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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 Tuesday, August 02, 2022, post declaration of financial results for the quarter ended June 30, 2022.

This is for your information and records.

Thank you,

Yours truly,
For Godrej Properties Limited



Ashish Karyekar
Company Secretary & Compliance Officer

Encl: as above





Godrej Properties Limited Q1 FY23 Earnings Conference Call August 02, 2022

Moderator:

Ladies and gentlemen, good day, and welcome to Godrej Properties Limited's 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, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari of CDR India. Thank you. And over to you, sir.

Anoop Poojari:

Thank you. Good evening, everyone, and thank you for joining us on Godrej Properties Q1 FY'23 Results Conference Call. We have with us Mr. Pirojsha Godrej, Executive Chairman; Mr. Mohit Malhotra, Managing Director and CEO; and Mr. Rajendra Khetawat, CFO of the company. We would like to begin the call with opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session.

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

I would now request for Pirojsha to make his opening remarks.

Pirojsha Adi Godrej:

Good afternoon, everyone. Thank you for joining us for Godrej Properties First Quarter Financial Year '23 Conference Call. I'll begin by discussing the highlights of the quarter, and we then look forward to taking your questions and suggestions. I'm happy to report that Godrej Properties started the year with its highest ever first quarter sales. We sold 2,300 homes during the quarter with an area of about 2.8 million square feet. And in value terms, sold about INR 2,520 crore worth of inventory, which represented a year-on-year value growth of 407%. Of course, the base was the delta wave last year. So it's not really a reasonable base to look at. We were especially pleased to have crossed INR 1,000 crore of sales in Mumbai through the successful launch of 2 new projects, Godrej Horizon, where we sold more than INR 500 crore of real estate and Godrej Ascend in Thane, where we sold 379 homes with a booking value of about INR 415 crore. We believe this puts us on track to our objective of achieving sales in excess of INR 10,000 crore in the current financial year.

On the operations front, while we had no deliveries in the first quarter, we remain on track to deliver a large number of projects during the rest of the year. As a result of no deliveries in the first quarter, our revenues were relatively muted at INR 375 crore, a year-on-year growth of 61%. Our adjusted EBITDA grew by 58% to INR 132 crore, while our net profit grew by 168% to INR 46 crore. Our residential collections for the quarter stood at INR 1,538 crore leading to positive net operating cash flow.



From a business development perspective, we recently added a new luxury project, Carmichael Road in Mumbai with a total salable area of about 1.2 lakh square feet and an expected revenue potential of approximately INR 1,200 crore.

While our new business development announcement during the quarter were only these 2 or 3 projects, one in Carmichael Road, plotted development project in Nagpur and an additional phase to one of our projects in Mumbai, we do have a very exciting set of projects under discussion, and our business development pipeline is exceptionally strong. So we expect to have several new project announcements in the months ahead. While commodity cost inflation has impacted margins on under construction inventory, the price hikes taken to mitigate the same for new projects have been well absorbed.

Strong housing demand despite price increases and interest rate hikes gives us confidence that the housing cycle upturn is sustainable. We remain confident of leveraging the opportunity to grow our market share aggressively with a sharp focus on business development and project execution, which will set us up for significant earnings growth in the years ahead. I would also like to update you on an important change to our leadership team that will take effect from January 1, 2023.

Mohit, our Managing Director and Chief Executive Officer, has tendered his resignation from the company to seek entrepreneurial opportunities outside Godrej Properties. I'm deeply grateful to Mohit for the essential role he has played in transforming Godrej Properties over the past 12 years he's been with the company and over the past 5.5 years that he's been CEO. I wish Mohit much success for the future and for his new venture. Gaurav Pandey, who is currently the Chief Executive Officer of the North Zone of Godrej Properties, will take over from Mohit as Managing Director and Chief Executive Officer effective January 1.

Gaurav is over 17 years of experience in the real estate sector and as CEO of our North Zone, he's transformed the P&L of the business and built a high-performing team. In the 5 years of his leadership, the Zone grew by 6x in booking value, 4x in collections and the imputed return on capital employed increased very significantly to about 27%. In fiscal year 2022, the profit after tax of the North Zone was the largest contributor to Godrej Properties P&L. So I'm quite confident that Gaurav's thorough knowledge of the industry, the company and his delivery track record will help ensure he has a very successful tenure as CEO of Godrej Properties.

On that note, I conclude my remarks. I'd like to thank you all for joining us on the call. We'd now be very happy to discuss any questions; comments or suggestions you may have.

Moderator: We have the first question from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: Firstly, on the operating cash flow, it was quite low this quarter as a % of collection. What is the reason for that?

Rajendra Khetawat: So Kunal, the collections will improve in the coming quarters. Since the beginning of the quarter, there are a lot of construction milestone payments, which will keep coming. Since 3 launches we have done, those are initial collection, which we have received. But going forward, you will

see this collection and operating cash flow trajectory improving in the coming quarters.

Pirojsha Godrej: I think, Kunal, we remain very confident both of strong overall collections as well as operating cash flow growth for the full year. We agree this quarter was a little bit low.

Kunal Lakhan: Sure, sure. Secondly, on status of your Ashok Vihar launch, if you can give some indication on when the launch will be and where are we in terms of approvals?

Pirojsha Godrej: Yes, I think we've been making steady progress on the approval. There are 1 or 2 issues that are still outstanding. So we're hoping for a Q3 launch on that.

Kunal Lakhan: Q3, okay. And lastly, in terms of new launches for the rest of the year, right? I can see only one launch in the Mumbai market, which is the Matunga launch. But besides that, we don't have anything else lined up for the rest of the year?

Pirojsha Godrej: Well, we do have a few projects that we haven't put in the official guidance that we'd hope to launch by the end of the year, including Worli development, including perhaps even this Carmichael Road development, if we can turn it around fast enough. But you're right that I think some of the Mumbai launches will be second half of next year as well. We have, of course, launched 2 significant projects in Q1, so we expect continued momentum in inventory sales from those projects. Mohit, do you want to add anything?

Mohit Malhotra: Yes. As Pirojsha highlighted, I think there are a couple of projects which we are looking to launch. But at our advanced stages of approval, we haven't taken them into our guidance. We also have potential to launch the next phase launch for our Wadala project, which has done phenomenally well. So looking at quite exciting opportunities in Mumbai this year.

Kunal Lakhan: Sure. And lastly, status on your Bandra project?

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

Mohit Malhotra: Not much progress on Bandra project. As you know, it's just because of our joint venture partners reasons. So I think that project where things are going slower than what we would have liked it to.

Moderator: We have the next question from the line of Puneet from HSBC. Please go ahead.

Puneet: My first question is with respect to your investments in the joint ventures and other financial assets. That seems to have gone down on a Q-on-Q basis. Can you elaborate on why that would have happened?

Rajendra Khetawat: Those investments keep going up and down, depending on the share of profit and loss, which keeps adding and reducing. So that is a function of those investment plus obviously, when you recognize profit share of investment goes up and when you recognize loss share of investment in JV's goes down.

Puneet: So there would have been a recognition of loss in these.

- Rajendra Khetawat:** That usually is a one-line item. So those get into investment and when the JV reaches recognition, obviously, it will go up again.
- Pirojsha Godrej:** I think it's important to understand that for joint ventures until they reach project completion is when the earnings are recognized, the rest is marketing expense and the other things, which are expensed out.
- Puneet:** I get it. And my second question is, how should one think about the pipeline, you've been quite bullish on the pipeline, but we haven't seen large projects getting added compared to the scale and the balance sheet size that you have. What is really resulting in a bit of slowdown on the project edition?
- Pirojsha Godrej:** Yes. I think again, the visibility internally is quite good. We have, as I said, also shifted out our announcement of deals to usually a greater set of precedent conditions are completed. But yes, it's fair to say, I think last 2, 3 quarters, we haven't had any big bang new business development announcements. We're quite confident we'll have a few during the upcoming quarters.
- Moderator:** We have the next question from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.
- Pritesh Sheth:** Just one question, again, on business development. So firstly, congrats to Mohit on successful tenure. But I think Mohit and the team overall was obviously working very closely to materialize transactions in Mumbai, Bangalore, where you were very much focused in the last couple of years. Now with the new CEO, obviously, coming from North how those dynamics change, particularly with respect to our business development targeting in Mumbai and Bangalore?
- Pirojsha Godrej:** Yes, I don't think we should assume any change. I think, of course, we are a professionally managed company I think largely thanks to all the good work Mohit has done over the last few years. We also have a very strong team. We have zonal CEOs who are responsible for delivering the P&L. We have a strong independent business development team, I think, for business development of course, I can personally be involved in some of the important transactions. And I think as we've indicated, I think the Mohit moving on, we've been agreed in a very amicable manner between me and Mohit. I think he's going to do his best to ensure a very smooth transition. We have another 5 or 6 months before Mohit moves on. So I really am quite confident that the business development pipeline won't be affected. And in fact, you will see, I think, a considerable pickup in business development momentum over these next couple of quarters.
- Pritesh Sheth:** Sure. And just if you can elaborate since the pipeline visibility is very strong. Obviously, we'll take your comments, obviously with a pinch of salt, since nothing has been firmed up. But what sort of pipeline you're looking at in Mumbai specifically with regards to Slum redevelopment that you are seeking to sign off with DB earlier. Now what's the visibility there and overall, in general, the pipeline that you're looking at in?
- Pirojsha Godrej:** Yes, I think we have good visibility in Mumbai, again, it's very hard to comment on this until these deals are public, and we can't speak about them freely. But there are several different projects that we're looking at, including individual projects that have an INR 5,000 crore booking value addition to the company. So we're quite hopeful of closing a few of these. Nothing specific on the Slum development side, as we mentioned, we had

dropped that earlier proposal. But we're seeing several interesting opportunities for new projects, both in Mumbai and Bangalore, in addition, of course, to the good business development that's in any case than going on in NCR and Pune.

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

Sameer Baisiwala: My first question is on the price increase. What's been a sequential increase Q4 to Q1?

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

Mohit Malhotra: Sure. So thanks, Sameer. First of all, for the good wishes. So we had, as we mentioned in the last call, we took almost 5% to 6% price hike in Q4 to hedge for the inflation. This quarter, again, we have taken a price hike of 3% to 4% across projects. Now some projects we have been able to take a higher number. Some projects we couldn't take as much as we would have liked. But on an average, quarter-on-quarter, we have been targeting 4% to 5% price hike across markets, where prices are already going up significantly, we could take a higher number, in some markets which are still lagging behind the number of price hike is slightly lower.

Sameer Baisiwala: And sir, what's the outlook for balance 9 months of this year?

Mohit Malhotra: Yes, I think we have not seen any major drop in demand through these price hikes. So we would like to continuously push in a prudent way, the price hike. But of course, you also have to be very careful about how consumers are responding to it, and we don't want volumes to drop so we'll just take it in a very calibrated way and accordingly decide. Very difficult to give a guidance on this.

Sameer Baisiwala: Okay. No, that's fine. And anything you can talk about the 2 new project acquisitions, which is Carmichael and the plotted development in Nagpur. What gross margins can we assume which is backing out both land costs and construction costs?

Mohit Malhotra: Nagpur is the plotted development. So the margins in plotted developments are upwards of 40% plus. Rajendra, do you have exact margin for Carmichael?

Rajendra Khetawat: Carmichael, we've invested close to INR 300 crore. So that is the equivalent amount of profit, which we are looking at over there.

Sameer Baisiwala: Okay. No, that's great. But when you say invested INR 300 crore, that is only land or land plus construction you're saying?

Rajendra Khetawat: Only land. I'm saying on the land, generally, we look to make 2x kind of a return. So that is the margin we look to make from that kind of project.

Sameer Baisiwala: Okay, sir. I mean just so that we are clear. So the sales potential is INR 1,200 crore, and profit is INR 300 crore, you are saying?

Rajendra Khetawat: Yes. Basically, I'm just saying that is a ballpark because there will be a lot of construction, there will be a lot of approvals and other stuff. So I'm just saying this is a ballpark.

- Pirojsha Godrej:** These are quite high-margin projects. I think the Carmichael is an ultra luxury project. Our ultimate margin will, of course, depend on pricing, but it's a small project. So I think we will go for a pretty high margins there.
- Sameer Baisiwala:** Okay. And the final question is, how does the site at Worli look like in terms of how clear it is?
- Mohit Malhotra:** See, the site is getting cleared. The work had already started and both the partners are already in the process, but if you really ask, I don't think you will see a very major change unless a significant number of people move out. So right now, the progress is positive, but a real shift in site, you would see in the next 6 months.
- Moderator:** We have the next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** First of all, I'd like to congratulate Mohit's journey. My question is to Pirojsha. So last year, northern market contributed about 40% of all to say now have been in the role of the CEO. So are we looking to replace him in North by someone else? How will we look at the northern market now? If you can highlight, are we looking to deepen our presence there because we have seized a lot on the northern market, it's profitability and ROC of almost 27%. So if you can just touch upon the northern market. How will it change?
- Pirojsha Godrej:** Yes. I think we have continued to have strong ambitions for that market. I think, of course, we have a strong team in place there. We've actually appointed as Gaurav successor, an existing P&L leader in our NCR team who is #2 to Gaurav, Geetika who has been one of our star performers and been a key part of the region NCR has performed so well. So she will now take over as a P&L head for the NCR Zone when Gaurav moves over, and we continue to have a very ambitious plan for the growth in that zone.
- Parikshit Kandpal:** On the business development pipeline, so I mean some of the peers you gave a guidance on annual guidance on certain numbers on business developments. So do you have any number for especially for MMR, especially on the premium side. So where we don't have any significant presence as of now. So you've been highlighting in earlier calls that you're looking to significantly ramp up and increase our market share, but offlate we see other players from other geographies coming up and taking that market share and we have been not really done a great job out there. So if you can just touch upon and quantify some of that especially underplaying MMR?
- Pirojsha Godrej:** Ya, I think in Mumbai, first of all, as I mentioned, actually last quarter had our best ever sales probably in Mumbai certainly, since our big Vikhroli launches, where we've crossed the INR 1,000 crore in sales. The project, one of the major contributor to that was actually a business development project we added last year in a redevelopment project in Wadala. So we're actually very happy that we've turned around that quite quickly. We've just announced this Carmichael Road project.

As I did mention, there are a couple of very advanced stage large projects that we have in the pipeline. Of course, still we are in a place to announce them. I agree that there's no way that the investor community can really get a great sense of them, but we hope to be able to provide that in the near term. I think giving business development guidance, I would take with a pinch of salt because there are a large number of unknowns in this. But if

you look at it, I'd say that the goal of the company is to do at least INR 10,000 crore bookings this year to grow at least 20% year-on-year. And I think steady state, that means for 2 years forward, we should be at INR 15,000 crore number at least. So I think that's the booking value we'd like to lock in through business development in the current year, and we think we're on track to do that.

Parikshit Kandpal:

Okay. But some of these large opportunities, typically, I mean, so what kind of opportunity we are seeing emerging now on the business development front. So do you think it's more like green field or still as were doing the log-on [Atari] or new redevelopment opportunities rather than right away like refill opportunities or buying out plans on corporate. So on your plate, so what kind of opportunities are emerging from these segments?

Pirojsha Godrej:

I think we're seeing large opportunities in all of the above. I think from a balance sheet perspective, there are only a handful of developers in the country right now who have the capacity to cut large land acquisition purchase cheques. So I think we are well placed with a gearing ratio of 0.1:1 to be in place to do that for large significant opportunities. I think given the Godrej brand and our track record on doing probably more joint ventures than any other developers over the last 5, 6 years. We feel very confident in being able to do new partnership projects as well. So I think you'll see a mix of those and also some redevelopment projects.

Moderator:

We have the next question from the line of Abhinav Sinha from Jefferies. Please go ahead.

Abhinav Sinha:

My first question is on the growth trajectory. So you have talked about INR 10,000 crore of sales in the current year, but it's not only implying flat numbers in the next 9 months. So why is that so? I mean, is it like a launch issue or you can do better?

Pirojsha Godrej:

I think INR 10,000 crore obviously is, we think, pretty healthy number would imply annual growth of 27%. Of course, the endeavor will be to always do even better. But I think that would be, we think, a pretty solid number for the year. So we want to first make sure we do get to that number. And obviously, if the opportunity presents itself, we will go for a much larger number. I think we've been quite happy with the steady scale-up. We've been seeing in the business from a booking value perspective. I think we're probably the only developer that's delivered consistent year-on-year growth each of the last 5 or 6 years. And we want to continue to build on that. So I think INR 10,000 crore this year, if we can do a bit better, nothing like it. But again, I think a 27% growth for the year will be a healthy number.

Abhinav Sinha:

And on the cash flow part, you mentioned you're expecting it to be in the next 9 months. So where can we roughly the net debt to end the year. We had an uptick of close to INR 500 crore this year, is that a fair pace to assume going forward?

Pirojsha Godrej:

Yes. I think more than operating cash flow, which I think will be strongly positive for the year. I think the bigger determinant of where we end the year from a net debt perspective will be scale of business development. So the hope would be to actually be investing even more than we have the last couple of quarters. But yes, I think at the minimum, we would expect the sort of total net debt to go up by at least that if business development is firing the way we want to, but a few big deals could make that happen at a faster pace.

Abhinav Sinha: The big deals that you talked about, say, the INR 5,000 crore out of bracket. These are land purchases or these are JV, JD?

Pirojsha Godrej: Again, there's a large number of opportunities we're looking at. I think we're looking at, for example, one large joint venture project and one large outright purchase, a specific project that I said could be about a INR 5,000 crore revenue opportunity is outright purchase .

Abhinav Sinha: Okay. And one question from the P&L perspective. On the current year, which are the project deliveries that you can guide us for that we can expect in the next 3 quarters?

Pirojsha Godrej: I think we have a large number of project deliveries. We expect over 10 million square feet of deliveries this year. So it will be a long list of projects. Maybe Rajendra can take you through that offline.

Moderator: We have the next question from the line of Girish Choudhary from Spark Capital. Please go ahead.

Girish Choudhary: Yes. Firstly, on the Bangalore market. So if you look at the sales, they have been pretty tough over the last year or so is not also be things INR 270-odd crore. So when do you expect a rebound from this market? If you can give some concrete launches planned in this market? Yes, that's the first question.

Pirojsha Godrej: Yes. I think we expect a fairly immediate rebound. We've also made some changes to the team there. We've got a new CEO there, who's been on board for a couple of months, who I think has very aggressive plans for growth in the market. We're looking at some exciting large new opportunities, but we do have a few significant new projects that we'll be launching from deals we added last year. So I certainly think that we've taken cognizance of the low sales in Bangalore for the past 12 months and should report a much higher number over this next remainder of the financial year. Mohit, do you want to add anything?

Mohit Malhotra: Yes. concurred with your view, I think there's a very interesting pipeline we're building in Bangalore on the BD side. So once that comes in a big turnaround in the Bangalore market.

Girish Choudhary: So if I have to ask you this other way around out of INR 10,000 crore guidance, how much can one expect from this market is your number your mind?

Mohit Malhotra: I think this year, the contribution from Bangalore will be relatively less. But I think next year onwards, it should significantly increase in contribution once the BD deal has been signed.

Girish Choudhary: Okay. Secondly, last 2 years, again, deliveries were around 6.5 million square feet around 6.4, 6.5 million square feet. So any target share for FY'23.

Pirojsha Godrej: Sorry, this year or for next year?

Girish Choudhary: '23 and '24 if you can share for.

Pirojsha Godrej: I think this year, we'll see a large uptick, certainly north of 10 million. I think a lot of it will depend on the exact timing of OCs, but I think 10 million

would be a base case number. And you should see a strong number the following year as well. We're currently selling over the last couple of years, about 11 million square feet a year. So within a couple of years, that should, in any case, be the minimum rate. But as we scale up, obviously, deliveries will keep pace. But I think over the next couple of years, you'll see at least 25 million square feet of delivery.

Moderator: We have the next question from the line of Nimish Maheshwari from ISB ventures. Please go ahead.

Nimish Maheshwari: Congratulations on good set of numbers. How do you expect the demand with respect to increase in interest rate scenario, like in the across the year 1% to 1.5% may increase? So how do you see the demand?

Priyosha Godrej: Honestly, I don't anticipate any major impact on demand. I think it's important to remember that the starting point for this increase was the lowest interest rate India has ever seen. So even today, a mortgage cost 7%, if that say, goes to 8% or 8.5%, that would be relatively low by any historical standard. The last time the sector was booming in 2011, '12, interest rates were 10%, 11%. So I'm not overly concerned of this. Obviously, we'll have to keep a close eye and watch how things move. But my sense is affordability for real estate while not quite as good as maybe a year or 1.5 years ago, it's still one of the best it's ever been because prices are still quite moderate if you consider that we went through an 8, 9 years down cycle with very limited property price appreciation so the 10% or so it may have been appreciation over the last 12, 18 months is a relatively modest number in light of the time correction and the kind of increase that people have seen in the income over this 10-year period. Similarly, as I mentioned on interest rates, there is some increase over the recent past, but we're starting off from an extremely low base. So my sense is the Indian economy and positivity around its performance is much better than it's been in a long time. I think if that holds and people's view is that inflation is likely to make property more expensive, which I think is correct. Then you will have home buyers wanting to come into the market. I think sometimes the industry is as much about buyers' perception as it is about the underlying numbers. So my expectation is that we're still in the relatively early stage of what will be a lasting up cycle in the sector.

Moderator: We have the next question from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first question is on the ROC of different regions like you have explained that over the last 4, 5 years, NCR have been able to beat 27% kind of ROC. If you can talk similar numbers for the other regions, MMR, Pune and Bangalore.

Pirojsha Godrej: Mohit, do you want to take this?

Mohit Malhotra: Yes, I don't have a number offhand, but maybe we can touch after the call. Rajendra, if you can share it after the call?

Rajendra Khetawat: Sure, Mohit.

Aman Vij: Yes, sure. Second question is on the INR 10,000 crore booking target we have. If we can give approx. split in terms of regions, which you think we could see?

Priyosha Godrej: Yes. I think Bangalore might be off the 4 regions contribute the lowest amount to this year. I think NCR and Mumbai and what we call our East West one, which is mostly Pune, but also Kolkata but we will all contribute relatively large numbers. I think the exact split will depend on which exact projects end up getting launched and how they perform. But I think overall, we think INR 10,000 crore will require a strong performance from all our zones. And I think we've seen good growth over last year in all 4 zones.

Aman Vij: Sure, sir. And on the Pune and Bangalore market, so we have a very ambitious target for this year. although Q1 they weren't any big launches. But Q2, are there any big launches or most of them are meant for the H2 only?

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

Mohit Malhotra: We have a big launch coming up in Pune in Q2, which is at the last stage of approval. So that would be a very big launch. And apart from that, the launch pipeline looks healthy. There are good launches in NCR, which is planned. Bangalore also, we have a big launch already underway. I think we are looking at a strong number for Q2 also.

Aman Vij: Sure, sir. Final question is on the cash we had raised; we have talked about trying to deploy most of it this year itself. So any chance some of this can happen in Q2 also or it will be again back ended in, say, Q3 or Q4 only?

Pirojsha Godrej: Yes, I think we should have deals getting added every quarter. So certainly, some of them should be in Q2 as well.

Aman Vij: Sir, I'm talking about the big ones because we have added INR 300 crore for a project, but compared to the.

Pirojsha Godrej: Yes, I think some are at a stage where, hopefully, they can be announced in Q2. But obviously, the reason they've not yet been announced that they're not ready. So I think these things are not always completely predictable from a timing perspective. But yes, we hope on the next call to have some significant updates in place.

Moderator: We have the next question from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: So again, just welding on the Bangalore contribution. Actually, last year also we didn't have much contributing from Bangalore, and we also saw some cancellations in Q3. Just wanted to understand like how are we approaching this market because we've been in the market for some time now. Any change in the strategy besides what we have been doing so far?

Pirojsha Godrej: Yes. I think we're very clear on what our expectations in Bangalore are and that over the last 12 months, we've missed them. I think in some years; we've been in the top 3 players by booking value in Bangalore. So I don't think that we've not achieved any scale there. And also it's not an issue that any of the projects we've launched haven't done well. So I think it's a pure question of needing to secure more business development, which we've already made some progress on over the past 12 months and have some very interesting opportunities that we hope to lock in over the next few months. I also mentioned we've made a recent change in our leadership in Bangalore. The clear mandate to the team is to make sure the scale moved up very considerably. So we have no concerns on the fact

that, that will happen. We haven't done as well as we could have from a scale perspective in Bangalore for the last 18 months, and we are fully committed to ensuring that rectified and very confident that it will be.

- Kunal Lakhan:** Sure. And just a data point that I must have missed in the past. The cancellations that we have seen in Q3 of INR 100-odd crore in Bangalore, this was for which project?
- Pirojsha Godrej:** This was for project Godrej Reflections, which had an issue with this NGT order, which we're in the process of appealing in the Supreme Court. So for any customers who had wanted to withdraw from the project, given the uncertainty, we provided refunds there.
- Moderator:** We have the next question from the line of Dhruv Jain and Himanshu Zaveri. Please go ahead.
- Dhruv Jain:** I just wanted to ask a question on the Vikhroli front. Is there anything happening over there because it's been a long time since, approvals problem or some other problems?
- Pirojsha Godrej:** As we've mentioned in the past, I think we will now announce it as and when somebody is ready to launch it. There are a couple of parcels that are being worked on, but there is continued regulatory uncertainty. Of course, a large part of the land is still used for other purposes. But the couple of pieces of land that we hope to launch soon, we'll certainly announce as soon as we're confident that it can be launched very quickly.
- Dhruv Jain:** The same one which you have mentioned in the deal, right?
- Pirojsha Godrej:** Correct.
- Dhruv Jain:** And Ashok Vihar you said you're launching in the third quarter, right?
- Pirojsha Godrej:** Yes. Again, obviously, subject to all approvals being in place by then, but that's our current best estimate of the timing. I think the good news in Ashok Vihar, the NCR market has been really doing very well, both from a volume and pricing perspective. So while, obviously, we are frustrated with the delay and eagerly looking forward to kicking off that project from a pure financial returns perspective, I think the project only looks better now than it did a year or 2 ago.
- Dhruv Jain:** So when we get the approvals and all, you are pretty confident of the project doing very well because of the NCR market, right?
- Pirojsha Godrej:** Yes, absolutely. I think one is the NCR market. Two, I think this is a very unique land parcel and quality of location, the kind of scale of the land gives us an opportunity to create a very high-quality product. So yes, I think this is certainly a big priority and extremely confident that when it kicks off, we'll get off with a bang there.
- Dhruv Jain:** Okay. And the Hinjewadi one we are launching this quarter? Is there any chance?
- Pirojsha Godrej:** Mohit?
- Mohit Malhotra:** That's correct. That's the project which we mentioned is what we are looking to launch in this quarter.

Dhruv Jain: And the Okhla also, right?

Mohit Malhotra: Yes.

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

Manish Gandhi: So my first question will be in NCR after Ashok Vihar, we don't have any greenfield project, and we have done exceedingly well. But given the current land price situation in NCR, so how do you look for the next 2, 3 years, how do you build a land bank or deals? So first question is on that.

Pirojsha Godrej: Yes. So Manish, our practice has never been to try to create large land banks but to continue to do ongoing business development. In NCR, we have some plotted projects. We have some remaining phases of existing projects. Ashok Vihar itself is like INR 8,000 crore plus booking value opportunity. And of course, it is one of the focus markets for new capital deployment as well. So I think that combination, we've, of course, looking at this for the next couple of years, we're very confident of delivering strong growth in NCR on a significant base. But obviously, for sustained long-term growth, I think we have to continue to fire from the BD side as well.

Manish Gandhi: Yes. No, it's a wrong choice of. It's not a land bank, but I was just saying on the BD because our aspiration to grow high.

Pirojsha Godrej: That's a fair point. And it's certainly one of the markets where we're looking at some very interesting opportunities. We've seen almost anything we have launched there, including recently a project in Sector 43 in Noida, which became our best-selling ever project in terms of a 12-month sales. So I think we are looking to add similar high-impact projects.

Manish Gandhi: And do you see opportunity or it is very difficult to do BD right now in the NCR?

Pirojsha Godrej: No, we are seeing opportunities. I think there's always, of course, being some level of competition. I would say the opportunities actually remain considerable though, while a lot of news goes on the 5 or 6 of us developers who are active in the market and are closing deals. I think there's still a long tail in the sector of liquidity issues and other problems. So we see decent opportunities to add significantly to the portfolio and are looking at some interesting things in NCR as well.

Manish Gandhi: Yes. That's wonderful. And the last small one, any updates on Taloja. It's a big project, 7.5 million, so are we seeing to getting approvals for next year or something like that?

Pirojsha Godrej: Mohit?

Mohit Malhotra: There's a critical CP, which is pending in Taloja, which is the road access which we are working on with JVP. So unless that is done, we don't want to launch the project because that is a critical thing from a sales and marketing perspective.

Manish Gandhi: Right. But do you expect to solve that problem next year?

Mohit Malhotra: I think the work is on, but acquiring land is not easy. So difficult to give a guidance, Manish. Frankly on this one.

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

Ankit Patel: My question is around the debt the borrowing piece for the company right now. So what we can see is around INR 5,000 crore of gross debt and around INR 4,500-odd crore of cash. Could you throw some light in terms of how the borrowing program as you scale up now in terms of more fund deployment, say, INR 500 crore of run rate every quarter. How do you plan to space out the borrowing between different instruments? And how do you look at the borrowing side?

Rajendra Khetawat: So for the borrowing, so like we have borrowing across various instruments like NCD, commercial paper, bank borrowings. So these are the borrowing instruments and borrowing program, we keep running. So just to give you one thing is that ICRA recently upgraded on a borrowing program from AA long term to AA+. So that is on borrowing part. So we think that the borrowing should be in the ballpark in this range only, unless there is some good BD opportunity. Right now we are having QIP money to be deployed. So post that deployment, we may see a little bit uptick on the borrowing. Otherwise, for a normal working capital, we don't require because the projects are self-funded. So the borrowing should stay in this ballpark other than any BD requirement.

Ankit Patel: Okay. And in terms of your outlook, in terms of the pricing, so your funding cost gone up by about 10 bps.

Rajendra Khetawat: It has to be because I think the repo rate has gone up by 90 bps and obviously, the interest rates are on rise. . So you will also see a slight uptake on our borrowing cost. But obviously, it will not be linear to the repo rate. But yes, there will be impact on borrowing costs in the coming quarters.

Ankit Patel: Okay. In terms of the repricing, that would have happened, what kind of impact would already have come in? And what do you expect is still.

Rajendra Khetawat: The impact is already there, like we were at 5.95%. And now for the quarter, we were at 6.04% so that impact of 9 bps has already been there. Obviously, going forward there will be some impact. Obviously, the CP markets and the bank borrowings, as the bank increases their rate, you will see those impacts. But how much is that impact will be known in the coming days because there are certain instruments which we have locked in for some more time for a longer period. So that impact would not be immediate. But yes, gradually, over a period of time, there will be some impact, but I would be saying that we like always, we would be the best in the market.

Moderator: We have the next question from the line of Manish Jain from GormalOne LLP. Please go ahead.

Manish Jain: I wanted to know about the Pune market, even back in the current quarter despite any new launches, we have done sustenance sales of more than INR 300 crore. And I see that 7 new phases planned for the current year, what is our plan for BD in Pune given the kind of dominance we have acquired in such a short period of time?

Pirojsha Godrej: Yes. We've got, again, we've partnered with, as you know, we did 6 projects in partnership with Solitaire in Pune. We've built a solid partnership. We're looking at possibly scaling up that partnership. We have

a deal in Pune also at a relatively advanced stage that we're hopeful of announcing this quarter. So I think, clearly, we have scaled up well in Pune. I think it's been a strong journey there over the last few years, and we want to build on that momentum. So across all 4 of these zones, I think business development is a significant focus. We have the appetite. We have the capital. I think there are interesting opportunities. So we really hope to have good announcements across all of these 4 zones.

Moderator: We have the next question from the line of Alpesh Thakkar from Antique Stock Broking. Please go ahead.

Alpesh Thakkar: Congrats for good set of numbers. First of all, Best Wishes to Mohit for future endeavors. My question is pertaining to FY'23 launches. If you look at our target launch, almost 34% of launches are expected in Bangalore. However, we don't see Bangalore contributing much this year. So are we seeing some major spillover in terms of launches to next year, especially in Bangalore market?

Pirojsha Godrej: So again, I think the relative scale of each of these projects would also have to be looked at. But we do expect Bangalore to show very strong growth over last year. So it's not that we're not expecting good numbers from Bangalore. But if you divide this INR 10,000 crore into sort of 4 parts, we think zones like NCR and Mumbai are likely to do more than INR 2,500 crore, and Bangalore probably would do a little bit less than that. But we certainly do expect a solid performance in Bangalore this year.

Moderator: We have the next question from the line of Manish Agrawal from JM Financial. Please go ahead.

Manish Agrawal: So my question would be if you could throw some light regarding your strategy of Tier 2 cities. So you have entered Sonapat, Nagpur. So are there more BD pipelines in the subcity?

Pirojsha Godrej: I think a couple of projects, you mentioned are plotted development. So we see interesting plotted development opportunities. We do think that's an interesting way to have a presence in the smaller markets. From a group housing perspective, we largely remain focused on these top 4 markets and might opportunistically look at 1 or 2 other markets that we have a presence in. But the vast majority of the focus will continue to be on Mumbai, Bangalore and NCR and Pune.

Manish Agrawal: And would Hyderabad be a consideration?

Pirojsha Godrej: Yes, I think we've been open to the Hyderabad market by providing we get the right sort of scale of opportunity to mark a large entry. I don't think we'd want to enter with a single project and slowly build up there. So really from a priority perspective, we think there's more than enough opportunity in these 4 markets to deliver even very rapid growth over the next few years. So that remains the number 1 priority. We will experiment with plotted in some of the Tier 2 cities and are open if we get the right portfolio of projects so looking at our Hyderabad entry.

Manish Agrawal: Sure. And one question related to the P&L, which would be the projects which were recognized this quarter since the gross margin seems to be on the higher side.

Rajendra Khetawat: So in this quarter, there was no OC which has received. It was more of our existing projects like Faridabad, Agrovat all those new sales, which has happened post OC, those are contributed.

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

Abhinav Sinha: Quick 2 questions on projects. So one on Ashok Vihar. How much have we paid now for the government and what is due there? So that's one and second one, if you can also answer is what's the status of Godrej Two in terms of leasing and operational.

Rajendra Khetawat: So take around INR 450 to INR 500-odd crore to the government. And obviously, the payment plan is over the 8-year horizon. So 2 years installment has gone. So balance payment has to be made over 5 to 6 years now. And in Godrej Two leasing, we have done around 35% leasing. And obviously, it will get leased in the coming quarters. There is a healthy pipeline, which we are talking. So as of now, we have done around 35%.

Abhinav Sinha: And this is earning rent of now?

Rajendra Khetawat: Yes.

Abhinav Sinha: And what's the rent? What's the average?

Rajendra Khetawat: Around 160.

Abhinav Sinha: And total area is how much 1.1 million is it?

Rajendra Khetawat: Yes.

Abhinav Sinha: Okay. Sorry, going back on Ashok Vihar, it's not very clear. You said you have paid already INR 450 to INR 500.

Rajendra Khetawat: Yes, 2 installments because there was the installments were spread across 8 years. We have paid and balance installment will be in the coming years. So every year, there is an installment to be payable. So that's how it was sprade over the eight years.

Moderator: Ladies and gentlemen, that is the last question and we will now close the question queue. I now hand the conference over to the management for closing comments.

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

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.