

CHAIRMAN'S MESSAGE



MOVING PAST FINANCIAL PERFORMANCE, THE GOOD NEWS IS THAT WE HAVE FULLY COMPLETED OUR MAPLE TREE PROJECT HAVING 1.9 MILLION SQ FT SALEABLE AREA. THE PROJECT HAS RECEIVED APPROVAL FOR OCCUPANCY AND UNITS ARE READY FOR POSSESSION. THIS WILL OFFER THE ADVANTAGE OF NOT ATTRACTING GST. THIS GIVES US IMPETUS TO LIQUIDATE OUR INVENTORY WHICH STANDS AT ₹ 6,463 MILLION AS ON MARCH 31, 2019 AS WELL AS REDUCE DEBT.

Dear Shareholders,

We have been on a pursuit to make our business more sustainable over the longer run during the last few years. What we recognise amidst this constantly evolving regulatory regime and challenging market scenario is that there is no one strategy that can deliver. We must be more agile and flexible to quickly respond. Therefore, we centred our focus on introspection. We assessed where we stand today and the opportunities that lay ahead. We assessed what our stakeholders expect from us and explored possibilities on how we can deliver on them.

Obviously, this led us to relook at our industry positioning and strategies. There were a few things that we did for a better future. We rediverted focus from premium projects to affordable housing projects understanding that they would be a drag with the ongoing liquidity crisis prevailing in the market. Instead, we believed that the affordable housing segment would be the next growth driver triggered by the Government's ambitious housing for all programme.

Acting on this strategy, we took the tactical decision of delaying projects anticipating the Government to incentivise the affordable housing segment. Rightly so, the segment has now been provided

infrastructure status and is on top priority. The GST rates for affordable houses have been reduced to 1% without input credit tax. Tax incentives and subsidies are also being offered to financiers and buyers.

While this decision put us in good stead for the future, it did have a short-term hit on our FY 2018-19 performance. Our topline declined by 47% to ₹ 2,672 million and EBITDA by 62% to ₹ 770 million. This was primarily due to deferment of new project launch resulting from constant regulatory amendments and adoption of IND AS 115 i.e. revenue recognition. Our interest cost for the year declined from ₹ 1,005 million to ₹ 917 million. Further, your Company has recommended a dividend of ₹ 0.50 per share subject to shareholders' approval. If approved, this will be your Company's 15th consecutive years of dividend payment to shareholders.

Moving past financial performance, the good news is that we have fully completed our Maple Tree project having 1.9 million sq ft saleable area. The Project has received approval for occupancy and units are ready for possession. This will offer the advantage of not attracting GST. This gives us impetus to liquidate our inventory which stands at ₹ 6,463 million as on March 31, 2019 as well as reduce debt.

TARGETING EMERGING OPPORTUNITIES

We have continued with our strategy of exploring project development opportunities in Chharodi-Tragad and Godhavi regions of Ahmedabad which are upcoming areas and where most of the development is happening.

We are happy to announce that we have achieved financial closure for our upcoming Malabar County 3 and 4 projects in Tragad. We intend to soon commence its construction. Malabar County being one of our most successful and time-tested series of affordable housing projects, offering unmatched value for money proposition, will have strong market demand. In Godhavi, we continue to negotiate with landowners and acquire land bank in patches targeted at developing an integrated township.

We are optimistic of the recent amendment in the Gujarat Flat Ownership Act of 1973 which now allows society older than 25 years to undertake redevelopment with the consent of 75% owners instead of 100% earlier. This opens another potential for redevelopment market. With around 700 housing societies in Ahmedabad older than 25 years, we expect significant opportunities to come under way. In

another landmark event, stringent FSI norm, a key hurdle that barred flat owners to take the redevelopment route was relaxed. Redevelopment under old FSI norms entailed flat owners losing out significant floor space. However, with the modified they are permitted to purchase additional FSI. With this, a housing society that was initially allowed an FSI of 1.8 can now purchase an additional 0.9 FSI. This meant they can actually increase their floor space. This will be a key motivating factor for flat owners to go for redevelopment.

MOVING FORWARD

As we move forward, we will continue to nurture the core values of trust and transparency that this organisation has always been reputed for. Wealth creation, affordable housing and free cash flow generation will be three key agendas for us.

The Ganesh Group is holding land bank of approximately 620 acres as on March 31, 2019. In the affordable housing, we would be focussed on expediting construction and launches. Our venture into this segment has made our business more robust. It has enabled us to add a new layer of revenue and bring diversity to our business. From catering to one segment, we have now broadened our base to cater lower, middle and upper residential categories as well as commercial categories. We welcome the positive move of GST Council to slash rates and its smart move of removing input credit tax (ITC) from the new residential constructions. This will not only resolve the issues between builders and buyers regarding benefits of ITC not being passed on, but also make the properties more attractive. For generating free cash flows, we would work towards faster

liquidation of inventory and using the funds to repay debts.

I thank all our stakeholders for their support. We are proud of what we have accomplished until now. But I hope this report helps you understand that we are not satisfied with our progress and that we are not standing still. I believe our recent moves will make your Company more resilient and prepared to maximise value creation. I thank the efforts of our employees. I believe it is time for each one of us to bring in renewed passion to work and accelerate our efforts.

Regards,

Dipakkumar G. Patel
Chairman

