



Godrej Properties Limited Q2 & H1 FY 2014 Conference Call October 31, 2013

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- Moderator** Ladies and gentlemen good day and welcome to the Godrej Properties Limited Earnings Conference Call. As a reminder, all participants' 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 this conference call, please signal an operator by pressing * then 0 on your touchtone phone. 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 & H1FY14 results conference call. We have with us Mr. Pirojsha Godrej – Managing Director & CEO; Mr. K. T. Jithendran – Executive Director; Mr. V. Srinivasan – Executive Director and Mr. Rajendra Khetawat – Vice President, Finance & Accounts of the Company.
- We will begin the call with opening remarks from the management. Following which, we will have the forum open 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 e-mailed to you earlier.
- I would now like to invite Mr. Pirojsha Godrej to make his opening remarks.
- Pirojsha Godrej:** Good afternoon everyone. Welcome to Godrej Properties Q2 FY14 conference call. I will begin by discussing the highlights for the second quarter and we will then look forward to taking your questions and suggestions.
- The second quarter has been a quarter with mixed results for Godrej Properties. In terms of financial performance, our total income for the second quarter was Rs.320 crore which represented growth of 37% over Q2 FY13. Our EBITDA grew by 31% to Rs.95 crore and our net profit grew by 5% to approximately Rs.34 crore. Our EBITDA margin for the second quarter was about 30%. For the first half of the financial year, our total income has increased by 21%. Our EBITDA, PBT and net profits have all increased by about 50%. Our EBITDA margin in the first half was 31.5%.
- There were many positive developments during the quarter. Through our rights issue, which was oversubscribed, we raised Rs.700 crore which made it India's largest rights issue in the first half of the current financial year. This capital has strengthened our balance sheet and has increased our ability to continue to add value accretive new projects in key markets. Our debt-to-equity ratio which stood at 2:1 at the end of calendar year 2011 and was 1.1:1 at the end of the first quarter of

the current financial year is now at a little over 0.5:1. This is despite the fact that we have added 13 projects to our portfolio in the interim period. Our total net debt of Rs.1,260 crore stands at the lowest level it has been in the past 2 years and our borrowing cost has declined both year-on-year and quarter-on-quarter to approximately 11.3%. We also believe that 75% of the rights issue capital being received from the Company's promoters is a strong signal of their confidence in Godrej Properties growth prospects. We understand that some investors are concerned about the impact this fund raising will have on our return on equity performance, but we remain very confident that this will be ROE positive for us in the medium term.

The second quarter saw continued momentum in the business development space. We added a new profit sharing joint venture in Gurgaon for a project which has approximately 1.2 million square feet of saleable area. We also increased the scale of our Panvel township project by adding an additional 37 acres to arrive at a total area of nearly 150 acres. Given the large scale, attractive location and advantageous financial structure, we expect this project to be one of our most successful projects in the years ahead. We have also added another new project on LBS road in Mumbai in the first week of the current quarter. This project will give us 775,000 square feet of saleable area and its location in an established and growing neighborhood of Mumbai will benefit us greatly. We continue to believe that the current market situation in which many developers and land owners are under liquidity pressure presents us with a strong opportunity to add new projects at attractive terms. Once the processes of design and approvals are completed, these projects are likely to be launched in a very different macroeconomic environment and will play a key part in driving our ongoing success.

On the operations front, we successfully delivered 624 homes to our customers in the first Phase of Godrej Garden City in Ahmedabad, which is GPL's first ever township project. I am happy to note that this handover happened within the timelines we committed to our customers. The recent sales at Godrej Garden City have been quite strong. By the end of the second quarter, we have been able to sell approximately half a million square feet in a little over 6 months despite adverse local market conditions. In the second quarter, we were also able to improve the sales in our Kolkata commercial projects, where we registered sales of approximately 75,000 square feet. While in the second quarter, we have seen an improvement in sales in these projects, maintaining a superior pace of sales growth on an ongoing basis remains an important priority area for us. At Godrej BKC which is our flagship commercial project in Bandra-Kurla Complex in Mumbai, the sales in the second quarter were low. However both construction progress and sales inflows are running ahead of the initial targets.

I am happy to note that Godrej Properties received 8 awards in the second quarter and has now received over 50 awards in the last 3 to 4 years. The details on these awards are available in our quarterly investor presentation.

One disappointment in the second quarter was that we were not able to launch any new projects as we did not receive final approvals during the quarter for any of our planned launches. We remain extremely confident of the success of projects in our launch pipeline despite market conditions and we look forward to executing these launches as soon as we receive the required regulatory approvals. We have done a lot of work in building our internal capabilities to expedite these approvals but the ultimate timing of these is unfortunately not entirely controllable. We are also focused on ensuring improved momentum and sales from our existing inventory and

launch projects which remain challenging in the current environment, but it is the number one focus for our team.

The achievements in the second quarter leave us quite optimistic about the road ahead. While there is no doubt that the external environment is very challenging, We believe a strong and growing development portfolio, improved financial structure in our recently added projects, the strong focus we are placing on execution and the big advantage our brand gives us with customers and prospective partners, leave us very well placed to benefit from an improvement in economic and real estate sector performance.

On that note, I conclude my remarks and would like to thank you all for joining us on this conference call. We will now be happy to take any questions, comments or suggestions that you may have.

- Moderator** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. First question is from the line of Sumeet Rohra from Silver Stallion. Please go ahead.
- Sumeet Rohra** I was reading a couple of research reports and of course you have very correctly stated that we have not had launches is because of no approvals and not because of the weak macro?
- Pirojsha Godrej** That is correct. There is no project anywhere in the country where we have full approvals, and are holding back a launch because of market conditions. The market conditions have been quite sluggish. But I think given some of the projects that we have currently in the portfolio and the visibility we have in terms of customer interest of those projects, we remain very confident of the success, once these are launched. A few of them are at the final stages of approvals, so hopefully we can get those launched very quickly.
- Sumeet Rohra** Secondly you were mentioning, that we can do a double digit ROE in the last quarter or the one prior to that. So what is your sense on that and secondly where do you expect ROEs for FY15?
- Pirojsha Godrej** I do not want to give specific numbers. We had said that we were targeting at least double digit ROE this year. We continue to target that. Of course, getting some of these projects launched and also making sure some of the projects we have launched in the past few quarters arrive at the revenue recognition threshold will be key to achieving that. I think the ROE profile of the Company should see meaningful and sustained growth going forward. While not everyone has been fully supportive of all the new projects we have been adding, I think once these are launched and they start hitting the revenue recognition threshold, a lot of minds will change on these new projects.
- Sumeet Rohra** Wonderful. Pirojsha it is definitely very heartening to see our debt-to-equity ratio coming down to one of the lowest ever and also compared to the industry. So I wish you all the best and good luck for the future.
- Pirojsha Godrej** Thank you very much.
- Moderator** Next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.

- Sameer Baisiwala** I was just looking at the BKC number. Compared to the first quarter where we did about 135,000 square feet, we only did about 10,000 square feet in the second quarter. It seems to be a rather dramatic fall. So any thoughts on this and what do you think could be the next two quarterly run rates that we can expect on this project?
- Pirojsha Godrej** It is fair to say that the second quarter numbers have been disappointing in terms of sales volume. That said, for projects like this unlike our residential projects, where we are selling much smaller areas and more consistently selling those areas, I expect there will be quite a bit of lumpiness to sales in commercial projects. It has happened in our other commercial projects and I have expected this to be the case in BKC as well. If you actually recall at the time of launch, we stated that we would like to target between 20-25% of the available inventory for sale each year, for 4-5 years. That number requires us to sell about 200-250,000 square feet per year. Since March, we have actually sold almost 200,000 square feet. So, we are on track. Of course, there has been a drop in the second quarter. We are obviously quite focused on reversing that. We all know that the demand environment is subdued. It's not that we're not seeing a lot of people express interest, I think people are delaying decision making on major purchases like this. We are again seeing a lot of interest from variety of very high quality clients. There will be some lumpiness, but we feel very confident that we are on track to meet our sales target as planned.
- Sameer Baisiwala** Is it more small ticket items to say retail or professionals, versus large volumes to the corporates. What is the expectation and what is that you have achieved so far?
- Pirojsha Godrej** Our expectation and what we achieved so far is largely bigger ticket sales. This has been the focus of the project. Clearly there is an opportunity to chop up smaller sized parcels in the project. But ultimately for a really high quality building, the success of this project will depend on people perceiving it as the best commercial office building in Mumbai. We have every opportunity to do so, given the location, our brand and quality of design we are putting in and given what we think will be a very quick execution of the project. The difference will be in positioning it as a high quality project and to do that with very small office sizes makes it very inefficient and not really the best quality products. So, our emphasis has been on slightly larger ticket size. Of course, we do have smaller units that go down to about 5,000 square feet in size, but we do not want to make it a totally small unit investor driven project.
- Sameer Baisiwala** And just looking at your slide, I think it is page 14 if I am correct. For the balance part of fiscal 14, are we targeting 5 new projects in Mumbai?
- Pirojsha Godrej** It is 4 new projects in Mumbai. As we said, 'The Trees' now looks with most recent regulatory stage, it will slip into FY15. So, the new projects that we are still looking to launch in this year are in Byculla, Chembur and Ghatkopar. At Chembur we have two redevelopment projects. So certainly, we will launch the first of both and then depending on that, we are quite likely to launch the second one as well. Additionally, we do have launches planned in 5 other cities in terms of new phases of existing projects.
- Moderator** Thank you. Next question is from the line of Aashiesh Agarwaal from Edelweiss Securities. Please go ahead.
- Aashiesh Agarwaal** Couple of housekeeping questions, the other income of this quarter is little higher than what it usually is. Could you give some understanding on that?

- Pirojsha Godrej** We had some surplus funds available in Godrej Summit projects which have been received from customers, prior to construction getting started in full swing. That capital was parked in the fixed deposits, which we have redeemed in the current quarter. So, that is the large part of it and also few days of the rights issue capital that came in at the end of the quarter.
- Aashiesh Agarwaal** So the next was on the deployments of the proceeds of the rights issue, we have about Rs. 930 crore of cash sitting on the balance sheet. In terms of plan, do we envisage most of it going towards debt repayment or are we looking at most of this going towards acquisition of new projects?
- Pirojsha Godrej** As we have said previously, it will be for a mix of uses. Clearly, some of it will be used to pay down debt. We have also added several new projects. Already, we have given some advances from these funds. We have good visibility on continuing to add quite a few new projects. So some of it will be used for that and some will be used for operations. So, it is a mix of all of those.
- Aashiesh Agarwaal** On the TDR required for the BKC project, if you could just give an outline as to how much money you would have spent and how much is more to go and when do you expect to pay these out?
- Pirojsha Godrej** We have Rs. 550 crore for the FSI purchases in BKC that is still to be incurred. We spent about Rs.140 crore of it. We did have some expenditure but not towards FSI. It was towards Stamp duty and other things of the project in the second quarter. But we have about Rs. 550 crore that will be somewhat staggered. We expect to make some amount of it in the next financial year and in subsequent years.
- Aashiesh Agarwaal** So nothing is to be paid out in this year?
- Pirojsha Godrej** We are not 100% certain of that. Our goal is to defer that, we think that it will be possible, but we are not 100% certain of the same.
- Aashiesh Agarwaal** What about your Vikhroli project? There are some payments which are due, to G&B on regular basis. So if you could also give the same statistics like how much you have made so far and how much is still to go?
- Rajendra Khetawat** The payments are made on a quarterly basis. So, per quarter, there is a Rs. 30 crore payment which goes towards the land payment.
- Pirojsha Godrej** And we made about Rs.200 crore and another Rs.500 crore or so to go, but again Rs.500 crore is over a period of 4 years.
- Aashiesh Agarwaal** If you could just come again on the slippages in the project timelines. Answering previous questioner as to by when do we expect the projects to be launched. So there is a project tracker that you put in and you are mentioning that there could be some slippages over there. I missed those project names if you could just run us through that again?
- Pirojsha Godrej** On slide 14 of the investor presentation, we do have a tracker, which we have updated after the half year based on our current visibility into approvals. We said the two of the projects we put into the tracker are now likely to be deferred into the next financial year. These were the next residential phase launch of 'The Trees' and our Hyderabad project. Both of these have moved in positive directions and we do have progress, but are not looking like they will be launched by the end of Q4.

- Aashiesh Agarwal** Just one last question and this is from the industry side. Given that we are going into elections in a few months from now, do you see the prevailing environment getting little more difficult? What is your sense and outlook? What sense we are getting on the ground?
- Pirojsha Godrej** I do not think there is any impact yet from the election. Certainly once those are very imminent, there probably will be a couple months period where things do slow down. But frankly but I do not anticipate any impact from that in this quarter. Also the elections will be a very important event to have behind us. So irrespective of the outcome, it will be good to have it behind us. A fresh government will have a fresh mandate for reform and that sentiment is likely to pick up post the elections. We will have to wait and watch. I believe there will be a temporary couple of months of slowdown in approvals around the time of election.
- Moderator** Thank you. Next question is from the line of Mahesh Bendre from Quantum Securities. Please go ahead.
- Mahesh Bendre** In the first half of this financial year, the area sold has decreased by 54%. So what is the outlook for the remaining year?
- Pirojsha Godrej** Our bookings in area terms have declined and in value terms have declined as well. There are a couple of factors that have led to that. One is that, our own launches have not been as robust as they were in the corresponding period of the previous financial year and the big difference has been one project which is Godrej Summit which we launched in the previous financial year. If we exclude that project in value terms, our bookings have actually increased. More importantly there has been a bit of a slowdown in the sector as a whole. As you have seen, almost all companies are facing a bit of a challenge in terms of fresh sales. Be that it may, our aspiration is to demonstrate a much improved performance in the second half and that will be largely on the back of some of these new launches. Despite relatively weak market conditions, we think there will be a good demand for some of these new launches. We are quite keen to execute these and do believe that they will lead to a far improved second half as compared to the first half.
- Mahesh Bendre** If the current situation persists for long time, do you think there is a possibility of the realizations in some of projects get impacted?
- Pirojsha Godrej** There is always a possibility of that and we have to keep a close eye on how markets perform and if market prices do correct meaningfully, it will ultimately affect our pricing as well. That said, the current assumption that it is almost given that prices will fall may not necessarily be the correct one. While I certainly agree, that a price correction is perhaps more realistic now than it has been anytime in the past couple of years given the kind of low volumes we have seen and price stability. It is a very sentiment related sector. As soon as the things improve, both volumes and pricing can improve and volumes have a large room to expand given the likely pent-up demand in the system. This is now looking like the third or fourth consecutive year with lower year-on-year volumes for the real estate sector. So our sense is that clearly there is a possibility of price correction, but there is perhaps a better probability of volumes returning more strongly due to an improvement in sentiment which could be created through improved GDP growth, good monsoon and other positive factors over the last couple of months. And hopefully with the election behind us and a new government, it should bring some momentum to the whole process. So, whether or not prices correct, we will have a lot more to do with general economic performance than very specific real estate factors to my mind.

Mahesh Bendre In your opening remarks you mentioned that the Panvel project is likely to be one of the biggest projects for us. When do you think it will be launched?

Pirojsha Godrej We will launch it early next financial year.

Moderator Thank you. Next question is from the line of Manish Gandhi who is an individual investor. Please go ahead.

Manish Gandhi My question is little a long term. You can call it hypothetical. It is regarding Vikhroli. 'The Trees' residential project has been shifted to next year and we have one more tower to be launched there. I am just asking that if I am a long term investor and I look at 300-500 acre of development and an annuity kind of income for a Godrej Properties investor, can you tell me how does it go? It is going very slowly. So when you will be able to hit one million, two million or three million. I know it is not like Godrej Consumer, but any idea on that?

Pirojsha Godrej Our goal is to get these launches done as quickly we can. We have seen a good response for the stuff we have launched in Godrej Platinum. Certainly The Trees launch is very important one for us and we were disappointed that it looks like it is not going to happen in the current financial year, but the volumes scaling up to some of the numbers you mentioned of 2 or 3 million per year will take a little bit of time both in terms of creating that kind of available inventory and in the market moving to be able to absorb the same. I think the medium to long-term outlook for the project looks extremely strong and even in the short term, I think things have gone very well so far. The aspiration will be to get this done as soon as we can and do as good as a job we can in terms of quality of the product that we are offering and in execution of that very quickly. But I do not really want to put a number of years as to when it will take to get to 1 or 2 million. Our aspiration will be to get as soon as we can. Certainly over the long term, the inventory that will be available will facilitate at least those kinds of volumes on an annual basis, but it might take a while to ramp up to those levels.

Manish Gandhi So from 'Godrej Trees' perspective, from next year onwards you will be launching simultaneously other Godrej and Boyce projects in Vikhroli or will you wait for the 'Godrej Trees' to complete 3-4 years and then launch?

Pirojsha Godrej No, we will not be waiting for 'The Trees' to be fully completed before adding any new projects. We will announce these projects as and when they are ready to go and we do have quite a bit of inventory between 'The Trees' and the last tower of Godrej Platinum. We certainly have visibility on other launches within Vikhroli and we hope to have some announcements on that front shortly. But certainly I do not think 'The Trees' completing is prerequisite for additional launches in Vikhroli.

Manish Gandhi Just want to understand, will it be 300, 500 or 1000 acres? We do not know. Will you be showcasing the city, the full project to the buyers from the next year onwards? I understand these four towers were of the old design. It is going on since last so many years. Will it be showcasing your city within city or something like how Hiranandani has done?

Pirojsha Godrej We are only at the very initial stages for marketing the projects. The aspiration will be to present to the customers our vision for Vikhroli. We think this can be a truly unique opportunity that's not paralleled by anything available in the city. In terms of scale, it is substantially larger than some of the city's current biggest developments like Powai, BKC and so on. Our work is ongoing on creating clients for more

realistic nature and we do look forward to present those publicly. I do think that itself will create a large amount of momentum for the project because our vision and aspiration is to certainly create something very differentiated from other products available.

- Moderator** Thank you. Next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.
- Puneet Jain** My question is with respect to margins from non-Vikhroli projects. You had mentioned that you currently have some issues with margins from old projects. So what could those margins be and how much time do you think it will take for margins to move up to more normative levels?
- Pirojsha Godrej** As we have indicated previously, we do not like to break down margins project by project. That is competitively sensitive information. We clearly said as a ballpark, that our older projects do have lower margins by and large given the fact that these were sold at much lower prices, cost escalations, also more revenue sharing model. That has been communicated many times. The time it takes for margins to ramp up will of course depend on the time it takes for execution of these new projects to ramp up. If you look at the margin profile on any of our new projects, you will find that it is quite attractive. Certainly any profit sharing projects we are doing, any development management fee projects we are doing which form the bulk of our new projects will all have very high margins. So, I do not see margins as a medium to long-term issue at all given the kind of projects we are adding. In the short term, however, it is very much quarter-to-quarter situation depending on which projects contribute how much. What is encouraging is that despite having a lot of these low margin projects in the portfolio, we are for the first half of the financial year and for last year at our targeted margin levels.
- Puneet Jain** For your commercial property, how much inventory do you have in Kolkata, in Chandigarh?
- Pirojsha Godrej** We have a little over a million square feet in Kolkata and about 4 lakh square feet in Chandigarh.
- Puneet Jain** This is finished property.
- Pirojsha Godrej** No, about 5 lakh square feet in Kolkata is finished and half is nearing completion. In Chandigarh, we are on the verge of completion of the project. Right now, we do not have the occupation certificate.
- Puneet Jain** So in Kolkata, half is finished and half is nearing completion.
- Pirojsha Godrej** Correct.
- Puneet Jain** So this is waterside?
- Pirojsha Godrej** Waterside is complete and Genesis is getting completed.
- Puneet Jain** Do you have any indicative plan of how much time do you think it will take for you to sell both of these put together?

Pirojsha Godrej Puneet, learning from our past experience, I prefer not to hazard a guess on this. Clearly we disappointed ourselves and the market with how slow sales on these projects are going and the market conditions are not such that we can very confidently predict how long it will take. It is good to note that we did have the best quarter in recent memory for sales in these projects. In Q2, we sold about 75,000 square feet, but in all honesty the current environment is quite challenging for sales in these projects. But it does not mean it is going to take a very long time, because a million square feet is both a large amount, but also an amount that two or three reasonably large sized clients can take up. So we remain very hopeful that we can do it quickly, but I do not want to make a promise that we then fall flat on.

Puneet Jain Both of these will now be are 100% owned by you post purchase of private equity stake?

Pirojsha Godrej The Chandigarh property and Godrej Waterside are now 100% owned by us. Godrej Genesis is still in a private equity partnership.

Puneet Jain Also how much will get locked in your WIP on account of these three properties put together?

Rajendra Khetawat Around Rs.500 crore.

Puneet Jain So it will not be larger given the fact that if I look at the price which you are able to get in Waterside is around Rs. 5,000 and that is getting sold at cost. So should that not be similar?

Rajendra Khetawat It should be almost similar. The good part here is that bulk investment is already done. So WIP is already locked in, the inventory is already locked in. So the investment over the future is very small. So whatever the main realization we are going to get would be either equal or slightly above the cost.

Puneet Jain So till then you will have these properties and margins will possibly be lower in terms of reported numbers? Also your project, 'The Trees' has been delayed. So do you have any indicative timeline whether it will be first half of next year or second half of next year?

Pirojsha Godrej It should be mid next year. Hopefully the first half of next year, is what it is currently looking like.

Puneet Jain And just one book keeping question. What does other income and other operating income comprise of?

Pirojsha Godrej As we mentioned in the previous question, most of it is funds that were deployed, surplus funds from Godrej Summit that could not be disbursed because we have a private equity partner there. We have deployed that capital, a lot of it towards construction. So we have redeemed those funds.

Rajendra Khetawat It is basically the treasury income on surplus cash invested into liquid funds and fixed deposits.

Moderator Thank you. Next question is from the line of Aashiesh Agarwaal from Edelweiss Securities. Please go ahead.

Aashiesh Agarwaal So again a bit of a housekeeping question. Just wanted to understand the stage of completion that we are in for some of the projects namely the Alipore project, BKC, Nagpur and Summit. In terms of how much you would have spent so far as a percentage of your overall spend?

Pirojsha Godrej We would not like to get into exact spends as a percentage and so on. I can give you roughly where those projects are. In Alipore, construction is in full swing. We are roughly at ground level currently. It is a project which we can execute very quickly and it is a very good high margin project for us. So, things are on track there. In Godrej Summit also, construction is now in full swing. In Nagpur, we are hoping to hand over the first part of the project by the end of the financial year and we hope to have new launches there. And in BKC, constructions are slightly ahead of our schedule that we had planned at launch. We have already reached the plinth and will be starting the above ground construction on the structure now.

Aashiesh Agarwaal On Summit, which stage we would be in?

Pirojsha Godrej We are still at the early stage of construction, finishing excavation.

Aashiesh Agarwaal And Nagpur Phase-II, was there was some delay in commencement of work?

Pirojsha Godrej No, it is underway, no issue.

Aashiesh Agarwaal So work has started as regular. No issues on that.

Pirojsha Godrej Yes.

Moderator Thank you. Next question is from the line of Sirish Hisaria from Kotak Mahindra Bank. Please go ahead.

Sirish Hisaria I just wanted to know how this festive season has been as of now. Has there been a slowdown in sales or is it stagnant? The other question is at what rate, approximately Godrej BKC, have you sold in the first and second quarter?

Pirojsha Godrej For the festive season we are not seeing any huge pickup in sales. It is better than Q2 as is usually the case on a seasonal basis, but I do not think there is any huge momentum that has been witnessed so far. Of course there are still some weeks to go, but I do not expect for the sector as a whole, the festive season to be a hugely successful period. On Godrej BKC, the price varies depending on the area and the height that they have taken and I think the average price for Q2 sales is visible in the presentation; it is little under Rs. 27,000.

Moderator Thank you. Next question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani Just couple of questions. Firstly on the debt, just wanted to get sense as to this rights issue which we have partly deployed in some land payments and some private equity buyouts. But going ahead how do we see the remainder of the cash flows being used and do we expect that net debt-to-equity again inch up to about 1x net debt-to-equity which you have been guiding us. Secondly on the launches, we have seen some delays because of the approval issues, but are we confident that few of these prime launches that you are talking about in Chembur, Ghatkopar would happen in this financial year?

Pirojsha Godrej The movement in net debt quarter-to-quarter depends on a large variety of factors not least of which, how much sales we are able to do and how many launches we are able to do. So hopefully with new launches and with good momentum in sales, this can further improve. But I think the bigger question for us is how it looks over the medium term. Whether it moves a little bit in one direction or another in the short term doesn't make that much of a difference. Over the medium term I think given the kind of structures our new projects are in, where we are limiting the advanced payments quite considerably, derisking the project by the sharing mechanisms we are entering, once we unlock capital from the current lot of projects. While it may not happen in a quarter or two, it will certainly happen over the next couple of years. The balance sheet will only continue to grow stronger for the Company. From a gearing perspective and from a net debt perspective, we are currently at the lowest levels we have been in a long time and it is a very comfortable level. Post the rights issue, we have revised our gearing guidance to 0.5:1-1:1 from what earlier was 1:1-1.5:1. So that is the rough band that we will look to target and again quarter-to-quarter movements within that band are not of any great concern to us either on the upside or the downside.

Certainly visibility on launches makes it such that we are very confident of launching those this year. But with regulatory approvals, 'never say never' is probably a good phrase to keep in mind. For couple of these, we already have the IOD in place which is generally a good sign that projects are nearing final approvals and then launch. So we have every expectation that these will get launched this financial year.

Gunjan Prithyani And just since you have been mentioning that there would be possibly more project acquisitions in over the next couple of quarters. Could you just give us some sense on what are the projects that you are in discussions? Just in terms of market and what structures would these be as a development management agreement or an outright acquisition. What will be the structure look like?

Pirojsha Godrej We have four basic models through which we are looking at project acquisitions. One is a co-profit sharing model, the other is development management fee model, the third is the redevelopment model, and then the fourth is the platform we have with APG and other investors. So all four of these are platforms allow us to access deals in a very capital efficient manner. All deals and all of these platforms are being done at quite conservative valuations and will be very value accretive. I do not think within these four that we are focused only on one of the others. We are open to projects in any of the four structures. In terms of market, the focus is entirely on markets that we already have a presence in and within that; we see the biggest opportunity is in markets like Mumbai, Bangalore, NCR. So, that is the primary focus. But certainly we are looking also at new projects in places like Pune, Chennai and so on.

Moderator Thank you. Next question is from the line of Puneet Jain from Goldman Sachs. Please go ahead.

Puneet Jain My question is actually with respect to BKC property. Can you share some more of details about the cost per square feet now and what is the average price you intend to target from sale of this project over its lifecycle?

Pirojsha Godrej We hesitate to give any guidance on prices that we intend to achieve and on exact cost on project. That will be dependent on lot of things including market conditions. What we have said is that we will like to target selling the project at a rate of about 20-25% of the available inventory of about 1 million square feet on an annual basis.

The focus on the initial part of those sales will be on getting the project to a cash flow strength of positive cash flows and then focus on pushing up the margins. Once it is closer to completion and it is actually being occupied. So, that remains the intent and strategy for Godrej BKC.

- Puneet Jain** Currently what is the targeted completion date for this project?
- Pirojsha Godrej** We are targeting absolute end of 2015 construction completion. So the range will be sort of end 2015-mid 2016 for the construction to complete.
- Moderator** Thank you. Next question is from the line of Rahul Mehta, individual investor. Please go ahead.
- Rahul Mehta** I had two long term questions. From at least a year and a half to two years, Adi Godrej has been sharing in interviews that the long term target for the group is 10/10 and for Godrej Properties, it is 40 times over 10 years. So just wanted to get a sense on whether we are still aiming towards that target and where have we reached? Secondly what is long-term ROE that the management is targeting for Godrej Properties?
- Pirojsha Godrej** It is a good question. I think certainly our focus remains on the long term, capturing long-term growth and we continue to believe that the long term prospects of the sector remain very positive and something that we are quite excited about. That said, we certainly hoped in the first few years of 10/10 or 40/10 to get better macroeconomic support than sort of 4 to 5% GDP growth we have seen in the past couple of years. We are reasonably happy with the operational scale up that is taking place at the Company. What I would say though is that while it remains an important sort of aspiration for us and sort of statement of what we think the full potential for the Company looks like. What will be much more important is your second question which is how prudently we manage this growth and how do we deliver high quality growth. Return on equity for us is a very good measurement of that. And we recognize that the past couple of years we have demonstrated a fairly subdued performance on that as some of the older projects particularly on the commercial front not going exactly as planned. But we are adding a lot of new projects which will certainly boost ROE in coming years. We see a big opportunity for the Company to scale up and to continue to grow at the rapid pace and then we should see very substantial and consistent ROE improvements in the coming years. We are at 10% levels today, even in the relatively medium term, we would like to see those at least double. If we were able to achieve that further taking them up from the given model we have and given the kind of structures we are entering, we think it is eminently possible.
- Moderator** Next question is from the line of Manoj Dua, individual investor. Please go ahead.
- Manoj Dua** What is the status of this Platinum Mumbai project in which you are a development manager and second question is that you have different models of development fee manager and profit sharing. In which model, you are more bullish as in creating wealth for the shareholders? Thank you.
- Pirojsha Godrej** Godrej Platinum update: Out of the four towers available in the project, we have launched three of them. For the fourth one, there are some further regulatory approvals required which are in process. In the first three towers, we sold almost all of the inventories. The three towers combined would have about 480,000 or so square feet of saleable area and I think we have about 20-30,000 square feet of

available inventory in those. Prices in the project over the 2-3 year period since its launch or 2-year period since its launch have increased by about 40%. It is a very successful project. It is doing well. We will look forward to launching the final tower of that project where we expect to see similar success.

Again, each model has its own unique characteristics and different benefits. For instance in ROE perspective, the development management fee model is the best because there is no capital employed. Of course from a total return perspective, we are expecting a slightly lower per square foot return on the development management fees and other model. Similarly each of them, redevelopment allows us to access projects in locations that would be very difficult to get in Mumbai without doing redevelopments. Profit sharing is perhaps our base model, the model that probably combines the best of all the models which gives us a strong per square foot return. It gives us full operational control, but also a lot of risk protection in terms of cost escalation and so on, of other models.

- Manoj Dua** I think 20% is the cost of sales and marketing in development model, is it right?
- Pirojsha Godrej** That is broadly true, but again each project will be different. In many development management fee projects, marketing costs are not to us in which case it can be boosted. In Godrej Platinum, the number you mentioned is correct.
- Moderator** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.
- Pirojsha Godrej** I hope we were able to answer all your questions. If you have any further questions or would like any additional information, we would of course be very happy to be of assistance. We hope to have your valuable support on a continued basis as we move ahead. On behalf of the management, thank you once again for taking the time to join us today.
- Moderator** Thank you very much. Ladies and gentlemen on behalf of Godrej Properties Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

- ENDS -

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