



“Ganesh Housing Corporation Limited
Q1 FY2023 Earnings Conference Call”

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ANALYST: MR. RAJAT GUPTA - GO INDIA ADVISORS

**MANAGEMENT: MR. RAJENDRA SHAH – CHIEF FINANCIAL OFFICER -
GANESH HOUSING CORPORATION LIMITED
MR. NEERAJ KALAWATIA – VICE PRESIDENT FINANCE -
GANESH HOUSING CORPORATION LIMITED
MR. RAVI – CORPORATE AND FINANCIAL ADVISORS -
GANESH HOUSING CORPORATION LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Ganesh Housing Corporation Limited Q1 FY2023 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you, and over to you, Sir.

Rajat Gupta: Thank you Michelle. Good afternoon, everybody, and welcome to Ganesh Housing Corporation Limited Earnings Call to discuss the Q1 FY2023 results. We have on the call with us today, Mr. Rajendra Shah, Chief Financial Officer; Mr. Neeraj Kalawatia, Vice President, Finance; and Mr. Ravi, Corporate and Financial Advisor.

We must remind you that the discussion on today’s call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

We now request Mr. Rajendra Shah to take us through the company’s business outlook and financial highlights, subsequent to which we will open the flow for Q&A. Thank you and over to you, Sir.

Rajendra Shah: Thank you Rajat. Good afternoon, ladies, and gentlemen. We thank you all for joining us on this call today to discuss our Q1 financial year 2022-2023 results. We are happy to announce another quarter of robust performance amidst the ongoing macroeconomic challenges. Quarter one of financial year 2022-2023 so a cumulative 90 bps of repo rate hike by RBI, we decrease the home purchase affordability however Ahmedabad market remains largely affordable with the positive change in sentiment towards home ownership, which kept the housing demand intact.

On the operational front, we have registered a sale of Rs.99 million. We have not launched any new projects this quarter and the last two launch projects have not yet been completed. As a result, we could not book any additional sales on these projects as per accounting standards. Hence our sales have been slightly lower than Q 1 of financial year 2021-2022. As of June 2022, we have no inventory in ongoing projects also ending June 2022. We have unsold completed inventory of 0.09 million square feet, which we value at Rs.450 million.

In Malabar 3 project, we have received RERA approval and permission to commence construction in February 2021. During 16 odd months of actual construction post-these approvals, we have managed to complete 80% of the construction in this project across six

towers. In Malabar Exotica Project, we have received RERA approval and permission to commence construction in July-August 2021. During this 11 odd month period, we have been progressing ahead of schedule. In both these projects Malabar 3 and Malabar Exotica, we have booked 100% units in both these projects. We are using precast technology of construction, which is cost effective and helps us to achieve faster and better-quality execution. We expect to complete this project ahead of schedule.

I will now briefly touch upon our financial performance during the quarter and year gone by. Our revenue came in at Rs.427 million for quarter one of financial year 2022-2023 versus Rs.793 million in same quarter last year. Our EBITDA grew at 20% year-on-year and came in at Rs.251 million for quarter one of financial year 2022-2023 versus Rs.210 million in quarter one of financial year 2021-2022.

Led by operational efficiencies, our margins have improved significantly at 58.5% for quarter one of financial year 2022-2023 versus 26.5% for period ending quarter one of financial year 2021-2022.

Our PAT for quarter one of financial year 2022-2023 came in at Rs.131 million versus Rs.54 million for period ending quarter one of financial year 2021-2022 registering a growth of 143% year-on-year.

Our debt has reduced significantly from Rs.3393 million. Ending financial year 2020-2021 to Rs.1060 million for the period ending quarter one financial year 2022-2023. As of this board meeting bit, the debt has further reduced to a two-digit number in terms of rupees Crores which is 71.8 Crores or 718 million through prepayment. This is a significant achievement. Ongoing and upcoming projects in key location of Ahmedabad provides us with great comfort and visibility of cash flows, which keeps us on track to deleverage further, we have been diligently improving and delivering our balance sheet in over the past few years. We have reduced our long-term debt by 84% in last three years and a quarter. On the finance cost front, our cost of borrowing is stable at 13.8% as on quarter one of financial year 2022-2023.

Coming to our future growth prospects and guidance, the sales of houses in Ahmedabad witnessed a strong recovery registering a 95% growth in the first half of calendar year 2022. The sales volume in the residential real estate market has almost reached level scenes in pre-COVID 2019. Ahmedabad has traditionally been a price-sensitive market and developers have been mindful not to raise the prices despite of increasing input cost for items such as steel and cement compared to price increase across other metro cities.

However, during the last quarter, the real estate developers have taken a conscious call to increase prices by 5% to 10%.

As mentioned previously, we continue to have a strong and robust project pipeline of four residential and two commercial projects. These projects are being launched in a phased manner with two projects being launched in over next 6 to 12 months, three projects being launched in next over 12 to 24 months and one project being launched in next 24 to 36 months. We continue to target developing 8 million square feet of infrastructure and special projects like SEZ township etc., in next four years with total sales value of Rs.30000 million.

At this stage, I would like to reiterate the fact that over the last four decades of our existence we have never had to lower our expected sales or pre-launch prices hence we are confident that this will continue to create growth and prosperity for our end customers.

With this, I request proceedings to be handed over Rajat.

Rajat Gupta:

Michelle you can open the floor for Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sourabh Gilda from Motilal Oswal Financial Services. Please go ahead.

Sourabh Gilda:

Sir just wanted to check like we do not have any inventory in Malabar County III right.

Rajendra Shah:

Yes, everything is sold.

Sourabh Gilda:

Any reason why we are going slow on launching the Exotica, first like you mentioned that the launch will happen in next 6 to 12 months. Is there any trigger that you are waiting for to launch the project or any other statutory reason behind that?

Rajendra Shah:

See on the existing project both Malabar County III and Malabar Exotica, they are running on a fast scale construction that is a one target area where we are pushing our construction completion to preponed. Second is on the planning side of the two projects. There has been some planning changes in the ongoing project, which is undergoing some changes as well as some of the projects where the government intervention is needed there already our team is in touch base with the government clearances where it is taking some sort of time, so accordingly we have kept some buffer in terms of launching.

- Sourabh Gilda:** Can we expect that in this year itself?
- Rajendra Shah:** Sorry.
- Sourabh Gilda:** Will it happen maybe in the second half of this year fair to assume that?
- Rajendra Shah:** Yes, that is our target.
- Sourabh Gilda:** Okay thank you so much. That is all from my side. All the best for the year ahead.
- Moderator:** Thank you. The next question is from the line of Naman Bhansali from Perpetuity Ventures LLP. Please go ahead.
- Naman Bhansali:** I wanted to ask the first question on the revenue; it has declined this quarter, but what would be the revenue guidance for this full year and what are the projects from which sales will come given that we almost has a very minimal inventory?
- Rajendra Shah:** In terms of the revenue piece, see on a year-to-year basis, the revenue is looking on the lower side because there were a sizable inventory was there from the completed projects during last year, which contributed to the sales and corresponding year cost was also allocated at that point of time, but as compared to that year and now in the current year this quarter, on the revenue say it might be the season on compared to the lower but on the EBITDA side and PAT side, we have improved our numbers as compared to the last year because of that reason only.
- Neeraj Kalawatia:** As far as the guidance is concerned, we normally do not try to give any forward-looking guidance, but I think the way things are going not just those the projects which were launched last year would be completed this year itself, so we do expect sales to be booked as soon as they are completed and handed over that will improve the revenue significantly apart from the ongoing revenues, which have been happening. We do believe that the year-on-year targets which were there for the last year versus FY2023 would be significantly higher, the way things are going on in Q1 and the way we see the Q2 and Q3 coming forth and especially the last quarter when these two projects would have been completed and a lot of sales would have been booked on that, so we do believe that it can improve significantly in the current year.
- Naman Bhansali:** Okay, understood. My next question is on the units that were sold during the quarter. How much of the price appreciated for these units and as compared to what we were selling these in previous quarter and I wanted to know that where the cost being optimized that led to

significant operating margins expansion and how would this continue for next couple of quarters?

Rajendra Shah: I am coming your question one-by-one. One is that you say in terms of the price increase in our undergoing project, we have already increased the price to the extent of 10% to accommodate the market engine because the market has also adapted this strategy to increase the price on this part. Secondly in terms of the margin which you said about, we see traditionally our margins have been higher on a year-over-year basis and largely this was mainly the reason was a lower cost toward the land acquisition, which has been traditionally in our book historically and last two years were typically the odd years where there was a hangover of the inventory because of COVID and this IL&FS crisis and because of that carry forward thing this impacted our overall margin in the book and that issue get addressed from the current year itself. On now quarter quarter-on-quarter and year-on-year basis, you will see again the margins being restated like the earlier years also.

Naman Bhansali: Okay thank you.

Moderator: Thank you. The next question is from the line of Amresh Kumar from Geosphere Capital. Please go ahead.

Amresh Kumar: Thank you Sir. Just wanted to understand the debt trajectory of the company going forward because your debt is down by 85%, 90% in the last few years and now you are going to have a new launch cycle, so what do you think this time the debt that trajectory will be and how it will differ or how it will be similar to the last time.

Neeraj Kalawatia: A few aspects on this, one is that their debt had been very high a couple of years back and there has been a conscious call to bring it down quarter-on-quarter year-on-year and the company has achieved that extremely well in the last quarter having come down to a mere 71, which is only 10% of the peak debt less than 10% of the peak that they had ever. The debt yes as the new projects would come in and there are certain plans, which in the SEZ and all wherein there could be a debt, which can come in but it does not appear that it will ever go to those levels. There is a conscious call to ensure that the equity levels are always below one and the way the cash flows are coming in from the existing project as well as the new planned one, it does not appear that the debt will go down go up to those 794 levels ever again. It may not be remaining at 61% and or 71% forever, but whenever there will be any debt which comes in along with will come the profitability of the new project. It will be planned in such a manner that will have a very good debt equity ratios and debt EBITDA level.

Amresh Kumar: Right now, the real estate cycle looks good but things can go bad, so what will you change in case things are not as smooth as they are now. Can you elaborate what happened last time, so that we can understand that it will not happen again, just a little bit of clarification and an elaboration would help us.

Rajendra Shah: Largely what happened was that the debt accumulation happened because of two major projects, which we launched early in 2015 where these two projects taken together was a 2 million square feet of construction and somehow this project got impacted because of first is demonetization then subsequently there was a RERA implementation came and GST also came into the picture in the one year in-between a two-year period of time, so this two year period time had actually created a negative segment for sentiment for the real estate market, but as per our philosophy we always stick to our targeted completion date, so irrespective of even if there is a slower movement in the sales side during those periods, we have to borrow from the institution to complete our construction within that timeline itself. Because the high cost of construction for those two projects, the debt got accumulated, but post first COVID wave, we are now very much free from that inventory also and we are substantially now exiting from that project. Almost our debt level from that project is now zero. I think that was a learning from us and that period was also impacted by the government regulatory impact also. There are changes in the external environment, which were beyond our control but we achieved our mission of completing those two projects within our given timeline and the project did not get delayed.

Neeraj Kalawatia: I would like to add to that just to give you the clear answers in terms of how the future might look at, the way the land costs have been in the books and the way it is going to be monetized in the future, it does not appear that we will ever have those situations of losses or having lower margins and all that. The land is the major ones in any other project site. All the new project which are going to be announced now for which the land is already acquired and sitting in the books at a cost which is very, very low and therefore the profitability should be ensured in the coming days and moreover right now all the work, which is going on in terms of the cost the way the cost structures are being built up and the way the selling is happening especially as you see there is a Malabar 3 and 4 you already have seen that and we do believe that this kind of a sales the way the projections are and the reports market reports say the visibility of these housing projects and all that continue to be robust as far as Ahmedabad and the Gujarat cycles are concerned. At least till the time we finish off these projects which will definitely sell the way Malabar 3 and 4 are sold, it does not appear that we will ever have such kind of a situation in the near future for sure.

Amresh Kumar: Got it Sir thank you for this. I just wanted to put my two pens observation here. When things started looking good in real estate cycle then the land purchases come back and

nobody minds them, but then it creates a problem for them forward. Every time this cycle repeats again and again because this land purchases...

Neeraj Kalawatia: Currently what we are seeing is the cycle has got a absolutely upward trend and market is pretty bullish because we are hardly seeing any inventory of the completed project in the market. The demand side is pretty higher as compared to the supply which is happening in the market. So far the current trend definitely it is looking good future is definitely unpredictable which we cannot say when...

Amresh Kumar: Let me ask you a pointed question how much will you spend in land purchases over the next few years?

Neeraj Kalawatia: This is an ongoing process. There is nothing like any amount is earmarked for how much land is to be acquired. This land acquisition, land selling all are opportunity-based decisions. Largely, we accumulate land in an area which remains outside the scope of development at particular period. Our holding period and accumulation period ranges from the five to ten years.

Amresh Kumar: Thank you so much.

Rajendra Shah: Just to add to what mirage has said last three years, three and a half years history, somebody says we have hardly done any land acquisition however we are continuously assessing or looking at proposals of land acquisition. We are active in that area but we are very selective as far as any new land purchases are concerned.

Amresh Kumar: Got it Sir, thank you so much.

Moderator: Thank you. The next question is from the line of Ritu Panag from Growth Capital. Please go ahead.

Ritu Panag: Thank you for taking my question. I wanted to know about the strategy on commercial development and are we looking to develop a portfolio of rental properties?

Neeraj Kalawatia: We are targeted this 8 billion of the portfolios, which we will be building over next five years there is a sizeable portion which will be coming from the commercial side also largely this portion will be in our SEZ portfolio, which will command a good rental piece also. The bigger advantage with us in terms of SEZ is that this particular project will be in the heart of the city. On a competitive side also, there will be nothing who can lead us in terms of competition.

Ritu Panag: How was the demand from IT sector, are we seeing any inquiries which are related to them?

Neeraj Kalawatia: With the development in the gift city happening, these sizeable numbers of companies are coming into gift city which are largely from the financial sectors and then their foreign exchange points are there and exchanges are there which are setting up their unit in gift city, which is creating a good boost for the other surrounding sectors and IT already the company has started coming we are also exploring a lot of new alliances also which can keep up our SEZ portfolio, so as things are under discussion still, we will be sharing those information at the appropriate time.

Ritu Panag: My last question was about the kind of cliental we are expecting in the SEZ segment.

Rajendra Shah: Largely it will be the IT or ITES players, but what kind of cliental which kind of corporate will be coming that will be difficult to say at this point of time. It will be too early to comment on both things.

Ravi: I would still like to add, it is unknown frankly that there are many, many hundreds of IT companies in Ahmedabad, Ahmedabad and Gujarat have not been known for IT as much right, but little is known about so many very, very good companies already existing here where they all want an infrastructure, which can really be helpful to them so we also believe that while the new companies and the large companies will come over from outside, there will be a lot of consolidation happening of all these companies in the IT SEZ that we look at. We do see a robust growth. Yes, names are little difficult to say at this point in time but we do believe all this will happen because with the kind of infrastructure that is being built up there by Ganesh Housing, it has to attract all the players who are otherwise they are in small, small pockets at different places all over Ahmedabad.

Rajendra Shah: Just to add to what Ravi just said, the kind of infrastructure and kind of SEZ what we are going to build, it will be world-class environment what we will be able to provide. Any IT companies, which you or which anybody kind of reckons with, they will not be hesitating in opening their offices in premises what we are going to offer to them. It will be a solution which will be a world-class solution what we trying to provide.

Ritu Panag: Got it, thank you Sir thank you so much.

Moderator: Thank you. The next question is from the line of Seema Bajaj from R Consultant. Please go ahead.

Seema Bajaj: Thank you so much for taking up my question. I basically wanted to know your view on real estate industry as a whole like now the new challenges are coming up like rising interest rates and many other challenges are there, so I just want to know your views like about for next three to five years on the real estate industry.

Rajendra Shah: The trend is now completely bullish. If you see post this first COVID wave, the demand is on the upside because significantly in Ahmedabad market if you talk about the city specific, the launches and the sales have doubled from the pre-COVID era to the post-COVID era and in terms of the absorption also is the sizeable things are increasing. Now in terms of the price rise all these things are happening, like we see the construction cost and something are getting increased but they are being absorbed by the market also, yes, recently if you could go through one of the top reality research firms, which published their report Ahmedabad market has been the most resilient market in terms of absorption of the price and among the top eight city in India, Ahmedabad commanded the highest price increase of around 14% on year-to-year basis on reality, so that itself talks about the absorption power of the market and the way the current trend is there. The supporting infrastructure is giving boost to the overall housing demand in Ahmedabad like we say if we talk about the Ahmedabad City, it is not only the top SME market of India but it is a major industrial and pharma hub and major infrastructure development is happening gift city development is happening, metro is coming in a big way across the city and more so two big sports enclaves are also coming up in Ahmedabad, for which the Ahmedabad is going to bid for the future. So that is kind of the plan which is happening in Ahmedabad all this supporting development will give a big boost to the demand side and if you compare prices in Ahmedabad to any other equivalent city or metro city, you will find always Gujarat being a cheaper market compared to these cities, so way we do not see the demand cycle will get a U-turn even in the past also the historical data also say whenever there is any sluggish in any of these metro cities, the Gujarat market especially Ahmedabad market has remained stable in terms of the sales and price.

Seema Bajaj: Thank you so much for such elaborate answer. As a follow-up, I would just want to know about the luxury market in Gujarat and Ahmedabad space. Could you give some light on that?

Rajendra Shah: In terms of the luxury market Ahmedabad is definitely is coming good way like we see there is a good absorption power in the luxury segment in Gujarat. The one reason is definitely, which I talked about earlier this being a major industrial and trade hub and the SME market surrounded development whichever is happening that is actually giving a good absorption power in the market. Second is that if you see the price wise, luxury prices in Gujarat will be somewhere equivalent to mid affordable prices in a metro city like Bombay,

so that way also the affordability is pretty better and also the holding power of the developers in Gujarat is far better because they release the inventory in a phase manner rather than releasing the entire inventory in one shot, so that also gives them a better margin.

Ravi: Seema, that actually is a good question because it is so much is happening in that segment in Ahmedabad and very quietly that too. Every other day we see new luxury flats being announced, so now there is a concept of vertical bungalows like people do not want to really go into those bundles, but people are really ready to believe ready to pay for 6, 7 Crores and beyond that also for apartment, which would never have thought about it just let us say three years back. Yes, you touched upon a very important aspect it is not just those affordable housing and the normal ones, but the luxury market also seems to be picking up very well in Ahmedabad.

Seema Bajaj: Thank you so much that was all from my side. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to management for closing comments.

Rajendra Shah: Participants, I am Rajendra Shah on behalf of Ganesh Housing Corporation Limited I thank you all for showing interest and participating in conference call. See you again in next quarter. Thank you so much.

Moderator: On behalf of GoIndia advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.