



Godrej Properties Limited

Investors /Analysts Conference Call Transcript May 18, 2010

- Moderator** Ladies and gentlemen good evening and welcome to the Godrej Properties Conference Call. As a remainder, for the duration of this conference all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing * and then 0 on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Anoop Poojari from Citigate Dewe Rogerson; thank you and over to you sir.
- Anoop Poojari** Good afternoon every one and thank you for joining us on Godrej Properties Q4 & FY2010 Results Conference Call. We have with us, Mr. Adi Godrej, Chairman of Godrej Properties, Mr. Milind Korde, Managing Director, Mr. Pirojsha Godrej, Executive Director, Mr. K T Jitendran, Chief Operating Officer, and Mr. Rajendra Khetawat, Vice President Finance and Accounts of the Company. We will begin the call with brief opening remark from the management following which we will have the forum open for an interactive question and answer session. Before we begin this call I would like to point out that some statements made in this call may be forward looking and a disclaimer to this effect has been sent out in the conference invite earlier. I would now like to invite Mr. Godrej to make his opening remarks.
- Adi Godrej** Good afternoon everyone. A warm welcome to all of you to Godrej Properties Q4 & FY2010 conference call. I will take you through performance highlights of the period under review followed by discussion of the financial performance. Before we come to the highlights, as this is our first call after IPO in January I would like to take this opportunity to give you a brief introduction to Godrej Properties. We started operations in Mumbai in 1991 and later expanded into other cities. We are currently engaged in developing residential, commercial, and township projects across India. Our core strength lies in our joint venture business model under which we enter into development agreement with the landowners to acquire development rights for their land in exchange for a predetermined portion of revenues, profits or developable area generated from the project. This model is highly capital efficient and allows us to rapidly grow the business without tying up large amounts of capital in land purchases. The merits of the model were proved during the downturn in 2008-2009 where Godrej Properties was one of the only real estate companies to report stable profits. One key factor that allows us to be successful in adding joint venture developments is the "Godrej" brand. 470 million Indians use Godrej product everyday. Having been in the business since 1897 the Godrej group is well known for its emphasis on corporate governance and professional and ethical business practices. The trust in the brand allows landowners to confidently partner with Godrej Properties for the development of their most valuable asset. Godrej Properties currently has projects in 10 major cities across India with a total of 82 million square feet of estimated developable area under various stages of planning or construction. We recognize the importance of delivering quality projects on a timely basis and to help us achieve this we have emplaced strategic partnerships for construction and design. For

instance, for construction we have an MOU with Larsen & Toubro whereby they will be the contractor for all our projects across the country.

One of the highlights for the year was that we delivered 3.9 million square feet in financial year 2010. This compares to a total of 3.7 million square feet delivered from the Company's inception in 1991 until financial year 2009. Fiscal year 2010 also witnessed considerable momentum in sales. We launched our first state of the art township Godrej Garden City in Ahmedabad in March 2010. The project received an overwhelming response and within days of its launch, a first phase of 1.3 million square feet was completely booked. We are optimistic that subsequent launches will receive similar traction turning the project into a huge success. Apart from this, our other projects also fared well with significant booking being done in several recently launched projects. For instance, Godrej Prakriti, a residential development in Kolkata has seen bookings of 0.2 million square feet since its launch in Q3 financial year 2010. During the period under review, we had three private equity deals worth Rs. 156 Crore. Two of the deals were with HDFC PMS for our Chennai and Chandigarh projects and the third deal was with Milestone Real Estate Fund for our residential projects in Kolkata. Divesting stakes in certain projects through private equity is an ongoing part of our business strategy of monetizing assets at an appropriate stage and utilizing the proceeds to fund existing and new projects.

Moving into the financial performance for the year, our consolidated total income for the year stood at Rs. 456 Crore, this is 53% higher than our total income of Rs. 298 Crore in FY09. For the fourth quarter, total income increased by 140% to Rs. 244 Crore from Rs. 101 Crore in the corresponding period last year. This significant increase is primarily driven by our projects in Ahmedabad, Kolkata, and Mumbai as well as by the private equity deals we concluded. For the year, EBITDA amounted to Rs. 231 Crore, a growth of 42% over the Rs. 163 Crore of EBITDA reported last year. EBITDA more than doubled for the fourth quarter and stood at 89 Crore as compared to 41 Crore in FY09. For FY10, net profit grew by 64% to Rs. 123 Crore from Rs. 75 Crore last year. For the quarter, net profit at Rs. 57 Crore grew by 218% from Rs. 18 Crore in Q4 FY09. We are excited about the coming quarters in which we expect to see substantial momentum in terms of launches, deliveries, and new business developments. On this note, I conclude my remarks and would like to thank you all once again for joining us on this conference call. We will now be happy to discuss any questions, comments or suggestions that you may have.

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| Moderator | Thank you. The first question is from the line of Rajeev Desai from IFCI Financial Services, please go ahead. |
| Rajeev Desai | In the other income there is a significant rise in the fourth quarter, can you give a brief on that? |
| Rajendra Khetawat | The other income like Mr. Godrej mentioned is on account of two private equity deals, which we concluded, which is with HDFC PMS. They have bought a stake of 49% in two of our projects developed by SPV; one is Chandigarh as well as Chennai. So, Rs. 70 Crore have come through those stake sale. |
| Rajeev Desai | Okay. On the same lines are you going to go for any further deals in FY11? |
| Adi Godrej | Yes, if possible we might take private equity at the SPV level, it is an ongoing process that allows us cash flow as well as it allows us earlier profit booking, helping us grow faster, and allowing us to plough back the money into newer projects. |
| Rajeev Desai | Okay. What value size are you looking for from the private equity deals? |

Adi Godrej We do not have a budget for that for the year, we look at it from time to time, we look at the opportunities, and we look at the interests, and then take a decision.

Rajeev Desai Secondly, your gross debt is increasing and you have mentioned in your presentation that you are likely to further increase your debt?

Adi Godrej Our net debt is about Rs. 450 Crore.

Rajeev Desai But then if you see your gross level, can you tell me what is the average cost of debt and why are going to increase the debt?

Rajendra Khetawat Cost is around 10%. The debt is going to increase because of the growth scope. There are further many more growth opportunities which we are looking at presently, so for that it will be financed through debt, because right now the debt equity is very low, so we have a scope to go further on that.

Adi Godrej Our debt equity as mentioned is around 0.5 and as you know we can go higher in debt equity ratio, it would not make sense to raise the equity for additional capital requirements, our growth rates as you notice, I have mentioned were very high, capital will be required, so the first lot of capital that we need will be raised through debt and of course we will get capital through internal resources also.

Rajeev Desai Sir, can you tell me what are the projects which are going to launch, you have mentioned the name of the cities in FY'11, can you just brief us on these projects?

Adi Godrej These projects are part of the 82 million square feet under development that I have mentioned. Few cities in which we are launching projects are in Chennai, Hyderabad, Mangalore and Kochi.

Rajeev Desai Any saleable area estimate, phase wise?

Milind Korde It is about 15 million square feet in these four cities.

Rajeev Desai How much would the book value be like?

Rajendra Khetawat That will depend on the market price prevailing at that time. But bulk of it would be coming from the residential, as these four projects are from the residential zones and we are looking at an average price of around Rs 3,000 to Rs 4,000 per sq. ft.

Rajeev Desai Okay. Thank you.

Moderator Thank you. The next question is from the line of Punit Jain of Kotak Securities. Please go ahead.

Punit Jain Can you throw some light on the development of Vikhroli Land parcel the 35 acres where you have a JV with Godrej Industries?

Pirojsha Godrej Yes, the Vikhroli project is on track and as we mentioned it is still under the planning phase. We would expect construction on the first building to start in January 2011, but progress on the master planning has been good, we have concluded the final master plan. We are now working on the building specific design after that of course it would go for approval and as I mentioned we are planning to launch construction in January 2011.

Punit Jain	With respect to this, are any new land parcels being considered at the same site for development through Godrej Properties at this point in time?
Adi Godrej	Over a period of time we will be developing further parcels of land in Vikhroli. It is mentioned that Vikhroli will be developed as an iconic green industrial, commercial and residential township. It is a large parcel of land. It will take several years to develop as and when we are able to release areas for development, we will announce new projects as joint ventures between Godrej Properties and other companies that own the Vikhroli Land.
Punit Jain	How much do you intend to sell in Ahmedabad every year? What is the internal target that you want to achieve in FY'11 and FY'12?
Pirojsha Godrej	We do not make forward-looking statements in terms of exact numbers we intend to sell, but very clearly for a project like Ahmedabad, volume is the key. We recognize that selling a project of 40 million square feet in 10 years is going to require strong volumes each year and of course those would not be consistent over the 10 years, they will be a ramping up in the later years of the project and it will see larger volumes, but as you would have noticed in the last quarter upon launching within 10 days we were able to sell 1.3 million square feet which was very encouraging. So while we do not give fixed guideline, we do expect strong volumes in coming years from Ahmedabad.
Punit Jain	Okay. Thanks a lot.
Moderator	Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.
Avi Mehta	Just two questions primarily; I believe there is a restatement of accounts that you have taken with respect to FY'09 numbers which were declared in the Q3 FY2010 results are not matching to the FY'09 numbers that you have declared now. So if you could just throw some light on the accounting policy change?
Rajendra Khetawat	There is no accounting policy change; there is no change in the revenue recognition policy that is just a restatement of accounts. We have restated, we have grossed up the interest payment, the interest income, During the IPO, we used to receive a lot of queries, people used to ask us, you have a lot of debt on your balance sheet, how come your interest expense is very minuscule, so this time after the discussion with the auditors to give a better disclosure we have grossed up the interest. So the interest income forms part of the operating income, at the same time you can see a gross interest outflow, which is into the interest and finance charges.
Avi Mehta	Second, I believe the reason for you to see the Q-o-Q is that there is a fall in EBITDA margins that would be attributed to the Ahmedabad project and the commercial project I assume?
Rajendra Khetawat	If you see Q-o-Q, it is not a big fall, if you compare EBITDA, last quarter was 39% and this quarter it is around 37%, but commercial projects have effected our margin, because if you see Godrej Waterside Kolkata phase I, there are low margins, because the market was very sluggish, so we could not get the margin which we were expecting, this was made up in the second phase.
Adi Godrej	EBITDA margins will vary depending upon which projects come into the topline in that quarter. So EBITDA margins from projects to project do vary. EBITDA margins may go up or down unlike the businesses like FMCG, it is difficult to compare

EBITDA margins from project to project therefore from quarter to quarter there would be some differential.

Avi Mehta

Sir, my understanding was that should I gross up the interest then to find out the EBITDA margins because my number from EBITDA margin was coming at around 10% so obviously there is some mismatch there then?

Rajendra Khetawat

EBITDA margins are much higher for the quarter, it is 37% and even if you remove the interest element it is 33%.

Avi Mehta

Sir, I was trying to understand the reserved numbers. The reserves for FY'09 were about Rs 2.4 billion. Now to that PAT of about Rs 1.2 billion has been added, so that is about Rs 3.6 billion plus IPO about Rs 4.7 billion, less the dividend of about Rs 0.5 billion so that is Rs 7.8 billion while our reserves are Rs 7.4 billion, so is there some element that I am missing out or what is it?

Rajendra Khetawat

There was an IPO expense of about 40 Crore, that was capitalized. That was knocked off from the reserve.

Avi Mehta

Thanks a lot Sir.

Moderator

Thank you. The next question is from the line of Siddharth Bothra from Motilal Oswal. Please go ahead.

Siddharth Bothra

You mentioned that the total delivery that we did was around 3.9 million square feet in FY'10, could you please provide some details on which are the key projects that constitutes this and which cities are these projects located?

Milind Korde

I think significant delivery was in Bangalore about 1.7 million and then there was Waterside in Kolkata was 0.9 million and then there are projects in Kalyan, Thane, Pune, etc., Godrej Coliseum at Sion so that adds up to 3.9 million square feet.

Siddharth Bothra

Sir what would have been the total value consideration for this entire delivery that we did? The value that you would have got from that, what would have been the average realization?

Adi Godrej

3 million square feet was delivered last year, some of that revenue would have been booked in previous year, some of the revenues would have been booked in the year just completed. So it is difficult to say what was the value of that, but the typical average price would prevail on that 3.9 million sq. ft. Some of it is very expensive commercial property in Mumbai, some of it was much lower residential property in other cities,

Milind Korde

Like Planet Godrej at Mahalaxmi was about Rs. 25,000 per sq. ft., Godrej Coliseum at Sion was Rs. 15,000 per sq. ft. at an average and Godrej Waterside at Kolkata was about Rs. 4,800 per sq. ft. So it varies. Bangalore Godrej Woodsman Estate was about Rs. 4,000 per sq. ft.

Siddharth Bothra

If I look at our profit and loss statement from FY'05 to FY'09 the total sales that we have booked is around Rs 800 Crore. So this entire 3.9 million sq. ft. would reflect on your profit and loss account?

Adi Godrej

3 million sq. ft. remember would not all reflect in our Rupee sales figures for the year, some of it would have been reflected in earlier years based on completion.

Pirojsha Godrej

It also includes the joint venture partner's share.

Siddharth Bothra	Okay, what would have been your proportionate share of this 3.9 million sq. ft. that you have delivered?
Pirojsha Godrej	I think it would again vary project by project. We do not have the exact numbers, but we roughly expect it to be 70% or so.
Siddharth Bothra	What kind of project delivery are we likely to do in FY'11?
Adi Godrej	We would not like to make projections of that. We would not like to give guidance. Demand is strong. We are booking strongly. New projects would be launched, but I would not like to provide guidance, we avoid giving guidance.
Siddharth Bothra	Right Sir. When we look at your projects under construction it is around 82 million square feet, but out of these projects there may be many projects where you might be currently just doing a phase I for which the area must be much lower, so would it be possible for you to give what kind of actual under construction do we have?
Milind Korde	Yes, we can give that break up to you later on.
Siddharth Bothra	Thank you so much for taking my question.
Moderator	Thank you. The next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.
Saurabh Kumar	I am just referring to your presentation page #13; you have actually given details of the area, which you have sold during the year. My first question is does this refer to your proportionate share and the booking value as well?
Rajendra Khetawat	This reflects only our share of area.
Saurabh Kumar	And also the value?
Adi Godrej	Yes. That is given in the asterisk below.
Saurabh Kumar	So it is only your share, right, and the Rs 3,300 Crore odd number is your share? And my second question is for this Ahmedabad and Kolkata projects what will roughly be your construction cost here?
Milind Korde	Construction cost for the phase I if you look at the building cost for Ahmedabad project is about Rs.995 a square foot and for Kolkata the cost is about Rs.1,585 per sq. ft. including land cost.
Saurabh Kumar	I am just focusing on what would be your construction cost?
K T Jitendran	Rs.1,065 per sq. ft.
Saurabh Kumar	And then you grow setup for the area sharing you also do the JV share of area, so may be another 35?
Adi Godrej	This is the total cost of construction
Milind Korde	And the Kolkata project is entirely owned by us, it is not into a JV.
Saurabh Kumar	But for Ahmedabad, Rs.1,000 plus JV partner share?

Rajendra Khetawat That was only the construction cost, you have to gross it up by 32% below so you will get the total cost of construction

Milind Korde But if you look at the total cost including what we paid the JV Partner and the infrastructure cost the cost would be in the region of above Rs.1,600 per sq. ft. This would be for Ahmedabad.

Saurabh Kumar Rs.1,600 per sq. ft. would be the cost for construction including the share of the JV partners.

Milind Korde That's right.

Saurabh Kumar And Sir, during your IPO you had mentioned that you gave a lot of upfront deposits to your JV partners when you do this joint development agreement. So, what will be the total value of those upfront deposits which is on your balance sheet?

Rajendra Khetawat Right now it is about Rs 275 Crore.

Saurabh Kumar Thank you, very much.

Moderator Thank you. The next question is from the line of Mahesh Nandrukar from CLSA. Please go ahead.

Mahesh Nandrukar Hi, In the DRHP you had indicated about 185 acres of land for which GPL has some sort of MOU with the other Godrej Group companies, what has been the progress on that?

Adi Godrej Vikhroli one is being progressed, other ones are being worked on, because we have to get all the permissions etc., but some of it will take some time, because they may not be ready for development right away.

Mahesh Nandrukar In Vikhroli you have mentioned that you would start the construction on the project by January 2011. What sort of project will that be? Is it going to be a commercial project, right?

Pirojsha Godrej The total development in Vikhroli for the 35 acres is going to be a mixed use development out of which 50% will be A grade commercial space, we will have about 25% residential and the remaining 25% would be a split between a five star hotel and some high street retail, the first building we would be starting to construct there will be an office building with some retail at the base.

Mahesh Nandrukar You mentioned that you do not want to make any forward-looking statement in terms of deliveries, but could you give us some sense on the existing projects where you would have completed let us say more than 50% to 70% of construction and how much would that work out to be in terms of million square feet as we stand today?

Milind Korde In the Kolkata project there is significant development, for example Godrej Waterside - the second phase, which is about 1 million square feet, should be completed within this year. Similarly Godrej Genesis in Kolkata is at advanced stage of construction, so all our projects are under construction including Ahmedabad, Chandigarh and Mangalore etc.

Adi Godrej Planet Godrej for example is nearing completion, so some projects are 90% completed, other projects may be 70% completed, so there are at different stages of completion.

Mahesh Nandrukar	My last question pertains to your future growth strategy. Would you be looking at entering in to more JDAs and acquisition of more land as you go ahead in an aggressive manner or the focus would more be on executing the current land bank and trying to increase the return on investment by focusing on execution, how would you balance your priorities across these two segments?
Pirojsha Godrej	We do not look at it as either/or. We think that both of those are going to be critical for the Company's future and we are putting a lot of emphasis on both of those. I think you are absolutely right that execution is going to be a key differentiator, I think we have taken a lot of steps in terms of partnerships, in terms of visible deliveries in the past year to make sure our execution capabilities are up to the mark, but we also feel that the Indian growth story in real estate is really just getting started and we are very much intend to participate in that for several decades, so really adding new projects is also a very strong priority of ours, so I do not think we look at as we can be okay by just doing one or the other, we think we have to do really well at both.
Moderator	The next question is from the line of Jainish Shah from Quantum Advisors. Please go ahead.
Jainish Shah	You have mentioned about your delivery of 3.9 million square feet in this year and as you intended that probably the new launches would be somewhere around 15 million square feet, could we just have some idea about the delivery capabilities on an annual basis, how the Company is ramping up or what kind of capabilities does it have right now and what are the things which are required to be done to improve that capability?
Milind Korde	Basically, as Mr. Godrej mentioned in his opening remarks we have a strategic tie up with L&T and also we have dedicated resource with an architectural tie up, P.G. Patki, so between these two agencies the drawing flow and construction can be significantly ramped up in our outsourced model and we have ongoing projects of about 54 million and launching in to four new cities of about 15 million square feet I think we should be able to deliver.
Adi Godrej	I expect the delivery will gradually ramp up, obviously we have 82 million square feet under development. The maximum period we expect to complete the largest of the projects is 10 years, so clearly we have to ramp up, execution will need a lot of attention, we will have new projects coming in which would also then come in to the picture, so clearly it will be an increasing curve in terms of deliveries to be made.
Jainish Shah	But you will be depending on these two players only for deliveries, is that correct?
Adi Godrej	Not necessarily, but we have a tie up with them, so we have reliable partners and if for any reason, for example in Vikhroli we have an international architect who P.G Patki will support, so it will vary from place to place but we have a very strategic tie up with Larsen & Toubro for construction execution which could become a bottleneck as we grow.
Pirojsha Godrej	I think it is important to understand also that this relationship with Larsen & Toubro is sort of totally at our discretion on any project, so while we think there are very strong benefits of working with one contractor, particularly a contractor with a quality of L&T, we are no ways locked in to working with them or if they are not providing us resources we need to execute on a timely basis, we are free for any reason whatsoever on any project to use another contractor.
Moderator	The next question is from the line of Sumeet Rohra from Sun Global. Please go ahead.

Sumeet Rohra	Hello I just wanted to have an update on the Jet Airways deal which is in the pipeline and second you already answered about Vikhroli and I was also looking at asking you that we have seen excellent ramp up in terms of handing over 3.9 million square feet, I know you said you are not going to give forward looking statement but I hope we achieve 10 million square feet in two to three years down the road and I would just like to end by wishing you all the luck and hoping you become the biggest real estate Company of India. Thank you Sir.
Adi Godrej	On the Jet Airways, it is Work In Progress, negotiations are going on. As and when it is concluded, we will announce it. Very clearly we need to get to 10 million square feet in short number of years in order to be able to execute all our present and future programs that we will take into account and hopefully we can exceed 10 million square feet per year considerably in course of time.
Moderator	The next question is from the line of Abhishek Singh from B&K Securities. Please go ahead.
Abhishek Singh	Hi, A couple of things like you have mentioned that you have booked the other operating income as the total income part, can you give us the break up of the interest received part in this other income what you have booked for Q4 and second question will be pertaining to the project of Garden City and Prakriti and I am referring to the slide #14 in the presentation where you have mentioned that these two projects have contributed meaningfully to the operating profit, just wanted to know since you have a PUCM model of 20% completion, so does that automatically mean that these two projects are already post the 20% mark or what kind of construction cost have been incurred in these two projects?
Rajendra Khetawat	To answer your first question, in Q4 we have accounted for close to Rs 19.5 Crore of interest income, second question is as far as Ahmedabad and Prakriti are concerned we follow PUCM method and 20% revenue has been taken in to consideration.
Milind Korde	What you need to understand is that Ahmedabad is a township and apart from the building work, there is significant infrastructure work which needs to be done and if you look at the cost spend in infrastructure the building progress and the fees paid to architects etc., it adds up to 20%.
Abhishek Singh	And that would exclude the land cost if I am not wrong?
Milind Korde	It excludes the land cost and it includes interest on advance paid and development cost.
Abhishek Singh	It is quite understandable that this is our first con call but going forward can we have bit of breakup of the project wise execution on each of the project like 20% completion on one project in Q1 going forward can we have a break up of that so that will really help us a lot in analyzing things in a better way?
Adi Godrej	Thank you for the suggestion, we will bear it in mind.
Moderator	The next question is from the line of Sameer Baisiwala from Morgan Stanley. Please go ahead.
Sameer Baisiwala	You mentioned in your remarks about the Genesis project in Kolkata. Can you update us; I think you mentioned it is nearing completion, so where do things stand in terms of monetizing it?

Milind Korde Godrej Waterside we mentioned is nearing completion.

Sameer Baisiwala No, I am referring to Genesis, the IT Park.

Milind Korde Godrej Waterside is also an IT Park, we have two IT parks in Kolkata in Salt Lake Sector 5, and Godrej Waterside is nearing completion. Godrej Genesis is about 30% complete at present.

Sameer Baisiwala Has Waterside been monetized?

Milind Korde Phase I of Waterside, which is about 0.5 million square feet, our share is about 3.5 out of that is monetized and a million square feet will be monetized on completion.

Sameer Baisiwala And what were the rates that you could achieve over there?

K.T. Jitendran The average rate is about Rs 4,650 per sq. ft.

Sameer Baisiwala And you are comfortable given the fact that IT parks would no longer enjoy the tax benefits about this particular project.

Milind Korde The government is pretty liberal with the policies in Kolkata particularly in Salt Lake Sector 5 where they have a stake in various projects and apart from IT companies other companies are allowed to take up space, so this is basically sold as a commercial building also and Kolkata has a huge replacement value because the old buildings and CBDs are dilapidated and lot of companies prefer to move into newer buildings coming up in this area.

Sameer Baisiwala And second question is about the Hyderabad IT SEZ, what is the current thought process on this project?

Milind Korde We are converting the land into residential user and it will be launched as a residential project soon.

Sameer Baisiwala And would the volumes undergo achieving about 10 million odd square feet or because of the usage change?

Milind Korde No, we would be maintaining the same kind of volumes because there is no FSI in Hyderabad. Basically we have to pay impact fees as you go up so we would try to maintain the same area.

Sameer Baisiwala I think somewhere in the press, they reported possibility of equity raising, is it true and is there any such thought in the minds of the management?

Adi Godrej No, we are not planning to raise any equity in the near future, I think what reports you might have seen is some press reporters did ask if we needed to raise equity and I said at a later time obviously because of our large growth we may need to raise equity and since the promoter holding was 84% we would not hesitate to raise equity if required for growth but we have no plans to raise further equity in the near future.

Moderator The next question is from the line of Rahul Mehta from Lucky Securities. Please go ahead.

Rahul Mehta Just wanted to know about the time frame for your 82 million square feet the largest project you mentioned was a maximum of over 10 years, which I presume

is the Ahmedabad project. What would be the average timeframe for the other projects?

Adi Godrej That would vary; some projects of that 82 million square feet will be completed within six months, some will be completed in the next financial year, so there will be varying timeframes of the various projects and some smaller projects take three to four years to complete, Some times even less; we are estimating the Ahmedabad project, which is the largest to take 10 years.

Rahul Mehta And the rest of the project would be what about on a ballpark of about five years maximum?

Adi Godrej Some projects would be completed as I said in this financial year and similarly projects, which are at advanced stages of completion would be completed in short period of time and some of the projects, which are just about to be launched may take between three and five years.

Rahul Mehta And the 82 million sq. ft. includes our project in Vikhroli as well?

Pirojsha Godrej It includes 2.8 million square feet; the 35-acre development mentioned is included in 82 million sq. ft.

Moderator The next question is from the line of Tejas Sheth from Darashaw & Company. Please go ahead.

Tejas Sheth My question pertains to your planning to launch this Ahmedabad phase 2 next month and since we saw a very good response for our first launch is there any hike you are expecting in the rate?

Milind Korde We are looking at it at the moment but we would prefer to increase volumes significantly since we have about 40 million square feet in about 22,000 flats, so we are looking at it and it will be launched very soon.

Tejas Sheth And when do you plan to deliver these 1.3 million square feet of area, which you sold?

Milind Korde It will take about 30 months.

Tejas Sheth And on the ongoing projects under construction how much area is unsold till date?

Rajendra Khetawat The Ahmedabad we launched, we have sold completely, Waterside is a big inventory which we are going to have, which is around 0.7 million square feet, which is going to complete in the current financial year.

Adi Godrej Our problem is not selling projects, which are ready, our problem is not enough projects to sell, demand is stronger than what we are able to supply.

Tejas Sheth Ahmedabad project over next two to three years how do you see the delivery pattern 1.3 million sq. ft. you said would be taking 30 months. What would be your peak delivery in that project?

Adi Godrej Ahmedabad clearly there would be millions of square feet delivered per year, now that will vary it will ramp up. First deliveries will start in may be a couple of years from today.

Moderator	The next question is from the line of Rajeev Desai from IFCI Financial Services. Please go ahead.
Rajeev Desai	Regarding the margins, if I see your FY 2010 margins are around 28% compared to FY 2009, 47% and going further I see that you are not going to increase the prices, so how are you going to retain it further since the raw material costs are going to increase?
Rajendra Khetawat	If you see the EBITDA margins, EBITDA margins in this year 50.70% against last year of 54%.
Rajeev Desai	That is if you add up the other income. If I exclude other income then it is 28% in FY 2010 and 47% in FY 2009.
Adi Godrej	Other income is part of the total income, so to calculate the EBITDA margin we have to total up both including the other income.
Milind Korde	It is a stated objectives in DRHP also that we would be looking at private equity deals on an ongoing basis and we intent to do those kind of deals in the future.
Pirojsha Godrej	Just to clarify, we also never said that we will not raise prices we just had for a large project like Ahmedabad that we are very focused on volumes but we would certainly intend to raise prices in projects at least to keep up with raw material cost escalation. We don't say that we are not going to increase prices by any stretch.
Moderator	The next question is from the line of Rahul Sony from SKS Capital and Research. Please go ahead.
Rahul Sony	Sir, You said that your debt to equity ratio is 0.5, which I think is quite low for a real estate Company, so what is your target debt equity ratio?
Adi Godrej	As we need funds for expansion we will raise more debt and we don't have a fixed target debt equity ratio but clearly we will have a very prudential debt equity ratio going forward. And based on the needs of capital we can afford to raise it by debt and we will have internal generation of capital so that is why I mentioned that we don't expect to need to raise equity in the near future. Clearly we don't want to be an over leveraged Company.
Rahul Sony	Your total area under construction is 82 million square feet. Can you give a break up in terms of exposure to residential projects and commercial projects?
Rajendra Khetawat	Around 70% would be residential and 30% would be commercial.
Moderator	The next question is from the line of Aatish Shah from Nomura. Please go ahead.
Aatish Shah	For this Waterside project that we sold in FY 2010 since that was not very profitable, the 0.7 million square feet of inventory, which we have on that further do we have plans to sell that as well this year or would we like to try this to move up before we sell?
Milind Korde	The market in Kolkata is improving and now that we are handing over this 0.5 million square feet and it will be occupied and we expect prices to remain high and also we are getting a good sense in the lease rentals in the Kolkata market.

Pirojsha Godrej	I think some of the sales from last year were done towards the early part of the year when the market had not really recovered yet, so we have seen a good improvement.
Aatish Shah	And in terms of the other income, which you have had this quarter in terms of the private equity deals is there any cost, which has been booked against that?
Rajendra Khetawat	There is no cost, except the cost of investment, which we have in the book. In one of the project in Milestone deal there is a cost of Rs 16 Crore involved in that.
Aatish Shah	For which project?
Rajendra Khetawat	Milestone Real Estate Fund. The project is Godrej Prakriti where we have done a stake sale.
Aatish Shah	And except for the tax there is no other cost component?
Rajendra Khetawat	No other component.
Moderator	The next question is from the line of Ramesh Damani from Ramesh Damani Finance. Please go ahead.
Ramesh Damani	First in your red herring you said 82 million square feet, have you added to that or are you trying to add to that significantly in the next four months, have you been able to add to that and secondly as a management group what is your estimate of per square realization over variety of projects, if you blend Ahmedabad and Vikhroli what would you be happy with if you make on a per square foot basis?
Adi Godrej	We have signed some term sheets since the IPO but the projects have not yet been finalized, as soon as they are finalized we will announce them but there are several in the pipeline.
Ramesh Damani	As the management what would be happy with, obviously you have variety of projects in Ahmedabad, in Vikhroli, in Bangalore, on a blended basis per square foot how much would you expect to make?
Pirojsha Godrej	I think it varies so much that we do not really look too much at that number. We think it is more important to track it on a project-by-project basis. We can just take a look at that and get back to you but I think the range can be on something like, Planet Godrej where might be selling at Rs 30,000 per sq. ft. and for Ahmedabad where we will be selling at less than 10% of that. I think the blended rate to us is not terribly significant, we really do like to break it up and look it on a project-by-project basis but we can take a look and get that number to you.
Moderator	The next question is from the line of Jharna Majumdar from Ticker News Service. Please go ahead.
Jharna Majumdar	What is the Capex plan for FY 2011?
Rajendra Khetawat	We don't have capital expenditure, we follow our outsource model so whatever our investment would be towards the project, so it will all be working capital.
Jharna Majumdar	Sir, do you expect to retain the current margin of 50.7% or you see margins slipping due to rise in the raw material cost?

Adi Godrej	The rising raw material cost would be covered by increasing prices, so we don't expect margins to decline for that reason but it is possible there are some projects where the margins might be a little lower than other projects especially upmarket projects typically tend to have a higher margin, a township might have a lower margin, so as the salience of the township grow, margins might come down but overall growth in profits we expect will be very strong, so we are not as margin focussed as total growth focussed both on the top line and bottom line, which we expect to be very good over the next five years.
Jharna Majumdar	When do you plan to hike the prices of your projects?
Adi Godrej	I think that is a continuous process in each project there could be price increases from time to time. It not something that you suddenly decide that now we are going to increase the prices, it is not like a consumer durable or FMCG product where you take a price increase once in six months or once a year. Each project is continuous, sometimes within a month you change the rate at which you book the projects. So here prices increases or decreases for that matter in a downward cycle are a continuous process.
Pirojsha Godrej	I think it is a project-by-project question, there is no Company price level as such, we would look at it on a project-by-project basis.
Jharna Majumdar	You also planned to raise debt, how much debt are you planning to raise in FY 2011?
Rajendra Khetawat	That will depend on the requirements like Mr. Godrej mentioned our debt equity ratio is substantially low, so we have hope to go further and as and when the project progresses depending on the requirement of the project, we will raise debt.
Adi Godrej	So it all depends on the progress of the project, which in turn depends on regulatory approvals and construction speed. So it is difficult to project exactly but we are very clear that the additional debt we need for this financial year and the next would very well be raised within prudential limits based on our current equity position.
Jharna Majumdar	What is the turnover that you are earning in FY 2011?
Adi Godrej	Again we don't give guidance.
Moderator	The next question is from the line of Sumeet Rohra from Sun Global. Please go ahead.
Sumeet Rohra	Just one more question I wanted to ask you on the Company outlook, on the page #21 it says that we are pursuing several new business and redevelopment opportunities across the city. When can we expect to hear something on that front?
Adi Godrej	I think over the next few months we will be announcing new projects both on the redevelopment front and new joint venture projects.
Moderator	The next question is from the line of Sameer Desai from Finco Capital. Please go ahead.
Sameer Desai	What will be the blended average net profit margin per square feet?
Rajendra Khetawat	It is very difficult to because various projects have various different margins like high-end projects have high margins and township projects have different margins,

so it will be very difficult to give a benchmark and since we follow PoCM this year figure would not be comparable with last year, so it is very difficult to give you a benchmark figure.

Sameer Desai

Average blended margin?

Adi Godrej

Well you can see that last year's EBITDA margin was 50 odd percent, the previous year's was around that level, so that has been approximately the margin but it does not mean necessarily going forward that will be the average margin, it could be that if we have very large sale from a township kind of project where the margins tend to be a little lower, the absolute profits might increase very considerably but there could be a decline in the margin, so we are more concentrated on the absolute growth of the profits and absolute growth of the topline rather than concentrating on the margins.

Moderator

The next question is from the line of Kashyap Soni from Americorp Capital. Please go ahead.

Kashyap Soni

Would it be right to assume that since we are looking at the joint development model and since we are looking at volume development would it be right to assume that most of the new projects will be coming up in places or cities where a lot of land parcels are available like in Bombay it would be difficult to get 10, 20, 30 acres but something like Ahmedabad outskirts of the city would be the place where our new projects will be coming up?

Pirojsha Godrej

I don't think that is totally accurate, while we are also interested in large township projects we certainly remain very interested in city projects in places like Bombay in fact I think one of our key strategic focuses for new business development is to add further projects in Bombay. So whether those are redevelopment projects or general joint venture projects in the city we do think that we will be able to add projects in Bombay in the coming months. We also have stated intent of trying to enter the NCR market, so we are also on the lookout for the lands there. I think you will see us in both large townships project like Ahmedabad and also city centre projects like Planet Godrej.

Adi Godrej

You must remember also that our Vikhroli project in Bombay is probably the largest project in Bombay.

Kashyap Soni

Right Sir, but that is a group property, apart from the group property would it be right to say in Bombay typically it is difficult to get a hold on a good property for redevelopment because there is enough competition within Bombay; that was the perspective I was trying to get.

Adi Godrej

We might be doing some large joint venture projects in Bombay too.

Kashyap Soni

Apart from that since our focus is joint development, what sort of joint venture share do we think is the limit you would typically go in a township project say a Godrej Property we have given a share of 32% if I am not wrong to the land owner what would we thing viable max we would go to in that sort of a project.

Adi Godrej

That varies depending on where the project is, the size of the project and the location.

Kashyap Soni For the township size of project Sir, townships should not be typically in the city, 100 acres in most cases.

Adi Godrej We have no definite limits on what we would share. If the sharing percentage looks good to us for a particular land parcel then there is no limit, we could give a high percentage to the landowner or we could do it with a low percentage to the landowner.

Pirojsha Godrej It is more important to think about is what is the relative price of land to construction cost because that really what will guide the percentage we will be willing to give, so even within a large township you might have quite a range of project pricing which could lead to quite different ratio.

Moderator The next question is a follow up from the line of Sumeet Rohra from Sun Global. Please go ahead.

Sumeet Rohra I was there for the pre IPO meet and there was a conversation at that point of time where one of the bankers said that we did about 0.6 million square feet and we have made about Rs 75 Crore in FY 2009, so just to take as a ballpark figure just approximately we did about Rs 1,250 per square foot, just working around it give or take 15% - 20% can we take that as a figure to go with?

Adi Godrej You see the profit cannot be compared to the delivery made in a particular year because the profits also comes from projects where you are booking on the completion basis where the delivery might be given the following year. So I don't think that is comparable from year to year.

Moderator The next question is a follow up from the line of Avi Mehta from IIFL. Please go ahead.

Avi Mehta Just want to check in the Q4 expenses is there an extraordinary expense or expenses of extraordinary nature?

Adi Godrej No.

Moderator I would like to hand the floor back to Mr. Adi Godrej for closing comments. Please go ahead.

Adi Godrej Thank you very much. I would like to thank all of you for joining us on this conference call. We have taken some of your suggestions on board. We think that Godrej Properties has an extremely strong future and we thank you for your support.

Moderator Thank you gentlemen of the management. Ladies and gentlemen on behalf of Godrej Properties that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

- ENDS -

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