Godrej Properties Limited
Regd. Office: Godrej One
5th Floor, Pirojshanagar,
Eastern Express Highway,
Vikhroli (E), Mumbai – 400 079. India
Tel.: +91-22-6169-8500
Fax: +91-22-6169-8888
Website: www.godrejproperties.com

CIN: L74120MH1985PLC035308

November 06, 2023

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

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

Ref: Godrej Properties Limited
BSE - Script Code: 533150, Scrip ID – GODREJPROP
BSE - Security Code — 974950, 974951, 975090, 975091 — Debt Segment
NSE Symbol - GODREJPROP

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

Dear Sir/ Madam,

Pursuant to Regulation 30 read with Schedule III Part A, Para A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the conference call organized with the investors/ analysts on Thursday, November 02, 2023, post declaration of unaudited financial results (standalone and consolidated) for the quarter and half year ended September 30, 2023.

This is for your information and record.

Thank you.

Yours truly,
For Godrej Properties Limited

Ashish Sudhakar Karyekar
Digitally signed by Ashish Sudhakar Karyekar
Date: 2023.11.06 18:11:33 +05'30'

Ashish Karyekar
Company Secretary

Enclosed as above

"Godrej Properties Limited
Q2 FY '24 Earnings Conference Call"
November 02, 2023

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

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Godrej: Properties Limited. As a reminder, all participant lines will be in the listen-only mode and anyone who wishes to ask a question may enter star and one on their touch-tone phone. To remove yourself from the queue, please enter star and two.

Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kshitij Jain of Godrej: Properties. Thank you and over to you, Mr. Jain.

Kshitij Jain: Thank you. Good afternoon everyone and thank you for joining us on Godrej Properties Q2-FY '24 Results Conference Call. We have with us Mr. Pirojsha Godrej – Executive Chairperson – Mr. Gaurav Pandey, Managing Director and Chief Executive Officer, Mr. Rajendra Khetawat, CFO of the company. Before we begin this call, I would like to point out that some statements made in today's call may be forward-looking in nature and a disclaimer to this effect has been included in the results presentation.

I would now like to invite Mr. Godrej to make his opening remarks. Over to you, sir.

Pirojsha Godrej: Good afternoon everyone. Thank you for joining us for Godrej Properties' second quarter Financial Year '24 Conference Call. I will begin by discussing the highlights of the quarter and then we look forward to taking your questions and suggestions. Our reported earnings for the second quarter showed healthy growth with total income increasing by 75% to INR571 crores, EBITDA increasing by 76% to INR167 crores and net profit increasing by 22% to INR67 crores. For the first half, total income increased by 169% to INR1,886 crores, EBITDA increased by 88% to INR396 crores and net profit increased by 91% to INR192 crores.

The demand for homes in India has continued to gain momentum during the quarter. Favorable macroeconomic indicators including India's GDP growth being the highest in the world and the likelihood that interest rates are at or near their peak are expected to continue to drive positive momentum over the next few quarters. The positive consumer sentiment driven by need for modern homes with better amenities as well as consumers' preference towards Tier 1 developers also provide a strong opportunity.

The second quarter was GPL's most successful quarter in terms of new booking with year-on-year growth of 109% to INR5,034 crores achieved during the quarter. This was 24% higher than our previous best-ever quarter and interestingly, this quarter's booking figure is also nearly equal to our annual booking level three or four years ago. This strong growth was due in large measure to the extremely strong response to some of our new launches during the quarter.

Godrej Tropical Isle, Noida was GPL's most successful ever launch, achieving a booking value of over INR2,000 crores from 1.5 million square feet of area sold Godrej Parkland Estate in Kurukshetra was GPL's most successful plotted launch, achieving a booking value of INR628 crores from 1.39 million square feet of area sold. As a result, we have achieved 52% of our annual booking value guidance. With a robust launch pipeline for the second half of the financial year and resilient demand, we are confident of exceeding our annual booking guidance of INR14,000 crores.

Cash collections have also grown by 23% year-on-year to INR2,378 crores for the quarter, leading to net operating cash flow of INR811 crores. For the first half of the financial year, we recorded cash collections of INR4,332 crores and net operating cash flow of INR929 crores, representing a growth of 24% and 25% respectively. We remain on track to achieve our guidance of INR10,000 crores of cash collections during the financial year.

From a business development perspective, it was a relatively muted quarter. We added one new plotted development project in Nagpur with an estimated booking value of INR725 crores, taking our year-to-date total to five projects with an estimated booking value of INR7,175 crores, which is broadly in line with our full year guidance of INR15,000 crores of estimated booking value addition.

As highlighted in our call last quarter, with the business development we have already done over the past few years, we now have our strongest ever project pipeline that can deliver our growth aspirations for the next few years. The most important objective going forward will be to get all of our recently added projects launched in the upcoming quarter. We believe this will dramatically accelerate our bookings and earnings growth trajectory in the years ahead. We will, of course, continue to do targeted business development to plug holes in our current portfolio and ensure continued growth beyond the next three years.

While GPL's primary focus will be to continue strengthening our market share and margins in the residential business, we have also made good progress in strengthening the non-residential component of our business. Our first hospitality development, Taj, the Trees in Vikhroli with 151 keys, opened in October.

Our commercial projects in partnership with Godrej Fund Management are at an advanced stage of development, and we expect four of these projects across Bangalore, NCR, and Pune, with a total area of 4.3 million square feet and a total steady state annual rental income potential of INR740 crores to receive their occupation certificate and start generating rental income in the upcoming financial year.

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

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We'll take the first question from the line of Puneet from HSBC. Please go ahead.

Puneet: Thank you so much and congratulations on great key sales. My first question is, you know, you also talked about ownership of projects like Taj and you still have the Godrej Two on your books. Is there a change in strategy how you want to think about asset ownership or is there a plan to ultimately sell these off?

Pirojsha Godrej: To be perfectly honest, there's not a 100% decision in either direction. I think we are interested in building up an income, steady income portfolio. But I think at the same time, if the right opportunities are available, we're not closed off to the idea of monetizing them and kind of redeploying for more rapid growth on the residential side.

So there's no final decision here. I think we're increasingly leaning towards retaining these assets as we think, you know, both the hotel and the office assets that are under development, we think are grade A projects that we'll continue to appreciate. So I think the likelihood is that we retain them, but that's not a certainty.

Puneet: And should one think that you will do more of these projects as well to build a portfolio around it?

Pirojsha Godrej: Yes, I think we've, you know, on the commercial side, we've already got about five, six projects under construction and the funds that Godrej Fund Management has raised towards these are fully deployed. We do expect that there will be additional funds. But the strategy on the commercial side is a little bit different for us than on the residential.

I think on the residential side, we've been focused both on very rapidly gaining market share, on focusing across various price points in the market and on outright ownership for high economic interest in projects. On the commercial, we have a more boutique strategy. I think we'd like to do only very high-end office developments.

So we're not focused on IT parks type of developments. We're doing front office / Headquarter kind of development or positioning for these developments. We're happy to do them in a more moderate scale. So do, you know, one or two in a city at a time, get those leased and then start the next one.

And we're quite clear that we would like to do those in partnership with other equity partners, you know, and Godrej Fund Management has partnered with a couple of the largest commercial asset owners in the world, because we do think these take up a lot of capital if done entirely from our own balance sheet, and we wouldn't like to do that.

So I think this broad strategy of focusing on very high-quality assets where Godrej Properties take is in this range of sort of 20% and growing the portfolio in that manner is something that we see that would make sense.

Puneet: Understood. That's very clear. Secondly, on your business development plan, is there a deliberate move to slow down business development, given that you have a huge pipeline already and focus more on project delivery or is this waiting for the right opportunity?

Pirojsha Godrej: I think a little bit of both, I would say. You know, there's no question that if you have, say, the relative priority for us between business development and execution has certainly shifted over the last two years, where I think two years ago it was fair to say by far our number one priority was business development, because we didn't think the kind of growth that we wanted to deliver we had the portfolio at the time to do.

We now feel clearly for the next two years, three years the kind of growth we want to do can happen entirely from projects already in our portfolio, and therefore the most important objective and priority is launching those projects and executing them efficiently.

That said, that's not to say that we don't want to do business development. Clearly, still we feel visible gaps in the portfolio that need strengthening, such as the number of projects in Bangalore or Noida, as a couple of examples. Those are areas that we will be continuing to target from a business development perspective.

We'd also like to enter the Hyderabad market at some stage. But in many markets we feel we do have a strong portfolio and it'll be a little bit more about ensuring replacement level kind of business development, rather than the very disproportionate business development we did, where for example last year our business development future sale lock-in was about 3x of our annual sales. We think this year we'd be comfortable with it being closer to 1:1.

Puneet Gulati: Understood. And will it be right to assume that you're focusing now on expanding the market? You talked about Hyderabad. We've also seen you enter Nagpur in a big way again, and Kurukshetra. And then you talked about replacing the existing projects. So should one think about expanding the market rather than gaining more share in the same city?

Pirojsha Godrej: No, not really. I think we have clearly distinct strategies for group housing and for plotted development. I think for group housing we entirely want to focus on these top five, six markets, which are Mumbai, NCR, Bangalore, Pune, which we're already in, Ahmedabad, and Kolkata, where we're in a smaller scale, and possibly add Hyderabad to that. I don't think we are thinking of group housing beyond these for the moment.

Whereas for plotted development, I think given the greater challenge in finding the required type of land parcels and the quicker turnaround nature of these developments, we're open to a broader set of markets.

Puneet Gulati: Understood. That's very helpful. Thank you so much. And lastly, if you can provide an update on the Gurugram mission, which you highlighted last time. Any progress there?

Pirojsha Godrej: Yes, I think there's been -- I assume you mean Godrej Summit. There's been good progress there. We have been working with the IIT and some expert consultants on identifying the solutions and repair work is ongoing there. We've, we think, established a good rapport with the customers. They will now understand the situation. For any customers who wanted to leave, we've provided buybacks to them.

That number is at about 60 total apartments out of 1,100 or so apartments at the end of last quarter. We think that number may end up by the end of the financial year being somewhere between 100 and 200. That would be our best estimate. Of course, it's open, again, to everyone. But I think good progress there, both on the operation side as well as on the customer management. We feel reasonably confident that the estimates we provided from a financial perspective will be accurate.

We hope to get some of that back from contractors at some stage. But I think overall, satisfied with the progress on that matter in this quarter.

Puneet Gulati: And out of the INR155 crores, which you provided, how much has been spent so far?

Rajendra Khetawat: So, we have spent around INR10 crores to INR15 crores as of yet.

Puneet Gulati: Including purchase of 60 apartments?

Rajendra Khetawat: No, no. This is on account of, you asked me out of whatever we have provided. So, we have provided for INR155 crores. Of that, we have spent around INR10 crores to INR15 crores.

Puneet Gulati: And to purchase 60 apartments?

Rajendra Khetawat: To purchase 60 apartments, we have spent around INR50-odd crores. It's more of a cash outflow and not an expense. So, it will be a balance sheet item.

Puneet Gulati: Okay. Just INR50 crores. Okay. Great. That's all from my side. Thank you so much and all the best.

Moderator: Thank you. We'll take the next question from the line of Sourabh Gilda from Motilal Oswal. Please go ahead.

Sourabh Gilda: Again, congrats on the very good quarter. I just have one clarification on the cash flows. We seem to have INR40 billion of cash on the balance sheet. So, I just wanted to ask how much of this is tied-up in RERA's account of all the projects?

Rajendra Khetawat: So, under RERA, it is around INR1,200 crores to INR1,400 crores. Rest, we have raised certain non-bankable NCDs for our future BD development. So, the cash is on account of that.

Sourabh Gilda: Okay. Understood. And one more thing, of all the BD that we have achieved so far, how much is yet to be paid?

Rajendra Khetawat: So, around INR2,000 crores to INR2,500 crores.

Sourabh Gilda: Okay. Got it. Thank you. That's all. That answers my question. Thank you.

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

Abhinav Sinha: Hi. So, congratulations on the strong sales this quarter. I wanted to check on the launch pipeline that we have for the subsequent months and which are the large projects that we should be working out for in the second half of the year?

Gaurav Pandey: Thanks, Abhinav. Essentially, we have a very robust pipeline emanating from the business development until now. Some of the big ones that we are looking forward to are, you know, the first one is the 49 Gurgaon. This is in the process of advanced stage of approval. And our idea internally is to try and do a sort of a Q3 launch. Then we have Raj Kapoor bungalow acquisition that we had done in Chembur. That would be another upcoming launch. Then Mahalunge, we have the last cluster left, which is a sort of a premium parcel within the entire township. That is also under planning for launch.

Then we have one phase of Ananda in Bangalore, in the Bagalur location. That's part of the pipeline. Then we have another plotted development in Mumbai. These are like, I would say, some of the launches that are more front ended. And of course, in our investor presentation, we mentioned a series of launches that are anyways under process. But these are ones that I would say, looks to be more front ended within that.

Abhinav Sinha: Right. Gaurav, also on pricing, so we have seen good progress clearly on NCR. But what are your thought process here? Do you sort of envisage to take the pricing much higher from the current levels? Or do you see this impacting demand at some point in time? So you will pause right now?

Gaurav Pandey: Thanks, Abhinav. Abhinav, if you see largely what we are seeing currently in NCR market, whatever price uptake we have taken and what our peers have been doing, the market is not only absorbing, it's delivering all-time best-ever sales for us. And at least for the near term, it seems that there is some opportunity to continue with some amount of price expansion. But I think we'll have to take it more like quarter-on-quarter kind of a view, because it seems very much plausible that we will do continued hikes, but difficult to predict what will be the long-term direction right now.

Abhinav Sinha: Right. And one last question on the business development side. So, I think last time we were hopeful of concluding a couple of platform deals and shifting more to the JV side. So is that still there? Or you think, I mean, the target is unlikely to be met for those platform deals this year?

Gaurav Pandey: So Abhinav, we are in discussion with some of those transactions. And you would appreciate at any point of time what we are doing right now. We have a sort of a defined set of markets we want to invest. So we run parallel transactions, do term sheet closure, and finally whichever one happens to get concluded first, basically the title diligence, the overall diligence, and the valuations being intact is the one that gets concluded. So it's fair to say that we do have a series of opportunities, but it will all play out based on the diligence that's going on right now and our ability to conclude whichever transaction happens first in that particular geography.

Pirojsha Godrej: To just add to that, Abhinav, I think one of the ones you're referring to that we were at an advanced stage of last financial year, that did not meet diligence standards. So we dropped at least one out of those two. But there are, of course, a large series of other deals that have arisen as opportunities since then.

Abhinav Sinha: Okay, sir. Thanks.

Moderator: We'll take the next question from the line of Neel Mehta from Investec Capital. Please go ahead.

Neel Mehta: Yes, hi, sir. Thanks for the opportunity and congrats on a great set of bookings this quarter. My first question was on plotted development. So I just wanted to understand, what is the margin profile typically like for these projects?

Gaurav Pandey: So the margin profile, depending on project-to-project and location to location, your margins can be between 30% to even 50%, but it totally depends upon which city you enter and how much pricing you're able to command during the launch. But, yes, I'd say between 30% to 50% is your margin, typically.

Neel Mehta: Got it. So this is the Godrej Parkland estate project that we had in Kurukshetra. What would the margins be like for that one?

Gaurav Pandey: Something similar. I don't have the number offhand, but it will be within the range.

Neel Mehta: Got it. So my second question was on increasing our economic interest in projects. So every quarter, we sort of indicate in which projects we have increased our profit share or taken our economic interest up? I just wanted to understand, what exactly are the considerations that we have when we take these decisions? And what compels us to increase our profit share and take up more share from our JV and JDA partners in these projects?

Gaurav Pandey: Frankly, it depends upon what is the current valuation to buyout we are seeing. As in our entry price, if it seems very attractive, the risk seems relatively lower than what you would see in a greenfield project, then the opportunity becomes very exciting because in a way you have a more certain margin profile from a project. You're essentially increasing the economic interest in the project to secure more predictable profit margins going ahead. So that's the concept at which we approach. And these are very opportunistic. This is not really, frankly, a strategy or as such. As and when we see these opportunities, we tend to take a bet.

Rajendra Khetawat: And sometimes, these projects have reached a target time frame or the project life has come to an end. So obviously there is a natural process to give an exit and close the JV or SPV. So that exit also happens during that period. But as Gaurav said, these are more opportunistic. The value is good and if you are able to give an exit and make a better value for Godrej Property, so these exits are evaluated at regular intervals.

Neel Mehta: Got it, sir. That makes perfect sense. Thank you so much.

Gaurav Pandey: Thank you.

Moderator: Thank you. We'll take the next question from the line of Ankush Mahajan from Axis Securities. Please go ahead.

Ankush Mahajan: Thanks for the opportunity. My question is related to last year we had a business development of INR32,000 crores. And the first half is already INR7,000 crores to INR8,000 crores. So I just try to understand for this year what kind of a land repayment that the outflow is there for the cash flow? And what kind of a land repayment we can expect in the next two years, three years? Basically, I want to try to understand the cash flow will become positive?

Gaurav Pandey: From these set of projects, you mean the ones that we acquired now?

Rajendra Khetawat: I answered earlier on what is the balanced land payment for the BD which we have already done. Now to your second part, on what would be the balance land payment? We have always said that we have always given a guiding range that we would want to be in 0.5:1 to 1:1 debt equity. And obviously as we go forward, launches happen, our operating cash flows also will keep improving. But it is very difficult to predict what would be my future BD outflow on the new business development opportunity.

Ankush Mahajan: I agree, sir. So considering this quarter's pre-sales, are we increasing our guidance for the full year for pre-sales?

Gaurav Pandey: Not really. We kept it intact. We had a relatively slower start in Q1. And now we are very confident on delivering on the guidance that we've given.

Ankush Mahajan: Thank you, sir. Thank you. Thank you.

Gaurav Pandey: Thank you.

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

Parvez Qazi: Hi, good afternoon. Thanks for taking my question and congrats for a great set of numbers. So two questions from my side. First for Gaurav, when you mentioned a couple of projects in which you said were front-ended, by being front-ended you mean you are reasonably confident they'll get launched in Q3, whereas the other projects might get shifted to Q4?

And the second is, would be great if you could update about the status of some of our major projects like Ashok Vihar, Carmichael Road, Kandivali, etcetera, and Worli also. Where are things with regards to their launch currently? Thank you.

Gaurav Pandey: Thanks for the question. See, the launches that I talked about are some of the ones that we're targeting within Q3 or early Q4. At any point of time, some of these are dependent upon last stage of approval, and we tend to keep a parallel set of backups so that in case one approval falls off, we at least have something. Sometimes you get unlucky, like in Q1 when some of our approvals didn't come, but usually we run many approvals on time. So most of them should happen in Q3, and some others are also being tracked for Q3 or Q4.

Coming to your second part of the question, within the year, if you ask me, it seems reasonably very confident on the Carmichael because, we are moving very fast-track on that. We are moderately confident also on the Ashok Vihar. We are seeing some good progress on some of the crucial approvals. On the Worli, I think it is premature for me to really comment. What I would say is that between the last six to nine months, we've been able to see a very steady and robust progress in terms of the internal thresholds of timelines that we had targeted for ourselves.

I wouldn't like to put a timeline when it's a Q4 launch or not at the moment, but fair to say that it's progressing very consistently towards the speed and direction that we had estimated earlier.

Parvez Qazi: Sure. Thanks and all the best.

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

Mohit Agrawal: Yes, thanks. Gaurav, my first question is just, connected to the last question on Ashok Vihar. Could you elaborate a bit as to what is the key issue, because of which, things are getting slightly delayed? Is it the approval issue or, anything else that could enlighten us on that?

Gaurav Pandey: It's basically, approval issues only. And to just summarize in an articulate way, I'll say that in Delhi, unlike any other state, you have overlapping jurisdictions between departments, state, center. And there are a series of approvals that you take from one particular body, which becomes sort of a condition precedent for the other department to consider as fulfilled.

And sometimes when you get, but for efficient run of approvals, you run all approvals parallelly. You know, say MCD approval runs parallelly to the tree cutting approval runs parallelly or EIA approval runs parallelly. So sometimes if you get stuck up in one approval, even if your other approval is more or less seems on track, it's like circular reference, you go back to the first stage, unfortunately.

That's how the system currently works. But the encouraging thing which I would like to point out is that there was, there are like three or four critical path activity approvals that you need to make the launch ready. One of which was very kind of consistently stuck for us, from one of the departments. That approval we've fortunately secured. But again, there are other set of approvals that we have to achieve to make the project a realization. It's going on the right trajectory.

Sometimes it's franking is very frustrating because you do every part of the work and suddenly get stuck up in one approval, restart the same process. But I think that's the nature of the approval process that we're currently seeing.

Mohit Agrawal: Yes, I understand that. So fair to say it is still on track for 4Q launch?

Gaurav Pandey: Yes, it seems there is a reasonable shot at it. You know, that's why I said, I'm moderately confident. The only thing is real estate taught me one thing on a lighter note is to not get overly aggressive and optimistic. So when you're running approvals as a sort of a critical path activity. But yes, reasonably confident that if we continue on what we set for ourselves, we have a shot at it.

Mohit Agrawal: Okay, thanks. My next question is for Pirojsha, there were some news reports, in the early October saying that the promoter family is, heading for a settlement. Is it possible to share some light on, what kind of impact it can have on the existing DM arrangement in Vikhroli? And how do we see, the launches in Vikhroli going forward? Anything that you can share on that?

Pirojsha Godrej: No, I think there's nothing to be shared at this stage. I think we have said many quarters ago that there are discussions with the promoter levels about the structuring of the group. Certainly, I think, all I can say is that please be assured that, in no way would any of this, if anything happens, affects the rights of GPL to the development management agreement for the development of Vikhroli. So I think continue to look forward to that development. In fact, we're quite optimistic were in Q3 or Q4, we'll have after some time a new launch under the DM structure. So we're looking forward to that. But certainly, no anticipated change.

Mohit Agrawal: Okay. That's all from my side. Thank you.

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

Manish Gandhi: Yes. Hi, Pirojsha. Congratulations to you and the whole team from almost INR1,000 crores a year, 10 years back to now INR5,000 crores in this quarter. So my question is, in the last 10 years, not taking away the great achievement of GPL. But last 10 years we rode the ride mostly because of delayed projects. Not mostly, but we got help from that, delayed projects, and many defaults. What do you see one or two things we are doing differently to stay at the top and delight our customer for the next 10 years?

Pirojsha Godrej: Thanks, Manish. I think it's a great question because, we're very clear and thank you for the kind words about the last decade certainly, but we're very clear that, what got us here over the last decade isn't going to get us where we want to and need to go over this next decade. So a lot of the focus has been around really looking very deeply at the kind of quality of projects. And I think that's fair to say that we feel in some areas, this isn't where we want it to be.

I think we've been focusing for a long time on the customer service aspects of project delivery. And again, when I say isn't where we want it to be, I'm not using it as, our competition is benchmarked. In many cases, we feel our quality and all of this is already above much of the competition. But I think the goal is to really become a world-class company from a quality of product perspective, both design and actual execution. And I think that will be the biggest differentiator for us to ensure that we're actually able to take the company where we want to go.

And I think, Gaurav and his team have been doing some fantastic work on ensuring improvement and deeper thinking around how we can design the company and its processes and operating structure to be actually be able to deliver this consistently. So I think that's the number one focus. From a financial return perspective, I think some of the things we've tried to do, as you know are to ensure with the projects we're developing as a group are in better locations, offering us the ability to have a little bit more pricing power, we've taken up our economic interest in the project.

So those have been some of the other focus areas that will also help us deliver the superior quality products that we aspire to do. But I think that will be the key area that we need to be able to, at scale, deliver consistently to kind of go where we want to over this next decade.

Manish Gandhi: Yes, that's wonderful to hear, Pirojsha. And of course, the second question is, I just want to know how the Godrej Living is shaping up. And I think the last two years, we might have handover projects through Godrej living and might be maintaining a few of the projects. So what customer data you have, is it -- they are liking is better than the outer agencies or how your internal metrics are working in that?

Pirojsha Godrej: Yes, I think the initial signs, but I'm going to try to call them only initial signs for now but are very encouraging. We've seen very positive feedback from our customers when Godrej Living has taken over sites. We've even had, in relatively challenging conditions like Godrej Summit, where some of these issues were discovered. Godrej Living has since taken over the facility management there, and I think has played a critical part in helping, ensure our customers are comfortable and confident.

So we certainly feel that strategically, this is the right move to ensure again, and the whole reason to have Godrej Living, is twofold. One, we see it as an interesting commercial opportunity in its own right. But clearly, I think the bigger area of attraction to us was that to do what we just talked about in terms of delivering a superior quality product and a superior service experience to our customers. We think this is a very critical part of the value chain, obviously, that we can impact the actual use of the product post delivery. So I think Godrej Living is intended to ensure that. For any of you not familiar with it, it's our new facility management, 100% facility that we've formed to ensure high quality living experience to all our residents. And I think Manish, the early signs are very encouraging, but early going, of course.

Manish Gandhi: Okay, Pirojsha. Thank you so much and keep going.

Pirojsha Godrej: Thanks very much.

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

Kunal Lakhan: Yes. Hi. Good evening. I mean, just going back to the question on Godrej Summit. So just wanted to understand what are the nature of construction amendments that we have undertaken. I mean, we had highlighted that there was a corrosion of steel issue over there. And I mean, this seems like a structural issue in RCC itself.

So, just I wanted to understand what kind of amendments can we possibly make to resolve this issue? And a related question is like, no, we did spend about INR50 crores on for those 60 units. Do you see a situation where we may have to return money to all 1100 apartments?

Pirojsha Godrej: I mean, I think the technical subject of how the repairs will be done in this process, beyond the scope of this call, which we will be happy to take you through it. But essentially there are ways to insert materials into the, into the structure that prevents the steel from deteriorating and allow the building to perform as it's expected design life. This is not the first project, certainly not globally or in India that has faced this issue. There have been other projects by major developers in India, where this issue has been faced and actually successfully brought under control. So the technical experts who are advising us are very confident that that can be done. And we're in the process of following their advice on this.

We don't anticipate, Kunal that all customers will ask for this buyback. As it is, I should clarify again, open to all of them. So we are open to that possibility, but the likelihood of that does not seem very high at the moment. Currently we stand at about 60 actual buybacks done. As I mentioned earlier, I think the end number we expect as a best guess estimate would be between a 100 to 200. This is also not in our views going to be a totally open-ended question.

I think we're still finalizing the exact methodology, exact timelines for completion of the repair work, exact details that the customers would like to have before taking a final decision in some cases. But our sense is that within about six to nine months, we should be at a stage where we can start saying that, okay, you know, if you want the buyback, please take it now. Otherwise, that offer is closed.

And our sense is that that's our best guess is that we would end up with between a 100 to 200 buybacks. It is, of course, possible that it is more than that. It could be less than that, but that's what we anticipate right now. As I mentioned earlier in the call, we feel that these units both for the repair work and both giving everyone strong confidence that the structure is fully safe and will perform to its intended design life. We anticipate being able to recover the full expenditure of these buybacks.

Kunal Lakhan: Sure. Sure. Fair enough. My second question is on the Mamurdi project. We increased the state to 93%. I just want to understand how much consideration was paid for this?

Management: Consideration is, Kunal, it's a book value, whatever was due to them, because it was a JV, profit-sharing JV. So it was, they have invested in the form of equity. So equity and debentures. So debentures was repaid. Equity was at the book value, nominal amount, not a very great amount.

Kunal Lakhan: And then why, why not 100%?

Management: So that is there is some bit of a tax planning, which we have done. And technically it is 100%, but there is a bit of tax planning because of which we have to keep that 7%.

Kunal Lakhan: Okay. Okay. All right. Thank you so much. And all the best.

Pirojsha Godrej: Thank you.

Moderator: Thank you. We'll take the next question from the line of Harsh Pathak from BNK Securities. Please go ahead.

Harsh Pathak: Yes, sir. Hi, good evening. And congratulations from the strong bookings for the quarter. Sir, my question is on this buyback of the apartments that you're doing. So are we doing at the same rate at which the apartments are sold or are there the prevailing rates?

Pirojsha Godrej: We are paying the offer basis at the time of announcement the last average price for the apartment sold in Godrej Summit or the purchase price for the owner which are over higher out of those two. The average price for start about 6,000 rupees a square foot of the buyback and so far.

Harsh Pathak: Sure. Sure. That is clear. And regarding this launch, Ashok Vihar, like a few questions, like it was highlighted that there might be some slip or, some here and there. If it slips beyond a FY '24, are we still confident of achieving our goal of INR14,000 crores of bookings guidance?

Pirojsha Godrej: Yes, we have sort of mentioned that our typical experience, not just, this year, but any year in our industry, you look at initial start of your guidance for launches. You will typically have some new projects getting added that weren't anticipated at the start of the year. And you'll certainly have some that slip out because of regulatory approvals, not coming.

So that's been a consistent trend. The guidance is obviously made, keeping that in mind and understanding that you have to have back-ups in place and this guidance is a form of commitment to the market and something that we must achieve as we say. So we are confident of delivering the INR14,000 crores number, irrespective of what happens with any individual projects.

But certainly I think we're all, please be assure,d extremely focused on making sure that Ashok Vihar does not slip out. I think it's one that we're eagerly looking forward to getting to market. The delay so far has been very frustrating, but actually as soon as we're able to launch the project, it might in hindsight be not the worst thing given how much the market has strengthened over the last couple of years, but we are fully cognizant that now is the right time to hit the market with a project like this and we'll do anything and everything we can to make sure it happens this year.

Harsh Pathak: Right. That is encouraging. And, regarding your opening comments and, like you just mentioned that the demand remains very strong. We have a very strong launch pipeline as well. So how do we see the next two years, three years of growth? Can we maintain the same rate of same growth rate or maybe this can get enhanced further? How should we look at it?

Pirojsha Godrej: Well, no, I don't think, last time we grew at 50%, so if we have a very good year, this year, we could again grow very fast. But obviously I don't think we can sustain those kinds of growth rates. I think long term, what we think is certainly achievable is a 20% kind of growth rate. It might be a little bit more than that last year. I think if things go well this year, it's possible that it could be better than that this year. But I think 20% is a kind of growth rate we'd like to deliver over the long term.

So maybe a decade or more, because there are big opportunities in the sector, both from the sector itself, continuing to grow, and of course incredibly strong market share gain opportunities for the larger players who have significant advantages within the sector, but have typically single digit kind of market share. So there's big opportunities for continued growth, but the kind of explosive growth we saw last year and, hopefully continue this year may not obviously sustain at the same rate.

Harsh Pathak: Sure, Pirojsha, that is clear. Thanks for taking my questions.

Pirojsha Godrej: Thank you.

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

Abhinav Sinha: Hi, thanks for taking the follow up. On the cash flows and balance sheet side, so, a couple of things. A, Ops7-CFS has improved this quarter, but do you see this sustaining or, maybe pick up from here?

Pirojsha Godrej: I think it will pick up from here considerably, right Abhinav. If you look at something like Noida launch, we've demonstrated now we're able to construct these group housing projects in two years to three years consistently. A project like this will be quite high margin if you look at our land cost to selling price. I think it's all quite attractive. We, but if you look at the launch guidance and we have projects like Ashok Vihar, several more projects in Gurgaon. We have some large projects, we hope to launch in Mumbai, several projects in Bangalore, Pune.

So there's no question in our mind, we're gearing up for a much, much stronger operating cash flow generation performance next year. And looking forward to making that a reality.

Abhinav Sinha: Right. And in that context, where do you see the gearing level settling? So, we are at, your broader guidance is 0.5 to one, but I mean, next six months, where are we headed as such?

Pirojsha Godrej: I would broadly expect, but given that a couple thousand crores land outflow, we think it will continue to inch upwards probably for the rest of this financial year. And next financial year is when we think, operating cash flow should be higher than business development unless we again decide to ramp up business development very sharply.

Abhinav Sinha: Thank you. That's very helpful.

Moderator: Thank you. The next question is from the line of Manoj from Geometric. Please go ahead.

Manoj: Thank you for taking my question. So I shall congratulate Pirojsha for the last three-year BDA. I think that has been done with the great pricing and great volume. I think it will help in pre-sale and achieving our desired ROE because of buying at very great prices.

And when I visited the summit site, the investors and the people living there were very appreciative of the fact that the developer has come forward to correct the problem. My question is that, like you're anticipating 100 to 200 buybacks, can you anticipate how much money we would be spending to correct the problems which are in the project?

Like you said, INR10 crores, INR15 crores has been spent already. How much…

Pirojsha Godrej: We provided last quarter for INR155 crores for this expenditure, of which as I said about INR10 crores, INR15 crores has already been incurred. Separately from that, we anticipate INR100 crores to INR200 crores will be required for the buyback. But those we think we will be able to fully recover the money spent on because we can sell the apartment once the repairs are complete at the same price.

Manoj: Okay. You have provided INR150 crores. Do you have any idea how much we will actually now, seeing the situation, how much work has been done on INR10 crores, INR15 crores, how much money could we actually be spending?

Pirojsha Godrej: Anticipated expenditure is still INR155 crores, which is what we provide. So no change in estimate over there.

Manoj: Okay. My second question is, if you see your con calls in the last five year, seven years, you have given passing reference to China real estate and how we are trying to emulate the success, the way the number of volumes have been done in the developers by China real estate player. So where we are in that journey as an Indian real estate also, as well as Godrej Properties, and what can help and affect this journey? Thank you. That's my last question.

Pirojsha Godrej: Thank you. Of course, I should certainly clarify that, there are both positive and negative lessons to take away from the China real estate story. So I think hopefully we can take away the positive ones without, learning any of the excess debt and overbuilding issues. But our whole idea of kind of studying the China market was saying that, look, as we look to take the company in the next 10x from its current scale, that hasn't been done probably by a real estate developer anywhere in the world, other than in China.

And the big developers there at their peaks were selling 500 million, 600 million square feet a year and being able to deliver consistently those projects at, within a couple of years at scale. So the lessons were more around that.

I think a lot of the focus, a lot of the time of the management goes in ensuring again, what we were talking about as part of the earlier question around this journey of scale up we want to do. How do we first make sure that, the quality expectations that we have from the Godrej brand, the customers have from the Godrej brand, the kind of design and execution that we want to do, how do we make sure, we do it on a consistent basis at this scale? And I think a lot of energy is going into that.

There are several steps we've taken, some as an outcome of lessons we've learned from, studying the China companies, including how we've structured the organization. We have fairly independently managed teams in each of the geographies we operate in. Even our project level teams have some amount of control over the overall P&L of their project.

So the structure that we've used to set up the organization we think is built for scale, we'll obviously have to keep learning and keep tweaking this, but we do think fundamentally this is the best structure to facilitate large scale growth that we anticipate. We're also putting in a lot of effort to make sure we have the right processes in place, the right capabilities in key areas to ensure this delivery, again, at the level of quality we want, and at a significantly higher scale.

Manoj: Okay. And thank you, and best of luck.

Pirojsha Godrej: Thank you.

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

Himanshu Zaveri: Yes, hi. I just wanted to know the status of Riviera Kalyan. From what I see, the sales have been quite slow. Generally all the other projects are doing exceptionally well. So just an update on that one?

Gaurav Pandey: Thanks. Yes, essentially this is a sustenance project. We are looking forward to doing the sustenance activation quite soon, and once the activation kicks in, then you will see the booking value grow. The good problem for us right now in Bombay has been that we've seen a series of approvals come in some of the projects on the south Bombay side. They just happen to be in the launch calendar front-ended, but once we'll do a sort of an activation in Kalyan, you'll see the numbers also changing.

Himanshu Zaveri: Okay. The second question is on the Kandivali launch. So I just want to know, what is our planning for that project, which that is also quite a large project. And if you must be knowing, the Oberoi guys which rule the Goregaon and the Kandivali area, they have made exceptionally good quality projects, and they are selling at premium prices. So are we on the same lines or what is the planning for that project? Kandivali project.

Gaurav Pandey: Yes, we have a very interesting design that we've worked out and very, very confident that the project will really strengthen the Mumbai portfolio for us in terms of a point of inflection. Our product strategy is quite unique. We have a very fantastic USP. Now we're working on the approvals, and fair to say, when this will come into the market, it will be one of the most prominent and promising launches from our side.

Himanshu Zaveri: So that is a Q4 or should go into the next year?

Gaurav Pandey: It's a Q4 launch.

Himanshu Zaveri: Okay. And my last question is that after adding so many projects, where do we see the company in four years to five years down the road? Can we expect around INR30,000 crores of top line and this kind of ROA, ROC in the next four years to five years?

Gaurav Pandey: Yes, fair to say the market is presenting us the opportunity. And if you see the way we've been growing in the last couple of quarters, it's fair to say that is the direction we should hopefully reach. And the good thing is that the entire portfolio that we had, especially acquired in the last 18 odd months thereabouts, is all hitting launches and with a very good price expansion.

So our entire focus towards profit expansion and long-term return equity is getting strengthened by the execution that we're able to deliver in all these launches.

Himanshu Zaveri: My last question is that, if I wanted to ask you, in the last real estate cycle, the developers raised a lot of prices and then it affected the sales eventually. So this time, we would have to balance it out both so that we don't raise the price a lot and it doesn't affect our sales and it continues the growth of a company?

Gaurav Pandey: Yes, you're right that it has to be sort of an adequate and logical price jump. And if you see, most markets in India are not in the kind of very, very massive price growth like we're seeing in NCR. But the interesting thing is unlike the previous cycle, all of this demand, especially in our project, we are seeing from end users.

We're not seeing speculative demand at all. We don't in fact hardly do any marginal maybe INR20 crores, INR30 crores-odd, we might have done as sort of a payment plan with some flexibility, but everything is very, very tightly controlled construction link payment plan, which only attracts end users.

Our timelines for construction have reduced significantly from the earlier days. So the product proposition and the price that we are seeing with the kind of payment plan makes it a non-starter, especially with the kind of lock-in period we build in our BBAs. It becomes a non-starter for an investor to participate. So till the time you are end user and you are calibrating your price and you're testing the market very regularly, you will see continued demand.

But yes, anything if done, erratic and, assuming and one assumes that it will continue for perpetuity and eternity, that doesn't hold. So yes, we will of course take cognizance of market realities and calibrate before every launch. But currently, if you ask me opportunistically, we're seeing good ways to increase both price and volume growth, which we're trying to focus upon and even deliver upon.

Himanshu Zaveri: Okay, any update on Bandra and the Panvel project, if I see? Now it's a huge project, around 8 million square feet. So are we delaying it purposely for maybe the airport opening and all that so that we have more traction? Or what is the idea behind that one?

Gaurav Pandey: So not really airport per se, but as you would know that the new trans-harbour link is about to get opened and we believe it will create a very good upside from a pricing point of view. And Panvel will almost get repositioned because the travel time that you would take from Panvel to any SBD, CBD location will drastically reduce. So we want to enjoy that upside and our launch plans are getting ready and on track for that.

On Bandra, it's still a work in progress. We've not put up an aggressive launch calendar yet. So I won't say that it is anything from a launch point of view within the year. But yes, there is a continuous focus to take that project also to its logical trajectory.

Himanshu Zaveri: Thank you and congratulations for a good set of numbers.

Gaurav Pandey: Thank you so much.

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

Pirojsha Godrej: I hope we've been able to answer all your questions. If you have any further questions, do let us know and we'd be happy to be of assistance. On behalf of the management, thanks again and

Happy Diwali to all of you. And for any of you cricket fans out there, thank you for taking the time to join us despite the India match. All the best.

Moderator: Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.