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Godrej Properties, the property development arm of Godrej Group, on Thursday launched its 35-acre flagship project in Vikhroli in Mumbai, which houses its headquarters and other group companies. Managing director Pirojsha Godrej discusses the company's plans and overall real estate scenario with Raghavendra Kamath. Edited excerpts:

CRISIL recently said the top 25 property developers are facing challenges in terms of refinancing their debt due to decline in customer advances. What is your take?

There are serious challenges, no doubt. Cash flows are weak because of customer demand environment. Some developers have much more difficulties than others because of higher debt load and decline in customer advances. But we can not put everybody in one basket. Some developers are seriously struggling but some are doing very, very well.

There have been conflicting reports about the pick-up in the Mumbai residential market. What is your take on that?

The demand environment is subdued everywhere. I don't think there is no demand. Many developers are seeing very good sales. For example, we have done more sales in the first half of this financial year than any other full financial year. For the right developer and right project, demand continues to be good. I am not only talking about us. There have been successful launches by other developer as well. For more full fledged recovery, confidence needs to improve more. Things are on the upswing and for full-fledged recovery, it will take six to 12 months.

So, you believe full-fledged recovery will happen in the next 12 months?

By and large it will happen, but it could be different in different cities. But in 12 months, the sector will be in a much better position from what it is now.

Given that we have not seen decline in pricing, what will drive this recovery?

I don't think pricing is the most important thing in recovery. It is demand volumes, which is most important. People are getting confidence that prices are not going to crash. I don't think any major crash is possible in the medium term. In the short term, if things worsen, anything is possible. Overall costs have gone up for all developers in the past few years. If prices crash, developers won't make any money in a new project. They won't launch projects to lose money.

Since the group had this historical land bank, don't you think Rs 1.7 crore for one BHK in this project is very high?

Well, we will obviously see what the response is. Our sense is that pricing is very fair. It is not that pricing is low, nor is the cost of doing the project low. We want to give a world class project to our customers. I am yet to meet anybody who says prices are fair and too low in any city at any given point of time. In fact, real estate is expensive, given it involves land cost and construction cost.

Last quarter, you said the company plans to launch seven to eight projects in the coming months. Are you planning to tweak apartment sizes, ticket sizes, according to the current market conditions?

Look, it depends on the market, project and so on. There is demand across the board. There are people who want to buy a Rs 5 lakh flat. There are people who want to buy a Rs 5 crore flat. In Mumbai's case, add a hundred to that and people want to buy that also. Depending on the specific land parcel, you have to find out who is the target customer, what is their affordability and plan accordingly.

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