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May 08, 2023

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

Ref: - Godrej Properties Limited
BSE - Scrip Code: 533150, Scrip ID - GODREJPROP
BSE- Security Code - 959822 – Debt Segment
NSE - GODREJPROP

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

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III Part A, Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the conference call organized with the investors/ analysts on Wednesday, May 03, 2023, post declaration of financial results (standalone and consolidated) for the quarter and financial year ended March 31, 2023.

This is for your information and records.

Thank you.

Yours truly,
For Godrej Properties Limited

Ashish Sudhakar Karyekar
Digitally signed by Ashish Sudhakar Karyekar
Date: 2023.05.08 14:31:54 +05'30'

Ashish Karyekar
Company Secretary & Compliance Officer

Enclosed as above

“Godrej Properties Limited

Q4 FY '23 Earnings Conference Call”

May 03, 2023

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

Moderator: Ladies and gentlemen, good day, and welcome to the earnings conference call of Godrej Properties Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kshitij Jain of Godrej Properties. Thank you, and over to you, Mr. Jain.

Kshitij Jain: Thank you. Hello, and good afternoon, everyone. And thank you for joining for the Godrej Properties Q4 FY'23 Results Conference Call. We have with us Mr. Pirojsha Godrej, Executive Chairperson; Mr. Gaurav Pandey, Managing Director and CEO; and Mr. Rajendra Khetawat, CFO of the company. Before we begin this call, I would like to point out that some statements made in today's call may be forward looking in nature, and our disclaimer to this effect has been included in the results presentation. I would now like to invite Mr. Godrej to make his opening remarks. Over to you, sir.

Pirojsha Godrej: Good afternoon, everyone. Thank you for joining us for Godrej Properties fourth quarter financial year 2023 conference call. I hope you and your families are all well. I'll begin by discussing the highlights of the quarter. We then look forward to taking your questions and suggestions. I'm happy to report that from an operational perspective, the fourth quarter was Godrej Properties' best-ever quarter on multiple parameters. On the sales front, GPLs best ever quarter in terms of the volume and value of real estate sold.

We achieved sales volume of 5.25 million square feet in the quarter, and sales value of just over INR4,000 crores representing a quarter-on-quarter and year-on-year value growth of 25%, over what was our previous best-ever quarters. This is our sixth consecutive year of record annual sales to INR12,232 crores, representing a growth of 56% over what was our previous best-ever year, and 22% more than our full year guidance. This achievement was on the back of both and improving projects, as well as strong volume growth of 40%.

We launched 12 new projects or phases during the fourth quarter alone, across six cities and received a strong response to all of them. Three of our projects Godrej Orchard Estate in Nagpur, Godrej Splendour in Bangalore, Godrej Hill Retreat in Pune, delivered sales of overview INR350 crores, each in the fourth quarter. Our robust sales performance has translated into our highest ever collection. We achieved collections of INR3820 crores during the fourth quarter, representing a quarter-on-quarter growth of 127%, and a year-on-year growth of 52%.

For financial year '23 as a whole, we recorded cash collections of INR8,991 crores, representing a growth of 41% over what was our previous best-ever year. This was backed by strong project completions of 8 million square feet across five cities for the quarter, taking our financial year '23 deliveries total to 10.5 million square feet. These collections lead to our highest ever net operating cash flow of INR2,245 crores for the fourth quarter, and INR3,533 crores for the full year.

With a large number of project completions in the last quarter, GPL also recorded its highest ever profit after tax numbers on a quarterly and annual basis. Our total income for the fourth quarter increased by 31% and stood at INR1,930 crores, our EBITDA increased by 66% to

INR630 crores, and net profit increased by 58% to INR412 crores. For financial year '23 our total income increased by 25%, and stood at just under INR3000 crores, EBITDA increased by 41% to just under INR1,000 crores, and net profit increased by 62 percentage to INR571 crores.

In addition to the robust sales and delivery performance, I am happy to report that we closed financial year 23 of our best-ever year for business development, with the addition of 18 new products with an expected combined revenue potential of over INR32,000 crores. More than double the guidance of INR15,000 crores given at the start of the year, and growing by more than 250% from the previous year's actual.

This included five new projects with an expected booking value of INR5,750 crores, added in the fourth quarter. We believe these projects are strategically located, and will support our efforts to maintain a rapid top line growth rate, while substantially improving the margin profile of our company. In addition to the new projects we have already announced, we have a robust pipeline of new development opportunities. And we are confident project additions will continue in financial year '24.

Despite the increase in interest rate and housing prices, affordability of residential real estate in India remains attractive by almost any historical standard. We expect the momentum in the real estate sector to continue, as India remains the fastest growing large economy in a challenging global environment. We are optimistic that the financial year ahead will be a strong year for Godrej Properties. We hope to grow residential bookings to over INR14,000 crores this year, to the launch of a large number of exciting new projects combined with strong sustenance sales.

This combined with strong projects deliveries should allow us to maintain rapid growth in operating cash flows, and as we expect collection to register over INR10,000 crores this year. On that note, I conclude my remarks. Thank you all for joining us on the call. We'd now be happy to discuss any questions, comments or suggestions you may have.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We take our first question from the line of Pritesh Sheth, from Motilal Oswal. Please go ahead.

Pritesh Sheth: Yes. Hi Pirojsha. And congrats to the team for a great year on all counts. My first question is on the launch pipeline that you have indicated. I think last year we started with around 21-odd million square feet of pipeline and eventually launched around 15 million square feet. So, how confident are we in terms of launching 20 million square feet this year? How much visibility we have in terms of launches?

Pirojsha Godrej: Yes, I think we have pretty good visibility, Pritesh, but I think it's also fair to say that as we put on a headline of that slide in our investor presentation, these are dependent on regulatory approvals. And historically we have seen the start-of-year list does tend to look a bit different than the end-of-year list, both with some projects being delayed and with some new projects being added. So, we are certainly confident, which is why we are putting the guidance there, but I think it's reasonable to expect given past experience that some delays will happen and some new projects not currently will be added.

But certainly, I think visibility on both launches, overall sales as well as most other operating metrics is stronger at this time of this year than it's been for any previous year, and we're pretty confident of a strong year ahead.

Pritesh Sheth: Sure, got it. And in terms of your business development target for this year, again, which is INR15,000-odd crores. This year, we will still see most of that being outright and hence there would be higher spends on, from our cash balances. Or how is the mix that we are looking into, depending upon the visibility that you have on the pipeline?

Pirojsha Godrej: Yes. I think last year ended up being a little more skewed towards outright purchases than we probably would have expected. We were seeing some large joint venture portfolios that ended up slipping out of the year. So, hopefully, some of those come in this year, you will see a little bit more of a balanced number. But certainly, we continue to think there is good value land acquisition opportunities available. So, outright purchases will also continue. As you saw in the fourth quarter, we do think our operating cash flows are now getting to a phase where they would be a lot healthier.

We expect strong collections growth in the current year as well. So, hopefully, the majority of these investments came from now on be funded through operating cash flow. But certainly we also think we have some further room on the balance sheet. As you know, we have historically sort of guided that we'd be happy operating from a gearing ratio perspective anywhere between 0.5:1 to 1:1. We're currently under that, suggesting we do have some room for further additions.

Pritesh Sheth: Sure. And just a follow-up on that. When we talk about this large JV platforms, is it like something similar to Encore's portfolio that we have in Pune and we are looking to sign something similar to that? Or any guidance on what kind of JV platforms that we are looking at?

Pirojsha Godrej: Yes. I think similar to that, there are, again, nothing concrete. So, please don't count on this in any way, but there are discussions underway where we can do multiple projects with a single partner similar to the Encore portfolio.

Pritesh Sheth: Got it. And just lastly on the deliveries, 12.5 million square feet, is it going to be lumpy like this year? Or it would be gradually spread out across the year?

Pirojsha Godrej: It might be a little bit lumpy, unfortunately, again. I think the good news is we did actually this time have a couple of things that we were hoping to have in Q4 still spill out of the financial year last year. So, we already have a couple of OCs at the start of this year. So, we'll hopefully get things off to a good beginning. But yes, I think it will again be unfortunately a little bit skewed towards Q4 on an overall basis from a delivery perspective.

Pritesh Sheth: Sure, perfect. That helps, and all the best.

Moderator: Thank you. We take our next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Yes, thank you so much. And congratulations on good performance. My first question is, if you can talk a bit about the EBITDA margin on a reported basis. That seems to be slightly weaker on a Q-on-Q basis. How should one read that?

Rajendra Khetawat: Sorry, Puneet. Can you just repeat the question?

Puneet Gulati: The EBITDA margin on a Q-on-Q basis seems to be slightly weak despite significantly higher income. So, I thought most of the fixed costs should have been absorbed. But on a reported basis, it still looks a little weaker compared to Q3, for example.

Rajendra Khetawat: Yes. The reported margin is 32%. There were more launches which has happened in Q4. So, there were lot of marketing expenses which get expensed out as compared to Q3. So that has little bit as compared to Q3, depressed the EBITDA margin a bit.

Puneet Gulati: Okay. And these launches are in your fully owned project. Otherwise, it would have all gone in the share of JV?

Rajendra Khetawat: Correct, correct.

Puneet Gulati: Okay. Understood. That's helpful. Secondly, you also acquired stake in projects like Godrej Aria, 101, Eternity from 25% to 75%. These all projects were launched back in 2015-'16. So, what is the thought behind acquisition at this point of time?

Rajendra Khetawat: So these were exit for, which the projects had almost got over. So, obviously there was a fund, APG fund, it was from our Resi platform number one. So, the project was almost over, so they need to be given exit. So, we gave an exit at a par value. There was nothing premium paid. In fact, in this project, they didn't make the expected return as desired. So, it was just a routine exit on completion of the project.

Puneet Gulati: So, there is no guaranteed return for these projects?

Rajendra Khetawat: Nothing. It was a purely equity risk-reward sharing deal. In fact, they made lesser return in this project.

Puneet Gulati: And so, was this lower return project for you also?

Rajendra Khetawat: We had some share of DM compared to what their internal return was, what they thought they were lower. We also didn't make the expected return because the market at that time were little different. But yes, we made better returns compared to what they would have made.

Pirojsha Godrej: All right. That's kind of more medium term project given the kind of inflationary environment we had seen during deliveries and the kind of muted pricing environment when these were selling most of their inventory. I think it's fair to say the project as a whole delivered lower margins than we would have liked.

Puneet Gulati: My last question is on the breakup of your sales, within the four geographies and fifth one the others. Last two quarters of those have been trending up quite nicely. Is there a focused effort to move beyond the existing four? Or is it just more a function of mix and plot sales, etc.

Gaurav Pandey: Thanks for the question. I think our strategy is focused upon these four key geographies. And I believe that we are just at the tip of the iceberg from an opportunity set point of view. Like we've explained even in the previous earnings call, we are evaluating but still at a very initial level opportunities in Hyderabad and plotted opportunities in other markets. But our core growth housing markets will continue to be these four.

Puneet Gulati: Okay. That's it. Thank you so much, and all the best.

Pirojsha Godrej: Thank you.

Moderator: Thank you. We take our next question from the line of Parikshit Kandpal, from HDFC Securities. Please go ahead.

Parikshit Kandpal: Yes. Hi Pirojsha and Gaurav. Congratulations on good line up on the GDV addition, especially in MMR. So, my first question is on the end-market demand. So, if you can help us with how the demand in the affordable mid-income and luxury portfolio and given the interest rate hike. So, if you can address that. That's my first question.

Gaurav Pandey: Thank you. You see, we have the main focus largely in the mid-premium and premium-plus to some luxury segment. And we are seeing sort of a secular trend of strong demand, largely emanating from end users. In fact, internally, we also tend to track the funnel of things, essentially the quality of/ profile of people that visit our sites during launches. And it's very encouraging to see that consistently in every quarter. We are seeing families kind of coming. So, it's a very characteristic of a strong end-user demand. Sorry, what was the second part of your question?

Parikshit Kandpal: So, I was asking, segment-wise, how was the demand given that interest rates, I mean, we are almost near peak, was the most-asked question is how is the impact on. Typically, it's understood that affordable will be the worst impacted, but we continue to see strong momentum in luxury side. And now most of your portfolio or GDV additions last year is more aligned towards luxury, especially in MMR. So, South Bombay we have seen. And even the launches which you have planned this year. Worli is there, Mahalaxmi is there so, just wanted to gauge your sense on the demand in luxury for the mid-income luxury and luxury, so that was my question.

Gaurav Pandey: One, we do have a very robust pipeline of mid- to luxury segment for FY '24 launches. But that aside, right now if you see from an interest rate hike cycle and its impact on demand, it's frankly still not been quite of nonexistent. In fact, you see most listed developers are kind of breaking record. And if you see GPL-specific performance for the year at a time of quarter three and quarter four when there was a lot of talk about impact on interest rates. We have seen both price growth and demand growth. So, at the moment, we don't see it and we'll have to also see from a context of historical interest rate cycle.

India has seen a very inflated environment from an interest rate cycle point of view. Just a couple of years back, we were operating at a base case of 11%-12%. And right now, what is impacting demand is the probability and longevity of income growth of people. And if you see generally post-COVID the trend from investing in other asset classes to actually buying a home is a significant shift. So, contrary to theory of its negative impact, at the moment we have not seen. In fact, we've seen quite the opposite.

Parikshit Kandpal: Okay. And just three large launches, Gaurav, so Ashok Vihar, Worli and Mahalakshmi. So, this Ashok Vihar and Mahalakshmi have been touch and go even last year. So how do you see these three launches panning out? So, it will be more like how it will be times, it will be first half or more towards second half?

Gaurav Pandey: So, our endeavor is to try our best to bring these launches into first half itself. But I think you would appreciate that some of these are tricky in terms of stage of approval. And it's a bit tricky to really be very, very certain. But purely from what we see on the ground right now, the file movement of these projects at the moment, it's fair to have cautious optimism. And we are gunning towards that.

Parikshit Kandpal: Okay. And just my last question on the debt. And if I link it to the GDV addition, for last year we had INR32,000-odd crores of GDV addition. So, my question is for Rajendra. So, on the total inventory which we have in the pipeline, what would be the residual unpaid land cost? And given that we have already going with INR15,000 crores of GDV addition next year from INR32,000 crores now we did in FY '23. So, do you think that secularly your debt may not increase and we can meet these payments with the internal cash flow generation?

Rajendra Khetawat: So, on the residual land, we don't have much outstanding, most of the land payments have been paid for. We have just around INR500 crores of planned payment balance to be paid, which will get paid out very soon because those are milestone linked. So, most of the land is paid. As far as the new BD opportunity is concerned, like Pirojsha mentioned, we have been generating lot of operating cash flow. So that can be utilized towards the new BD opportunities. At the same time, our net debt gearing is also 0.39. So, we have quite a bit of headroom to fund our new purchases through that.

Parikshit Kandpal: But only the intensity…

Pirojsha Godrej: The factors of what we are seeing in the market also. And if we see the right deals and we think the value is there, we're happy to go well above the INR15,000 crores of new additions. I think this is a reasonable assumption at the start of the year. But I think of all operating parameters this is also the one with the greatest uncertainty because it's dependent on what we see the market doing, what kind of opportunities are available. But we feel very comfortable that both our balance sheet space as well as higher operating cash flow will comfortably allow us to fund our growth from here on.

Parikshit Kandpal: Great to know that sir. Sir Rajendra, you said that INR500 crores is only pending. So, for the entire GDV even last year and this year INR32,000 crores, everything is taken care with the INR500 crores, right?

Rajendra Khetawat: Yes, last year, for the last year, for the last year.

Parikshit Kandpal: We reached INR32,000 crores, so what we depending on amount for that?

Rajendra Khetawat: So, INR32,000 crores, that's what I said, for INR32,000 crores, only INR500 crores is pending. What we have tied up last year for the entire INR32,000 crores, only INR500 crores is pending, land payment.

Parikshit Kandpal: And nothing is funding for FY '21 or '22? That's all done, now?

Rajendra Khetawat: So, there may be some, like Ashok Vihar is there, those are like a long gestation, like eight years payment cycle. Those are like a typical JV kind of projects. So those would be there. Whatever acquisitions we made for last financial year, in financial year '23, out of that only INR500 crores is pending.

Parikshit Kandpal: Okay. Thank you, those are my questions. And all the best to you.

Rajendra Khetawat: Thank you.

Moderator: Thank you. We'll take the next question from the line of Parvez Qazi from Nuvama Group.

Parvez Qazi: Yes. Thanks for taking my question. Congratulations to the management team for a great set of numbers. So, my question is this, when we look at the cash flow statement that you give, historically the proportion of the net operating cash flow to the overall cash flow, you should be somewhere around 20% to 22%. But there was a significant improvement this year. In fact, specifically for Q4, the number is pretty high, at almost about 52%. So, was there any kind of one-off that was there in Q4? And what is the kind of trajectory that we see going ahead for this number? Thank you.

Rajendra Khetawat: So, thanks, Parvez. There was not one-off. The cash flows are dependent on certain milestones. A lot of OCs has come in into this quarter. We have received more than 10 million square feet of OC. And most of the OCs were back ended in Q4. So, that's why you will see a significant jump in collection and to that extent to the operating cash flow. So, to your second question, definitely going forward we have guided at 12.5 million square feet of OC. So, you will see that uptick in that operating cash flow happening. And as the launches are getting improved, construction milestones get met, this operating cash flow also will keep improving going forward.

Parvez Qazi: Thank you, all the best.

Pirojsha Godrej: Thank you.

Moderator: Thank you. We'll take the next question from the line of Mohit Agarwal, from IIFL. Please go ahead.

Mohit Agrawal: Yes, thanks for the opportunity. So Pirojsha now that we've seen a significant improvement in the P&L reported profitability, is it a good time to lay down an indicative timeline to the 20% medium-term ROE target that we have chased? Like can you put a two, three year time line to it?

Pirojsha Godrej: Yes, we would want to avoid giving very clear timeline for it. I think what we can see directionally is that it's quite evident how much capital we've raised during the pandemic through the two capital raises we did. If you exclude that capital because I think most of that capital except for some that we may have deployed in project development cannot yet be recognized in the P&L because, as you know, there's more of a one year to two year BD cycle, another one-year regulatory approval cycle and then another kind of two to three years for project delivery. But I think if you look at the base before the pandemic even in the last year, we're not very far off from the kind of 20% ROE aspiration.

So, I think one of the hard parts of ensuring this happens on a larger capital base was obviously the capital deployment itself. I think we took giant strides towards achieving that part of it last financial year with the kind of business development additions we did. I think the important thing this year, in addition to, of course, further business development is to actually make sure the vast majority of those projects we've added get launched in the current financial year.

And if that happens, I think we're pretty confident now that our delivery engine can deliver projects within two years to three years. So, if we launch this year a lot of these should be reflected in P&L two years or three years from now, by when you should see on the much larger capital base far improved return metric. But we certainly think, directionally, that visibility is already starting to be quite clear.

Mohit Agarwal: Okay, understood. My second question are basically a couple of questions on the Vikhroli thing. So, one is we see, in the launch pipeline, we see six lakh square feet of launches. If you could kind of help us understand, is Vikhroli now back on track in terms of doing regular launches? Every year we'll see some launches. So, some clarification on that. And connected to that is, we've also received the OC for the Taj Hotels. So, if you could give some guidance on the revenue potential and what are the timelines that you are seeing on the opening of that?

Pirojsha Godrej: Sure. So, on Vikhroli generally, I think we are quite confident of launching this residential project after a few years. I think obviously looking forward to that after what's been a gap of a couple of years. We are hopeful that we're able to deliver more consistency there. I'd say this current visibility on two projects, one of which we are guiding will be launched this year. There is a second larger project that we are hopeful can come in quite quickly. After that, actually, there might be a little bit of time needed to get more land. But when that land becomes available, I think it would be very large amount of development and then would be a decade-long kind of development cycle for that land. So, I think there's reasonable near-term visibility. I think we still have some work to do on ensuring the medium-term visibility is consistently at the level we'd like to see.

For the Taj, as you rightly pointed out, we got the occupation certificate at the end of March. The current estimates from the team is that hotel will start the operation around October of this year. I think we're still working on finishing and getting things up and ready. I think that was probably a more appropriate time to speak a little bit about revenues and so on. It's our first hotel project, so I think we're still going through some of that. So, I think it will be best if we saved that for maybe an earnings call, the next one or one after that when we have a slightly better visibility on the launch.

Mohit Agarwal: Sure. And my last one is just a clarification on the cash flow. Rajendra, this INR1,100 crores JV adjustment, could you explain that? That's a pretty large number?

Rajendra Khetawat: Yes, so it is more of a timing difference in the cash collection from the customers in the respective project SPV. And it is pending transfer to GPL because like there are certain RERA restrictions. If you don't have RERA limits, you can't withdraw. There may be certain restrictions into some of our JV agreement whereby you cannot withdraw or till a particular milestone or something is achieved. So, it is more of a tallying of my total cash flow to the net debt. Now had I received this cash flow immediately; I would have been able to utilize it either to repay my debt or to use it for any other purpose. So that was the purpose of just giving adjustment for JV projects.

Mohit Agarwal: But that's fine. So, I'm just trying to understand, the number is pretty large this time around. So is there like a one-off…

Rajendra Khetawat: Correct, because a lot of launches have happened. A lot of launches we did in quarter 4. So, lot of money has come in as a collection. That's why somebody asked in the earlier question, see, your Q4 collection and operating cash flow has suddenly gone up. So obviously not immediate RERA limits are available, there are RERA restrictions, you need to deploy, you need to have those withdrawable limit before you can actually freely utilize those cash. That's why you will see this number. But in next one or two quarters, this number will substantially come down.

Mohit Agarwal: Okay, thanks a lot. That's all from my side.

Pirojsha Godrej: Thank you.

Rajendra Khetawat: Thank you.

Moderator: Thank you. We'll take the next question from the line of Abhinav Sinha, from Jefferies. Please go ahead.

Abhinav Sinha: Hi. Congratulations on the strong numbers to the whole team. Firstly, on the guidance front of INR140 billion. So how does that growth split? You are at around 14%, 15% Y-o-Y growth on pre-sales. How does it split between the value and volume for next year? And do you see a mix change?

Rajendra Khetawat: Sorry, Abhinav, so you said INR14,000, how do you see value what? Sorry, your voice was breaking. Volume?

Pirojsha Godrej: Abhinav, it depends obviously which set of projects finally get launched. Our sense is you will see some pricing growth. And we obviously also though have a larger number of projects which brings the average price down. So, there's a few different effects to keep in mind. So, I think the overall value number we think is a relevant one to pay attention to. And of course, like we did last year, the aspiration will be to hopefully go faster.

Abhinav Sinha: Okay. And secondly, again, pricing, how is it behaving now? Is it still strong heading into March and April, like you were seeing earlier?

Rajendra Khetawat: Housing market?

Pirojsha Godrej: Yes, I think the market remains very strong. As Gaurav was saying, we've had our two consecutive best-ever quarters from a sales perspective. I think these are all projects that are selling at good prices. I think the quality of project portfolio this year is significantly higher than even last year in terms of locations and things. So, yes, I think market is holding up well, and we feel good about our portfolio.

Abhinav Sinha: Okay. Lastly, on the land acquisition sort of winding down, when do we become FCF positive? Is that on radar for FY '24 sometime, or we should wait another year out for that?

Pirojsha Godrej: Yes. No, I don't think that particularly in FY '24. But again, it's a factor of how much business development we end up doing. If we do a little bit less than what we've guided for, it could well happen in FY '24. We end up doing as much as we did in FY '23, which also is a possibility. It certainly won't happen in FY '24. Honestly, I think Abhinav, from our perspective, it's not a terribly important metric, I think to us. What's important is operating cash flows, and then are we getting the right quality and quantity of deals to ensure that we're able to grow and in our overall balance sheet in a healthy position. I think if the answer to all of those is, yes. We honestly are not too concerned whether post BD and NCF is going up or down in the short term.

Abhinav Sinha: Thanks, and all the best.

Rajendra Khetawat: Thank you.

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

Sameer Baisiwala: Hi, thanks so much. And congrats on a great year. The first question is a quick clarification on Vikhroli. Pirojsha, so all these new launches would be same under DM arrangement, 10%?

Pirojsha Godrej: That's right.

Sameer Baisiwala: Okay. And the second question is, now as you're scaling up, can you talk a bit about on the construction side, execution side? I understand they are all third-party contractors. So how are things panning out on that side?

Gaurav Pandey: Thanks for the question. Essentially what we've done is, we've got a series of -- we've divided our contracts into buckets. So, for some of these, we've now got pan-India contracts, which is, say, for items which are high value and high impact, let's say, the typical faucets, the commodes, and now we're going up to the extent of doing zonal tie-up. So, for every zone we'll have, say, two or three large contracting firms doing all the painting work. So, with scale, one we are getting a sort of a benefit of creating economies out of it and on the second side, we've created a model where every project is run as a P&L itself, meaning there is a project director and a core leadership team.

So, basically, from a bottom-up point of view, it's about getting unit level economics right through multiple smaller packages. And from a top-down point of view, all high-value and high critical contracts being either centralized at a zonal level or at HO level. And this has been working very well for us. It's a sort of a strategic pivot we did some time back and which is why you're seeing consistent upscale of deliveries already in our results.

Sameer Baisiwala: Okay. This is very helpful, Gaurav. And but just on the civil construction side, which is the structure, are you using just a few contractors, or how are you doing this?

Gaurav Pandey: So essentially, thanks to the amazing relationships we've built over the last 8 to 10 years in practically every zone, we now have identified contractors who can deliver at scale for us at the required speed and quality. And what we're essentially trying to do is doing sort of tie-ups with them for a project level. Having said that, let's say, you have a very big multiphase project, there we tend to bring two or three contractors from that zone who have created track record of performance with us.

Sameer Baisiwala: Okay. Great. And just finally, Pirojsha, any thoughts or plans on any further equity raise, or we're done for now?

Pirojsha Godrej: We are very much done for now, Sameer. I think as we said, I think the gearing level we want to operate in, where we feel getting that right balance of prudence and taking full advantage of the opportunity is 0.5:1 to 1:1. So we're not even in that range now because we're still under it despite strong additions this year. So no, I don't think it's something that would at all be on the table certainly for the next couple of years.

Sameer Baisiwala: Okay. Great. Thank you, sir.

Pirojsha Godrej: Thank you.

Moderator: Thank you. We take our next question from the line of Ritwik Sheth, from OneUp Financial. Please go ahead.

Ritwik Sheth: Hi, good evening, sir. I just had one question on the business development side. We have guided for about INR15,000 crores with GDV. Can you give a ballpark figure, what would be the cash outflow for this in FY '24?

Pirojsha Godrej: Yes. Again, it varies a lot depending on structure and whether this INR15,000 crores remains INR15,000 crores. But I think broadly speaking, it would mean 10% to 15% if we look at FY '23 number, 10% to 15% for booking value as upfront cash flow. So, on INR15,000 crores, you can assume a rough number around INR2,000 crores would be required. But again, there are lot of moving parts here, including whether INR15,000 crores was up or down, whether the structure is outright or joint venture and also things like payment terms and whether it happens in a year or not. But broadly speaking, I'd say it's roughly INR2,000 crores.

Ritwik Sheth: Right, absolutely. And the mix should be largely similar to FY '23, right? Like, we have gone out for a majority is 100% owned. So largely the mix should be similar? Would that be…

Pirojsha Godrej: Not necessarily. I think FY '23 was probably slightly more skewed towards outright purchases. I mean, we have continued to think the market is giving us opportunity to acquire significant stakes in what we think are good entry points. So, outright certainly remains one of our priorities. But we are also looking at a variety of projects where we'll be a sort of joint venture structure where we have economic interest. So, I would expect to see some of those as well. And I would say last year, another thing, Rajendra of course spoke about some of the exits we've given long-term investors at the end of a project.

But there are also projects and we may have a couple more this year where we are increasing our stake at a relatively early stages of project. So for example, we had a large in Hinjewadi, in Pune, a large township project there, which was a profit-sharing project. But we've now made that almost 100% owned project. So, some of the cash flow we deployed for that. So that project we think is an 8 million square feet project. So, while we haven't added it to our business development for the year in a way, half of that we have acquired is new addition for the company. We have about INR4,000 crores in that project that will accrue to our P&L that wouldn't have earlier.

Ritwik Sheth: Sure. And just one last question from my end. We will probably be one of the largest land acquirers, say, in FY '23 or at least organized. Any sense on the pricing of land acquisition versus FY '22 or pre-COVID, if you can give some color on that, that would be helpful, please?

Pirojsha Godrej: I think it again varies a bit by geography. So somewhere like NCR has probably seen more land price appreciation than other places, just as we're seeing more end property price appreciation. But as I've said, the attractiveness remains. And I think strong returns can be generated at current value, which is why we did a lot of outright purchases. But there's no question there were some upward movements. And we would expect further upward movement this year. I think the entire hypothesis of we had when we raised the significant equity, we did during the pandemic was that the cycle was about to turn and that any investments done at that stage of the market could prove quite lucrative because they would likely be developed through an upswing in the cycle. So far, I think that's playing out pretty much exactly as we expected. But obviously, these things can change depending on macro and other factors.

Ritwik Sheth: Sure. Thank you, all the best, sir.

Pirojsha Godrej: Thank you.

Moderator: Thank you. We take our next question from the line of Rakesh Vyas, from HDFC AMC. Please go ahead.

Rakesh Vyas: Hi, good afternoon. Congratulations Pirojsha and Gaurav on meeting most of the operating metrics. I have three quick questions, if I may. First one is on the GDV that we added of almost INR32,000-odd crores effectively pending INR500 crores of land cost. I just want to understand, to bring this to the 32,000 GDV, what is the additional approval cost that is required because the number, when I look at it from the perspective of mostly 100% owned large part in MMR, 15% as land cost to GDV seems very, very attractive. So, I'm just trying to figure out as to are there additional costs that we need to build in over and above this INR5,000-odd crores that we have spent?

Pirojsha Godrej: Yes, certainly there will be other regulatory approval costs and obviously other development costs. I don't think we have but maybe we can sit separately and the team can give you more detailed breakdown.

Rajendra Khetawat: Yes, of course, this is the normal regulatory approval which we require, whether it is an outright project or a JV project because had we done a JV those kind of an approval would be required in JV also. So those are normal construction-related approval, staircase premium, FSI premium, all those. So, it will vary from project-to-project depending on the eligibility, what it is. So, like Pirojsha said, we don't have it, but maybe we can sit separately and take you through that.

Rakesh Vyas: Got it. Second question, Pirojsha is essentially on the MMR pipeline, that we are projecting for FY '24. It seems very, very strong. So, are there any projects where you see a risk of it getting slipped? Of course, Worli has been an issue, but I'm just trying to understand the readiness of the other projects in general, how does it look like as of today? I mean you have put it in FY '24, so you are confident, but are there some projects where you think there is still a touch-and-go?

Pirojsha Godrej: Yes. I think first, I'm quite happy with the progress we're making in the MMR market. As you know, we've discussed in previous calls, as we sort of took stock of our performance a couple of years ago, I think we felt Mumbai and Bangalore were both regions where we were significantly underperforming the opportunity. So happy to see that last financial year we have tripled sales in Bengaluru (Bangalore) and the doubled them in Mumbai. And in Mumbai adding new projects with a booking value of INR10,000 crores, which is the highest of any individual market for us. So overall, very happy with all of that. I think to your specific questions on are there any risks to these launches I think the honest answer is yes.

Certainly, there are, I think, still we have final approvals on something like Worli it would be bullish to think that it's the certainty. But we are hopeful and we're working towards, hopefully, somewhere around the Diwali launch there. Even if it gets delayed a little bit hopefully it stays within the year. But I think given past experience, we've seen that both for our own projects and for other large developers, the larger the projects, typically the longer the approval process takes for one reason or the other. So, I wouldn't call the Mumbai launches we hope to do risk-free. But as of now, I think we're reasonably confident on all of them, and none of them are as we stand today planned for kind of end of Q4 or anything like that.

Rakesh Vyas: Got it. And last one, very quickly, how do you see the construction outflow for this year given that you have launches, you probably also have wrapped up the guidance for the deliveries, etcetera. So, on almost INR3,500 crores, INR3,600 crores of construction cost incurred last year, how do you see this trajectory moving into '24 and '25 based on our budgets?

Rajendra Khetawat: It will be in proportion, in a linear proportion to the kind of launches we are doing and the kind of projects under construction. So as we have guided in next year, we are planning to do a booking value of 14,000, we are planning to do deliveries of 12.5. So obviously that construction outflow will also be linearly moving upwards towards that as the progress happens. So, one has to look into project-by-project, but it will move in linear to our delivery schedules and our booking value.

Gaurav Pandey: But generally, we don't expect the earlier part of the year to have a major construction spike because we would appreciate that typically mid-stage of the project is where outflow tends to be very heavy. And during that time, the payment plan also tends to be more aggressive to make it kind of net positive. So, it's essentially going to be a sort of a linear curve from what you're seeing in FY '23. But the booking value curve is going to be little bit steeper.

Rakesh Vyas: Okay, got it. Thanks, Gaurav. That's helpful. Thank you.

Moderator: Thank you. We'll take the next question from the line of Manish Jain, from GormalOne LLP. Please go ahead.

Manish Jain: Yes, hi. Congratulations on really demonstrating the power of your scalable model across all the four key metros. So just trying to focus on key constraints that you all may face as a team, not for next one year, but next three years to five years. Gaurav mentioned that you have construction pretty much taken care of based on the work that you have done for the last eight years to ten years. So, if you can just highlight key constraints or key challenges.

So, one of them that, Godrej has one of the best quality people and the sector is going through an upturn, maybe the best place for other competitors to poach people. So, have you seen higher-than-normal attrition? And any other challenges that you may foresee in continuing to chug along on your scale?

Pirojsha Godrej: Thanks, Manish. Yes, I think it's a sector that throws us challenges all the time. So, I think we certainly have to be on the top of our game to be able to deliver the kind of growth we'd like to. You certainly highlighted one challenge, which is that the sector itself is growing a lot, developers are now starting to expand into new geographies. And you're right that I think we are one of the companies that I think people would like to hire from. So, we have seen higher attrition. We've tried to respond to that and for our key talent try to do what we can to ring fence them. Some of them have seen positive results from that as well. But I think that will be an ongoing area of focus. Because if you look at the industry as a whole, it is a little bit talented-starved, because I think you didn't have maybe 20 years ago a lot of people wanting to come into the sector.

So, at the senior level today, there is a little bit of a dearth of talent. But I think we feel given the brand, given the platform we built, that we are able to attract and build talent from within. So, we're quite confident of being able to continue to do that. But that is a continued area of focus. I think some of the challenge and risks remain around things like business development on an ongoing and consistent basis.

Regulatory approvals, I think is probably the biggest short-term disruption because whether a project like Ashok Vihar comes-in, in the year or not can make a very big difference to both the bookings for the year as well as the P&L visibility for the years ahead. So, I think regulatory approvals is an area where we're very focused on improving our capabilities, making sure we understand the nuances of each individual market very well and certainly one area of risk.

But overall, I think we feel very fortunate as the opportunity to be sort of in the right place at the right time. What I mean by that is, I think India's economy is by all the expectations set for a very robust couple of decades, given the global positioning given kind of micro factors within India. And I think if India is to grow in the way that is expected, obviously urbanization is something that's going to happen at a much more rapid clip, than has ever been witnesses in the country's history. So, we feel the real estate sector, and particularly residential real estate could be set for quite explosive growth from a sector perspective.

And certainly, with our brand and the work we've done over the last decade to build strong capabilities and presence across key markets, we feel very well-placed to take advantage of that opportunity. So overall, very excited. But it's not, as a role looking at some of the other group companies, I would say the real estate sector continues to be the most unpredictable. There are unforeseen challenges coming up all the time. So, I think maintaining a sense of agility and an ability to respond to those quickly, and a quick learning mindset I think will be very important.

Manish Jain: Thank you, so much. And all the best on tapping into this exclusive growth.

Pirojsha Godrej: Thanks very much, Manish.

Moderator: Thank you. We'll take the next question from the line of Himanshu, an investor. Please go ahead.

Himanshu: Hi, my question is for Pirojsha Godrej. As everyone is congratulating you on your remarkable performance, I would also use this opportunity to congratulate you. I also understand that this call is for the investors and the research firms who typically are interested in buying the stocks and recommending those companies. But I am a client who has purchased a Godrej Golf Link Villa in Greater Noida and also a client with Godrej Capital.

I just want to address, and I want to state here that me as a client and as an investor are in deep pain. The project has been delayed from the last two years. And the Godrej top team are not discussing anything on the compensation or the delivery of the project, you're just talking about the regulatory rules, which as an individual with increase in cost of interest, which has increased by 50% on the increasing rental cost. What is your take on it, sir? I just need -- I thought this would be the right opportunity to reach out to you. Otherwise, there is no way we as an individual can reach out to you. So please can you help us on this two pieces here? How you compensate and how soon we can get our homes, in Godrej Golf Links?

Pirojsha Godrej: Yes. Thanks for your question, Himanshu. First, let me start by apologizing on behalf of all of us. I think, obviously, we're disappointed to see that the delivery has been delayed. As you probably know, the project had been complete and ready for delivery for some time. We've been working with the Noida Authority to ensure the OC is received.

We expect that quite shortly, I think there are government regulatory-related reasons for the delay, but we're quite confident those will be resolved. And certainly, we will look at appropriate compensation, if any is called for at the time of delivery. We of course take great pride as a company on being able to deliver regularly on time. I think, unfortunately, in such instances factors beyond our control, such as happened here, can create a delay. But we are doing everything possible, please be assured, to ensure the project is delivered as soon as possible.

Moderator: Thank you. We'll take the next question from the line of Puneet Gulati, from HSBC. Please go ahead.

Puneet Gulati: Yes, thank you. Just one clarification. Pirojsha, you mentioned that taking over increased stake in Hinjiwadi, would likely add almost INR4,000 crores to the business development side, is that understanding, correct? And is it included in the numbers that you disclosed?

Pirojsha Godrej: No, it's not included in the numbers we disclosed. I think the math are roughly INR8,000 crores top line from the project. So, we have acquired -- we had a 50% stake, we've acquired another 50% stake in it. So that 50% stake, I would say roughly think of it from adding another INR4,000 crores. But that is not included in the INR32,000 crores number, because that number is entirely focused on fresh business development. So, any adjustments to the shares of existing projects is not reflected there.

Puneet Gulati: So, anything similar number that one should add for Godrej Aria, Eternity, etcetera or…

Rajendra Khetawat: Those were very miniscule, Puneet. Those were at the fag end of the project life cycle. So, bulk of the inventory has already been sold out. So, nothing that sort of on those projects.

Pirojsha Godrej: Yes, I think those projects we more like giving the investor exit. Acquiring for the future, whereas this example of the project in Pune, I gave, we just launched that project last financial year. So, the vast majority of that project lies ahead of us, and we would acquire the entire stake in that project.

Puneet Gulati: So, despite a reduction in salable area, you're saying you will get additional 4,000 opportunity in terms of business….

Rajendra Khetawat: Puneet, that is what he said, was the total was INR8,000 crores, earlier it was 50%, 50%. So INR4,000 crores would have been accrued to us. Now the entire INR8,000 crores will accrue to us.

Pirojsha Godrej: And Puneet, I think the reduced area is a choice. So, we can maintain the existing area if we want to. A small portion of it is plotted development to increase the kind of number of products we're able to offer and increase the pace of revenue recognition. Otherwise, this is quite a long-term project. But it's now to say there is any inherent drop in FSI available. This is a choice that we have of having the higher area over the kind of longer time period or doing a portion of it in a format that generates cash flows quicker.

Puneet Gulati: Understood. That's helpful. Thank you so much. That's all from my side.

Pirojsha Godrej: Thanks, Puneet.

Moderator: Thank you. We'll take the last question from the line of Sameer Baisiwala, from Morgan Stanley. Please go ahead.

Sameer Baisiwala: Yes, thanks. Just wanted to check on the pricing environment and where I'm coming from is that in general for the listed companies, the volumes have been pretty good and competition is not that strong. So, if I relate to previous cycles under such conditions, developers would be very happy to take prices up and up meaningfully. So, this time around, there's a lot of restraint. So, any thoughts on this?

Pirojsha Godrej: I think, Sameer typically actually in a cycle what you see in the first couple of years are more focused on volume recovery which has happened. We've already seen in some markets like NCR quite sharp pricing growth. I think it will be good if there is only moderate price increases. But honestly, I think any individual developer, while obviously you can charge a premium for brand and quality and so on, overall market prices, I don't think are in the control of an individual developer.

No developer has even a 10% market share in the country. So, if you see in a market like NCR prices going up, you will of course participate and price your projects at the level of the market. If you're not seeing that visibility, you won't do that. But I don't think the developer is going to purposely sell it much lower than they can clear the market at. And it will be interesting to see how it plays out over the current year. It wouldn't surprise me if you saw a few other markets also being price increases the way we've seen in NCR. But again, very dependent on a variety of macro factors.

Sameer Baisiwala: So, all this put together, Pirojsha, you think it be mid-single digit or higher price increase portfolio-wide for fiscal '24 for you?

Pirojsha Godrej: So, it's a tough question. Also, I think, what do I think if you ask me, my own personal assessment is you probably have a low double-digit price increase. What are we building into the kind of guidance numbers we've given is exact today's kind of pricing. So, I personally think there will be some price inflation, we're not building that into kind of the plan we've shared with you.

Sameer Baisiwala: Okay. No, that's fine. That's very helpful. And just finally, are you seeing the smaller players coming back with the help of some financial support from private equities or NBFCs, etcetera.? Or you think that's still missing at the moment?

Pirojsha Godrej: I think the long tail of the sector, a lot of it is actually exited the market before COVID and during COVID. So I think most of the data we've seen suggest that 40% to 50% of smaller developers that were existent 10 years ago simply aren't around anymore. But I think when you say small developments, you're probably talking more about the not the Top 10, Top 20 but the next set of developers. And I think there's no question that it should be expected that as the market improves, the health of the Top 100, Top 200 developers in the country certainly should improve as well.

So, I would expect that part of the market to strengthen. But I do think that, we think the Top 3 or Top 4 developers in each city now have very significant advantages in terms of their ability to access capital, whether equity or debt, their ability to attract customers at an early stage of a project, their ability to deliver larger-scale projects, deliver better volumes and sales, have a pricing plan. So, I think the advantages for the bigger developers are considerable. But certainly, I think the whole reason that the real estate cycle exists is that people under-invest when things are tough, that gives impetus to supply-demand, the opportunity to see price increases and then volumes come back. So, then that gives more people the ability to again invest and you see the next leg of the cycle.

So, I think we're in this is probably year 3 of what's typically been a seven years to nine year cycle. So no reason to expect this time to be different from my perspective. So, we do think we'll see increasing competition. And again, that goes back to why we wanted to do a lot on kind of locking the business development pipeline at what we thought were very attractive stages of the market, and we're quite happy to slow down a little bit on that front and focus more on selling if the market gets decisively stronger.

Sameer Baisiwala: Thanks, so much, Pirojsha. Very clear. Thank you.

Pirojsha Godrej: Thank you, Sameer.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. And I would now like to hand the conference back over to the management for closing comments. Over to you, sir.

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

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Godrej Properties Limited, conclude this conference. Thank you for joining with us. You may now disconnect your lines.