CHAIRMAN'S MESSAGE

Dear Shareholders,

As I reflect on the events of the year gone by, I have several reasons to be excited. Amidst all the enthusiasm, challenges and positiveness unfolded by RERA and GST, we continued our operations centred around the core values that this organisation was formed with. We remained transparent in all dealings, committed to timely delivery and quality, and focussed on innovation and environment friendliness. These values continue to drive our reputation and business performance. Besides, the kind of trust bestowed upon us by the buyers and other stakeholder truly humbles and motives us.

While the Government's attempt to achieve uniformity and transparency with RERA and GST will have positive impact in the long run, it has created immediate disruptions. As the real estate industry adjusts and consolidates in this new regime, I believe that being a player with high standards and credibility, we have the responsibility to lead the way forward. And we will do so by setting new benchmarks of quality and execution.

Performance review

Our total income for the year grew by 24% from ₹ 4,087.73 million in FY 2016-17 to ₹ 5,082.45 million. However, in terms of profitability, there was a de-growth. EBITDA and PAT declined by 5% and 32% respectively to ₹ 2,030.79 million and ₹ 507.99 million in FY 2017-18. This was primarily because of lower sales in the premium projects that command higher margins along with an 8% increase in interest cost to ₹ 1,005.20 million. Our earnings per share for the year declined to ₹ 10.36 compared to ₹ 15.93 in the previous year. Irrespective of this, the Board has recommended a dividend of ₹ 1.80 per share, reflecting our strong drive to reward shareholders.

Coming to operational performance, we have almost completed the Maple Tree Project construction which is in the tune of approx. 1.9 million sq. ft.

A year dedicated to clarity, commitment and consolidation

FY 2017-18 in many ways was an important year for your Company. Though our performance may not have been what we wanted, but we took a calculated re-calibration and re-alignment of strategies to ensure we continue delivering strong performances over the long run.

Being a proactive organisation, we were quick to identify areas of concern. In the past, viewing a favourable industry outlook, we got aggressive and resorted to debt funding to scale operations. We would like to develop premium projects and acquired 10.09 acres of land to undertake large scale developments, and also include land for building township. All was going well, until the industry received the triple blow of RERA, demonetisation and GST one after the other, which was a temporary setback for the large formats of real estate and our premium properties witnessed a slowdown in sales. Lower churning of old inventory impacted cash flows and in turn incapacitated us to use the land bank. Resultantly, our ability to service debt declined and profitability took a hit.

Having learnt an important lesson, we now have a clear vision to get back on track to capitalise on the ongoing industry scenario. And for this, we believe the immediate need is to bring down debt and cost of debt further even though today it stands at 13.50%, we would further try reducing it to 12.00%, reduce inventory and realign focus to the right customer and business segment. While we have 611.57 acres of land bank in Ahmedabad, we have

strategically chosen to develop projects only in Chharodi-Tragad and Godhavi, which are upcoming areas and witnessing significant demand from middle income group (MIGs). For the rest of the land bank, we will contemplate ways to monetise at better valuation instead of blocking capital for development and some of it may be sold to achieve our debt reduction target. We will realign business focus by targeting mid and affordable housing projects, instead of premium ones, to ensure faster sales turnaround and cash flow cycle. These segments being the Government focus area and having the advantage of various incentives will have strong demand, facilitating us to expedite sales.

Execution will continue to be an important focus area, as we target 1.5 msf of yearly development to ensure we have adequate inventory to achieve sales and generate cash flows.

Outlook

I have strong reasons to believe that the worst is past us. We have one hard year for stability of market and new demand coming. The real estate sector, after stabilising from various shocks will be in for some positive movement. As home buyers steadily begin to experience the positive aspects of RERA, the lost faith in the industry will revive and demand will increase. Mid and affordable housing segments is likely to become the next big thing with the Government focussed on providing housing to all citizens by 2022. Under the 'Housing for All', the Government targets building 50 million houses and has also stepped-up investments from ₹ 11,600 crore in FY 2015-16 to ₹ 29,043 crore for FY 2017-18.

There were reasons why this segment didn't pick up earlier and why I believe it will do so now. Though named affordable, houses were still unaffordable. For this, the Government has introduced incentives like providing a subsidy of 6.5% for the lowest rung, facility of crediting the entire subsidy of 20-year loan to the loan account of applicant and allowing individuals to withdraw up to 90% of the housing amount from EPFO. I am sure these developments will provide the much-needed boost in the coming years.

I thank all our stakeholders for their support. Your Company has the clarity in vision for its future, it is committed to improve balance sheet health and become stronger and it will consolidate its position by developing right projects in right areas, targeted to right segments. I appreciate the efforts put in by our employees and other developer communities who have made Ganesh Housing a household name. We will continue to make this organisation geared for long-term, while adequately creating value for all stakeholders.

Warm wishes,

Dipakkumar G. Patel
Chairman

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