

MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL ECONOMY

According to The World Economic Outlook (WEO) update around 120 economies, accounting for three quarters of world GDP, saw a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010. Global output is estimated to have grown by 3.7 percent in 2017. The International Monetary Fund has raised its growth forecasts for 2018 to 3.9%, expecting the global economy to continue to recover on the back of buoyant trade and investment.

Among advanced economies, the U.S. growth forecast has been raised from 2.3% to 2.7% in 2018. The U.S. tax policy changes are expected to stimulate activity, with the short-term impact in the United States mostly driven by the investment response to the corporate income tax cuts. Growth rates for many of the euro area economies have been marked up, especially for Germany, Italy, and the Netherlands, reflecting the stronger momentum in domestic demand and higher external demand.

Asia continues to be the main engine of the world's economy, accounting for more than 60% of global growth—three-quarters of it coming China and India alone, per IMF's Regional Economic Outlook: Asia and Pacific (REO). Asia is expected to grow at 5.6% in 2018-19, supported by strong global demand, as well as accommodative policies and financial conditions. According to The International Monetary Fund (IMF), India is projected to grow at 7.4% of its gross domestic product (GDP) in 2018 as against China's 6.6%, making it the fastest growing economy among emerging economies.



Artist's impression. Not an actual site photograph.

INDIAN ECONOMY

After facing several headwinds over the previous year, Indian economy is now back on track. The CSO, reported a GDP growth of 7.7% in the 4th quarter of 2017-18 - the fastest pace in seven quarters. The economy grew at the highest rate since the 2nd quarter of FY17, ahead of the demonetization in November 2016. The turnaround in the economy was led by robust agriculture (4.5%) and manufacturing growth (9.1%) as well as double-digit growth in construction activities (11.5%) in the 4th quarter. Gross fixed capital formation, a proxy for investment demand in the economy, expanded at a double-digit pace (14.4%) after a gap of seven quarters, signaling a revival in investment activities. GDP growth for the year ended 31st March stood at 6.7%, a tad higher than previously estimated by the Central Statistics Office. While high oil prices may pose a risk to economic recovery and the inflation outlook, forecast of a normal monsoon by India's weather office is expected to mitigate farm distress and boost rural demand this year. The World Bank in its India Economic Update expects economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20.

The rollout of the GST was a landmark accomplishment despite the initial glitches and will enhance efficiency, create a common national market, and improve tax buoyancy. India is steadily moving towards greater formalization of the informal

economy. According to the Deloitte Voice of Asia report, revival in rural demand and increased infrastructure spending are key economic drivers that are likely to drive the economy's growth in the current year in spite of obstacles like rising debt and the recent trade protectionism. After a year of disruptions and growth slowdown, the Indian economy is consolidating the gains from the recent reforms and is moving in the right direction. With a steady increase in FDI inflows and pickup in growth, 2018 is expected to be a period of strong growth for India.

REAL ESTATE SECTOR

According to a report by CREDAI and JLL India, the Indian real estate sector is projected to reach a market size of \$180 billion by 2020, a sharp rise from \$126 billion in 2015. The housing sector's contribution to the Indian GDP is expected to almost double to more than 11% by 2020 up from an estimated 5-6% today. A 2014 study by the National Council of Applied Economic Research indicates that every additional rupee of capital invested in the housing sector adds INR 1.54 to the gross domestic product (GDP) and every INR 1 lakh invested in residential housing creates 2.69 new jobs in the economy. Regulatory reforms, steady demand generated through rapid urbanization, rising household income and the emergence of affordable housing and nuclear housing are expected to be key drivers of growth for the real estate sector.

According to a CLSA report, there is currently no listed developer achieving sales of US\$1bn per annum in India's US\$100bn+ residential market. Fragmentation is high, not just at a national level, but at a city level too. However disruption-with demonetization in 2016 and the Real Estate Regulatory Act (RERA) reform in 2017 has triggered accelerated consolidation. Customer preferences also have shifted towards better quality and branded developments. Access to cheaper capital has gained importance as working capital requirements rise. The organized sector should be able to more than double its market share of the residential property market, to nearly 20% over the next five to seven years.

The CLSA report further compares the Indian and the Chinese real estate market. The top 10 Chinese developers accounted for 22% of residential property sales in 2016, double the level of 11% in 2008. The top developers have steadily utilized their balance-sheet advantages and delivery capabilities to scale-up. In 2016, the top-three Chinese developers together sold US\$150bn of properties, accounting for 11% of the market share. As delivery capabilities and balance sheets start to matter more in India, it expects a similar consolidation to unfold in India as well.

The Indian residential real estate sector is at the cusp of a gradual demand revival, aided by affordability at a 15-year high, and new buyer-friendly regulations that have increased the confidence of property buyers. Improvement in the current subdued job creation/income growth outlook could lead to even faster growth. Developers with a scalable business model are better placed to grow market share in a regulatory environment that demands greater accountability and transparency from developers.

RESIDENTIAL REAL ESTATE MARKET

According to property research firm Knight Frank, the Indian residential market breached new lows in terms of supply and sales in CY18. Clocking the largest percentage drop in supply volumes during this decade, the annual supply levels in the Indian real estate residential market in 2017 stood at one fourth of those in 2015. The NCR was the most affected market with its annual supply volume at just 7% of its decadal high. Total sales volume in the top eight cities dropped by 7% in CY2017 to 0.23 million units.

Godrej Vihaa, Badlpaur



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During the last four years, the growth in residential prices in most of the top eight cities of India has been below retail inflation growth and the gap has progressively increased since H1 2016. This has significantly improved home affordability and average ticket sizes of housing units in most cities are now inching closer to or are below the Knight Frank Affordability Benchmark of 4.5 times the annual household income of the city. Improved affordability will drive the impending housing market's recovery. Affordability is at its best level in 15 years, through a combination of weak property prices, decade-low mortgage rates and steady income increases. Incrementally, support has come from the government in the form of affordable housing, tax incentives and credit-linked subsidies on home loans.

Mumbai

Maharashtra notified The Real Estate (Regulation and Development) Act, 2016 in a timely manner and subsequently implemented it statewide in May 2017. The residential sales in the Mumbai Metropolitan Region increased by 3% and stood at 62,256 units in CY2017 compared to CY2016. In the post RERA era, developers are concentrating their resources and efforts towards completing existing projects and as a result the number of new launches were subdued. The launches across MMR in CY2017 decreased by 32% YoY and stood at 23,253 units and were down 83% from the peaks of 2010.

Bangalore

From a peak of 57,366 units sold in CY2013, the sales volume declined by 40% to 34,546 units at the end of CY2017. Whilst Bangalore started witnessing a declining trend of new launches since CY2014, new launches stood at 22,410 units in CY2017 registering a decrease of 71% from the peak witnessed in CY2013 and 41% compared to CY2016. The stress in the market is also captured in the age of unsold inventory, which

progressively increased from 7.5 quarters in 2014 to 13 quarters in 2017. However green shoots of recovery are visible as the unsold inventory declined by 10% YoY in H2 2017.

NCR

New launches in NCR have been on a constant decline since its peak in 2010 and fell further in CY2017. Piling up inventory, lack of consumer confidence due to litigations and infrastructure delays and policy initiatives such as RERA and GST are some of the major factors that have adversely affected market dynamics and have taken the steam out of new project launches in the region. NCR saw approximately 11,726 units launched in CY2017 compared to 26,734 units in CY2016 resulting in a decline of 56%. On a yearly comparison, approximately 37,653 units were sold in NCR in CY2017, registering a drop of 6% over the 2016 sales numbers. Sales in the second half of CY2017 stood at 20,465 units compared to 16,913 units in H2 CY2016 registering a YoY increase of 21%.

Pune

Against the backdrop of stringent RERA regulations and subdued demand conditions in H2 CY2017, developers focused their efforts on completing ongoing projects rather than launching new ones. This led to a severe contraction in the Pune residential market, where launches decreased by 77% from the peak launch volume of 56,000 units recorded in CY2012. The number of new launches decreased by 37% and stood at 12,705 units in CY2017 compared to CY2016. The annual sales increased by 5% increase and stood at 33,966 units in CY2017 on account of a better start in the first half.

OFFICE MARKET

According to a report by Knight Frank, the Indian office space market has been plagued by a lack of availability of quality office space while demand has remained steady. This slide in office space development was arrested in 2017 with supply growing by 7% in annual terms. The overall transactions stood at 41.7 million sq. ft. which continue to substantially exceed supply and has pulled down the vacancy levels to a decadal low of 11.6% from 13.5% a year ago. The lack of fresh office space is most visible in the IT/ITeS sector dominated markets of Bengaluru, Pune and Hyderabad that currently have single digit vacancy levels at 3%, 6% and 5% respectively while Chennai stands at 10%. Rental growth was strong across markets with the exception of Mumbai which experienced flat growth due to increasing supply and vacancy levels. Hyderabad and Bengaluru experienced the strongest rental growth at 8.5% and 9.2% YoY respectively.

The affordable housing segment is expected to continue to drive the real estate sector in 2018 with several developers and institutional funds eyeing opportunities in this space. The end-user demand in this segment along with the government's thrust through incentives such as granting infrastructure status is ensuring a rising appetite for such projects across the country.

REFORMS

RERA Implementation

RERA was passed to ensure accountability, infuse transparency and bring uniformity in real estate practices. According to a report by property consultancy firm Knight Frank, only Maharashtra, Madhya Pradesh and Punjab have established a permanent Real Estate Regulatory Authority, and 19 states and Union Territories (UTs) have a functional portal in place. MahaRERA's proactive implementation of RERA stands out and of the total 25,000 projects registered under RERA across India, 62% are in Maharashtra alone. Maharashtra is the only state with detailed project level pages providing relevant information such as number of units along with carpet area, revised dates of project completion, building wise break up of configurations along with available and sold units, copies of sanctioned building plans, amongst others. While other state RERA websites do allow basic search, project level details are still not available in many states. Though things are falling into place, the pace of creating physical infrastructure like setting up regulator's offices and hiring officials can be quickened. All states need to invest heavily to create technically superior and information-rich portals, which will serve as a primary source of real estate information to all stakeholders.

Goods and Services Tax (GST)

The Goods and Services Tax (GST), a crucial indirect tax reform was implemented on 1st July, 2017. The new tax structure subsumes various indirect taxes such as excise duty, service tax and value added tax (VAT) which were levied by the central and state government. The GST aims to create a

uniform market and eliminate multiple levels of taxation. This is expected to pave the way for higher transparency on the back of a streamlined structure.

The GST is expected to bring the unorganized sector under the ambit of taxation which will help to increase the tax base and provide a level playing field for organized developers.

Incentives for mid income/affordable housing

In a major decision to boost affordable housing the government has increased the carpet area of houses eligible for interest subsidy under the Credit Linked Subsidy Scheme (CLSS) for the middle-income group (MIG) under Pradhan Mantri Awas Yojana (Urban). According to the revised norms, the ministry of housing & urban affairs has enhanced the carpet area of houses eligible for subsidy under CLSS to 160 square meter for MIG-I and 200 square meter for MIG-II. The clause is applicable from Jan 1 2017. Government provides 3-4% interest subsidy (up to INR 2,35,000) for homes qualifying under PMAY scheme CLSS scheme. Under MIG-I, 4 percent interest subsidy is available on loan up to INR 9 lakh for people with an annual income between INR 0.6-1.2 million, while 3 per cent interest subsidy is given on loan up to INR 1.2 million to people with income between INR 1.2-1.8 million per annum. As of June 11, an amount of INR 7.36 billion has been disbursed to 35,204 beneficiaries belonging to the MIG category. The Union Budget has also proposed to set up dedicated affordable housing fund in the National Housing Bank funded from priority sector lending shortfall and fully serviced bonds authorized by the government of India. The affordable housing segment is expected to continue to drive the real estate sector in 2018 with several developers and institutional funds eyeing opportunities in this space. The end-user demand in this segment along with the government's thrust through incentives such as granting infrastructure status is ensuring a rising appetite for such projects across the country.

REITs

While the initial rules for formation of Indian Real Estate Investment Trusts (REITs) were formulated over 3 years ago, India is yet to see its first REIT listing owing to a number of procedural delays on the regulation and taxation front. However, with most of these issues now being sorted out, India may see its first REIT listing in CY18. Given the expanding universe of Grade A office properties in Indian cities as well as rising rentals across their micro-markets, REITs offer an attractive way for investors to trade in prime commercial real estate. REITs are effectively going to increase the available growth capital for developers. Cushman and Wakefield estimates Indian commercial real estate (like office, retail assets) offers investment opportunities for REITs worth \$43 billion – \$54 billion across top cities.



Artist's impression. Not an actual site photograph.

THREATS & CHALLENGES

Regulatory Hurdles

Unfavourable changes in government policies and the regulatory environment can adversely impact the performance of the sector. There are substantial procedural delays with regards to land acquisition, land use, project launches and construction approvals. Retrospective policy changes and regulatory bottlenecks may impact profitability and affect the attractiveness of the sector and companies operating within the sector.

Dumping ground

In March 16, the Mumbai High Court restricted Municipal Corporation of Mumbai (BMC) from approving new construction of residential and commercial space in Mumbai

due to failure to adhere to solid waste management rules. Mumbai had only three solid waste dumping grounds in the suburbs of Deonar, Mulund and Kanjurmarg and more than 50% of the solid waste was not processed before disposal. The High Court had also banned sale of new units in redevelopment projects thereby impacting 400+ redevelopment projects as per National Real Estate Development Council. After two years, the Supreme Court lifted the stay on the construction of new buildings in Greater Mumbai for six months on the condition that the debris will be deposited at a specific site approved by BMC. The Maharashtra Chamber of Housing Industry has identified 10 dumping sites in and around Greater Mumbai for solid waste disposal – Ulwe Node, Vahal node, JNPT SEZ, Pushpak Node in Navi Mumbai; Aarey Picnic Point and Aarey Colony in Mumbai; Village Kalher, Bhivandi; Village Bambavle, Raigad; MIDC Land, Mhape and MIDC Land, Ambernath.

Shortage of Manpower & Technology

Despite being the second largest employer in the country, the construction sector as a whole faces manpower shortages. Further the sector is heavily dependent on manual labor which increases the timelines for construction companies and results in supply getting deferred. There is a need to promote new mass housing construction technologies such as prefabricated, pre-engineered buildings (PEBs), modular homes and tunnel formwork technologies to name a few. Active R&D in modern technology space must be promoted.

ABOUT GODREJ PROPERTIES LIMITED

Godrej Properties Limited (GPL) is the real estate development arm of the Godrej Group, which was started in 1897 and is today one of India's most successful conglomerates. Godrej Properties brings the Godrej Group philosophy of innovation, sustainability, and excellence to the real estate industry. Each Godrej Properties development combines a 121 year legacy of excellence and trust with a commitment to cutting-

edge design and technology. Godrej Properties is currently developing residential, commercial and township projects spread across more than ~150 million sq. ft. in 12 cities.

Throughout its operations, GPL aims to deliver superior value to all stakeholders through extraordinary and imaginative spaces created out of deep customer focus and insight. GPL has always embraced the notion that collaboration is the essence of excellence. To that end, we have worked with the best designers, architects and contractors within India and around the globe to deliver imaginative and sustainable spaces. By bringing together the best talent in the global real estate sector, GPL works to create developments that will last into the future and foresee the needs of each and every resident.

a. Leveraging the Godrej brand

We believe that the 'Godrej' brand is instantly recognizable across India due to its long standing presence in the Indian market, the diversified businesses in which the Godrej Group



Godrej One, Vikhroli

Actual image

For the first time, we have emerged as amongst the top three developers by value of real estate sold in each of our four focus markets of Mumbai, NCR, Bangalore, and Pune. In FY18, we were the largest developer in NCR, the second largest developer in Mumbai and Pune, and the third largest developer in Bangalore by value of real estate sold.

operates and the trust it has developed over the course of its operating history. We believe that the strength of the 'Godrej' brand and its association with trust, quality and reliability help us in many aspects of our business.

These include entering into joint development agreements, expanding to new cities and markets and formulating business associations. The brand has also helped us build deeper relationships with our customers, service providers, process partners, investors and lenders all of which has led to us acquiring a strong position within the sector. In addition, GPL's association with the Godrej Group provides accessibility to several land parcels owned by Godrej Group companies enhancing the scope of our development portfolio significantly.

b. Sales Momentum

Your Company posted its best ever sales performance in FY18 in terms of the value and volume of real estate we have been able to sell. For the first time in its history, GPL has delivered sales of more than INR 1,000 crore in each of the four quarters of the financial year. Also, for the first time, we have emerged as amongst the top three developers by value of real estate sold in each of our four focus markets of Mumbai, NCR, Bangalore, and Pune. In FY18, we were the largest developer in NCR, the second largest developer in Mumbai and Pune, and the third largest developer in Bangalore by value of real estate sold. GPL sold more than 1.25 million sq. ft. with a booking value of over INR 800 crore in each of the four focus markets viz. Mumbai, NCR, Bangalore and Pune. This has

largely been possible by combining our traditional strength in new launches with a strong improvement in sales from existing inventory, which stood at INR 2,780 crore in FY18. The total value of bookings in FY18 stood at INR 5,083 crore, which represents a 152% year-on-year increase. As a result, GPL has emerged as the largest publicly listed developer in India by sales value in FY18. We are especially pleased with this sales performance given that sales for the industry as a whole have declined during the financial year.

Mumbai

Godrej Origins at 'The Trees' in Vikhroli witnessed sales of 130 apartments within the first week of launch. The total sales at 'The Trees' stood at 315,548 sq. ft. with a booking value of INR 651 crore in FY18. Godrej Emerald, Thane which was launched in FY17 witnessed strong sales from existing inventory, and the total sales stood at 427,882 sq. ft. with a booking value of INR 386 crore. In addition to this we launched Godrej Tranquil at Kandivali within a month of adding the project to our portfolio. The project witnessed sales of INR 185 crore in the launch quarter. Total sales in Mumbai stood at ~1.51 million sq. ft. with a booking value of INR 2,347 crore.

NCR

GPL continued to build on its momentum in the NCR market which has been weak for the last several years. After having done well in Gurgaon, we successfully entered the Noida market last year. The Suites at Godrej Golf Links in Greater Noida received a tremendous response with 500 apartments being sold within the first month of its launch. Godrej Nest, our second project in Noida witnessed sales of well over 200 apartments with a booking value of 195 crore in the launch quarter. Our cumulative sales in the Noida market have crossed 1 million sq. ft. with a booking value in excess of INR 670 crore in FY18. Your Company launched Godrej Nature+ in Gurgaon within nine months of adding the project to our portfolio. We sold more than 250 apartments with a booking value of close to INR 244 crore in the launch month. Total sales in NCR stood at ~1.58 million sq. ft. with a booking value of INR 906 crore.

Bangalore

At Godrej Air in Bangalore, we sold more than 600,000 sq. ft. with a booking value of INR 401 crore making it our best ever launch in the Bangalore market. Godrej Eternity also witnessed strong traction and the total sales stood at ~325,000 sq. ft.

FY18 has also been the best ever year for business development in the history of GPL in terms of the number of new projects added. GPL added 12 new projects with 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 the projects added are in the four largest real estate markets in India.

with a booking value of INR 169 crore. Total sales in Bangalore stood at ~1.26 million sq. ft. with a booking value of INR 811 crore

Pune

Godrej 24 in Pune saw sales of over 450 apartments with an area in excess of 500,000 sq. ft. during the launch weekend. The total sales stood at 791,289 million sq. ft. with a booking value of INR 469 crore. Godrej Infinity witnessed strong traction in sales from existing inventory and total sales stood at ~313,000 sq. ft. with a booking value of INR 175 crore. Total sales in Pune stood at ~1.47 million sq. ft. with a booking value of INR 811 crore.

c. Monetizing the commercial portfolio

GPL entered into a deal with Godrej Fund Management (GFM) for a 50% stake in Godrej Two, a commercial building at The Trees, Vikhroli. Godrej Two is located within our flagship mixed-use project, 'The Trees'. The commercial precinct also houses Godrej One, the Godrej Group's global headquarters, a delivered asset that is a clear demonstration of the GPL's commitment to product design and quality being central to Vikhroli's development. Godrej Two has achieved LEED-Platinum pre-certification, the highest global rating for sustainable design and will offer approximately 1.2 million square feet of built space.

Godrej BKC registered sales of 199,140 sq. ft. with a booking value of INR 697 crore in FY18. We now have only ~51,000 sq. ft. of remaining inventory in the project. We also remain strongly focused on monetizing the balance inventory in our other two commercial projects at Chandigarh and Kolkata though the market conditions in these two cities are haven't been very conducive which has been the main reason for subdued sales in both these projects.

d. Business development

FY18 has also been the best ever year for business development in the history of GPL in terms of the number of new projects added. GPL added 12 new projects with 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 the projects added are in the four largest real estate markets in India. The Indian real estate sector has undergone a lot of disruptions in the recent past viz. demonetization, RERA implementation and goods and services tax (GST). This has led to consolidation in the sector with several small developers either monetizing their land parcels on outright basis or entering into joint development or development management agreements. With rapid consolidation underway in the sector, which will only accelerate going forward we believe there is a huge opportunity for GPL to further build on the business development momentum. Below is the list of deals signed by GPL in FY18.

Particulars	Saleable Area (million sq. ft.)
Godrej Nature +, Gurgaon	1.7
Sector 85, New Gurgaon	1.05
Magadi Road, Bangalore	0.6
Godrej Meridien, Gurgaon	1.5
Godrej Alive, Mumbai	2.1
Sarjapur 3, Bangalore	4.7
Devanhalli 2, Bangalore	1.34
Mamurdi, Pune	4.5
Devanhalli 3, Bangalore	2.15
Electronic City, Bangalore	1.4
Noida Expressway, NCR	1.7
Sector 3, Gurgaon	0.75

e. Customer Centricity

GPL's endeavor is to be recognized as the most customer-centric real estate organization in the country. To ensure a consistent and positive customer experience across all our



projects, GPL has focused on three important aspects:

- Standard Operating Processes (SOPs)
- Empowered team
- Use of technology

Standard Operating Processes (SOPs) for all critical processes have been documented. Regular & focused training is imparted to ensure that the SOPs are adhered to. Customer Centricity (CC) has also been focusing on people with capability development through Customer Experience Lab, on the job training through certifications and various role based e-modules for skill development.

GPL recognizes the importance of engaging with customers considering the long gestation period from sales to handover. GPL has taken its big first step into making Net Promoter Score (NPS) as a single measure of its customer experience & advocacy. Net Promoter Score is now the worldwide standard for organizations to measure, understand and improve their customer experience. The frame work for the NPS process implementation is now in place and Baseline NPS and Brand NPS will be tracked closely in order to consistently improve our customer experiences.

During FY18 we delivered ~3 million sq. ft. across 4 cities. The table on the next page gives details of these projects:

Particulars	Saleable Area (million sq. ft.)
Godrej Summit, Gurgaon	1.86
Godrej Frontier, Gurgaon	0.42
Godrej Prakriti, Kolkata	0.4
Godrej Platinum, Mumbai	0.15
Godrej Gold County, Bangalore	0.08

f. Global recognition for sustainability initiatives

GPL was ranked 2nd in Asia & 6th globally by GRESB (Global Real Estate Sustainability Benchmark) - An industry-driven organization which assesses Environmental, Social and Governance (ESG) performance of real estate assets globally. GRESB is committed to rigorous and independent evaluation of the sustainability performance of real assets across the globe. GRESB data is used by more than 200 institutional investors, listed property companies and fund managers and is backed by all leading international real estate associations and industry bodies. It provides investors the tools to benchmark their investments against each other based on property type, country and regional peer groups. GRESB is widely recognized

as the global standard for portfolio-level ESG reporting and benchmarking in the real asset sector.

g. Sustainable development

At Godrej Properties, we have made sustained efforts to integrate sustainability as a part of our business strategy allowing us to address the risks that might arise due to climate change, depletion of resources and increasing pressures on land for development. To demonstrate commitment to sustainable practices, the Godrej Industries Limited & Associated Companies (GILAC) initiated the 'Godrej Good & Green' program to achieve specified environmental targets by the year 2020. Under the ambit of this initiative, at GPL we have committed ourselves to the triple bottom line approach of People, Planet & Profit. We follow a comprehensive approach to sustainable development from an early design phase through the construction period. In our integrated process, the way we design our developments takes on key importance. Utilizing tools such as energy modeling allows us to reduce energy consumption in buildings which in turn reduces their operational carbon footprint. Our focus on sustainable development covers environmental parameters including site selection and planning, pedestrian friendly developments,

Godrej Garden City, Ahmedabad



Actual image

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indoor environmental quality, maximizing day lighting and natural ventilation, water and energy efficiency and responsible material sourcing. We integrate the concept of sustainable development across our operations.

Sustainability is one of the key principles that underscores our design led approach and is a part of the GPL Design Studio's mandate. This has allowed us to leverage sustainable design as an innovation mechanism and has proved useful for us to action our goal that all of our buildings should be certified green under credible external ratings systems such as the Indian Green Building Council (IGBC), Leadership in Energy and Environmental Design (LEED) etc. We look at sustainability at a larger organizational level. As a part of the Godrej group, we are one of the founding members of the IGBC, which is actively involved in promoting green building concepts in India.

Additionally as part of IFC's eco-cities program which is supported by the European Union, we are one of the five founding members of the Sustainable Housing Leadership Consortium (SHLC). The SHLC is a voluntary, collaborative effort with leading Indian housing sector companies to drive sustainability in India's housing market. Brought together by the International Finance Corporation (IFC), a member of the World Bank Group, the SHLC's mandate is to promote sustainable urban development. It makes relentless efforts for providing leadership and advocacy for industry and government policy actions in order to make 20 per cent of India's new housing construction sustainable by 2022.

The founding members had aimed for 100 per cent sustainable housing portfolio by 2017 through appropriate green building certifications as well as a 20 per cent reduction in incremental variable cost for sustainable building. We at GPL, are fully certified under IGBC Green Homes for housing and LEED India Core & Shell rating System for commercial projects since 2014.

The focus areas of the consortium include:

- Policy development
- Inclusion for green housing
- Technology availability
- Skill development and improvement in construction workforce
- Consumer awareness regarding benefits of green housing

As part of our sustainability practices, we monitor sustainability across all domains of our business in line with the parameters of the Global Reporting Initiative Generation 4 (GRI G4) guidelines. We undertake Sustainability reporting as per GRI G4 Core for internal purposes. The Global Reporting Initiative (GRI) is a comprehensive framework for product responsibility and ensuring triple bottom line sustainability for business. It is a non-financial disclosure of performance indicators that cover social, environmental & economic aspects. This assessment has ensured a continuous integration of sustainable practices across operations at GPL. We have base-lined our consumption patterns in 2014-15 and are now able to monitor and assess efficiency in operational practices, processes, technologies and materials and understand our environmental footprint. We have initiated cross functional learning's and best practices as well as mitigation and offset projects to reduce our environmental footprint that will in turn help us fulfil our Good & Green 2020 vision.

h. Health and safety management system

We give high priority to the health and safety of our employees. An effective way of ensuring this is building a safety culture, where safety is the responsibility of each and every employee. The company has a robust health and safety management system which has comprehensive safety checks at each step of the project starting from the contractor pre-qualification stage. We have a dedicated safety team at each site which is entrusted with the responsibility of promoting safety among all employees. This team undertakes numerous awareness and training programs besides creating and executing a monthly safety activity plan for each site. The safety committee at sites are composed of management and worker representatives and the average ratio is about 50%, as per statutory requirement.

Contract health and safety management system

This proactive system starts well before awarding the contract with safety assessment of prospective contractors through the pre-qualification (PQ) process, assessment of business risk and initiating required mitigation plan based on the PQ score of the contractor. Also, in the pre-qualification stage we give preference to contractors who are OHSAS 18001 (Occupational Health and Safety Assessment Series) certified.

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. We believe GPL is well placed to capitalize on these opportunities in the business development space.

The contractor who is brought on board is briefed in a joint safety kick-off meeting and the subsequent mobilization phase is guided and audited by a safety and health infra tracker. The contractor signs a legal undertaking while rolling out the site health and safety plan. This also provides guidelines to the contractors for undertaking work at the site.

Hazard Identification and Risk Assessment (HIRA)

A cross functional Hazard Identification and Risk Assessment (HIRA) team is formed at each site before the commencement of work. While the primary responsibility of this team is to conduct a detailed HIRA exercise, it also gives training on HIRA to the workers.

Health Surveillance Program

As part of our health surveillance program, a pre-employment medical examination is conducted for workers being employed at our project sites. Personnel who operate machinery or drive vehicles undergo thorough medical examination at the time of being employed as well as at regular intervals of time.

Training and Awareness Campaign

We believe that skill enhancement, capability building and awareness are the strongest pillars of our safety and health management system. Thus, we give special impetus to awareness programs, skill training sessions, motivational campaigns and health camps. In the reporting year we conducted more than 7,800 safety training sessions with close to 177,000 attendees. Events like National Safety Day,

World Environment Day, Road Safety Week and Fire Service Day are celebrated across our sites as they provide important platforms to create awareness about health and safety.

Safety Audit

Safety auditing is a periodic review of the entire occupational health and safety management system, including the policy and programs aimed to prevent workplace accidents/incidents. We conduct a safety audit on a quarterly basis. The analysis of safety audit gives us scope for further improvement in health and safety management system.

i. Human Capital

As part of the 121 year old Godrej Group, we are fortunate to have a proud legacy built on the strong values of trust, integrity and respect for others. At the same time, our exciting and ambitious growth plans allow us to offer unparalleled career opportunities relatively early on in a person's career. Core to our employer brand, is the philosophy of tough love. We expect the best from our employees, differentiate on the basis of performance and potential through career opportunities and rewards and lay particular emphasis on developing, mentoring and training. In line with our operational scale-up we have increased our total employee strength from 1,004 to 1,174 employees over the year.

At GPL, we recognize and value the diversity of our people, their perspectives and experiences. Women comprise 27% of our total workforce which is one of the highest women participation rates in the real estate sector. Our women leaders succeed in roles across all aspects of our operations. Their contributions have been instrumental in GPL reaching its current position of strength. We are fully committed to sustain our efforts to recruit, retain, and grow our women leaders. We strive to ensure women friendly policies, facilities, and development opportunities to nurture talent and create an enabling work environment. Inclusivity is a central tenet of our culture and organizational value system. We look forward to make GPL a truly inspiring workplace with our consistent focus on diversity and inclusion.

THREATS, RISKS AND CONCERNS

1. Industry Cyclicity

The real estate market is inherently a cyclical market and is affected by macroeconomic conditions, changes in applicable governmental schemes, changes in supply and demand for projects, availability of consumer financing and illiquidity. Your Company has attempted to hedge against the inherent risks through a business model comprising joint ventures, residential



The Trees, Vikhroli

Artist's impression. Not an actual site photograph.

platforms, and development management through a pan-India presence. However, any future significant downturn in the industry and the overall investment climate may adversely impact business.

2. Statutory Approvals

The real estate sector in India is heavily regulated by the central, state and local governments. Real estate developers are required to comply with a number of laws and regulations, including policies and procedures established and implemented by local authorities in relation to land acquisition, transfer of property, registration and use of land. These laws often vary from state to state. Several of your Company's projects are in preliminary stages of planning and any delay in obtaining approvals could warrant revised scheduling of project timelines.

OUTLOOK

The Indian real estate sector is on the cusp of a major transformation. India's fragmented property sector is witnessing a major change as far-reaching reforms like the

introduction of GST and The Real Estate (Regulation and Development) Act, 2016 (RERA) drive consolidation. These changes combined with the most affordable house prices in decades should lead to an improvement in sentiment which is extremely important for the revival of the sector. High-quality developers, with a greater focus on the residential market, will benefit disproportionately from this cyclical upturn. With growing transparency and improving policies, the country's real estate sector is expected to become more institutionalized and we expect 2018 to be a year of consolidation and recovery for the property 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. We believe GPL is well placed to capitalize on these opportunities in the business development space. We strongly believe our focus on building presence in high return markets with a deep focus on execution across our project portfolio puts us in a strong position to benefit from a robust recovery in the sector and improve market share in the years ahead.