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November 08, 2019

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**Ref: - BSE - Scrip Code: 533150, Scrip ID - GODREJPROP**  
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NSE - GODREJPROP

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

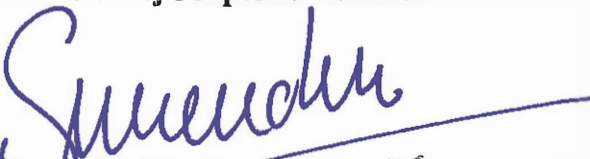
Dear Sir/Madam,

Please find a transcript of the conference call with the Investors/ Analysts held on Tuesday, November 05, 2019.

This is for your information and records.

Thank you,

Yours truly,  
**For Godrej Properties Limited**

  
**Surender Varma**  
Company Secretary & Chief Legal Officer

*Encl: a/a*





## Godrej Properties Limited

### Q2 FY2020 Results Conference Call Transcript

#### November 05, 2019

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**Moderator:** Ladies and gentlemen, good day. And welcome to the Godrej Properties Limited Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

**Anoop Poojari:** Thank you. Good afternoon, everyone. And thank you for joining us on Godrej Properties Q2 FY20 Results Conference Call. We have with us Mr. Pirojsha Godrej – Executive Chairman, Mr. Mohit Malhotra – Managing Director and CEO, and Mr. Rajendra Khetawat – CFO of the company.

We will begin the call with opening remarks from the management, following which we will have the forum for an interactive question and answer session. Before we begin this call, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the conference call invite emailed to you earlier.

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

**Pirojsha Godrej:** Good afternoon, everyone. Thank you for joining us for Godrej Properties' Second Quarter Financial Year 2020 Conference Call. I will begin by discussing the highlights of the quarter, we then look forward to taking your questions and suggestions.

The situation in the Indian real-estate sector continues to be challenging with a sharp slowdown in the economy and prevailing stress in the credit market. Lower demand, liquidity challenges and customer preferences for more established developers have badly impacted the prospect of most developers. We do believe this creates an opportunity for the leading developers to gain market share through industry consolidation. Our continued sales track record, business development pipeline and equity raise has positioned us well to accelerate our own growth plans. The government has also taken several steps, which we believe will strengthen the real-estate industry in the long-term.

In the second quarter, our total revenue decreased by 22% and stood at Rs. 2,370 crore. Our adjusted EBITDA increased by 80% to Rs. 191 crore, and net profit increased by 50% to Rs. 31 crore. For the first half, our total revenue decreased by 30% to Rs. 1,078 crore. Our adjusted EBITDA increased by 16% to Rs. 449 crore, and net profit increased by 120% to Rs. 121 crore.



After a slow first quarter to the financial year, we are happy to share that the total value of bookings in the second quarter stood at Rs. 1,446 crore, up 79% year-on-year and 61% sequentially. This was driven by an encouraging response to our new launches across Mumbai, Delhi, Bangalore, Pune, Kolkata and Ahmedabad and healthy, sustained sales across the portfolio.

For the first half, despite challenging market conditions, we managed to sell 3.6 million square feet, worth Rs. 2,343 crore, which represents a year-on-year growth in booking value of 44%. Since many of the launches in the second quarter were skewed towards the end of the quarter, we expect the sales momentum to carry forward in the third quarter of this financial year. Given our exciting launch pipeline, we remain confident of a strong sales performance in the rest of this financial year and in FY21.

From a business development perspective, growth visibility is at the highest it has ever been. While we didn't announce any new projects during the quarter, we did add a large project, we are waiting for the joint venture partner to complete some of the condition precedents that we would like him to complete before we announce the project. And we also signed a large number of term sheets and have strong visibility into significant project additions in the second half of the year.

On that note, I conclude my remarks. And we would like to thank you all for joining us on the call. We would 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 questions-and-answer session. The first question is from the line of Tanuj Mukhija from Bank of America. Please go ahead.

**Tanuj Mukhija:** Congrats for a period of booking value in a very difficult environment currently. My first question to you, Pirojsha, is that, we have heard from multiple stakeholders that the situation is very challenging in real-estate and has been that since the last 12 months. Sir, as a very prominent stakeholder in the real-estate space in India, my question to you is, what steps can the government take to address the liquidity and the asset qualities in real-estate?

**Pirojsha Godrej:** Yes. Thanks, Tanuj. I think the government has obviously already tried to take a lot of steps specific to the sector, including benefits to affordable housing, both to buyers, developers. They have, obviously, tried to lift overall animal spirit and economic sentiment through a very significant corporate tax cuts. I think the government really just needs to focus on getting overall economic growth in the country getting the liquidity environment under control. And again, I think they are doing what they can. I don't think there is one silver bullet which necessarily resolves all of this. I think some of it is about things, just they are having a little bit of time to settle. We have obviously had a lot of flux in the market ever since the IL&FS issue has been unfolding, and several other names in the NBFC space came under question. I think the last few weeks have seen things stabilizing a little bit with public markets doing better, with generally things seeming to be on a little bit sounder footing. We can't be sure that there aren't more surprises on their way. But I think the government has clearly, if you look at it from the time of the budget to kind of some of the policies that have been rolled out over the last couple of months, has clearly taken cognizance of the economic situation. I think they have clearly taken cognizance of the fact that NBFCs and the real-estate sector revival has to be a major part of any toolkit to get the economy moving again. So I think we feel quite confident that they will do what they can and that an overall improvement in the environment should unfold next year.

**Tanuj Mukhija:** Great. The second question is on your business addition plans. Do you proudly maintain your stance that this year project addition would be higher than last year? And can you provide some color about the deal pipeline for you over the next 6 to 12 months?

**Pirojsha Godrej:** Sure, Tanuj. So, yes, I think, again, depends on how you look, but certainly from an overall future or sort of current value of future cash flows, we do think that if we do the job on closing what's in our pipeline at the moment, that this year could be better than last year, potentially even much better than last year. Again, I think, from a timing perspective, whether business development happens this quarter and next quarter is not a big area of focus for us. I think we are making sure we are getting the right deals, getting the right distribution of deals in terms of a focused market. And I think visibility, again, is outstanding. To put a little bit of color on it, we do have a fully signed deal for a 7 million square foot project on the outskirts of Mumbai. We are not formally announcing it until some of these CPs we want done are completed. We have, I think, in the last four, five months something like 19 terms sheets get signed. We have beyond that a very strong visibility in terms of number of discussions. And I think what we are also focused on is making sure now that we are doing more of the deals, we are doing our kind of meaningful, large-scale deals which kind of move the needle for the company at this stage in its growth trajectory. So I don't think we are at all concerned about business development in terms of being able to deploy the capital. I think we just want to make very sure that we deploy it prudently and in the kind of highest-return opportunity.

**Tanuj Mukhija:** Great. I was looking at your launch pipeline, there seems to be a delay in the Bandra project. Can you highlight the reasons for delay in this large cash flow Bandra project?

**Mohit Malhotra:** So Tanuj, a couple of points. Mohit here. See, first of all, we haven't really put any cash flow on this project because all our outflows are linked to getting approval. So there is no risk from a capital perspective. On the project perspective now, we have already completed our design and put our designs, have already gone for approval. So the approval process, this is the longest part, activity has already been initiated. There has been some delay from our joint-venture partner on clearing the slum, but I think it was partly maybe due to also elections and some of the other aspects. So we are pretty confident that in the next quarter or two we will see a very positive progress on this project.

**Pirojsha Godrej:** So I think while as Mohit said, we don't think it's realistically this financial year, it should be hopefully in the next financial year.

**Mohit Malhotra:** Yes, absolutely.

**Tanuj Mukhija:** That's very helpful. And last question from my end. Could you please give us some details regarding the projects of which you recognized revenues in second quarter FY20? And also, it will help us analysts a lot if you can give us your two-year revenue recognition outlook or guidance for the next two years.

**Mohit Malhotra:** So, Tanuj, it is very difficult to give guidance and outlook, that we can take it off-line. For Q2 there were not many projects that got recognized, maybe small, small towers we would have received OC. The big sales what you are seeing is on account of fair valuation of our Okhla project. Last quarter, we informed everybody that we have moved the fund management out of the project, and we have realigned the project with the JV partner. So we have moved this project from a SPV to a JV at a fair valuation. So that income has come into the total income, and the corresponding book value cost has been accounted into this quarter. So that is a major item which is there. Otherwise, not significant OC has come to any of the projects.

**Pirojsha Godrej:** So I think, broadly speaking, if you track from when we launched, 3, 3.5 years later when we should be getting also the OCs. So I think you will have the dates of launch. Maybe we can look at it sort of collating when we expect OCs in future presentations.

**Tanuj Mukhija:** Sir, that will be incredibly helpful for us.

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

**Kunal Lakhan:** My first question is on the South Estate project. The ticket size here is relatively higher than what we have done in the past. And apparently, we have done very well. Any sense on the demand in this kind of ticket size category, especially in NCR?

**Mohit Malhotra:** Sorry, you are asking about the South Estate project?

**Kunal Lakhan:** Yes, that's right.

**Mohit Malhotra:** Yes. We launched it towards the last week of the quarter, and we have seen a very positive response. The sales continue to be very positive. So I think excellent response from the market on the project.

**Pirojsha Godrej:** I think, generally, on our overall market perspective, there is no doubt that I think lower ticket price units are generally by and large doing well. I think whether you look at this project or several other more high-end projects, if it's from the right developer and on right location and product, there does seem to be continuing strong demand. I don't think we are probably saying that there has been any overall uptick in the environment in the past quarter, but certainly I think for the select project there is an opportunity to sort of do much better than market trend.

**Kunal Lakhan:** Sure. So basically, you are saying that it's kind of a pent-up demand for the relatively for right developer, right product and maybe...?

**Mohit Malhotra:** Also, see Delhi market hasn't seen too many launches. So even if you get a good-quality product in Delhi, we have seen a good traction from the market.

**Kunal Lakhan:** Sure. That's helpful. Also like any color, like, see, since most of the launches that you guys did this quarter were mainly in September, like how these have performed in October so far, any color on that?

**Mohit Malhotra:** So, launches are performing as per our expectations. We see a consistently good performance of launches. So we should be able to report that at the end of quarter three. But I would say they are as per our plan.

**Kunal Lakhan:** Sure. That's helpful. And lastly, the collection run rate continues to remain where it was like last quarter, despite like a sharp jump in sales. I mean, ideally, the collection should catch up with sales. I understand like most of the launches were there in the month of September towards the end, but can we see the effect of these sales trickling down in collections in Q3 and going ahead?

**Mohit Malhotra:** Yes, I think you will see a change in the scenario. I think Q4 onwards will be a more substantial change which could be visible. Because again, we collect certain amount and then certain amounts are linked to milestones. So very difficult to, at an aggregate level, see this kind of trend. But I do feel that after Q4 onwards you will see a more steady trend.

- Moderator:** Thank you. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.
- Abhinav Sinha:** Pirojsha, just wanted to check if across various markets are you seeing any significant movement in pricing yet?
- Pirojsha Godrej:** No, Abhinav, I think we are seeing more or less status-quo both in terms of volumes and pricing as we look at it from an industry aggregate perspective. Obviously, different projects of ours, depending on how they are positioned, we will see some differences here and there. But no, I am not seeing any uptick or downtick in the last quarter in pricing.
- Abhinav Sinha:** And the new project acquisitions that we are looking at, is it broadly a similar mixture that we had before? Or we are looking at significantly higher stakes and capital deployment this time around?
- Mohit Malhotra:** Similar, Abhinav. I think have been very clear from our strategy perspective. Whatever we did last year was completely in alignment with our strategy. And we are looking at very similar trends this year as well. Of course, it depends a lot on the kind of opportunity that comes from the market. But from a strategy perspective, it's the same.
- Abhinav Sinha:** Right. You see, actually, one of the reasons for asking is that the land and approval flow that we have seen in first half is about Rs. 12-odd billion. And I mean, I understand most of this relates to the previous year's acquisitions. But how do you see this going forward? And we obviously haven't paid many significant milestone payments for the Bandra project. Well, in that context, I mean, what is the outflow I am looking at here, let's say, three, four quarters from here on?
- Pirojsha Godrej:** So, Abhinav, it will depend a lot on what new projects we sign. And obviously, keep in mind that once the upfront party is putting the money in, we pretty quickly will get it back. So particularly for Bandra, we are now on the development side because of a little bit of delay of the site readiness, we are at a very advanced stage. So we expect the timeline from kind of dispersal of cash to cash coming back in, if we have a successful launch, it will be quite minimal actually. And I think most of the cash flows for already concluded deals last year have already been paid. But obviously, some are pending, including for Bandra, there is Pune portfolio, and so on. But I don't think we expect any large lags between kind of when these investments will go out and when they start coming back from customer collections.
- Abhinav Sinha:** Right. So broadly the current quarter's cash flow that we are seeing, is this likely to be maintained, I mean, a negative Rs. 200 crore, Rs. 300 crore sort of a number?
- Pirojsha Godrej:** I think, again, looking at net cash flows is not very meaningful, Abhinav, because we almost, I mean, the more negative in a way you could arguably the non-operating part more negative the better, because the stated intent is to deploy most of this capital or all of this capital that we raise and then come. So certainly, it will depend very much on where new deal closures happen. Without new deal closures, certainly, there is no reason it should be that negative, and certainly operating cash flow should be positive. But yes, there will certainly be quarters, hopefully, where we sign big deals or portfolios of deals where you have Rs. 500 crore plus invested for business development in those quarters. So I think our stated intent is very much to see debt levels move up from current level, net debt levels that is, as we deploy the capital we have raised for growth.

- Abhinav Sinha:** Right. And lastly on the Vikhroli project. So we are hoping for a new launch of that mixed use this year.
- Pirojsha Godrej:** Yes. Hopeful of that. Again, I think it's a really tight, sort of we get everything in time for a Q4 launch there. But yes, we remain positive on that happening within the financial year for now. And realistically, what we have seen year after year is that we are mostly able to add some new projects to the portfolio that won't land at the beginning of the year, for example, RK Studio deals we are doing we can hopefully launch this financial year. But of the large number of projects that we have planned in the second half, it's also probably fair to assume some will end up slipping out of the year because of regulatory approval delays.
- Moderator:** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Can you give some timeline of when you really expect to deploy the capital that you raised, is it more in the nature of few quarters, a couple of years or more?
- Pirojsha Godrej:** I think, again, it will depend, obviously, on the pacing of deals. But I think, broadly speaking, I would say we are going to see very significant deployment within the next 18 months, with quite a lot of that happening even in the second half of this year.
- Puneet Gulati:** Okay. And given that the environment has only deteriorated, are you seeing any change in the nature of the deals which you are doing in terms of profitability, IRRs?
- Pirojsha Godrej:** Yes. I think we are seeing better terms. And we are also, I think I have commented on this, while market conditions are subdued, there is probably only so much profit that you can extract from a project and still give your JV partner at least some return from the project or a return commensurate with kind of their expectations. I think expectations are more in trouble, land prices are certainly doing a downward trend. So there is opportunity to get a bit better on the terms. But the real opportunity is to secure deals and kind of locations for new projects that would not be available in different market conditions. So I think a little bit of improvement in kind of the business development pipeline will come from terms. A lot of it will come from changed capital deployment, with kind of higher shares to Godrej Properties. And a lot of it will come through share volume of new projects added.
- Puneet Gulati:** Okay. So did I also understand it right that you would be looking at more marquee locations in the current environment rather than just scale and size?
- Pirojsha Godrej:** I think in any environment it's good to look at great locations. Great location doesn't only mean the city center locations across cities. I think they can be very well located close to good infrastructure, even in the suburbs and outskirts of cities. So I don't think we mean to say that we are going to move into much more premium housing. We will continue to have a fair mix of mid-income-focused projects and more premium projects. But yes, certainly I think one of the opportunities is to improve overall quality of the portfolio in terms of location. And I think we are probably already seeing a little bit of that if you look at some of our recent deals, for example, Sector 43 deal in Noida, our deal in Chembur, in Bandra. And some of those are premium, but again, lots including our Pune portfolio deal we think is very well located, mid-income-focused project. So I think it doesn't imply kind of a change impact on segments that we want to address. But we do think now is the opportunity to pick and choose the best projects and best locations that are available.
- Puneet Gulati:** Okay. Are you also looking at buying land?

**Pirojsha Godrej:** We are open to it, particularly if it fits with our overall strategy, I think we fundamentally still prefer partnership structures. But if we see land purchases available at attractive valuations or in particular category where we think turnaround time can be very quick, we are certainly open to land purchases as well.

**Puneet Gulati:** Okay. Lastly, have any of the projects experienced pricing increase over the last four quarters?

**Pirojsha Godrej:** Sorry. What was that?

**Puneet Gulati:** Have you been able to take price increase in your project that you are trying to launch?

**Pirojsha Godrej:** Minor price increases across many projects. I think significant price increases, no.

**Puneet Gulati:** Okay. So in fourth quarter, the realization from the same project could have been flattish?

**Pirojsha Godrej:** Correct.

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

**Sameer Baisiwala:** Rajendra, so the Hero Cycle land Gurgaon deal, so that you have paid down 30% to 20% your equity stake, is it?

**Rajendra Khetawat:** We brought it down to 12%, Sameer.

**Sameer Baisiwala:** From 30%?

**Pirojsha Godrej:** So 20:80 was the fund, and the participated deal is 60-40. So that's where the 12% comes from.

**Sameer Baisiwala:** Okay. And Rs. 145 crore represents this change, is it?

**Pirojsha Godrej:** That's right.

**Mohit Malhotra:** Yes.

**Sameer Baisiwala:** Okay. And what's the plan for the residual stake that you have?

**Mohit Malhotra:** So as of now that remains as planned.

**Pirojsha Godrej:** I think clearly, from a clearly from a GTL perspective, the overall focus is overwhelmingly both from a capital deployment perspective and operational perspective and overwhelmingly on residential real-estate.

**Sameer Baisiwala:** Okay. Got it. And the second question is, Pirojsha, clearly, we are looking forward to a lot of BD news flow coming from Godrej over the next few months. So who are these sellers, and are you seeing this consolidation in play in the physical market?

**Mohit Malhotra:** Yes, Sameer. It's Mohit here. So we see very, very good deal flow in the market. And largely these are players which are pretty well known landowners as well as developers. So we have relationships with most of them, so it's kind of looking at



doing bigger deals with the existing partners and trying and tap in new partners who are in need for capital. Also, we are seeing interesting deal flows from the NBFC side. They are bringing a couple of opportunities on the table. So I would say there is a pretty good deal flow which is available, and we are pretty bullish about the business development future. And as Pirojsha highlighted, there is no rush in deploying capital. We wait for the best opportunity, and we have signed multiple term sheets. So as and when these get into the due diligence completed, they will start reflecting into the filing agreement.

**Sameer Baisiwala:** Okay. And were you also looking to buy some half completed or stressed-out projects?

**Mohit Malhotra:** No. We aren't evaluating any of that as of now. If it's part of a larger portfolio, we may look at it. But as of now, we are not evaluating them.

**Sameer Baisiwala:** Okay. And one final question. You mentioned that there is also one large deal which you are trying to consummate. Any color you can share in terms of which city is it or any other such details?

**Pirojsha Godrej:** The one I mentioned we have signed is on the outskirts of Mumbai.

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

**Dhaval Somaiya:** And once again, congratulations on good set of numbers. I just wanted to ask, there is one project that has been added in the list, Godrej Nirvaan, which is of 2.25 million square feet in Mumbai. Is it the same project that you are mentioning, sir, which is in the outskirts of Mumbai?

**Pirojsha Godrej:** No. That is another project.

**Mohit Malhotra:** We will launch the project.

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

**Himanshu Jhaveri:** Any updates on the new technology we have put in, in NCR for Godrej Golf Links? Now we have large deals in Pune, Mumbai as well as Bangalore now. And have we decided pre-cast of the technology that we want to go forward?

**Pirojsha Godrej:** I think we are still evaluating, and it's going reasonably well in NCR, so there have also been quite a lot of learning. We are considering it in Pune as one opportunity, and we are looking at some other potential areas as well. And we do remain committed to, I think, using this as a big part of the construction strategy going forward.

**Himanshu Jhaveri:** And how much time does it generally save, Pirojsha, like if a project takes like 3.5, 4, 5 years, does it like half the timing, or how is it like? How much time period?

**Pirojsha Godrej:** I think if we execute it well, this could knock off the construction time potentially even more.

**Himanshu Jhaveri:** So around 30%, 35% savings time?

**Pirojsha Godrej:** That's right.

**Himanshu Jhaveri:** Okay. And one more thing. I wonder which projects you think will chip into profits majorly now? Because as I see after Trees, I don't see any other major projects will really drive the future for profits as such.

**Pirojsha Godrej:** Well, I think, first of all, obviously as the sales of the company have been growing, I think smaller contributions will come from a larger number of projects. But we also think that as well there could be quite significant one-off contributors, things like the Okhla project we launched this past quarter. We hope to launch both RK Studios and our Bandra project over the next six, eight months. We obviously will have future projects in Vikhroli as well. And I think if some of the term sheets and other business development opportunities we mentioned, we think a lot of them will contribute quite meaningfully as well.

**Himanshu Jhaveri:** And Pirojsha, just regarding this air quality in Delhi and all, longer term do you think there is any risk for our company as a whole for a large market like NCR, Delhi?

**Pirojsha Godrej:** No, I don't think so. I think it is obviously a very concerning and terrible issue for the country and the city to grapple with. And certainly, urban pollution in India is not limited to NCR. But I think it is such an urgent issue that my sense is that the government is going to have to act, I think very proactive steps are going to now be taken to bring this under control. And I think the good news here is that India is not the first country and Delhi isn't the first city facing a crisis of this type. Even Los Angeles in the 1970s, Bangkok in the 1990s, Beijing in the 2000s have all faced similar kind of air-quality crisis. And I think the good news is, all have been able to successfully resolve these issues. I think it's going to require a lot of intent from the government, and I am sure there will be potential short-term disruptions like the construction ban currently in place, but I am quite confident this will be resolved and don't represent any long-term risk to the business.

**Himanshu Jhaveri:** Okay. And last question. I want to know like what we generally pay to the new deals which you have done like the Pune portfolio kind of deal, the Godrej, the South Estate one and the Bangalore deal? And how these projects will improve ROE, ROCE kind of?

**Pirojsha Godrej:** Yes. I am not sure how to answer that. I think, obviously, we will have to demonstrate that through the successful operations of the project. I think if you look at the project like the Okhla project, I have to say I think the structure of the deal, again, is that's a large economic interest in a profit sharing format. The average price of this so far even in this market is about Rs. 17,000 a square foot. So I think there is clearly a significant margin to be made there. I think we obviously have to operate the project successfully to ensure that margin is enhanced.

I think something like this Pune portfolio deal, again, is going to be a great kind of long-term driver for the company. We, in the second quarter, launched the first project that was part of that portfolio. We were able to launch that many months ahead of what we had originally planned. We sold over 500 units in the project at what we think is quite an attractive price. So again, I think that project is off to a good beginning. But obviously, launching projects is only one part of the equation in terms of ensuring they ultimately improve the company's ROE. We have to make sure that we are able to deliver them in a timely fashion, meet construction cost budgets and so forth. So I think, clearly, the strategy and intent is to ensure that business development plays its part in moving the company's ROE to the targeted levels of 20% that we previously discussed, but I think the real work still lays ahead of us in many ways.

**Himanshu Jhaveri:** And I think the successful that, in fact, Pune, the first one. Then you also lined up the second project for that in this quarter this year, right?

**Pirojsha Godrej:** Yes. We do expect a good momentum there as well.

**Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JPMorgan. Please go ahead.

**Saurabh Kumar:** Just five questions. So first is on this operating cash flow. So the tail-off, which we are seeing in your operating cash flow, is this just due to the buildup of inventory in existing projects? Because as you see, your construction spend hasn't really gone anywhere over the last four or five quarters, and the collections have started to tail off. So it would seem to suggest that there is an inventory buildup. Would that be a right reading?

**Pirojsha Godrej:** No. First of all, on a lighter note, I have first time heard someone say just five questions. I think we are not seeing any major inventory buildup. I think what we track for closely internally is sort of sold to launch area both kind of at an aggregate level and for micro market by micro market, and we are quite satisfied with the data we have seen. Look, I think cash flows, like other things in this business, can be a bit lumpy and very milestone linked. We just had a quarter with the monsoon that was quite I think very severe in part. So I don't think there is anything that's particularly concerning to us then. But clearly, we agree that the number long-term will be higher going forward, but I don't think we should read too much into it beyond that.

**Saurabh Kumar:** Okay. The second is the unrecognized revenue on balance sheet will be about Rs. 1200 crore. Is that number correct?

**Rajendra Khetawat:** Yes, more or less.

**Saurabh Kumar:** Okay. And would you be moving to this tax rate of 25%? Or are you sticking with that?

**Rajendra Khetawat:** So, Saurabh, that we are evaluating. So you could see our financials carry a note, so we are discussing this, we are awaiting certain clarification. Because when we did a transition there was a lot of DTA which got created, which was at an old rate. So we are awaiting clarification for how do we account for that. We are discussing this with auditor. So we would want to take this call in the next two quarters. Otherwise, overall, the tax reform which have coming is very positive. All the companies which didn't have this DTA will immediately move on to this 25% tax rate, which will significantly improve the bottom line.

**Saurabh Kumar:** Okay. And just on these JV projects you have. So just from a risk-mitigation perspective, in case a joint venture partner for any issue is dragged into a court for any debt issue, is your project, the structure is it ring-fenced for that or how does it work?

**Pirojsha Godrej:** Yes. We will certainly, in this environment, bring that top of mind both in terms of kind of cash flows being dispersed to the partners at various stages and how the contracts have been structured will make any kind of issues that will arise, be limited to kind of the economic interest in the project as opposed to the project as a whole. But we certainly do think that's an important part of kind of our technical due diligence for any business development deal in this environment.

**Saurabh Kumar:** No. But that will be for incremental, but I am just worrying about the back book. Because your JV partners, I mean, they're bidders in their own right. But if they have stress in their existing assets, then how are you going to mitigate that from the deals you have already done? That's what I was trying to get to.

**Pirojsha Godrej:** Again, their funding commitments in the field are typically beyond the initial stage. And many of the deals, even assuming a worst-case scenario, the company would take to NCLT, etc, what would get attached to their share of the economic interest in these projects.

**Saurabh Kumar:** Okay. But do you monitor that they do not, like, escrow this or pledge their share of economic interest with any bank? Or that's something that is outside your control?

**Mohit Malhotra:** Saurabh, a couple of things. There are projects where we have complete control, and we don't allow the land to be mortgaged to any financial institution. So if at all, there is a financial institution, they always have the lien on their share of profit which we distribute. This is our understanding of the deal. So essentially, we ring-fence ourselves as much as possible. But your concern is valid, there could be one or two opportunities where we might have to, if there is a situation like this which can arise, we will have to figure out a solution. But the good news is that our projects are very positive from a cash flow perspective. So we don't see it as a major risk as of now.

**Saurabh Kumar:** Okay. And just one last question. So on this other project-related outflow. So any project level debt which may be there in that SPV that we will not see in the consolidated entity but will get captured in this other project-related outflow, right? Is that reading right again?

**Pirojsha Godrej:** So yes, so these are all gross. Like we discussed, Saurabh, these are all gross inflow and outflow, and the net adjustment is through that adjustment of JV project the cash flow.

**Saurabh Kumar:** Correct. But the project debt, this other project-related outflow will include those debt outflows?

**Pirojsha Godrej:** Yes. Those movements across GPL and that project would get over there, which can be through the other project-related debt outflows.

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

**Manish Jain:** Yes. First of all, outstanding achievement in sales booking, so a huge congratulations to the entire team. My question was on Godrej 2. Have you started the leasing process? And if yes, what's been the response?

**Pirojsha Godrej:** Hi, Manish. As we said, we have started the leasing process, having a lot of good discussions underway. We are actually in the last month I think we have concluded our first floor LOI for the project. So I think our lead times are quite positive, and construction is also running well within the timelines expected. So I think that project is very much on track.

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

**Manish Agrawal:** Yes. So I just wanted to understand, are you seeing any slowdown in terms of housing finance disbursements to your customers?

**Pirojsha Godrej:** We have over the past years seen in certain individual cases with some NBFCs, some of that. But I think the overall impact is extremely small for a couple of reasons. One, just kind of on the math how our housing finance or how our customers' housing finance book is broken down. About half of our customers are using housing finance.

Of that half, well more than 50% are with lenders like SBI, HDFC that are not seeing any slowdown. Most of the rest is with other large banks. We had seen in cases of small components that was with some NBFCs site reduction, and in some cases our customers move over from lower NBFC to kind of banks with stronger balance sheets. So overall, I think access to finance for our customers and the disposals is not something we are seeing any challenge with as of the moment.

**Manish Agrawal:** And one more question. You mentioned that you are seeing deals from NBFC flowing through. So weren't they available earlier? And what kind of haircuts are available currently in the market?

**Mohit Malhotra:** Sorry. Can you repeat that?

**Manish Agrawal:** So you mentioned that you are seeing NBFC deal flow through to you in terms of business development opportunities. So are there available significant haircuts? And were they available earlier also or you are seeing the trend recently?

**Mohit Malhotra:** I think the deal flow is improving from NBFC. Unfortunately, I would say that the expectation gap is still pretty high because they have lent at erstwhile land rate, and the current land rates are a little lower or actually quite low. So that's why the closure rate hasn't moved with NBFC as much as we would have liked. Unlike some of the land owners and developers who are much more willing to accept haircuts. But we are seeing a shift in NBFC's behavior, and I feel that over the next two to three quarters as the liquidity issues become even bigger on that site, they will come to the table.

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

**Manish Gandhi:** Yes. Congratulations on, first of all, our average borrowing cost, which is 8.09%. And last quarter, it has also come down last quarter. So I've been looking at many NBFC and very strong NBFCs. They have seen their borrowing costs gone up in 10% to 11%. And most of them, they are lending to top builders also. So comments on that. And the question is, so we always have this competitive advantage in our financial raising capacity? And in current situation and now because of working capital has gone for the sector. So can you just give me some color? So how important it is? And going forward also, this financial raising capacity for the sector?

**Pirojsha Godrej:** Thanks, Manish. So I think it's actually incredibly important. And strong credit to Rajendra and his team for all the good work they have done on this. I think that, combined with the Godrej brand, the ability we have had to raise the equity at the right time has all helped to make sure we sustain this competitive advantage. And Manish, I think in real-estate in general and certainly in India as well, access to competitively priced capital is a significant source of strategic advantage. I think our borrowing cost, being amongst the best in the industry, is a big advantage and is our ability to access equity capital at the entity level as we did with the first quarter of the financial year, adding ability to attract institutional capital on project-level partnerships as we have done through our various fund under Godrej Fund Management.

So I think we would like to ensure that whether it's equity at the company level, equity at the project level, debt at the company level and project level that we are well placed and that we use this as a significant source of competitive advantage. And certainly, we expect to continue to see the benefits of that. And I think that is one of the very important factors in addition to customer demand that is driving the process of consolidation in India, particularly for us.

- Manish Gandhi:** Right. Fair enough. And continuing on the same, so the Godrej 2. So can you just give some color at what rates negotiations are? And what about planning for our 50% stake expected cash flow if we monetize? So if you can give some color.
- Pirojsha Godrej:** But it will be a little premature for that, but the 1.1 million square feet building, I think average rentals currently in Godrej One would be about 160 or so. There might be a bit of a discount given the volumes we have to do, but I think that would be the broad expectation. You could probably do that math for half of that. But I think that certainly, our projects, we expect to see good results. I think Godrej One, as of now, is 100% occupied.
- Manish Gandhi:** Right. Because why I was asking, because even if you take, 160, it's around Rs. 200 crore in our part. So if today's interest as we monetize is around Rs. 1,250 crore. So I don't know how much we have to spend much, but it's a huge cash flow and it's so valuable to today's environment. So I just wanted color on that.
- Rajendra Khetawat:** We don't disagree with you, Manish.
- Manish Gandhi:** Okay. And one thing on Kolkata, do you feel it was launched in the last date or the overall response was a little bit tepid?
- Mohit Malhotra:** Manish, Mohit here. So on Kolkata, we had a big debate internally on pricing, but we felt that we would like to price it at a significant premium to the market. So almost 25% to 30% premium to the competition there. And the intent was to focus on margins in the project. So volumes are, the effects towards typically we would have done in a project like this. But it's totally a strategy because it's just starting, and there is a good end user market in that place. So we didn't really feel the need to cut the price in greater volume in that location.
- Manish Gandhi:** So is it like 3 million square feet now altogether? So...
- Mohit Malhotra:** So yes, we have actually launched only the first phase, which is 9 acres out of the overall development, and even though the plan is very modular. So we would not launch the Phase 2 unless we have a significant lease hold stock on Phase 1. So it's designed for that very clear focus on modularity in infrastructure planning. Everything was done with that purpose.
- Moderator:** Thank you. The next question is from the line of Sumit Hizly from Narnolia Financial. Please go ahead.
- Sumit Hizly:** Sir, I just wanted to check on the RK Studio project. So what is the time line for the launch of the project? And will it be like mostly residential or like sort of commercial as well?
- Pirojsha Godrej:** Thanks, Sumit. It's going to largely be a residential project, and we hope to launch it in the fourth quarter.
- Sumit Hizly:** Okay. My second question might be repetitive, but I just wanted to check, what is the land cost which is incurred in The Trees, the flagship project?
- Mohit Malhotra:** The land cost on the flagship project?
- Pirojsha Godrej:** Yes, we have bought this plant many years ago now. It was about Rs. 700 crore at that time, but you have to keep in mind that there was a partnership also with Godrej

- Industries and Godrej Properties and then the post date of merger. So it's slightly complicated details, but we can give you off-line, if you'd like.
- Sumit Hizly:** No, that's fine. I just need the ballpark figure only. Okay. Yes, that's...
- Pirojsha Godrej:** Again, it was five or six years ago, it was about Rs. 700 crore land purchase part, but there was also a joint venture with Godrej Industries.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.
- Pirojsha Godrej:** No, we hope we have been able to answer all your questions. If you would like any further information or any other questions, do let us know. On behalf of everyone, once again, thank you for taking this time to be with us today.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Godrej Properties Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.