So we think this is now the beginning of the next leg of the sector, which will play out over the next few years through both demand picking up as well as price increases. We have in certain projects already looked at price increases and do expect that more of that will happen over the next couple of years, particularly if costs remain as firm as they have been.

In terms of our market share, our market share has certainly risen during this year of the pandemic. I don't think across these markets, though, that we would yet be in double-digit share, which certainly presents us an opportunity. And I think one of the big focus areas for the company will be to make sure that we continue to rapidly gain market share over this period because I think conditions are ideally suited for the larger developers to gain share. Because demand is coming back as is, again, has been visible over the past few months, but that demand is very much skewing towards the larger players who customers have strong confidence in terms of their delivery capabilities. So we expect to see that trend of both market growing overall and consolidation gaining steam, we expect to see both of those continue in the months ahead.

**Prakash Kapadia:** And if you could give some color on the demand per se, how much of it is due to the stamp duty cost, how much of this is pent-up demand? And last few years have been challenging and do we expect the sector to continue the momentum?

**Pirojsha Godrej:** Yes, very difficult to know exactly what is driving it. But I think the good news is that everything is coming together nicely, finally after the last seven or eight years have been quite tough for the residential real-estate sector in India. Our sense is, overall, the factors driving the sector are coming together quite nicely. So if you look at it, interest rates are probably at the lowest they have ever been in India, which is creating affordability levels that haven't been seen in the country in at least 20 years with property prices having been flat for six or seven years, plus interest rates being low, plus people's incomes having risen over that time. You also have a situation where with very low off-take from a sector perspective over the last five,

six years, you have a considerable amount of pent-up demand. So these are people who have been wanting to buy real-estate but have felt for various reasons that they would get a better opportunity at a later stage. I think that sentiment is now clearly starting to shift, and people are clearly getting the message that the sector is improving and that now is the time to act.

Equally, and I think the pandemic itself, whether you look at data in India or globally, has clearly resulted in an increased desire for home ownership. I think everyone places a sort of greater emphasis on the security that home ownership offers. And obviously, having spent much more time than usual in our homes, I think the value of having a modern home with amenities and things has also enhanced in people's mind. So I think all of that is coming together. And certainly, the cherry on top is the government initiatives that are encouraging behavior or encouraging people who are sitting on the fence to get off the fence through time-limited stamp duty benefits and so on. So I think, overall, we are as optimistic about the sector's outlook as we have been in a long time.

**Prakash Kapadia:** Sure. That is very helpful. And lastly, if I may just ask, on the Mumbai market, which is the largest market in India on the residential side, do you think the recent FSI cut and government initiatives are, again, beneficial for a market like Mumbai, which has been underperforming the other cities over the last few years because of affordability issues?

**Pirojsha Godrej:** Yes, definitely. I think this premium reduction in Mumbai is a very significant benefit. I think premiums in Mumbai have been rising very fast and have become a very major part of overall project cost. So I think those coming off considerably, as is the case now, will certainly benefit margin protection and enhancement for projects in Maharashtra.

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

**Kunal Lakhan:** Just on the sales front. So last quarter we didn't have any launch and we did about Rs. 1,000-odd crore of sales. And if we exclude the new launch contribution this quarter, the sustenance sales look like in the range of Rs. 650-odd crore. So how are we looking at this? Can we in terms of sustainable sales, how much can we achieve on a quarterly basis on a steady state basis?

**Pirojsha Godrej:** I think it's not totally disconnected, as your question implies from new launches. Because I think when new launches are happening, what tends to happen is for that month or six weeks, the team is entirely focused on the new launch, which does lead to a short-term slight slowdown in sustenance sales. But certainly, we think the numbers we have demonstrated in the first few quarters, I think, are very healthy from a sustenance sales perspective. I think the focus has been because in the first half of the financial year, a lot of the launches slipped out because government agencies weren't really focused on giving real-estate approvals and things. So we do expect to see the second half percentage of new launches being dramatically higher than it was in the first half. But we think at the same time, sustenance sales will be very healthy. So I think in the fourth quarter, the current plan is to have very high sustenance sales in addition to the largest ever number of launches that we are planning. Mohit, do you want to add anything?

**Mohit Malhotra:** No, Pirojsha. I think you answered it.

**Kunal Lakhan:** Sure. My second question is on the capital allocation side. We have taken the approval of fund raise of Rs. 4,750 crore, just wanted to understand the planned utilization of these funds?

**Pirojsha Godrej:** Yes. So for now, that's of course an enabling resolution, but the utilization would be to dramatically expedite the process of consolidation that is underway. Our sense is that it's a fairly unique moment where you have both clear sort of momentum from a sector perspective at the sales side, as well as clear availability of very attractive business development opportunities at attractive valuations. Because I think that sales momentum for under-construction properties is, frankly, we think, quite limited to the leading players in the sector. So we think it's a very interesting opportunity to once again double down on kind of the strategy that we have been deploying over the last two, three years, which is to use a countercyclical investment strategy and make sure that our portfolio is as strong and robust as it possibly can be as the expected upcycle unfolds over these next few years. So I think if we do raise it, certainly, that would be the intended use.

**Kunal Lakhan:** Sure. You are considering like we are still already sitting on cash and equivalents of Rs. 1,400-odd crore and there is lot of room for debt. It looks like a bit of an overstretch in terms of the capital inclusion.

**Pirojsha Godrej:** Yes. Fair enough, Kunal. I think, obviously, there are multiple views on a point like this. Our sense is that we obviously have a little bit better visibility than external in terms of what is available from a new business development perspective and the kind of capital we can deploy. And obviously, would only be doing it if we thought it would be very accretive. But you are absolutely right, this is not something that we need to do or are doing absolutely just in time. We do have adequate resources to continue to fund growth. But I think we see an opportunity to do something quite disproportionate. Again, I think this process of consolidation is something that's happening quite rapidly and one that we think having this additional capital will only allow us to capture in a more robust fashion. But clearly, we agree that it would not make any sense for us to raise this capital if we can't also deploy it, and thereby sort of greatly accelerate our growth.

**Kunal Lakhan:** Sure. And my last question is to Rajendra. Rajendra, in terms of revenue recognition, which were the projects that contributed to the revenue this quarter?

**Rajendra Khetawat:** So this year, two projects contributed. One is Godrej Air and the second one is Godrej 101 in NCR.

**Kunal Lakhan:** But these are joint ventures, right?

**Rajendra Khetawat:** Yes. Only our share of profit gets consolidated into our books.

**Kunal Lakhan:** They get consolidated, okay.

**Rajendra Khetawat:** Only our share of profit gets reflected. I mean, when I say consolidated, it is only the share of ours gets reflected into my P&L in detail.

**Kunal Lakhan:** Correct. Correct. But before PBT level, what is contributing then to our revenue?

**Rajendra Khetawat:** So PBT level, obviously, there are other projects, BKC is one thing which is ahead, then there are three phase portions because after OC there is some work completion. So up to OC there you get onetime recognition and after OC it moves as per the percentage completion. So a bit of that recognition has come from that.

So there are several small, small other projects, which basis the work completion after the OC is contributing.

**Kunal Lakhan:** Sure. Just one follow-up on that, like excluding the period cost, impact of period costs, what will be the EBITDA margin and, say, the SPG level aggregated for this quarter?

**Rajendra Khetawat:** So Kunal, that we need to look into it. I can come back to you on that off-line.

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

**Abhinav Sinha:** Sir, a couple of questions. So one on the land outflows that we have seen in this quarter of about Rs. 500 crore approval related. So can you tell us what else is there?

**Rajendra Khetawat:** On the land we have bought outright lands in GPL Whitefield, then Tech Park, Faridabad BPTP; then obviously Ashok Vihar installments, first installment has gone through. So whatever acquisitions we have done and basically the CP linked payments are towards the land cost.

**Abhinav Sinha:** Okay. And any of the two acquisitions you did this quarter, we are now fully paid for or is there some pending?

**Rajendra Khetawat:** So whatever outright we have done, and we have paid for. However, we have a policy to pay basis certain milestones to be achieved. So some of the project's payments may happen as and when those CPs or milestones are gotten. But most of the outright deals are more or less fully baked in.

**Abhinav Sinha:** Okay. And the second question is on the new launch pipeline. So you are sounding quite positive on the next quarter. Can you tell us any so far in January, and based on that any top-tier projects where approvals are very close, or you have already done some launches?

**Mohit Malhotra:** Rajendra, let me answer this question. See, there are approvals which are at fairly advanced stages across regions. If you look at Bangalore, we had signed the Agrovet project, which is a plotted development. We are at final stages of RERA approval. We have already received RERA approvals for our projects in Pune. There is a plotted development which we are launching in Mamurdi project. And also, we are at the final stages of getting group housing approvals in Encore. So we have a very strong pipeline there. In Mumbai, we have already launched Kalyan project, Phase II. So that's there. The Chandivali project, we were waiting for the premium clarity, so that's now come. So hopefully, in a week, 10 days, we should get the final approval for that as well. In North, Sector 43 Noida is one project where we have quite an advanced stage approvals done, and we are quite hopeful to get that also launched in Q4. So overall, the approvals are at fairly advanced stages. And it will be very disappointing if we don't get these approvals now with so much time in the quarter left.

**Abhinav Sinha:** Sure. And sir, just one last bit. So on the new launch, I mean, you have a good pipeline and all, but costs are also sort of rising, so do you think that you would now like to phase out your sales velocity update? Or you still think that selling out 80%, 90% in the first few weeks is still the right strategy?

**Mohit Malhotra:** Yes. I think it's always one of the best strategies to sell-out as much as possible at launch, of course, at the right prices because the cash flows of the projects are

secured and it derisks the project completely. So we feel that is the right strategy, and we would like to follow it even in the future.

- Moderator:** Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.
- Swagato Ghosh:** So if I look at your project level sales, although there is others bucket which makes analysis a little difficult, but looking at the Mumbai projects, Q-o-Q there is not much of an increase, whereas anecdotes we have heard and some numbers we have seen, Q-o-Q numbers are really strong. So is it a function of we not having much inventory in the Mumbai market or what exactly happened?
- Pirojsha Godrej:** Mohit, do you want to go ahead with that?
- Mohit Malhotra:** Yes. I think it's a function of launches, launches really spike up the sales number. But if you look at really on a project-by-project level, we really saw a big shift in our project like RKS, which started seeing huge traction and we will continue to see huge traction. So overall, we saw the positive traction now in the launches, obviously, make a big change and swing the data completely.
- Swagato Ghosh:** No, sorry, on RKS itself, if I am looking at the data, because that data I have for last quarter as well. Third quarter was significantly lower than the second quarter whereas third quarter has been a record quarter for most developers. So why couldn't we do as much as the second quarter itself?
- Mohit Malhotra:** We will have to just recheck this, but Rajendra, can you just reconfirm this?
- Rajendra Khetawat:** Yes, Mohit. So second quarter, RKS was around Rs. 85 crore, and quarter three was around Rs. 45 crore.
- Mohit Malhotra:** Yes. So actually, on the RKS, there are a lot of deals which were at the final stages, which probably had slipped into Q4 from a reporting perspective. But we see a huge positive traction on RKS. So we should see a significant shift in Q4 numbers. So maybe quarter-on-quarter it kind of just slipped out of the quarter.
- Rajendra Khetawat:** Also another thing Mohit, the big launch this time in Mumbai was in Panvel, where we have sold around Rs. 244 crore of inventory.
- Swagato Ghosh:** Yes. Fair. But we do not have any comps for that. So I was pointing to RKS.
- Mohit Malhotra:** As you said, RKS, on the ground there is a positive action. So maybe it's just a quarter, December and January starting kind of a difference.
- Swagato Ghosh:** Sure. And second question is to Pirojsha. Do you think that business development might actually become more expensive as the cycle turns for good as landowners might then be slightly more hesitant in selling out and others again trying to do business themselves, can that happen?
- Pirojsha Godrej:** Yes, that certainly can happen. And I think as part of the real-estate cycle, we would expect some amount of that to happen, which is why I think the whole intent has been to build a very, very strong portfolio in the downturn with the full expectation that we will be developing this portfolio as things start improving. And then would be in a position to both sustain rapid growth without needing too much additional business development if things get to a level where they get quite frothy.



At the same time, we don't see that happening is imminent, because if you look at the balance sheets of most developers, there's still quite a lot of stress and quite a lot of difficulty. And quite frankly, very limited number of players who are in the market who have capital and have the operational capabilities to monetize them. So I still think we are certainly seeing at the moment, which is one of the reasons we have taken this enabling resolution, we are seeing some very exciting and very value-accretive business development opportunities. And I expect we will continue to see that for the rest of this year. It's quite possible, though, if the sector turns sharply upward as is very possible that next year onwards business development does become a little more competitive.

**Swagato Ghosh:** Got it. And one quick clarification. Maybe this is a pertinent question in current times. Can you give some color on your like-to-like pricing growth for the quarter?

**Rajendra Khetawat:** Sorry, sorry, can you repeat the question. like-to-like?

**Swagato Ghosh:** Pricing both say for a project, how have the base rates moved up? Because if I look at the blended realization, it doesn't tell us anything because it's a combination of various things. So if you can just give some color on what you are seeing on ground on base prices, say, for a particular project quarter-on-quarter?

**Mohit Malhotra:** See, we haven't seen significant change in quarter-on-quarter pricing as of now.

**Swagato Ghosh:** Okay. But can we expect to see some movement there because we are seeing good demand, right? So basically, what is your expectation on that?

**Mohit Malhotra:** I think on expectation on price hikes, it is something we will have to keep watching the market and keep testing how much we can increase prices. Just to give you an example, we just increased the price on RKS because we saw good traction. And there is lot of pricing. Pricing is not done at a gross level; we also do inventory level pricing. So there's an inventory which is moving very fast and you start pricing it up. But at a very holistic level, I think it's difficult to give a forecast on price hike right now.

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

**Sameer Baisiwala:** Rajendra, can you share with us what is the total deferred land cost liability that we have for the entire portfolio?

**Rajendra Khetawat:** So Sameer, like I was mentioning to the earlier question, most of the new deals outright land parcels has been paid, the big deferment would be on account of Ashok Vihar, which we have to pay over a period of eight years. So that is another close to Rs. 1,200 crore that has to be paid in a period of eight years. And then obviously, the Encore portfolio, like I said, there are certain things which are linked to the milestone. And most of those land payment or deposits will come from the project itself, like in Encore, we have launched almost four phases. So now the balanced land payments are coming through the receivables of the project itself.

**Sameer Baisiwala:** Okay. Fair enough. So other than Ashok Vihar, there is no big-ticket item pending?

**Rajendra Khetawat:** Not big ticket, obviously, there would be certain milestone-linked payment. But like as our strategy, we launch the project, and the project cash flow takes care of those outlooks.

**Sameer Baisiwala:** Okay. Fair enough. Got it. And sir, my usual question, if you can give us some update on 3 large projects, Bandra, Worli and Ashok Vihar.

**Mohit Malhotra:** Should I do that?

**Pirojsha Godrej:** Mohit, do you want to take that?

**Mohit Malhotra:** Yes. So on Ashok Vihar, lot of positive developments. The designs are at fairly advanced stages of approval. And we have already received MOEF for first parcel, which we want to launch. There is a standing committee approval, which we are waiting for. So largely, to answer your question, the approvals are a fairly good advance stages. And if everything falls in place then hopefully in Q1 we should have a launch in Ashok Vihar.

On Worli, there has been significant progress. The designs are frozen, the approvals process has already been initiated. And the slum clearance, even when we entered the deal, the slum was almost 50% cleared. So there, again, we are pretty hopeful that next financial year, we should have the launch in place.

On Bandra, as you are aware, there has been a bit of, I would say, a letdown, where there are some instances with JV partners, there are some challenges going on. Having said that, the project is fundamentally very strong, and we are quite hopeful that things will fall in place subsequently. Just to give you clarity, our capital exposure on Bandra project is pretty limited. So even if there's a slight delay, a few months, we are not actually negatively impacted. In fact, the way we have negotiated the contract for every month of delay, actually our share starts going up. So there might be a timing issue, but actually, our return profile will actually become much better with delays. So kind of its balances it out overall.

**Sameer Baisiwala:** Okay. Great. And one final question. Any thoughts on the different channels of sales? And especially, I am talking about how is been the digital or online experience in the last quarter?

**Mohit Malhotra:** Yes, we have been fore fronting on the digital front. And even during the national lockdown we had the digital up and running, which helped us deliver the 1,500 in Q1 sales. So I think digital has been something which is core to our strategy. The entire back end is fully digitized, even the front end, we are working on a GPL App where you can do full sales online. That is something which we hope to launch very soon. Soft launch has already happened in the market. So digital has been something which is core to our strategy. And thanks to all these steps, our cost of sales has significantly come down over the last year. So we continue to focus on digital as a key channel.

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

**Manish Gandhi:** Yes. So my first question is, what are your views on plotted development, say, for next few years as we are launching few projects in near-term after our successful Faridabad launch? And also, from your internal surveys, what you have done and due to the COVID the mindset changes of the customer, how big do you feel this opportunity could be for us?

**Pirojsha Godrej:** Yes, I think it's a big opportunity. It's obviously quite attractive because the time from when you launch a project to when you recognize the cash flows and revenue is much shorter than in a group housing project. So certainly, it is a good opportunity to develop these alongside our group housing developments. And it's

certainly a significant part of our business development strategy over these next couple of years.

**Manish Gandhi:** Okay. Because I saw that even Mamurdi also, I don't know whether it is a planning earlier to have a plotted, but now we launch as a plotted and, of course, Ahir and many other so anyway. My second question is, Mohit, we spoke about halving of our construction time, say, two years back. I am excluding this COVID period, so question is related to my thinking, correct me if I am wrong. It could create a huge differentiation, especially for end-user customers. As well, it is very difficult for smaller players to have this capability and the bigger ones doesn't have the mindset and business model to easily do the same thing. So can you share your progress on that?

**Mohit Malhotra:** Yes. Thanks, Manish. I fully agree with you. I think construction technology is something which is a big area of differentiator, especially with the way we sell very fast. Now we have been working on in experimenting with various technologies. You are aware we used precast in our GGL plant, GGL project. We are using tunnel form in our Mamurdi project in Pune. So we keep trying various technologies. One obviously, we are very committed with these technologies, we are also actively looking at toilets pods, instead of building toilets at the site, can you get a fully big toilet and just plug it in so all of these are technologies available, and we are experimenting with them. The one big challenge we are seeing is there's no infrastructure in India to support it. So the lack of experience in contractors and the whole supply chain is something we are cognizant of. And the scale at which we are operating for these technologies to become a very significant part, the rest of the infrastructure has to be put in place. And we are doing it, but I think the pace is slower than what I was expecting because of the constraints coming from both the supply chain side and also the contractor side.

**Mohit Malhotra:** But at the same time, we remain committed. We are pushing the teams to see if more and more projects can flow into the technology aspect, and something like the toilets pods and all are something which can save almost 6 months of a project life cycle. So these intervention will keep happening more and more.

**Manish Gandhi:** Right. Because with our huge aspirations and, say, some of Chinese players have demonstrated. I am not talking about now about 15, 20 years back. So obviously, you would love to do that.

**Mohit Malhotra:** Absolutely.

**Manish Gandhi:** So my third question, I am combining two. Pirojsha, this Rs. 3,750 crore of fundraise with say Godrej 2 cash flow, which anywhere between Rs. 1,000 crore to Rs. 1,250 crore, and I take 1:1 debt, plus 2,000, even if I take 1:1 debt, so you are talking about Rs. 12,000 crore of money. So I am actually happy about it, but would love to just go through your mind? So what kind of things you are talking about because Rs. 12,000 crore is a huge amount and so combining this with our CST bidding, so you are focusing, or you are factoring a lot of government-led opportunities also in the next one, two years?

**Pirojsha Godrej:** Yes, Manish, thanks for the question. I think, first of all, Rs. 12,000 crore I'm not fully sure of that math. But talking about the proposed fundraise we have talked about this Rs. 3,750 crore, which would create, as you rightly said, at a 1:1 roughly \$1 billion of investable capital. I think the rationale, in our mind, is that with that capital, we think which would involve maybe a 10% overall company level dilution and a 6% or so promoter dilution. We think we can probably double the scale of the company's operations. Obviously, it takes a few years to deploy the capital and see that benefit. But it is a very significant opportunity.

And at the same time, I think it's important to remember that we think our current market share, if you look at it on a pan-India basis would be low to middle single digits even in the focused markets. So I don't think putting \$1 billion of capital to work in residential real-estate in India is an overwhelming amount. And the expectation is that if we did that, I think we are already on a very strong growth trajectory, given all of the business development we did. But I think we are gaining in confidence now that we have got the platform in place that can handle this larger scale.

As we are talking about, for example, this quarter, doing 12 or so launches across the country. So we do think we are at a place now where that can become more regular. We still feel where our growth is constrained by the number of micro markets in which we have a presence. We are seeing a lot of interesting opportunities for good projects, a few with the government, but I think the vast majority would be private sector opportunities, projects that other developers have in good locations, but they're not able to develop them. So I think we feel in that sense, everything is coming together quite nicely.

And at the same time, we have the added comfort of actually seeing the sector start to go up. I think these last two years, we have been saying that we expect to see it go up, but there's been a lot of pessimism. I think now we are actually seeing it start to go up, but still a lot of opportunity to deploy that capital. So it is a significant amount of capital, and we obviously don't take these dilutions lightly. But at the same time, I think, with this capital, there's clear visibility on being able to deploy it in our minds, and a clear sense that by diluting this 10%, you can perhaps come close to doubling the scale of the opportunity for the company over the medium term.

**Manish Gandhi:** Yes. That's very helpful, Pirojsha. A lot of thing to discuss with you whenever we will get the opportunity to meet in person.

**Pirojsha Godrej:** Look forward to it, Manish.

**Moderator:** Thank you. The next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

**Mohit Agrawal:** My question is that with good sales now behind us for the last few quarters. Have we got into a stage where the operating cash flow margins or the operating cash flow will become steadier? Or do you still expect both collections and cash flows to be volatile on a quarter-on-quarter basis? And if what could be a steady OCF margin that we can expect on new launches either on a quarterly or a yearly basis, if you could guide something on that?

**Pirojsha Godrej:** Mohit, do you want to take that?

**Mohit Malhotra:** Yes. Thanks, Mohit. See, the quarterly volatility will be there in collection especially because if you look at the way collections are done, collections are largely linked to milestones, and milestones happen on very specific instances like pillar levels, third, fourth levels, structure, etc. So typically, these are events-led, these are not steady situation. So it creates a bit of volatility on which quarter certainly have milestones come again, and you see a big collection numbers. The collections are also directly linked to how many launches are happening, whether we are doing launches or sustenance. So to give you an answer, the trajectory has to be upward from here on, but volatility will be definitely something which we cannot avoid, given the nature of our industry.

**Mohit Agrawal:** Any annualized margin number that we can expect on new launches that you would have modeled, and we can use it as a guideline?

**Mohit Malhotra:** See, again, it will give you a wrong number and a wrong way of interpreting data. But I think the best way of doing this is look at our last 10 launches and see what the margin is we have delivered. And then because these are all reported numbers, easy to calculate the margin. And then just kind of take an average because each project, the margins are pretty different, and our share of margin profile is also quite different. But if you look at last 10 launches, you can kind of get a sense on where the margin profile is there.

**Moderator:** Thank you. Next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

**Abhishek Bhandari:** Congrats on good sales. Pirojsha, if I heard you correctly in one of the media interviews which you gave earlier today, happen to flip the coin, you said that in fourth quarter you expect to cross the business run rate of Rs. 2,400 crore. So could you give us some kind of indication, and that is also contingent on some of the project approvals which you said then and even today in the prepared comments, given that you are almost half past the quarter. Are you confident of all the approvals coming and buying on these 12 projects? That's one.

And secondly, Pirojsha, even without this \$1 billion kind of eventual fund what we want to raise, despite that, you think with the current momentum on sales and launches, we can possibly touch Rs. 10,000 crore under key sales maybe in a year's time from now?

**Pirojsha Godrej:** Yes. I think to answer your second question, yes, I think it would be possible even with the current portfolio to cross Rs. 10,000 crore in annual sales over the next couple of years, obviously, subject to launches coming through and approvals coming through. So this would hopefully deliver significantly above that kind of numbers over the medium term, if and when this capital is raised. Your first question, am I confident that all 12 approvals will come through? Honest answer is, I am probably pretty confident that all 12 would not come through. The question is, which of the 12 don't, and how many eventually do? So I think 12 out of 12 is probably unrealistic to expect.

But if you look at our third quarter launches, Abhishek, I think the range of sales per launch varied from Rs. 244 crore in Panvel to a little over Rs. 300 crore in Pune. So if you think of sort of somewhere between 200 and 300 as the number we can hit on many of these launches. We don't really need all 12 to come through to have a blockbuster quarter, especially when you add on sustenance sales to that. So I am reasonably confident that Q4 will be one-off, if not our actual best-ever quarter for sales and that we will surpass our last year's sales year-on-year despite the challenges in the first half. And again, I think whatever doesn't end up happening in Q4 will obviously hopefully give us a good start to the next financial year.

**Abhishek Bhandari:** Got it. Pirojsha, the second question is on your Vikhroli portfolio. If I heard correctly, Manish said that some Rs. 1,200 crore, Rs. 1,300 crore is used from Godrej 2, so are you planning to sell your stake in Godrej 2 through your fund's management? And secondly, is there any update on the CapEx of the hotel where you signed the agreement with Taj Group?

**Pirojsha Godrej:** Yes. So I think there is no firm decision on whether to monetize our remaining stake in Godrej 2. I think there is reasonable arguments on both sides of that

question. I think if at all it were to happen, it would happen probably not within the next 12 months. And I do actually think, given the way we are developing Vikhroli that I think it's an asset that will keep appreciating. So we may choose not to sell it as well, but then obviously, we will start enjoying significant rental income from there.

On the hotel, we are now well into the construction. And we have -- I think we are about halfway complete on the civil structure, which should get done in the next two, three months. And then maybe another 12 months or so for finishing. So that hotel should also commence operation probably sometime in FY 2023. And again, there, we have not made a final decision on when to monetize it. But I think over some period of time, it's probably reasonable to expect we would monetize that.

**Abhishek Bhandari:** Sure. And Pirojsha one last question, with your permission, on our resi portfolio. So do you think this premium cut by the Mumbai government gives us some room to possibly become both competitive in some of these markets, micro markets in Mumbai especially and maybe in Pune and achieve our double-digit ambition on market share side. Do you think it's possible?

**Pirojsha Godrej:** Yes. I think we are quite happy to let some of these things flow to the bottom line. I don't think we are seeing any challenges in our sales velocity. So we would probably use this opportunity to further bolster profitability in these projects as and when they come to market. If you look at it, whether at the project level or the company level, kind of launched to sold inventory tends to be a very high sort of industry-leading percentage. So I think the key to enhanced volumes is really creating more supply, I mean, obviously, we can always do better on sales of launched inventory. But I think we are reasonably in a comfortable position on that. And we have a good business development portfolio now. A lot of it, we are still waiting to launch. As I said a big proportion of it would even happen, hopefully this quarter. So I think the key to really sustaining and adding momentum to that, the sales trajectory is to really just launch more projects because what we are launching is selling pretty well.

**Abhishek Bhandari:** Okay. And Pirojsha, are we running any promotional schemes in any of the residential projects in terms of 20:80 or some of the other schemes which our peers are running still in Mumbai? That is my last question.

**Pirojsha Godrej:** Mohit, do you want to take that?

**Mohit Malhotra:** Sure, Pirojsha. Nothing significant anymore on these schemes. Some projects, there might be some inventory which might be released. But nothing at a portfolio level, which is significant.

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

**Manish Jain:** Yes. I was looking at the pockets of BD opportunities, which are leading us to take the \$1 billion initiative to double our scale, would be keen to get some insights on that Pirojsha?

**Pirojsha Godrej:** Yes. I think Manish I should also caution everyone that we might be putting the cart before the horse on this \$1 billion. We have obviously taken this enabling resolution. So we will see how that proceeds. But Manish, I think, again, look at the scale of the industry we are in. We are doing about, hopefully, this year or maybe next year we will cross \$1 billion in sales. And where maybe 2%, 3% is that of the industry. So we are talking about a \$50 billion-plus opportunity. Putting \$1 billion of

capital to work as the leading residential developer in the country with the aspiration to build on that position doesn't seem to us like a crazy amount of capital, it is significant, and we want it to be significant.

I think our whole thinking now is that, again, we have the right platform in place, we have the timing very much working in our favor. And we do want to sort of double down our bets on that rather I think it will be a perfectly reasonable choice to say we don't need the capital now. Let's just use the current trajectory and keep adding deals at a steady pace. But I think we are saying that we do think that we can add quite disproportionately. Some of these projects are significant projects that can use up significant amounts of capital even at the individual project level, so something like an Ashok Vihar, obviously, over a period of time. But it has like a Rs. 1,300 crore investment, some of the other projects we are looking at Rs. 500 crore plus sort of investment opportunities.

So we are also seeing, as we have done in Pune, some of these platform opportunities where we can take over whole portfolios of projects. So I think our sense is that market size is not a constraint for us at all today, being the leading player with a single-digit market share. There is no reason that the market share can't rise very substantially other than that we don't currently have the projects to support that. We obviously have already been adding projects, and you've seen the market share grow as the projects we have already had, we continue to launch, you will continue to see that. But our sense is that this would give us that ability to really add much further momentum to it, and that's sort of the thinking right now.

And in terms of the opportunities that are out there, I think, other than a handful of developers, that are also like us in a relatively comfortable position from both the capital and operations perspective, really, the rest of the sector is still facing significant liquidity issues. And therefore, are very much open to partnerships with our sales to us. So I think we feel reasonably confident we can get this deployed and deployed into extremely value-accretive projects.

- Manish Jain:** It is really very, very exciting to see this initiative, especially when your sales engine is delivering 85% of launch inventory being sold out in Pune and 96% in Faridabad.
- Moderator:** Thank you. The next question is from the line of Pritesh Sheth from Edelweiss Wealth. Please go ahead.
- Pritesh Sheth:** Sir, my question was on the quality of sales, which we saw in this quarter, especially from the launches side, I just wanted to understand what were the collections from these launches? Were they restricted to like 10% of collection, which you normally do, or we got a little higher than that?
- Pirojsha Godrej:** This would be linked to the stage of the project is at. If this project is a new launch, typically, you would get that 5%, 10% initial money. If the project is a sustenance sales, then depending on how far along the construction and the project is, you would get collection. Almost none of these are on this type of scheme we were running in the first quarter of the financial year where it was 10%, now we have a 90% delivery. So close to zero, if not actually zero sales in the third quarter were of that type.
- Pritesh Sheth:** Okay. And overall, have we seen any major cancellations to the projects we have sold in the first half of the year or most of those got registered?

**Pirojsha Godrej:** No. We have not seen anything unusual on the cancellations one, cancellations do run at kind of a normal rate in the business. And we should, of course, clarify that all the numbers we present are net of cancellation. So are already factored into the numbers we report.

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

**Pirojsha Godrej:** I hope we have been able to answer all your questions. If there's anything else you would like, please do reach out. Thank you again for all taking the time and hope you all stay safe and do well. Thank you.

**Moderator:** Thank you. 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.