



Godrej Industries Limited

Q4 & FY2016 Earnings Conference Call Transcript
May 26, 2016

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

Anoop Poojari: Thank you. Good Afternoon everyone and thank you for joining us on Godrej Industries Q4&FY 2016 earnings conference call. We have with us Mr. Adi Godrej – Chairman, Mr. Nadir Godrej – Managing Director, Mr. Pirojsha Godrej – Managing Director & CEO of Godrej Properties, Mr. Nitin Nabar, Executive Director and President (Chemicals), Mr. Clement Pinto – CFO, and Mr S Varadaraj—CFO of Godrej Agrovet.

We would like to begin the call with brief opening remarks from the management following which we will have the forum open for an interactive question and answer session. Before we start I would like to point out that some statements made in this call may be forward-looking and a disclaimer to this effect has been included in the conference call invite sent out earlier. I would now like to invite Mr. Adi Godrej to make the initial remarks.

Adi Godrej: Thanks Anoop. Good Afternoon everyone. I welcome you to the Godrej Industries conference call to discuss the operating and financial performance for the quarter and fiscal year ended March 31,2016. I shall take you through some of the key developments and operational highlights of each of our businesses followed by a summary of our financial results.

I am pleased to share that our overall performance for the fiscal year 2016 has witnessed a healthy growth in profits with consolidated Net Profit growing by 20%.

Godrej Properties had its best ever financial performance in its history. It achieved the highest ever revenue, EBITDA, net profit, cash flow, booking value, and deliveries in this financial year. Total revenue for the year stands at Rs. 2,728 crore, which represents a 42% increase over the previous year.

In FY16, GPL delivered 6 million sq. ft which includes 4.2 million sq. ft. of residential and 1.8 million sq. ft. of commercial space across seven cities. One of the key highlights for the fourth quarter was the launch of Phase 2 at 'The Trees'. It sold 105 apartments or over 150,000 square feet with a booking value of Rs. 318 crore within three weeks of the launch. The average price achieved on Phase 2 was 9% higher than in Phase 1, which had been launched just 3 months before Phase 2. Another major milestone for the year was creation of Godrej Fund Management. GPL has raised a \$ 275 million pool of capital under Godrej Residential Investment Program II (GRIP II) with Dutch pension fund asset manager APG as the lead investor. GPL will hold a 20% stake in GRIP II.

Godrej Agrovets business has been adversely impacted on account of two back to back poor monsoons and subdued commodity prices. Despite this situation, Godrej Agrovets Total Income for the fiscal has increased by 14% over the previous year. Our Agri Inputs Business, during the quarter, grew by 50% over corresponding period of previous year. Judicious sales planning across key categories helped us maintain our growth trajectory. The Astec Life Science acquisition will help the business, and augment its retail product portfolio. Our animal feeds business recorded a marginal growth of 6% for Q4FY16 as compared to the corresponding period of the previous year. The performance was aided by higher sales in fish and cattle feed. During the quarter Oil Palm business vertical clocked 70% growth in topline, driven by higher CPO/PKO prices and better fruit arrivals in Q4FY16. Our joint-venture in Bangladesh - ACI Godrej has shown a robust sales growth of 35% for the fiscal and this has been driven by strong volume growth across categories of Poultry Feed, Cattle Feed and Aqua Feed. Godrej Tyson continues to focus on building brand based business and strengthening our '*Real Good Chicken*' and '*Yummiez*' brands. In FY16, despite non-remunerative broiler prices sales grew by 15%.

Creamline Dairy products business grew by 12% in Q4FY16 as compared to the corresponding quarter of the previous year and this has been mainly driven by value added products. We will continue to focus on brand building and improving the mix of value added products in overall sales

With an agile team, focus on continuously improving our operational efficiency and research and development in agri businesses, I am confident that Godrej Agrovets will continue to do well across verticals and add value through the years to come.

Moving on to the performance of Godrej Consumer Products; In Q4FY16, the volume growth of the Indian FMCG industry remained subdued at levels similar to the previous quarter. During the quarter, the benefits of low commodity prices were passed on to consumers resulting in relatively

higher consumer promotions. In this environment, our India business sustained its volume growth leadership with a growth of 9% including offers.

Despite the volatile macro-economic environment in some of our emerging markets, our international business delivered robust organic sales growth of 18%, in constant currency terms. Overall, our consolidated organic constant currency sales growth of 12% and EBITDA growth of 18% are well ahead of market growth.

Household Insecticides business continues to deliver double digit growth, with a sales growth of 10%. This was driven by high single digit volume growth. Sales in soaps business declined by 6%, due to deflationary pressures. Hair Colours sales bounced back during the quarter with a sales growth of 7%.

I am confident that with our clear strategic focus, differentiated product portfolio, superior execution and top notch team, we will continue to deliver industry leading results and that our medium and long term growth prospects in India and our other emerging markets would remain robust.

Our Chemicals business had a good performance in Q4 FY16. PBIT for Q4 FY16 & fiscal year has increased by 61% & 114% respectively as compared to the corresponding period of previous year. I am also happy to share that our Managing Director Mr. Nadir Godrej was awarded the lifetime Achievement award at the 15th anniversary of All India Liquid Bulk Importers and Exporters Association popularly known as AILBIEA for his contribution towards global trade and industry.

Let me now briefly run through our financial highlights. During the quarter, consolidated total income stood at Rs.2,711 crore, a growth of 12% as compared to the corresponding period of the previous year. Consolidated net profit for Q4FY16 stood at Rs.116 crore. During the fiscal year 2016 consolidated total income stood at Rs.11,171 crore, a growth of 17% as compared to the previous year. Consolidated net profit stood at Rs.484 crore and grew by 20% as compared to the previous year.

To conclude, we remain encouraged and confident of achieving our long term objectives of inclusive, sustainable and profitable growth. I am confident that our disciplined strategy, prudent approach, focus on agile execution and our committed team will enable us to improve performance further and create greater shareholder value.

Modeator:

Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press * and 2. Participants are also requested to

use only handsets while asking a question. Anyone who has a question may press * and 1. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of FarzanMadon of Axis Capital. Please go ahead.

FarzanMadon: So usually we have seen that post year drought there is a massive pick-up in demand be it PVC pipes or agri inputs so how is GAVL positioned for this in the fiscal year 2017?

Adi Godrej: I think with the good monsoon expected many of the GAVL businesses should improve their performance and the good news is that it is now predicated that because of the La Niña developing in the Pacific Ocean they are likely to be three or four good monsoons to follow so that should be very good for growth of Godrej Agrovet. And especially, since Godrej Agrovet has recently acquired two very important businesses in Creamline Dairy and Astec Life Sciences. This should be very opportune for both synergy creation and for the growth of the company.

Farzan Madon: Right. Sir, my next question was on Astec what synergies are we seeing over here in Astec and Godrej Agrovet and where do we see this? And my second question is that I hear that you all are doing some wonderful things at the research center in Nasik, could you just elaborate please?

Nadir Godrej: : Yes, one big opportunity for synergy between Astec and Godrej Agrovet is to sell Astec's technical ingredients as formulations in the domestic market and Godrej Agrovet is very well positioned to do that. Godrej Agrovet can also help Astec in their contract research and exports of chemicals in the international market. And as for research at our research center in Nasik we have already come up with products whereby we can improve the quality of certain meals in India and we can add value to those meals by these processes and in July we will start commercial plans for producing these and we are planning on an even a bigger plant in Rajasthan, sometime next year.

Farzan Madon: That is wonderful. Sir, my last question is on Godrej Properties that Godrej Properties has seen record sales over the past couple of quarter, years. Are we focusing on execution or will be booking more sales and launching newer and newer projects?

Pirojsha Godrej: Yes, thanks for the question, I do not think we can focus on one or the other, obviously we would like to continue to grow our sales performance but at the same time we have to deliver everything we are selling. So while sales last year did grow actually I think the bookings growth in the value terms was about 88%. We also grew our deliveries by 71% to 6 million square feet. In terms of area we actually delivered than more than we sold last year so there is a strong scale up growing in both the sales side and the

execution side and naturally those two will have to continue to go hand in hand.

Moderator: Thank you. We will take the next question from the line Abhijeet Akela of IIFL. Please go ahead.

AbhijeetAkela: First, just regarding the dip in Animal Feeds margins that we have seen in this quarter and year, is this mainly because of the drop in revenues or you know are there raw material cost pressures also and how do you see this situation evolving in FY'17?

Adi Godrej: No, I think the main reason for the drop in margins in quarter four was the lower margins in Godrej Agrovet because of the severe drought in the country which came to our head in this quarter and remember we have had two bad monsoons one after the other. Also Godrej Properties although we had a spectacular year, it had a relatively poorer results in quarter four compared to the quarter four of the previous year which was a very good quarter. So the combination of the two led to the quarter's margin being lower but for the year as a whole Godrej Industries consolidated results were very good and with the expectation of a very good monsoon this year and the possibility as the government has stated of the GST being passed and the growth in the economy improving dramatically we see that all our subsidiary and associate companies should be doing quite well.

Abhijeet Akela: Thank you for that. Sir, I just had a few detail questions on Agrovet if I may.

Adi Godrej: Sure.

Abhijeet Akela: First on the Animal Feeds side you know after many years of margin expansion we have actually seen margin contraction this year from 6.8% to 5.7% at the EBIT level, so this mainly because I mean some slight correction in revenue or is it that input cost have gone up?

Nadir Godrej: I think it was also affected by the animal protein prices not being very good particularly broiler.

Moderator: We have taken the next question from the line of Abhishek Anand of JM Financial. Please go ahead.

Abhishek Anand: Sir, just wanted to check we had actually filed for registration of Bispyribac Sodium but there was some technical issue, so what is the status of that and just wanted to understand the strategy of group as to when they plan to launch it in the current season or may be in the next season and what is the strategy behind it?

Nadir Godrej: We still have not got approval for this buyback and we hope to get it soon

- Abhishek Anand:** Okay. So hypothetically speaking if we get it in the next couple of months, if we get the approvals so any tentative timelines for launch so basically just trying to understand when will you be prepared to launch a product base on Bispyribac Sodium?
- S. Varadaraj** Our backend is all geared up so once we get the registration we should not have issue in terms of launching it.
- Abhishek Anand:** Okay, fine. Sir, just if I am looking at our console debt as well as standalone debt I see console debt increasing by thousand crore and standalone rising by Rs. 400 crore. just trying to understand so standalone debt of increase of Rs. 400 crore could be attributed to primarily what reason secondly of course the thousand crore debt increase on consol level, could you just bifurcate it between may be the acquisition cost as well as consol effect?
- Clement Pinto:** Yes, at standalone the debt has gone up because of our CAPEX investments at our Valia factory in Gujarat and a little bit for working capital for the chemicals business. That also flows into the consolidated level on debt and also Agrovat debt going up because of the recent acquisition.
- Abhishek Anand:** Sir, could you share the Creamline debt on books because we do not have the balance sheet of FY'15.
- Adi Godrej:** Creamline is not debt on the books in fact it is cash.
- Moderator:** This is Mr. Abhijeet Akela, IIFL. Please go ahead with your question, sir.
- Abhijeet Akela:** Thank you so much for giving me the opportunity again. I also just wanted to check regarding the others line within the consolidated segments which I believe includes your agri inputs as well as now Creamline and Astec and other things. The profit there has gone down from Rs. 37 crore last year to Rs. 23 crore and that is despite the addition of Astec and Creamline this year. So if you could talk a little bit what the pressure points were because I think you had mentioned in your presentation that agri inputs as well as Astec did fairly well.
- Clement Pinto:** You are right, the major part of the others is the other business, other than the Animal Feeds and the Oil Palm which is shown in a separate segment all the other verticals of the Agrovat business is housed in others plus the Natures Basket business. Natures Basket even though had a good top line growth but its bottom line was under pressure.
- Abhijeet Akela:** Okay, sure. And just on the standalone balance sheet I think the working capital seems to have gone up quite sharply, receivables have almost doubled on the standalone balance sheet I am saying so from Rs. 104 crore

to Rs. 205 crore, working capital has also increased and I think the debt has also gone up a bit.

- Adi Godrej:** We expect that to come down you know in the coming financial year.
- Abhijeet Akela:** Okay, fair enough. And sir, one last thing just on the Veg. Oil segment whose EBIT is largely I think attributable to Oil Palm, we have seen you know flattish EBIT from that segment for the last three years now so is this again something to do with is it the revision in the pricing formula that has led this year or is it the drought?
- Nadir Godrej:** During the last year Oil Palm prices were quite low for most of the year, they picked in the fourth quarter and we will see an improvement in the fourth quarter, production was also good in the fourth quarter which is normally not a very high producing quarter. Oil Palm prices are still holding up quite well and so going forward there will be improvements.
- Moderator:** Thank you. Our next question is from the line of Balvinder Singh of B&K Securities. Please go ahead.
- Balvinder Singh:** If you can highlight in your notes to accounts there are some amalgamation scheme so, related to Godrej Agrovet so, if you can highlight what is that?
- S. Varadaraj:** So in the last year we have amalgamated the seeds business of Godrej Seeds and Genetics Limited, so that is one amalgamation which has happened with Godrej Agrovet and that was primarily done so that we can take better synergy benefits and also benefits from taxation perspective.
- Balvinder Singh:** Okay. And secondly, if you can highlight more on your dairy business, how much of your total is from value added products and what is the strategy out there?
- S. Varadaraj:** So value-added products and dairy business comprises almost one-third of the total components of the dairy business.
- Balvinder Singh:** Okay. And what is your strategy with regards to this business over the medium term?
- Nadir Godrej:** It will increase the percentage of value added products over time.
- Adi Godrej:** Also we think there is great scope of expansion of the business overall, dairy business in the country is doing well. Dairy product consumption is going up. Value-added dairy product consumption is going up very considerably. So we feel there is scope for increase in this business over the next few years and especially if the GST comes in we feel all consumer products businesses will do exceedingly well.

- Moderator:** Our next question is from the line of Samar Sarda of Kotak Securities. Please go ahead.
- Samar Sarda:** I had three questions, the first question is with regards to the chemicals in the standalone business sir, of course like there is a macro probability to it but exports came down sharply in FY'16 any particular reasons towards it?
- Adi Godrej:** Well I do not think so, may be the value has come down but volumes have not come down.
- Samar Sarda:** So the value has come down by like from Rs. 5.2 billion to Rs. 3.9 billion
- Nadir Godrej:** The prices of the finished products were also lower without affecting margins too much.
- Samar Sarda:** Right. And since we have a new capacity in place there are cost benefits which are like clearly visible in FY'16. How should we look at this business from a growth perspective over the next two years - three years?
- Adi Godrej:** It is very difficult to predict, it will depend on the dynamics of the international businesses and raw material cost, etc., it is difficult to predict how these businesses grow over a period of time.
- Samar Sarda:** Okay, the second thing was on the working capital, the creditors like they have come down sharply in FY'16, what might be the main reason for this because if I see the track record for the far so many years the number this year is pretty low.
- Clement Pinto:** See this working capital position is at a point at the end of the year so a lot of it also depends on how much is imported and how much is domestic, a large part of it was domestic which is basically on spot basis. That mix keep on changing plus we have a little bit of inventory receivables which are high but we expect to correct that position in the coming year.
- Samar Sarda:** Okay. And you have already answered partly on the debt front more or less it funded the creditors CAPEX and some of the investments. What would be this absolute debt number by March 2017 or March 2018 on the standalone side?
- Adi Godrej:** It is difficult to predict on a forward basis.
- Samar Sarda:** Okay. The second question is on Godrej Properties. Now again operations have been great, turning positive in 2016 and hopefully the way they are like will be generating some money FY'17 onwards as well. We also have to invest 20% or contribute 20% towards the new investments on the fund. So

should we assume the absolute debt level will probably like similar levels for the next 12 months to 18 months?

Pirojsha Godrej: Yes, thanks Samar, I think it will obviously depend on few things – one on the inflow side of things. The main driver will be the speed at which we unlock the commercial asset, as you know between BKC and some of our older commercial projects we have a close to Rs. 2,000 crore net cash flows that can be created. We hope to do as much of that as possible over the next 12 months - 18 months. So I think if that happens certainly we should be generating free cash flows even with considering some amount of business development investment but again it will depend a lot on how quickly that happen and the kind of opportunities we see ahead.

Samar Sarda: Sure. And my last question is on Natures Basket. Like revenues have been improving. Should we look at this business breaking even by FY'18 or before that?

Adi Godrej: It is difficult to be sure because it depends on the growth rate. We are growing very rapidly and we do an annual valuation of the business and the valuation has been growing up quite strongly, so it is a question of how fast we decide to grow as you know we have added three retails to Natures Basket which is adding a good value so it is a question like most retail companies in India the question of how fast we grow was this value push.

Moderator: Thank you. Our next question is from the line of Anirudhha Joshi of ICICI Securities. Please go ahead.

Anirudhha Joshi: Just few data points which I require, can you indicate what was the EBIT level or PAT level of Creamline, Tyson, Nature's Basket and GAVL standalone?

Adi Godrej: We have bunched together certain businesses that is what we can provide at this point of time.

Moderator: Thank you. Our next question is from the line of Rahul Shah an Individual Investor. Please go ahead.

Rahul Shah: My question is for Mr. Adi Godrej. Sir, I wanted to know which as per you would be the fastest growing company in your group actually Godrej Consumer, Godrej Properties or Godrej Agrovet or Godrej Industries?

Adi Godrej: Well I think in the long-term Godrej Properties could be the fastest growing company, the reason being in the real estate sector no one company has even 5% market share. The opportunity is huge. It is a very large business, competitive pressures do not restrict growth so, I think it could be our fastest growing business. But with the monsoon expected to be good for the

next two years and GST likely to come in we are very optimistic about fast growth in almost all our businesses.

Nadir Godrej: And all the businesses will give Godrej Properties a good run for their money.

Rahul Shah: Yes, that was a good one sir, but sir, when you said, in the long run Godrej Properties would be the fastest growing what would be the longer run three years to five years or may be a little more than that?

Adi Godrej: Well it is very difficult to predict a long-term framework but again if you ask me a question and I have given you my view we cannot be absolutely sure about this thing.

Nadir Godrej: The organic growth rate may be lower in some of businesses but there is lot of inorganic potential.

Moderator: Thank you. Our next question is from the line of Anubhav Goel of Erevna Capital. Please go ahead.

Anubhav Goel: Had a couple of questions regarding Astec. So have we started supplying internally to the agri inputs division? And secondly, in context of the weak global agro environment how is the export side of the business looking for FY'17?

S. Varadaraj: So in terms of the molecule which Astec manufactures, the supplies of those molecules have started for Agrovat which in turn Agrovat has just started retailing and in terms of the exports we expect the exports to look up in Astec.

Anubhav Goel: So on volume terms would we have grown in FY'16 because sales were flat.

Adi Godrej: Volume and value growth are likely to be similar.

AnubhavGoel: Right. Sir, and we have talked about a new plant towards CSM so have we commissioned that?

Nadir Godrej: The new plant is ready but it still awaiting some approvals.

Anubhav Goel: So sir, in the next one quarter or two quarters?

Nadir Godrej: Yes, it should be start producing in the next quarter.

Moderator: Thank you. Our next question is from the line of Anand Agarwal of BlackRock. Please go ahead.

- Anand Agarwal:** Just one question, I wanted to know what the CAPEX would be in the Godrej Industries and Godrej Agrovet and also any additional investment that you will need to make in Astec and Creamline in FY'17?
- Adi Godrej:** We do not expect any major CAPEX in Godrej Industries' own businesses. In Godrej Agrovet, the CAPEX might be only if some acquisition opportunities arises otherwise we do not expect much CAPEX. In Creamline again, there could be expansion but that could be very easily financed from Creamline's own balance sheet there is no borrowing in Creamline and it is cash positive.
- Moderator:** Thank you. Our next question is from the line of Abhishek Anand of JM Financial. Please go ahead.
- Abhishek Anand:** Sir, just wanted to understand firstly, this exceptional item of Rs. 68 crore of profit that we have booked, this is with respect to which long-term investment sale?
- Adi Godrej:** These are shares we held which we had invested at a very low cost earlier in an international company which got listed and we have sold them in this quarter.
- Abhishek Anand:** Okay. Sir, secondly, sir I would like to understand the impact of Ind AS on our reporting so, as far as we understand the JV accounting close for a change so have we internally worked out, is there a material change in the accounting or you think that it is broadly on the similar line side, I think Tyson and Bangladesh will have to be separately accounted. Is my understanding correct sir?
- Adi Godrej:** Yes. There would be some changes but we do not expect it will be very substantial.
- Pirojsha Godrej:** For Godrej Properties there will be meaningful impact.
- Abhishek Anand:** Yes. But for rest Agrovet for Creamline, Astec they will also be reconsolidated?
- S. Varadaraj:** Astec and Creamline will be consolidated as you rightly pointed out our joint ventures ACI Godrej Agrovet and Godrej Tyson Foods on a line by line basis in terms of top-line, etc., will not get consolidated but at a PAT level in any which case it gets consolidated.
- Abhishek Anand:** And sir, finally, any additional investment we are looking for in Natures Basket in the couple of years?
- Adi Godrej:** Yes, Natures Basket will keep growing and there will see investments.

- Abhishek Anand:** Any rough ballpark number there?
- Adi Godrej:** No, that will depend on the plans subsequently revised plans.
- Moderator:** Thank you. Our next question is from the line of Sumit Rohra of Emerging Market Advisor. Please go ahead.
- Sumit Rohra:** Sir, I just have a couple of questions, one for Pirojsha, firstly many congratulations on the fact that we have done bookings in excess of Rs. +5,000 crore. Can you please share your thoughts on how do you basically see FY'17 shaping up in terms of launches and in terms of what you're looking at in terms of launching square foot in million and price in terms of booking value? And Pirojsha secondly, when do you actually think that our bookings which have been very strong in FY'15 and FY'16, we will actually translate into P&L when our ROEs and all will start moving to 15% - 20% so how much time gap, according to you still exists between our realization on P&L to booking value and the Godrej Agrovet I will come to later, so if you can please help me with that understand then?
- Pirojsha Godrej:** Yes, thanks Sumit, of course we do not give any guidance in terms of sales for future period but we have been growing quite quickly and the goal will be to maintain growth this year despite the fact that we have got a high base but I think there are a lot of opportunities from the launches we plan which are listed in the investor presentation on our website to continue to see very good momentum. Anything we sell within four quarter or five quarters typically should be entering the P&L so something like for example, The Trees which we have launched over the last few months, we are hoping to bring into the P&L either in the fourth quarter of this or Q1 of next year. So I do think that P&L is continuing to improve. Of course our revenue and net profit growth has been quite robust already in the past few years despite pretty weak market conditions but you are right it has not yet translated into satisfactory levels of ROE and that is for two reasons one is this large capital lock up in the commercial portfolio which is I said we hope to unlock over the next 12 months and also some of these higher margin projects like The Trees entering revenue recognition. So hopefully there will be a very vast improvement over the next couple of years and then we can continue to grow that better base.
- Sumit Rohra:** Sure. And I want to ask you one more thing in the commercial, so we have got about 3 lakh square in BKC left to sell still right?
- Pirojsha Godrej:** That is right and of course I can only speak up about what we have at the end of last quarter so that is 3 lakhs square feet left at that point so we think that is the value of at least the Rs 1000 crore.

Sumit Rohra: And we also have something of Chandigarh and the Grand Godrej Waterside also do we have that also left or that is done now because I cannot recollect.

Pirojsha Godrej: Yes, so all three projects are now pretty much complete from a construction perspective. From a sales perspective we have about a Rs. 1000 crore in BKC and about Rs. 400 crore or combined in the other two and BKC we also have significant remaining cash flows from existing sales so all in all we are pretty close to Rs. 2,000 crore net cash flows expected from new projects.

Sumit Rohra: And sir, now you know a question for Mr. Godrej, I wanted to understand if two factors which are right now probable which hopefully everyone hoping comes true one is GST and the other is the monsoon so, sir on Godrej Consumer and Godrej Agrovet if both of these are reality what do you think in your eyes could be growth rate for both of your companies?

Adi Godrej: The growth rate can be quite high. In the case of Agrovet the monsoon is very important, GST may not have much of an impact; however, in the Godrej Consumer products both the monsoon and the GST could be very positive. The monsoon would lead to much higher rural demand growth and the GST would lead to a much higher growth for all consumer products in the country. Prices of consumer products will come down, demand will increase, and GDP growth would increase dramatically. This would additionally create demand so once the GST comes in it will be very good for the Indian economy and particularly good for consumer products company.

Nadir Godrej: The monsoon will also have an impact on inflation and interest rates which could also do a very beneficial to the economy.

Sumit Rohra: So sir, is that safe to assume that at least 15% growth is likely follow if both these factors come true. I mean I am not asking for a number but just to get your sense.

Adi Godrej: It is difficult to predict exact growth rate the growth would certainly accelerate.

Sumit Rohra: Sure. And sir, just one last thing on the Godrej Agrovet, is there any thought process on the Godrej Agrovet IPO sir?

Adi Godrej: Well it is always a possibility but there is no immediate plan.

Moderator: Thank you. Our next question is from the line of Rajendra Mishra of IDFC. Please go ahead.

Rajendra Mishra: My question is respect to Godrej Properties. So just wanted to know, what kind of pre-sales momentum that we could expect going forward and what

kind of launch momentum that we could expect particularly wrt Godrej Properties.

Pirojsha Godrej: Yes, so as I mentioned, we have a publish launched guidance for the year in our Investor Presentation which is available on our website so we have something like 15 projects that we hope to launch this financial year that of course is dependent on regulatory approvals coming true in time so there is some downside to that but certainly that is the plan for now. In terms of actual booking numbers, of course it will depend on how these launches go and we do not issue any guidance on that front.

Rajendra Mishra: Okay. My second question is respect to this Real Estate Regulator Bill so, any thoughts on that and how is that going to impact our business once it goes through?

Pirojsha Godrej: Yes, I think the impact will be slightly different over the short-term versus the medium-term to long-term. I think in the short-term it could create some delays in launches and create a certain amount of uncertainty as this regulator actually get set up so I would expect a little of downside in the short-term for the industry as a whole as well as for ourselves but over the medium-term actually this would be quite beneficial for developers like us for the more establish and already following the vast majority of what is called for in the bill and I think it will reduce the number of very small players presence in the sector and I think it will be another force towards consolidation in the industry so, I do expect some long-term benefit but as I said the short-term it would create a little bit of delay.

Rajendra Mishra: Okay. And my last question is for the group level so I do not know whether it has been shared already but just wanted to know what is the capital allocation framework at the group level and how do we decide which businesses to back and which ones to take it forward so is there any thoughts to that?

Adi Godrej: See capital allocation is organized by each company because each company operates independently and obviously within a company capital is allocated to those areas where returns and good it is future strategic opportunities are the best.

Moderator: Thank you. Ladies and gentlemen, that was our last question. I now hand the floor back to the management for closing comments. Over to you, sir.

Adi Godrej: Thank you. I hope we have been able to answer your questions satisfactory. If you have any further questions or would like to know more about the company, we would be happy to be your persistent. Thank you once again for taking the time to join us on this call.

Moderator: Thank you members of management. Ladies and gentlemen, on behalf of Godrej Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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