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November 12, 2022

BSE Limited
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Dalal Street,
Mumbai – 400 001

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

Dear Sir/Madam,

Please find attached transcript of the conference call organized with the Investors/ Analysts on Wednesday, November 09, 2022, post declaration of financial results for the quarter and half year ended September 30, 2022.

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: 2022.11.12 00:18:30 +05'30'

Ashish Karyekar
Company Secretary & Compliance Officer

Enclosed as above

Godrej Properties Limited
Q2 FY 2023 Earnings Conference Call Transcript
November 9, 2022

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. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mit Shah of CDR India. Thank you, and over to you, Mr. Shah.

Mit Shah: Thank you. Good evening, everyone, and thank you for joining us on Godrej Properties Q2 FY'23 Earnings Conference Call. We have with us Mr. Pirojsha Godrej, Executive Chairman; Mr. Mohit Malhotra, Managing Director and CEO; Mr. Gaurav Pandey, Managing Director and CEO Designate; and Mr. Rajendra Khetawat, CFO of the company.

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

I'd like to invite Mr. Godrej to share his opening remarks. Thank you. And over to you, sir.

Pirojsha Godrej: Good evening, everyone. Thank you for joining us for Godrej Properties Second Quarter Financial Year 2023 Conference Call. I'll begin by discussing the highlights of the quarter. We then look forward to taking your suggestions and questions.

While the global macroeconomic situation deteriorated in the second quarter, the Indian economy has continued to perform well and residential demand in India has remained strong. I'm happy to report that company has reported its highest ever first half sales of INR4,929 crore, with the sale of 4,710 homes comprising an area of 5.54 million square feet. This represents a year-on-year value growth of 60% and year-on-year volume growth of 26%.

During the second quarter, sales stood at INR2,409 crore with the sale of 2,410 homes with an area of 2.71 million square feet, which is slightly below the corresponding quarter of the previous financial year. We believe this sets us up well for the year ahead and to achieve our guidance of around INR10,000 crore. We expect that the second half will be exceptionally strong given the excellent launches that we have planned and that we will exceed our INR10,000 crore booking value guidance for the year. We also focused on opportunities to take price increases across our portfolio, both to offset commodity price inflation and to aid in margin expenses.

On the operations front, while project completions were muted in this quarter, we remain on track to deliver a large number of projects in the second half of the financial year and expect deliveries this year to be well in excess of 10 million square feet. Due to limited projects in Q2, our revenue was moderate at INR327 crore, a year-on-year growth of 13%.

Our adjusted EBITDA declined by 8% to INR98 crore, while net profit grew by 54% to INR55 crore. Net operating cash flow for the quarter was robust at INR721 crore. We made significant progress in several of our sustainability and ESG deliverables during the quarter. And our entire team was also proud to be recognized for the third consecutive year as a global leader in the ESG performance by the Global Real Estate Sustainability Benchmark.

From a development perspective, we added 2 new projects during the quarter, a luxury residential development near Carmichael Road in Mumbai with an estimated sales potential of approximately INR1,200 crore. And the new project at Indiranagar extension in Bengaluru with an estimated sales potential of approximately INR750 crore.

Post Q2, we have added 2 new residential projects in Manor in Mumbai Metropolitan Region and in Mundhwa in Pune with an estimated combined sales potential of INR2,500 crore. For the financial year to date, we have added 6 new projects with an estimated sales potential of INR1,000 crore. Our business development pipeline is the strongest it has ever been, and we are confident of meeting our previous guidance of INR15,000 crore or more of future booking for projects added within the year.

Before I conclude my remarks, I'd like to mention that creative feedback, these suggestions received from the investor community, we have improved our disclosures in the current quarter's investor presentation. In the annexure of investor presentation, we have added details, including accounting methods, cumulative area launch, area sold, booking value achieved, collections received and area delivered for each project.

We've also elaborated in terms of profitability by disclosing the interest income and development management fee income earned from joint venture projects during the quarter. We hope you will find these additional as useful, and we look forward to giving further feedback so that we can continually improve the quality of our investor communications.

On that note, I conclude my remarks. Thank you all for joining us. We'd now be happy to discuss any questions, comments or suggests you may have.

Moderator: We take the first question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a decent quarter. So my first question is on the business development pipeline. So historically, we have seen that the great years have been like 2 years back, we used to do about INR15,000 crore to INR16,000 crore. So this year, you seem to be confident of achieving it. So just wanted to understand out of this, how much will be the MMR because that has been the weakest link in our business development pipeline. And also if you can touch upon any developments on the Vikhroli if we can open up any new area during this year or next year in the Vikhroli land parcel?

Pirojsha Godrej: Thanks for the question. Yes, I think, as I said, the pipeline, we are confident of getting to that INR15,000 crore number. I think a decent portion of that should come from Mumbai. We have I think fairly strong visibility of INR5,000 crore of booking value being locked in Mumbai, subject to deals closing as expected. And we're actually quite hopeful that we might be able to even exceed this INR15,000 crore number meaningfully. Vikhroli, any additions would not be included in this number, but we do expect a new phase launch in Vikhroli next year of about 1 million square feet.

Parikshit Kandpal: Yes, I could understand what you said, Pirojsha. Yes. So you said that you will try to exceed it at INR15,000 crore plus and INR5,000 crore coming from Mumbai basically, right?

Pirojsha Godrej: Right.

Parikshit Kandpal: My second question is on some of the premium launches, high-ticket launches, especially the Worli side and the Bandra and Ashok Vihar. So any update on these 3 project's time line? So how do we see the launch shifts panning out here, any time lines here for these 3 projects?

Pirojsha Godrej: Yes. So I think on Ashok Vihar, there's been reasonable progress. We're still awaiting final approval, but we're quite optimistic about launching that project in the fourth quarter. On Worli, we expect it to launch next financial year. And on Bandra, unfortunately, given some of the issues, while there has been a little bit of progress, I think we prefer to wait and watch till things proceed a little further before giving time line guidance on that one.

Parikshit Kandpal: Okay. And just lastly, on the ROE guidance which we have given some time back about 20% to be achieved from '23, '24. So any update there? How do we see that happening now?

Pirojsha Godrej: I think the 20% was also on the smaller base of capital. We've done 2 QIPs. My sense is that from the capital raised in the QIP is assuming sort of deployment takes a couple of years and then at least 3 years thereafter from an approval and the actual OP perspective, I think it will take a little bit longer, but we do expect to see meaningful earnings momentum, both in the second half of this financial year and next year. And hopefully, that will give the investor community confidence that we are heading in the right direction.

Moderator: The next question is from the line of Abhimanyu Kasliwal from Choice India Limited. Please go ahead.

Abhimanyu Kasliwal: Okay. So pleasure connecting with you, sir, I just had a question regarding Vikhroli land and the DM portfolio. What kind of gross margins are we looking for the DM portfolio? That was my first question, sir. Secondly was, this quarter we seem to have recognized some tax benefit of INR50 crore, INR60 crore. And I wanted to know how can we project this forecast going forward? That would be very helpful sir.

Pirojsha Godrej: Yes. On the Vikhroli land, I think the current arrangement is a 10% DMP. Against that, we would have a couple of percent of marketing and sales costs. So the rest would be the margin, of course, with some overheads, et cetera, also factored in. I'll ask Rajendra to take the question on tax.

Rajendra Khetawat: On the tax benefit part, that was a DTA which got created. So you cannot predict it, it depends how your tax planning happens. So this year, the prelaunch, so we could trigger the DTA. Hence, there is a tax positive, which has come into the earnings.

Abhimanyu Kasliwal: Okay. Another follow-up question. Regarding the Carmichael Road project, I mean, it is going to be a very high-margin project, I understand, and we own it completely, almost 100%. So are we looking at a more transition to high value, high-margin projects or we are sticking to the mid-income range, which we have extended in Bangalore and Pune? What would you say sir?

Pirojsha Godrej: Yes. I think certainly, we will not be having most of our projects of the type of Carmichael Road. We're very happy if we find the right opportunities at the right entry point to look at luxury for this type being a small part of the portfolio. But certainly, I think the bulk of the focus will remain on sort of mid-income housing. And we have, though, been trying to position the project more into premium housing practice, where I think which even our recent projects in Pune and Bangalore that you referenced, we would describe as a more premium than mid-income housing.

And I think we've seen a good ability to both generate significant volumes and much higher margins at these kind of projects or I'd say Vikhroli is an example of one such project, our upcoming project, Ashok Vihar and there's another one. So we have been focusing on trying to enter higher quality area and therefore, deliver projects at a slightly higher value and higher margins, and we do think that will aid in delivering higher margin expansion over the coming years.

Abhimanyu Kasliwal: Perfect. And one last. So what margins hypothetically, what would you give a ballpark for the next year or two, 30% EBITDA, 35%, what would you suggest, sir?

Pirojsha Godrej: We don't believe it's appropriate to give margin guidance. I think there are a lot of points in this sector that can change. You're obviously selling at one point and then going through an entire construction cycle, if you need any evidence of the challenges of trying to provide forward-looking margin guidance, I think this year would be an ideal year to look at with the kind of inflation that has happened. So we, to be perfectly honest, are not comfortable giving margin guidance. That said, typically we are very confident in saying that the steps we have taken through business development ensuring a higher share of profit in our projects accruing to good rated properties by ensuring higher quality locations that are at a higher price point.

And by some of the operational improvements we've made around digitization, procurement, how we're handling sales and therefore, marketing and sales costs. We do think all of these are directionally going to be very margin accretive, and we are confident again of both resulting in strong earnings growth over the next few years. But in terms of giving the margin guidance, we'd prefer to avoid that.

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

Puneet Gulati: My first question is, if you can give some color on what kind of demand are you seeing. Are you seeing some bit of movement towards more investor-driven demand versus the end user? And how is the demand between the premium luxury to the mid-infra segment? Some qualitative comment there would be helpful.

Pirojsha Godrej: I'll take this opportunity and introduce Gaurav, as some of you would know, he is taking over from Mohit as MD and CEO in January of this year. So maybe I'll request Gaurav to take this question.

Gaurav Pandey: Thanks for the question. What's very interesting right now is we're seeing demand acceleration across segments. Of course, premium and luxury is seeing the maximum because it was kind of beaten down for the last 2, 3 years. But it's not really specific only to one segment. So if you look at 5 segments of 10,000 to 12,000 per square feet, where we project we've seen great traction. But at the same time, even luxury projects that we've done, we're seeing good traction. So it's a very holistic price acceleration that we are seeing, and margin expansion is consistently happening over quarter.

Puneet Gulati: And between the micro markets, any divergence in trends?

Gaurav Pandey: So one of the things we've noticed is that not just micro markets, North markets have seen price acceleration, and we saw that trend almost 1.5 years back, but that trend is now kind of catching up across all geographies for us, purely because there is demand coming from end users and not just investors. So yes, so it's not really specific to a micro market in a city. It's kind of quite prevalent across all the key cities where we operate.

Puneet Gulati: Okay. So demand accelerating across all segments, all micro markets, it's a secular trend?

Gaurav Pandey: Indeed it is, yes.

Puneet Gulati: Okay. My second question is, if I look at the cash flows, there was an uptick in the operating inflows or the collections on a Q-on-Q basis, while there was a downtick in the outflow. How should one read that, as normally it should trend in same direction?

Pirojsha Godrej: Yes. So Puneet, I think it is going to improve going forward. As there are going to be more launches and more completion milestones reached, this cash flow will become stronger in the coming quarter. So the trajectory is that it is going to grow in the coming quarters. So I think this describing I think from period to period, for example, if some of the construction in cut last quarter that resulted in milestone and collections could happen this quarter. But I think this actually obviously, operational investment is that the company will increase. But we do think operating cash flows, both on a gross and net level, we'll see meaningful movement over the remaining in terms of the financial year and a couple of years ahead.

Puneet Gulati: Okay. My last one is on your land acquisitions. Would it be fair to assume that whatever land acquisitions that you concluded in the previous quarter have been all completely paid off? Or is there some element of deferred payment there as well?

Pirojsha Godrej: No, there are instances of deferred payments. For example, we mentioned when we acquired Ashok Vihar, one of the feeling points about the project was that the land payment was spread over several years. So for example, there, I think certain part of the land payment. Similarly, there would be other land payments that are still pending. In some cases, actually this quarter, we've actually made some land payments for new projects that we've not yet publicly disclosed because some of the condition precedents we'd like to keep in place before those disclosures are worked on. So I think there's both some amount of land payments that have been made for new projects that are not yet fully disclosed as well as pending payments for existing projects.

Puneet Gulati: INR843 crore cash outflow for land includes something which you haven't disclosed so far. Is that the right way to view it?

Pirojsha Godrej: That's correct.

Moderator: Our next question is from the line of Mohit Agrawal from IIFL. Please go ahead.

Mohit Agrawal: My first question is on business development. So we've seen last few deals have been all on the outright model. So wanted to understand, have we kind of shunned the JV/JD model largely or is it just a tactical approach and we are probably this time, we think that, so what are the merits that we see in an outright model versus the JV/JD model, based on the experience that you've had over the years because you've done JV/JD earlier and now you've moved outright?

Pirojsha Godrej: Yes. I would not really say we've moved, right? I think we've certainly incorporated outright as a greater part of our overall business development strategy, but we are still very much focused on doing joint ventures. I think we have increased the economic share of projects that accrues to GPL and therefore, in that margin that we can generate from each sort of unit of the real estate that we sell. I think I mentioned that our business development pipeline is probably the strongest it's ever been. I would say a large percentage of that is actually through joint venture projects. So I would expect a significant number of joint venture being announced in the second half of the financial year, in addition to a few more outright purchases.

And the reason to sort of look at this economic interest increase is twofold. One, as I mentioned, to improve the share of the economics in the project that accrue to Godrej Properties. But this is also something that we will have to tailor to the market environment that we're in. We still feel that there are land opportunities at relatively attractive valuation. While leading developers across markets are doing very well, I think the broader sector is still in a liquidity tranche and there are still good deals to be had. We believe any deals done over the past 12 months or over the next 12 months, are quite likely to be developed in an upward cycle of the market, and therefore, we'd be quite happy to lock in outright deals where all of that upside will accrue to us or joint ventures, where a significant share of that upside will accrue to us.

This may not always be the case. If in 4 or 5 years, we feel the market is near a top, if we feel that valuations are not very attractive, we may well prefer to look again at more capital-light structure. So I don't think that we should, through the cycle, look at business development through a single lens, but we will remain focused on both joint ventures and outright opportunities in the next few months. And as I mentioned, I think it's more coincidence that the last 3, 4 deals have all been outright. I fully expect some significant joint ventures to be announced over the next few months.

Mohit Agrawal: Sure. That's helpful. And on the completions for the first half, we have done less than 1 million square feet and you've reiterated a target of 10 million square feet. So how is it going to be spread across the next 2 quarters? And if you could give an estimate around what kind of revenue recognition we can see for the next 2 quarters?

Pirojsha Godrej: Yes. I think it will be Q4 heavy. But I think the pipeline is actually for even more than 10 million. So I think even if some things end up slipping out to

Q4, we're very confident the full year number will be in excess of this 10 million, but it's skewed more towards Q4 than Q3.

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

Abhinav Sinha: So good to see the higher disclosures, which are there. Now there are about 45-plus million square feet of projects that are still under construction, not delivered. So is there a broad time line, I mean, can we expect these to be delivered in, say, 3 years from now on?

Pirojsha Godrej: Yes. I think any project under construction should be delivered within this financial year or the subsequent 2 financial years, unless there's 1 or 2 things we've just launched that might go a little bit longer than that. But I think the 90% plus of that certainly should be delivered in this next 2.5 years.

Abhinav Sinha: Okay. And on the business development front, when you have been announcing these deals which have been outright purchases, as a percentage of the gross sales value, what is the likely land cost associated here?

Pirojsha Godrej: I think it will vary quite a bit project by project. I mean, obviously, something like Carmichael Road can't be compared to a mid-income project somewhere else. So there would be a trend. We can sort of take you through it project by project perhaps offline.

Abhinav Sinha: But if you say 15% on average, is that a correct number to look at? Or it should be higher or lower?

Rajendra Khetawat: So Abhinav, as Pirojsha said, obviously, a city-centric deal, obviously, it can be anywhere from 20% to 30%. But like in our other markets, it will be somewhere in the range of 15% to 20% on a still APR basis.

Abhinav Sinha: Okay. So the Pune one should be more like 15%, 20%, right? Is that correct?

Pirojsha Godrej: Yes.

Abhinav Sinha: Okay. Sir, also on the color on sales. Have you seen any impact of the rising interest rates on, say, the lower or mid-income segment as compared to others? Or it's still too early for that? On the demand front, have you seen any impact of rising mortgage rates on the affordable and mid-income component or the lower ticket size component of your sales so far?

Pirojsha Godrej: No, not really, Abhinav. I think we've had now enough time, we think, to see the impact of inflation and slightly higher prices as well as this increase in mortgage rate, demand looks to be holding up very well. We're quite pleased that we've achieved nearly 50% of the full year guidance in the first half. I think this quarter, it looks like it's shaping up quite well, and we're optimistic that this will be one of our best ever quarters from a booking value perspective. So as of now, there is no concern on demand taper anyway. And I think it's important to keep in mind that while it's true that compared to last year, mortgage rates have gone up by a couple of hundred basis points to 8% to 8.5%. By any sort of comparison mortgage of 8% to 8.5% in India is quite affordable. If we look at the last time, the sector was booming around 10%, 12%, mortgage rates were in double digits, 10% to 11% then. So if you look at the affordability of residential real estate, I think the story is still fairly intact. You've had almost no price increases for a 7, 8-year period, maybe a 10% increase over the last year, 1.5 years.

And mortgage rates have gone up, but gone up from all-time lows. So actually, if anything, I think people are truly aware now that both pricing and interest rate, if anything, are likely to go up further. So I do get the same sense, secure deal. But certainly, in our own sales, we have not witnessed any source of concern as of now. If anything, data is telling us that we need to be faster in our business development and regulatory approval process. One of the numbers that we track internally quite closely is unsold inventory as a percentage of launched inventory. And that number is now at about 11% or 12%, which is historically low for us. So I don't think the sales either from a volume or pricing perspective is concerning right now. And again, a lot of the focus will be on bringing more inventory to market.

Moderator: Our next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Firstly, a little bit of aggression into plotted development. So we signed one project in Mumbai. And we are building the inventory I mean, not so prominent markets. I mean, Bangalore, Pune are still kind of plotted development markets. So just if you can highlight the size of these markets and your confidence in terms of demand that can sustain for broad development? That's one.

Pirojsha Godrej: Yes. I think the plotted development is attractive sub opportunity within in residential. The advantages of it, of course, are that you can turn around these projects very quickly given the limited development activities. So your capital exposure from a time line perspective is much lower. Your IRR can actually be significantly enhanced in this kind of development. So far, we've now had some experience with these projects. We've had successful project launches in Bangalore and Faridabad and Sonipat. So I think we have a good sense of the demand, which seems to be quite strong and the returns, which are also quite lucrative. So we will continue to maintain this modest part of our overall business development activities.

Pritesh Sheth: And just a follow-up on that, so given it could be a highly competitive market because, as you said, turnaround could be high. So what is the value addition that we are bringing in, in terms of project development and in product developments? And we had a Sonipat plotted development launch this quarter, which seems to be like 20%, 25% sold out as of the end. So it's just the timing of the launch, it happened quite at the end? Or that's the response we have got overall for that project?

Gaurav Pandey: Thanks. Coming first on the Sonipat specifically, we've seen a stellar kind of record performance of that project. As you rightly said, it was launched towards the end of the quarter. So the figures that you are seeing about 20%, 25% is only the portion of what was logged in. And after that, we will be happy to share with you kind of sold out the entire project at even close to about 30% over the underwriting price. So it's been one of a massive success recently. And now the focus is towards completion of that project. And plotted in general, the first part of your question was the differentiation, right? What normally happens historically on the plotted project is that people have issued later on, on the title of the property. And it's not just about cutting and putting a gate outside it because that was the conventional way of doing plotted and people used to have a lot of challenges later on moving on.

So if you go to our plotted developments, the value proposition that you get is, you get a decent well laid road, you get amazing infrastructure from groundwater drainage systems to electricity to water pipelines. And these are people who are finally looking at long-term staying in these homes. So the quality of roads, infrastructure plays a very important significance. And we bring a lot of competitive advantage purely because of the operating excellence we got in the group housing projects. So that's a USP that people tend to get. And of course, with every plotted development, each project has a different patience tag. Sometimes it's green space, sometimes it is a massive club. So we're quite confident on robust sales going forward in the upcoming plotted projects as well.

Pritesh Sheth: Sure. And lastly, just one bookkeeping. The customer collections that's in Slide 10 versus the actual gross collections that we report in the cash flow segment, is there a difference between the two? If you can highlight.

Pirojsha Godrej: There is a maintenance and other items which we collect. So that's the difference between the growth and the net. So when we report in the operating cash flow, everything is included. And when we say the net collections, those are excluded from the collection part.

Moderator: We will take our next question from the line of Manish Gandhi from KPMK Investments. Please go ahead.

Manish Gandhi: And happy to see the disclosures, the extended disclosures. Pirojsha, first, I would like to ask about Godrej Living and what you want to achieve through that?

Pirojsha Godrej: Thanks, Manish. I think for any of you who haven't heard about this, we've launched a 100% subsidiary of Godrej Properties called Godrej Living, which is going to be in the facility management vertical. Manish, there are a couple of things we want to achieve from this. One is, we think one of the very important long-term value creators for Godrej Properties will be to ensure that our project post delivery are maintained at a standard that is higher than is typical of the industry today. And therefore, over the long term, people see value in being part of the Godrej Properties development. And we felt that having our own capabilities in this area was going to be important to deliver that long-term value creation.

Equally, as the scale of Godrej Properties increases, and we think the opportunity will be to increase scale tremendously over the next several years and really several decades, we do think we will be creating a large base of housing societies and completements that are part of the Godrej Properties family. And we think there will be a lot of opportunity to look at business value generation through these societies and through this business. So I think both long-term value creation to the core business of building and selling homes as well as an independent opportunity for value creation in this business are the 2 things that we're focused on with Godrej Living.

Manish Gandhi: Right. Wonderful, Pirojsha. My second question is on how is the demand shaping up in deals, really? But in 2 parts. So when you're buying a land, say, about INR300 crore or INR500 crore on one side and other side is the joint venture. So do you see the demand scenario different in those things? Or the competition is different in land side or on the JV side? Or how do you see the color?

Pirojsha Godrej: Manish, as I mentioned, I think the environment for business development, we think, is quite conducive. I think this will be hopefully a record year for business development overall, but I'm very confident that we will actually see a lot of joint venture projects coming through over these next few months. I suppose, if you mean billing the project, there is somewhat less competition on the outright purchase type, I would skip the number of developers who today could cut, say, INR500 crore or INR1,000 crore check. That number is still very limited and probably 2 or 3 players in each market at most.

But equally on significant sized joint ventures, landowners or smaller developers really are looking to partner with leading developers, which again brings the number down to a fairly limited number of players who can do this. So overall, I do think what we have reported from a business development perspective over the last 12 months has been underwhelming, but extremely confident that we're going to see very strong additions over the next few months.

Manish Gandhi: Yes. Happy to hear that. And Pirojsha, just a short one. If I am not mistaken, I think last quarter, we spoke about 2 large deals in Mumbai, 1 purchase and 1 JV. So do you see by your commentary that it is slipping to the next year or something like that?

Pirojsha Godrej: No. I think both of these are on track, Manish. So hopefully, this quarter or next quarter at the latest, we can announce both to grow.

Manish Gandhi: Gaurav, welcome. Just wanted your view on the same business development side on NCR. Given the market in NCR with the volume and price rise, the market is very hot. So do you see it is different from other part or more competition to do deals in NCR?

Gaurav Pandey: It's a fair question. At the moment, what we're realizing is across markets, there is competition for good land parcels, right? The only advantage that we tend to get towards some of our peers is our ability to structure a transaction, which is a win for GPL and for a landlord, especially in the JV partner kind of a project. So while the valuations are, of course, much higher than what it was, say, 3 years back in NCR, but the market has really moved forward. So we are quite competitive in our offers planned. Very soon hopefully, you'll see a finger crossed, a deal announcement in NCR as well.

Moderator: The next question is from the line of Parvez Qazi from Edelweiss Securities. Please go ahead.

Parvez Qazi: So just wanted to get your views on price hikes, did we take any price hikes in Q2, and what was the quantum? And also your views on the quantum of price hikes which can possibly happen in future going ahead? Keeping in mind, obviously, the increase in mortgage rates.

Gaurav Pandey: So we've managed to price increase across our portfolio. And depending on project to project, it's been between 2% to say, 5%. Incidentally, what is heartening to note that unlike previous quarters, when the cost inflation was very high, the previous quarter was quite good for us with the cost hike. So if this trend kind of continues, we might see positive upside in the next 2 to 3 quarters on the margin expansion as well.

Moderator: Our next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: So firstly, thanks for the additional disclosures. Just on those disclosures, so the share of value or booking value, I'm assuming this is for the entire project, not just our share, right?

Pirojsha Godrej: Correct.

Kunal Lakhan: Okay. Secondly, just trying to understand what will be the balance cost on these projects to complete them?

Rajendra Khetawat: Different costs for different projects. So maybe we can take you through with that offline. Obviously, because it is all types of projects, some are luxury, some are mid-income.

Pirojsha Godrej: But, Kunal just to jump in also. I think we did have a choice. We understand that some other developers are getting into giving us cost guidance and margin guidance. Our sense is, again, in our real estate sector that I think we've all seen multiple cycles. These estimates can change and we don't think that we're actually adding value to the investor community by giving our own assessment of this at this time. Because as I was saying earlier in my remarks, this year is a perfect year where you've seen the kind of volatility that can happen on the cost side. So I think sense is that the community knows what approximate costs are, then hopefully, the numbers we are giving, it is of quite detailed nature in terms of collections, booking value, scale of project will allow a reasonable estimate of costs to be made.

Kunal Lakhan: Sure. My second question was on the outlay on land. How should we look at that in the second half, considering that we remain robust on adding more projects? We have spent about INR1,300-plus crore in the first half. So how should we look at this in the second half?

Pirojsha Godrej: I think it will be quite considerably higher than the first half. As I mentioned, we are expecting a very, very strong period for new project additions. So of course, investments to secure those will be commensurate. If you recall, when we raised the capital in our last QIP, I think the goal was always to fully deploy it within this kind of period. So we're happy now that the opportunities are in place. We have several advanced stage discussions that we're quite hopeful will fructify over these next few months. So hard to give a specific number, but certainly, would expect it to be meaningfully higher than the first half.

Kunal Lakhan: And just a follow-up on that. Just in the longer run write-down, do we have some targets in mind in terms of the spend on land acquisition would be say, in line with the operating cash flow? Or is there some metrics in mind that you have for the long term?

Pirojsha Godrej: Yes. I think that's fair. I think the ideas through the last QIP was to sort of reset the scale of the company. And I think if we are able to do the kind of BD, we think it's possible this year and next year, that will be achieved. And I think the scale then of our operating cash flows will also be meaningfully larger and much more easily able to support strong growth from those levels.

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

Sameer Baisiwala: Pirojsha, if you're looking to deliver 10 million square feet in the next about 4, 5 months, is there something to worry about in terms of costs spiking up?

Pirojsha Godrej: I think there, of course, have been cost escalations. So I think we discussed a little bit on the last call. I think clearly overall what we would have hoped at the start of the year. I think the projects that were up for OC this year will have a negative cost impact due to the kind of escalation that happened there for some escalation et cetera. But I think it certainly went beyond that. For projects that have been launched recently, these costs have been more than passed on. And as Gaurav mentioned, I think some of this inflation tapering off will also significantly benefit projects up for OC in subsequent years. But yes, I think there is a little bit of cost pressure for projects where sales have happened, but construction delivery is due this year.

Sameer Baisiwala: Okay. That's clear. And Pirojsha, the question that we get a lot is, it's fine so far, but what if the mortgage rates move 9%, 9.5%, is that something that can spoil the party and this upswing in demand can slow down?

Pirojsha Godrej: Sameer, many things can stop the party. But I think as of now, probability is that interest rates are at actually quite comfortable levels by any historical standard. I think last year and the sort of response global governments undertook to combat COVID was really an exception. I think by any historic comparison, 8%, 8.5% mortgage rate is not that troubling. As I mentioned earlier also that purchasing real estate is not an entirely rational mathematical decision. There have been periods like 2019 and early 2020 where affordability was excellent, but sales were very poor because sentiment was poor because people thought things would get even worse. There have been periods in, say, 2007, where despite many years of prices sort of doubling over previous levels, demand remained robust. In 2012, demand was robust despite mortgage rates at 11%, 12%.

So my sense is that we're still at a relatively of the up cycle. More than mortgage rates, which I think another 100 basis points, I would imagine would not affect demand very significantly. Perhaps as we start going into double digits, if in fact that happens, that you could see some effect on demand. But my sense is the much bigger factor will be how are people feeling about the Indian economy, is their confidence from a job security perspective, and in all of those things, I think India is really at a relatively advantaged position at the moment. And I expect this relative cycle to, as most cycles do have legs and last for 7 or 8 years. But certainly, if there's anything we've learned over the last few years is don't discount the possibility of unexpected developments hindering expectations.

Sameer Baisiwala: Okay. That's very clear. And Pirojsha, if I look at your 4 key markets, you now have quite a strong pipeline, 30 million, 40 million, 50 million square feet and plus more coming. So beyond that, are you looking to expand outside of these 4, Hyderabad and Chennai especially?

Pirojsha Godrej: Hyderabad, we're open to if we get the right opportunity. I think our preference is not to enter the market in a very sort of gradual way and do 1 or 2 projects. If we come in, we'd like to have clear visibility on a significant portfolio of projects. The clear focus though, Sameer, is to really deepen our presence in the markets we're already in. We think we have single-digit share in each of these, a lot of opportunities for expansion through business development and entering new micro markets within each of these. So while I think Hyderabad entry is certainly something we'd like to see happen over the next couple of years, I'd say, a far bigger priority is to further strengthen the presence in the 4 markets we're already in, some of which we're only scratching on the surface of the potential available.

Moderator: Our next question is from the line of Manoj from Geometric. Please go ahead.

Manoj Dua: Congratulations on good presale in the first half. And I think if Ashok Vihar is launched, I think we will be able to exceed the guidance by a good margin.

And thank you for giving new disclosures also. It's very helpful. So I was looking at one project in Noida, Godrej Woods. I think it has been constructed very fast as compared to the time line you've given with the launch of the project. Is this across the 4 macro markets or 4 markets? Or is it a project which we have built more faster? Can you give some color on that?

Gaurav Pandey: Thanks for the question. You're referring to Godrej Woods. Yes, you're right. One of our most successful projects. On the construction time line, I think as an organization, we took a very strong view on reducing time lines across geographies. And we had piloted a series of projects. And if you see our historical amount of OCs that we tend to hit and why is that we're seeing a massive jump is because of the same initiative. So yes, this is one of those projects where they were focused, and we've managed to create exemplary quarter-on-quarter growth on the construction development. And you would continue to see that not just in Noida projects, but other zones as well.

Manoj Dua: Okay. So is this other developer also focusing on that or Godrej is taking a lead in this area?

Gaurav Pandey: I would say we are taking a lead here.

Moderator: Our next question is from the line of Ankit Patel from L&T Mutual Fund. Please go ahead.

Ankit Patel: Just wanted to know, last quarter, you mentioned the Bengaluru sales would be picking up in subsequent quarters. Based on what you have given now project-wise also seems like the MMR and the Bengaluru project's bookings are not picking up the way the other projects are doing. So if you could give some clarity on how this is progressing.

Pirojsha Godrej: So I think I wouldn't really agree with that. If you look at our best-performing projects during the quarter from a booking value perspective was actually Godrej Splendour in Bangalore, where we sold almost INR400 crore of inventory. It will, of course, take a little bit of time to rebuild the business development portfolio to the extent we'd like to see in Bangalore. We just also announced a new project addition during the quarter. But I think we feel very confident that in all 4 markets visibility on new launches and business development is strong and will enable significant growth over current levels.

Ankit Patel: Okay. No, the Godrej Park Retreat Bengaluru, which has seen a booking area be much lower than the first quarter. I was referring to that actually.

Pirojsha Godrej: Each project, of course, will have its own dynamics.

Ankit Patel: There's no particular specific issue, which is faced in these localities, right? That's what I was trying to get at.

Pirojsha Godrej: No, not at all.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Pirojsha Godrej: I'd like to just say a quick thank you to Mohit who, of course, has led the company with great success over the last 5 years. He allowed me and Gaurav to do most of the talking on this call. But just it's an opportunity to say a big thank you to him since this is the last time he'll be joining this quorum. 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, members of the management. Ladies and gentlemen, on behalf of Godrej Properties Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.