



“Ganesh Housing Corporation Limited  
Q4 FY2022 Result Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Q4 and FY2022 Earnings Conference of Ganesh Housing Corporation Limited 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 Ms. Surabhi Sutaria from GO India Advisors. Thank you, and over to you mam.

**Surabhi Sutaria:** Thank you Margaret. Good afternoon, everybody and welcome to Ganesh Housing Corporation Limited earnings call to discuss the Q4 and FY2022 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 takes us through the company’s business outlook and financial highlight subsequent to which we will open the floor for Q&A. Thank you and over to you Sir.

**Rajendra Shah:** Thank you Surabhi and good afternoon ladies and gentleman. We thank you all for joining us on this call today to discuss our Q4 financial year 2022 and financial year 2022, 12 months result. Financial year 2022 was a roller coaster year in terms of impact it created economically, politically, and humanly led by various COVID waves, Russia Ukraine war tension, inflation concerns, rising oil prices and now rising interest rates. However, real estate sector continued to perform well across the country favored by supply dynamics due to industry consolidation, enhanced affordability and various regulatory reforms in India. We are happy to announce that this has been our best year in terms of profitability in past five years. Before I discuss about the financial highlight during the year, we would like to share a few operational highlights and strategic business decisions. On the operational front we had done a new sales of INR 2742 million during financial year 2022 which was 17% higher as compared to financial year 2021. In terms of booked area we came from four projects we have booked approximately 7.36 lakhs square feet which was 14% higher than that of financial year 2021. Additionally our collections have also increased considerably during the year and stood at 1959 million which is 16% higher than that of financial year 2021. Demand remains strong during the year withstanding all challenges validating our resilience of our business model.

Now I would like to talk about construction cost and sale prices. During financial year 2022 though there has been increase in prices of input material and labor cost same has been more than compensated by increasing unit sales price. Furthermore, 18% of our sales have come from units which are costing less than 50 lakhs, 58% of the sales have come from

units which are costing between 50 lakhs to 100 lakhs and the rest of sales have come in from units which are costing more than 100 lakhs as of March 2022. As of March 2022 we have nil inventory of ongoing projects. Also ending March 2022, we have unsold completed inventory of 0.8 million square feet which we think we will realize somewhere around 430 million rupees.

Now to talk about our ongoing project Malabar 3 is the project where we received RERA approval and permission to commence construction in February 2021. During 12 odd months of actual construction post this approval we have managed to complete 70% of the construction of this project that was fixed towers. Coming to Malabar Exotica project, we have received RERA approval and permission to commence construction in July 2021 during this short period we have completed approximately 20% of the construction in this project. In both these project Malabar 3, and Malabar Exotica we have booked 100% of the units. Again in both these projects we are using pre-cast technology of construction where in slabs and columns are constructed and cured in factory and on site it is just installed and there is minimum requirement of doing brick work and plastering. The technology is cost effective and helps us to achieve faster and better quality execution.

On marketing front we have given thrust on digital marketing which has reduced our marketing cost considerably at the same time our reach to targeted audience is much more effective, as a result our conversion ratio and overheads have shown significant improvement.

I will now briefly touch upon financial performance during the quarter and year gone by. Our revenue came in at INR 1556 million for Q4 of financial year 2022 which shows a growth of 104% quarter on quarter and 58% year on year. Our financial for financial year 2022, our revenue came it at 3849 million which grew 111% versus financial year 2021. Our EBITDA turned positive for financial year 2022 and came in at 1355 million versus negative EBITDA of 377 million in financial year 2021. As a result our margins also turned positive and came it at 35.3% for financial year 2022. Our PAT was also positive at INR 706 million for financial year 2022 whereas last time we had a loss of INR 1053 million in financial year 2021. Our debt has reduced significantly from INR 3393 million during financial year 2021 to INR 1377 million ending financial year 2022.

Ongoing and upcoming projects in the key locations of Ahmedabad provides us with great comfort and visibility of cash flow which keeps us on track to deleverage further. We have been diligently improving and deleveraging our balance sheet and over the past few years we have reduced our long term debt by 79% in last three years. On the finance cost front we were able to bring down our cost of borrowing by 120 bps down to 13.8% in financial year 2022 versus 15% in financial year 2021.

Coming to our future growth prospects and guidance, Ahmedabad market is seeing a huge uptrend across the residential and commercial real estate demand. As mentioned previously, we continue to have strong and robust pipeline of four residential and two commercial projects. These projects will be launched in a phase manner with two projects being launched over next 6 to 12 months, three bring launched over next 12 to 24 months and one being launched within 24 to 36 months period. We continue to target development of 8 million square feet of infrastructure and special projects like SCZ township etc in next four years with total sales value of approximately 30,000 million. Our assumption and belief are that the prices will go up by 6 to 8% in this year and that will be much below the wage growth of 8 to 10% in the economy and therefore there will be increase in affordability and link to that an increase in volumes furthermore. The expected sales prices of these project will be in the range of Rs.4000 to Rs. 5000 per square feet which we will be launching. At this stage I would like to reiterate the fact that over last four decades of our existence, we have never had to lower our expected sales or launch price hence we are confident that we will be able to realize this value. With this I request the floor to be opened for questions and answers.

**Moderate:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Manish Agarwal from JM Financial. Please go ahead.

**Manish Agarwal:**

Hi good afternoon Sir. You mentioned interestingly about cost price increases being almost equivalent to the selling price, so if you could just give us more colour as to how the customer is taking it. Are they open to such kind of price hikes or is there a demand if it can possibly happen.

**Rajendra Shah:**

I would explain this with an example see Malabar Exotica is a project which we opened up for sales in July 2021. When we opened this up for sale, our sale price was Rs.3700 per square feet. Within two months demand was so high that we were forced almost to increase this price to 3900, 4000 level. Right now the last units which we have booked in that project, we have booked at almost Rs.4500 which denotes more than 20% hike as compared to the price at which it was launched. If you see increase in input cost that increase is not more than 7 to 8% year on year. In fact today only I just saw in newspaper saying that recent inflation which is highest is at 7.73% odd so I think it is very clear that about 15% to 20% odd increase in sales price is much more commensurate or much more equipped to handle input cost increase of 7% to 8% so I think I have answered your question.

**Manish Agarwal:**

Sure understood and this would be more specific to your project only or competitors are also in the micro market taking such kind of price hikes.

- Rajendra Shah:** I have seen in this micro market other players also increasing sales price, but not as steep as what we have done because in fact right now we are the lucky ones who are left with zero inventory in ongoing projects. Only risk which is there in ongoing project is the execution risk which we have to meet with.
- Manish Agarwal:** Understood and the second question on the supply side since now there is inflation out there are more projects launches happening across the industry or people are waiting out for inflation to cool down bit further.
- Neeraj Kalawatia:** Yes Manish if you see the recent trend which happened in Ahmedabad if you talk about the city specific for over last two years the launches have been largely in the range of 2500 to 3000 units in a quarter. Now the last quarter which concluded just now the total number of unit launches were somewhere 4500 because the demand is suddenly squared up post this COVID wave so the supply is now gradually increasing and so is the absorption also like in the last quarter as against 4500 unit launches the absorption was roughly around 4100 units. Absorption also increases over last two years in a considerable number. What we observe is that market is completely open both from absorption and supply side.
- Manish Agarwal:** Understood. Thank you. That is all from my side. All the best.
- Moderator:** Thank you. The next question is from the line of Sourabh Gilda from Motilal Oswal Financial Services. Please go ahead.
- Sourabh Gilda:** Thank you for the opportunity. Just one question on the sales volume. Like although we have achieved in the sales growth on full year basis. So I was just touching upon the overall sales volume like on full year basis we have growth like healthy on 14% growth but what could be the reason for significant sequential decline in Q4 from 1.6 lakh square feet to 89,000 square feet.
- Rajendra Shah:** I am happy that you asked this question. It gives me opportunity to explain you further. Like I was explaining in reply to last question which was asked by Manish. We are one of the few lucky developers in Ahmedabad who have zero inventory available for sale ongoing project so when you have such kind of position when you do not have inventory which you can offer for sale to customers obviously there will be decline in numbers of saleable area and all those things. Of course on other hand on completed project also if you compare Q3 of this year versus last Q4 of this year, then in that also we had about 1,20,000 odd square feet inventory which was available which is reduced now to about 80,000 square feet inventory, so inventory which is available and which can be offered for sale was limited that is the reason there is a decline in sales numbers, but again with new projects which are going to come up very soon that will improve very soon.

- Neeraj Kalawatia:** So on quarter to quarter basis if you see there is reduction of 57% in terms of inventory which is largely because of the sale of the inventory during the last quarter. Last three quarters continuously our absorption has been faster that is actually also the reason why the inventory level is down to such level.
- Sourabh Gilda:** And the new project that you are going to launch and raising new area in FY2023 and what is the size of this project.
- Rajendra Shah:** Projects which are going to be launched in FY2023 if it is residential then it will be ranging from 400,000 square feet to 800,000 square feet of saleable area and if it is commercial it will be roughly about 600,000 square feet of saleable area.
- Sourabh Gilda:** Okay Sir got it thank you so much.
- Moderator:** Thank you. The next question is from the line of Nishant Shah from Emkay Global. Please go ahead.
- Nishant Shah:** Hi Sir. Congratulations for the good set of numbers. So it has been a while that we have been planning to launch our commercial IT SEZ project and now we are hearing that we are aiming to get it completed by FY2024 and FY2025 so how confident are we on the completing this project that is number one and the second question is are there any plans to monetize the remaining land parcel as only 5% or 10% area has been utilized for project pipeline from a total land bank?
- Rajendra Shah:** As far as the plans are concerned SEZ I think there will be an announcement very soon where we will be announce various developments in the SEZ so that will cover the entire part of monetization that you asked and the kind of response which we have been seeing in the IT SEZ especially with all the various companies which are here in Ahmedabad have been very encouraging so very detailed master plan has been prepared and at this point in time we would resist from saying anything further because we are likely to be getting a lot of approvals and all that in the coming few weeks and therefore we would be giving a far more details of the entire project just may be a month from now.
- Nishant shah:** And what about the monetization plan?
- Neeraj Kalawatia:** Land monetization is an ongoing activity. These are mostly like opportunity based and market driven things. This we never keep intending like this to be done on any particular period or time, so as the market evolves and as there will be a demand and supply so that opportunity we always kept ourselves open.

- Nishant shah:** Right how is the price are you seeing any traction in this segment like prices?
- Neeraj Kalawatia:** The prices actually shoot up like anything over the last one year. If you see in our land area itself we are seeing at least a growth of more than 100%.
- Rajendra Shah:** We have seen land prices raw land prices going up by more than 100% in the last eight to 10 months.
- Nishant shah:** Okay Sir that is all from my side.
- Moderator:** Thank you. The next question is from the line of Haresh Hindocha from SVS Securities. Please go ahead.
- Haresh Hindocha:** Congratulations on a good set of numbers. Can you just throw light on the broad view of the management on the balance debt? Are you planning to make it to a zero, that is the first question? Thank you.
- Rajendra Shah:** Becoming zero debt is neither intended nor in the interest of stakeholder at large. The leverage returns are always best to have however we want to reach to a stage wherein we want to jut reorganize our debt in such a manner so that we will have new relations with lenders with whom we can develop long term relations and at the same time we can keep our interest cost also in check so just to help these two causes, we have started relations with conservative bank like Kotak in the recent past just to give you an example, but yes our first intention is to reduce debt as far as possible and of course when we come up with projects like SEZ which has back ended cash flow again we will start borrowing for that project of course against construction cost of that SEZ project.
- Neeraj Kalawatia:** It is not likely ever to go back to those earlier levels which where there looking to a very strong cash flows of the existing ones and also the coming up projects. The debt equity which is only 0.2% today even if you add all that SEZ what he said will still be very, very comfortable around one. Debt EBITDA ratio is almost negligible at this point in time. That also is going to be very, very healthy so even with a little bigger debt which will be much lesser than the peak debt which we ever had we will still be very comfortable in the ratio and we will match up the requirements with the cash flows and the growth opportunity which are three not scarifying growth for debt or debt for growth. Both these things will not happen.
- Haresh Hindocha:** Great so one more thing. When you are saying you do not have an unsold inventory at all in this time do you not think you are losing an opportunity because you are having such a big land bank and you are not having any new project on hand to sell at current juncture than if

it is you are doing it say for after quarter or two quarter or three quarter and the demand will not be there then what is your call on that? Is this demand sustainable for longer period of time what do you think? Thank you.

**Rajendra Shah:**

Thank you. We expect this demand to be very robust and it will be there. It is there to stay for very long time because we have seen down turn and that down turn has lasted for very long time in real estate. Of course all economic indicators except interest rate movements are also showing that there will be good demand in real estate sector per se and more particularly Gujarat and Ahmedabad the economic indicators are also very positive. Yes we expect demand to remain robust and coming back to your question of having zero inventory when we launched these two projects Malabar Exotica and Malabar III project for sale, we never expected that about 450 odd units which are there up for sale in these two projects will be lapped up by customers like you. Malabar III was completely sold before April 2021 and Malabar Exotica we launched in July and by October and November we had almost above 90% of the project getting sold out so we cannot plan project line estimating first high and first robust demand. That is the reason why we are in a happy situation of no units were available for sale, but yes we have three projects which are on drawing board which will be off loaded into market and which will be open for sale very soon and we will be capitalizing on this demand also.

**Haresh Hindocha:**

Very soon means next quarter or may be two quarter time?

**Rajendra Shah:**

Next quarter we will be launching at least one project out of two and one project in the quarter after that.

**Haresh Hindocha:**

Great set of numbers. Congratulations and all the best.

**Moderator:**

Thank you. The next question is from the line of Gautam Gosar from Perpetuity Ventures. Please go ahead.

**Gautam Gosar:**

Congratulations on a good set of numbers. Sir I just wanted to understand about the pre cast construction technology? Is it the first time we are using it in the projects or were these implemented in the prior projects also?

**Rajendra Shah:**

No this is first time ever we are implementing this technology. It was never used in any of our projects earlier. I would like to mention a little bit more about this technology. It is somewhat different than Myone technology which generally people talk about and which is used extensively in very large projects in Mumbai. I am sure that all of you would be aware of Mumbai construction technology Myone which is getting used over there. Precast is much superior than that Myone system because Myone, it is only what one can say a casing



wherein concrete is laid and which gives superior finish to constructed product. In precast what is generally done is slabs and columns are constructed and cured in factory environment so that they give you superior quality and endurance in completed product and there is very minimum use of brickwork and plastering, which actually helps us to construct projects very fast. That is why you will be seeing the project in which we have started construction about a year back. We have reached to more than 70% level of construction across six towers. This could be achieved only by adopting this technology and I think I have answered your question.

**Gautam Gosar:** That was really helpful. Sir my second question is what are our immediate plans given that both our ongoing projects are 100% booked so are just focused on completion of these projects or what is the new that is planned for the next six months and also Sir how much of inventory do we have left in terms of number of units and sales value we might expect on those? Thank you.

**Rajendra Shah:** Thank you. As I had spoken earlier we have plans of launching within the next three months we will be launching at least one residential project and immediately next quarter we will be launching one more project and these projects are in the vicinity of these two projects which are ongoing, which have received tremendous sales response so we expect similar sales response in these two projects as well. Again coming back to sizes of these two projects which are going to get launched they will be roughly about 400,000 square feet each in size, which will have a total number of units of roughly close to 200 to 250 units per project so we are talking of inventory of roughly about 450 to 500 units getting launched in the next six to eight months.

**Gautam Gosar:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Ashwin Agrawal from Akash Ganga Investments. Please go ahead.

**Ashwin Agrawal:** Yes Sir I have two questions. The first one is could you please tell us more about the strategy of using technology for sales and is it targeting NRI primarily? How much it is coming from this mode and my second question is given the recent interest rate hike and the fact that we might see a few more down the line where do you see the demand one year down the line?

**Rajendra Shah:** What is your first question.

**Ashwin Agrawal:** Could you please tell us more about your strategy of using technology for sales and it is targeting NRI primarily?

**Neeraj Kalawatia:** Largely we see in terms of marketing and strategy we had been predominately over the year have been targeting only the end use market. We have been avoiding even an investor market also so largely that is mostly the reason why the booking has always been favorable and the occupancy has always been favorable post the occupancy certificate. NRI as such there is no separate target market for us because largely NRI if you see most of these customer base is investor base so we do not specifically target those customers. From our marketing strategy point of view if they want to come they are welcome, but as such we do not keep like we have to keep a certain percentage of our selling from that segment. In terms of marketing, we have been predominately using the digital marketing platform only. The two projects, which we have talked about Malabar County III and Malabar Exotica where 100% of booking happened without even a single newspaper advertisement and without even a single hoarding in the city. We have not spent any rupees on these two traditional platforms. Did I answer your questions.

**Ashwin Agrawal:** Yes Sir. Thanks a lot Sir.

**Moderator:** Thank you. The next question is from the line of Nagesh Rajanna from NR-Family Office. Please go ahead.

**Nagesh Rajanna:** A very good afternoon and thanks for the opportunity. If you could just help me with the road map for the next let us say two to three years that should help?

**Rajendra Shah:** Next 24 to 36 months we have planned to launch five residential and two commercial projects so all these projects and everything put together roughly will be 8 million square feet of saleable area, which we plan to launch in the next 24 to 36 months.

**Nagesh Rajanna:** Sir what kind of revenue growth one could look for?

**Rajendra Shah:** As I told you in my opening remarks, these projects which are planned for launch in the next 24 to 36 months we expect to collect a revenue of Rs.30,000 million from these projects at the current rates. If the rates goes up then this revenue may increase.

**Nagesh Rajanna:** Thank you so much.

**Moderator:** Thank you. The next question is a followup from the line of Harish Hinduja from SVS Securities. Please go ahead.

**Harish Hinduja:** Just one clarification. On the consol balance sheet on asset side, loans have been increased can you just explain to me from Rs.123 Crores to Rs.313 Crores approximately?

**Neeraj Kalawatia:** This is largely because the reclassification of the loans as per the new schedule requirement. If you see in the balance side a certain portion of the loans has been shifted to the current asset portion and if you total both of these on an overall base the reduction on the loan side not increase.

**Harish Hinduja:** I am saying asset side not on the...

**Neeraj Kalawatia:** Asset side now because of the new requirement in the schedule as per the Company's Act now you have to classify loans into current asset and noncurrent asset on the asset side and if you see the balance sheet we have mentioned on the loans in both the current asset and noncurrent side. If you total both these items on a totality basis you will find the difference. Actually on an overall basis there is a reduction of Rs.40 Crores.

**Harish Hinduja:** Thank you.

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

**Rajendra Shah:** On behalf of Ganesh Housing Corporation Limited, I thank you all for showing interest and coming to conference call. Thank you and we will connect again. Thank you so much and good day.

**Moderator:** Thank you. On behalf of Go India Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.