

MESSAGE FROM THE **EXECUTIVE CHAIRMAN**



Pirojsha Godrej
Executive Chairman,
Godrej Properties

FY18 has been the best ever year for Godrej Properties on three very important operating parameters: sales, operating cash flows, and business development. Sales in FY18 grew by 152% to INR 5,083 crore, ensuring it was GPL's best ever year in terms of the value of real estate we sold. As a result, we have once again emerged as the largest publicly listed developer in India by sales value in FY18.

Dear Shareholders,

I am happy to report that FY18 has been a year of great progress at your company, both in terms of operational results and improvements to business standards. We continue to focus our energies on customer centricity, employee engagement, and building operational scale and efficiency.

As the quality of real estate projects in India has improved over the past decade, customer expectations have also evolved. Consumers want and expect more from leading developers, both in terms of design quality and service experience. At Godrej Properties, we know that our ability to drive customer value, in product and service, will be the most significant determinant of your company's success. For the first time, this year, we have introduced the customer Net Promoter Score (NPS), a customer rating of our performance, as a key component of every employee's goals and incentives. This reinforces a mindset that puts the customer at the center of every decision we make at Godrej Properties.

To deliver outstanding experiences for our customers, our employees must be engaged and empowered to deliver their best. For the most senior members of our team, who comprise the management committee of the business, we've introduced long-term incentives through which they can earn up to ten times their current in-year compensation if the organization generates shareholder value that far exceeds our industry peers. Similarly, for all employees, we've introduced incentive systems that disproportionately reward outstanding value creation. We continue to focus on diversity and inclusion initiatives to attract the best talent to Godrej, and ensure we foster a supportive environment for all. For example: Godrej partnered with the United Nations Human Rights Office to launch global standards for businesses to tackle discrimination against LGBTI people; we will work to ensure inclusivity is a cherished principle both at Godrej and the broader corporate community. We are also proactively building gender balanced teams, by performing a rigorous wage gap audit and creating programs that help new mothers transition smoothly back to work after maternity leave.

One important area of pride and motivation for our team at Godrej is our focus on corporate social responsibility. We've partnered with Pratham, a nonprofit organization, on a grant that will catalyze small scale entrepreneurship within the construction sector. Through the grant, we provide access to loans to small-scale contractors without adequate credit history allowing them to scale their operations and create new job opportunities in the process. This initiative was recognized by the Stanford Social Innovation Review in its article, "New Frontiers in Indian Corporate Social Responsibility." In a separate initiative, GPL has set up a waste management plant that converts horticultural waste to fuel briquettes in collaboration with the Municipal Corporation of Greater Mumbai. The plant will divert 50 tons of green waste from landfills per day (10% of Mumbai's total green waste). We are also proud of our integrated watershed management program, through which we have successfully transformed over 8,000 acres of barren drought-prone land in rural Maharashtra into year round crop yielding productive landscapes. With over a quarter million new trees planted, this program will deliver strong environmental benefits, in addition to the positive impact it will have on the livelihoods of thousands of people.

The safety and wellbeing of the construction workers who build our projects has been another area of focus. In addition to rigorous safety standards vetted by independent third parties, we have invested in several programs to improve health of construction workers through regular health check-ups,

trainings, and efforts to reduce dengue and malaria infections. We also collaborate with Mobile Creches, an organization that provides schooling and nutrition to the children of construction workers.

As a group, Godrej has always championed sustainable development, and I am happy to share that this year, your company was ranked 2nd in Asia & 6th globally by the Global Real Estate Sustainability Benchmark, widely recognized as the global standard for portfolio-level sustainability and governance reporting and benchmarking in the real estate sector. I am also happy to note that Godrej Garden City had the distinction of receiving Platinum certification by the Indian Green Building Council (IGBC) under its Green Residential Society rating. With this achievement, Godrej Garden City becomes the largest township in India to be IGBC Green Residential Society Platinum certified.

Another new initiative we launched during the year was the Godrej Public Art Initiative, through which we will partner with leading contemporary Indian and international artists to bring public art to our projects across India. Our first partners are Subodh Gupta and Manish Nai, both of whom are amongst India's brightest artistic talents. We have already installed large-scale works by these artists at Godrej BKC, a LEED Platinum commercial office building at Bandra Kurla Complex in Mumbai. Aside from incorporating public art into our own developments, Godrej Properties is also supporting public art in locations across India. As a first step, Godrej Properties is



Manish Nai - Godrej BKC, Mumbai



Subodh Gupta - Godrej BKC, Mumbai



Beed Watershed Development - Beginning of Project - March 2016

proud to be a sponsor of the Madhavendra Sculpture Palace at Nahargarh Fort, one of India's first sculpture parks located within an iconic fort in Jaipur.

Last year, we had a leadership transition with my colleague, Mohit, taking over as CEO of Godrej Properties. This transition has been seamless, and Mohit, along with his extremely capable management team, has delivered a record year. At the start of the last financial year, we set two primary financial targets that we hoped to deliver within five years. These were, first, to establish ourselves as consistently among the top three developers by value of real estate sold in each of the four largest real estate markets in the country – Mumbai, Bangalore, NCR, and Pune – and, second, to double our return on equity to 20%. I am happy to report that we have made strong progress on these targets. Your company has already achieved a position among the top three developers in each of the four largest markets in FY18, with a leadership position in NCR, a number two position in Mumbai and Pune, and a number three position in Bangalore. We sold more than 1.25 million sq. ft. with a booking value of over INR 800 crore in each of our four focus markets, becoming the first developer in India to achieve this scale across multiple geographies. A combination of robust sales, significant new business development, and improved operating cash flows ensured that FY18 was a substantial first step towards delivering on our 20% ROE goal.



Beed Watershed Development - September 2017

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Sales from existing inventory have been particularly exciting: our performance more than doubled, to INR 2,780 crore. That allowed a greater percentage of cash collection from each sale, which in turn led to our best ever collections performance of nearly INR 4,000 crore, an increase of 54% over FY17. As a result, we have generated INR 1,868 crore of net operating cash flow in FY18, which allowed us to reduce debt by INR 653 crore while continuing to rapidly grow the company's development portfolio.

In FY18, we added more new projects than in any previous year. GPL added 12 new projects with a total saleable area of 23.5 million sq. ft. More than 80% of the area added in FY18 is in partnership with other real estate developers, and all of these projects are in the four largest real estate markets in India.

The Indian real estate sector has undergone a lot of disruption, starting with demonetization in 2016, and continuing with the Real Estate Regulatory Act (RERA), and GST being introduced in the last financial year. These measures are helping to drive consolidation in the sector. A weak property market and increasing customer preference for stronger developers has created an unprecedented business development opportunity for developers with strong customer franchises and development capabilities. GPL is well placed to capitalize on these opportunities in the business development space. To ensure we have the financial resources we need to pursue rapid growth in the coming years, your company successfully raised INR 1,000 crore of equity capital in June 2018 from a leading global investor.

Your company has a tremendous opportunity. India is likely to be the fastest growing major economy in the world over the next two decades. Within India, the real estate sector is likely

to be one of the fastest growing major sectors. And within the real estate sector, given our brand, our national presence, and our strong team and capabilities, we are as well placed as any other company to capture this opportunity.

Our team at Godrej Properties is an exceptional group of talented individuals and I am grateful to them for their tremendous efforts and outstanding results. We would like to thank our customers, joint venture partners, and business associates for their support. Finally, thanks to you, our shareholders, for your continued belief in Godrej Properties.

Best Wishes,

Pirojsha Godrej

Executive Chairman

Godrej Properties