

To,  
BSE Limited  
Corporate Relationship Department  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai – 400 001

Date: 22.11.2021

Scrip Code-523329

Subject: Transcript of Earnings Conference Call held on Monday, November 15, 2021

Dear Sir/Madam,

This is with reference to the intimation dated November 10, 2021 made by the Company about the Earnings Conference Call scheduled for Monday, November 15, 2021 at 3:30 P.M. IST. A copy of Transcript of the conference call held with the Investors/Analysts is enclosed herewith.

The aforesaid Transcript is also being made available on the Company's website at [www.eldecogroup.com](http://www.eldecogroup.com)

You are requested to take the above information on record.

Thanking you,  
For Eldeco Housing and Industries Limited  
For Eldeco Housing & Industries Limited

  
Company Secretary

Chandni Vij  
Company Secretary  
Mem No. : A46897

**Eldeco Housing & Industries Ltd.**



“Eldeco Housing and Industries Limited Q2 FY-22  
Earnings Conference Call”

**November 15, 2021**



**MANAGEMENT: MR. PANKAJ BAJAJ – CMD, ELDECO HOUSING AND  
INDUSTRIES LIMITED  
MR. ANIL KUMAR DHANDA – GROUP CFO, ELDECO  
HOUSING AND INDUSTRIES LIMITED**

**Moderator:** Ladies and gentleman, good day and welcome to the Eldeco Housing and Industries Limited Q2 FY 22 Earnings Conference Call. 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, please signal an operator by pressing \* then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Lokesh Pareek from Christensen Advisory. Thank you and over to you Sir.

**Lokesh Pareek:** Thank you Melissa. Good afternoon to all the participants on this call. Before we proceed to the call, let me remind you that the discussion may contain forward looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future risk in performance or achievement to defer significantly from what it has pressed or implied by such forward looking statements.

To take us through the results and answer your questions today, we have the senior management of Eldeco Housing and Industries Limited presented by Mr. Pankaj Bajaj – CMD and Mr. Anil Kumar Dhanda – Group CFO.

We will start the call with a brief overview of the past by Mr. Bajaj, followed by Q&A session. So, without taking much time, I now hand over the call to Mr. Pankaj Bajaj. Over to you, Sir.

**Pankaj Bajaj:** Thank you Lokesh. Good afternoon everyone. I welcome all the participants to Eldeco Housing and Industries Limited Q2 FY22 Earnings Call. Let me start by giving you my brief comments on the real estate market, specifically in the Lucknow area. The demand revival of residential real estate which was long overdue is finally here. The Pandemic has played a pivotal role in this demand revival. People have realized the importance of a good house for them and their family. This is aided by low rates of interest. There are other trends being observed across markets; the desire to upgrade to a bigger and better house, the preference for a known developer brand over the unorganized market etc. All this is translating to increase demand and increasing pricing in the market. This brings me to the other side. Increase in pricing is causing a transmission to the land markets as well. Land costs have started rising at a rate which reflects these new realities. We are seeing land prices rise approximately 50 % over the last 12 months, i.e., after the lifting of the first lockdown till now.

Apart from land, construction costs have also been rising significantly for the last two quarters, a cumulative effect being about 40% rise. As I mentioned earlier, we have

been able to pass on the increase in input cost to our customers due to the increased demand but at what stage the market starts adjusting further price rises I do not have a concrete view on that today.

All this is getting reflected in Eldeco's performance this year apart from the fact that the market trusts us for execution and the brand that we have built over the years. Just to refresh your memory, the whole of last year we achieved fresh bookings of about Rs. 100 crores and in the first quarter this year the number is about Rs. 25 crores.

This quarter i.e., quarter 2 of FY22, we had fresh booking of 108 crores which is more than the entire year last year. This is our highest ever quarterly bookings value. The bookings are aided by our new launch Eldeco Imperia in this quarter. Actually, we did not formally launch the project. More than 50% villas were booked within a few days of the prelaunch. All our other projects also continue with a steady performance and improved realization. I am happy to inform that we have applied for completion certificate for three of our projects, namely Eldeco Uday, Eldeco Joy and Eldeco North Block. Two more projects, Saubhagyam Select, Eldeco South Block and Eldeco Luxa are nearing completion ahead of schedule in spite of the two lockdowns. I would now like to move on to this quarter's financial and operating performance.

This quarter, we registered operating revenue of Rs 40 crores versus Rs 15 crores in Q1 FY22 and Rs 40 crores in Q2 FY21. The easing of pandemic-led restrictions helped us to improve the performance. The EBIDTA for the quarter stood at Rs 22.6 crores, translating to a margin of 54.3%. Net profit for the quarter was Rs. 16.7 crores translating to a net margin of 41.7%. So, the performance has been steady. The benefit of increased sales booking shall be reflected in future.

We are hoping that the markets do not run away too much in terms of costs and price we are conscious of the opportunities in the market and are evaluating a number of them currently. Our focus has always remained on strong execution and steady performance. Finally, in response to the suggestion of a number of shareholders and analysts and after deliberation, the board has recommended a stock split in the ratio of 1:5. This should improve the liquidity in the stock. With that, I would now like to open the floor for Q&A.

**Moderator:**

Thank you. Ladies and gentleman, we will now begin the question-and-answer session. We have the first question from the line of Priyank Gupta from Guardian Advisors. Please go ahead.

**Priyank Gupta:** Good afternoon. Congratulations to the management on spectacular results and very, very forthcoming commentary on future. My question is that as Pankaj said that he cannot comment on as to how long this price run will carry on, if you can give us a sense whether they have any visibility of the volume in number of sales, in terms of sales, for how long the volumes can continue?

**Pankaj Bajaj:** I have already answered that question to some extent. This quarter, we had the highest square footage booking that we have done. So the volume has been great, the realizations have been even better. The big point is that there is significant inflation which is happening on the cost side and as of now we are able to pass on these cost pressures to our customers. How long this continues, I cannot say. I mean, I can say it is not halting in the next quarter or the quarter after that but whether the Indian market can continue to take these kind of inflationary price pressures, I cannot say. As of now, everything seems to be aligned. We are coming out of multi-cyclical low and we should see an upward correction but that correction has already happened in terms of pricing. So, I cannot say frankly Priyank. Everything looks alright but just like the seeds of this upturn was written in the downturn of the last cycle that prices fell so much that it had to correct upwards and demand had to come back. Again, I am scared that if the prices run away too much, then it might stop. But I do not see them stopping for the next two to four quarters at least.

**Priyank Gupta:** If the current rate goes on for let us say a few quarters, do you think we have sufficient inventory to last for next one and a half or two years if you can give us some sense on that.

**Pankaj Bajaj:** Yes, I think we have already circulated the presentation. There are some numbers there. In the ongoing project, we have sellable area of about 8.5 lakh square feet and then we have forthcoming projects of about million square feet. These are projects already in hand plus we are talking about some more opportunities. That is 1.8 million square feet of inventory which we already have. So, I do not see that inventory shortage is going to be a problem in the next four to six quarters.

**Moderator:** Thank you. The next question is from the line of Arjun Lamba from Guardian Advisors. Please go ahead.

**Arjun Lamba:** I have two questions, one to what Priyank had just asked is that given the price rise inventory sitting on our balance sheet also becomes more valuable, one from a price perspective and one from a cost of construction perspective, I mean, however you want to look at it, that is one and can you just tell us that other markets other than Lucknow how are they moving since you have a fair idea about some other

geographies also? Are they similar, more, less or is it what we understand? Is it a pan India trend where real estate, residential real estate especially is moving now?

**Pankaj Bajaj:**

So, the first question, existing inventory does become more valuable. With the caveat that some of this inventory is not built, so I have included a million square feet of forthcoming projects. Now, that is not built yet, so we are able to take advantage of increased prices there. We are also going to face the pressure of increased cost there in terms of building that, so I hope you will appreciate that part but obviously if both increase by 15%, then cost has a percentage of say anywhere less than 50% historically. So, you know your margin has also risen to that extent. So yes, you are partly correct about the first point. The second point you are 100% correct that it is a pan India thing. It is not Lucknow specific. There are macro plays at work. This is not a Lucknow specific phenomenon we are talking about here. Of course, Lucknow itself is doing very well, that is another story but the trend that we are talking about increase in land prices, increase in housing prices, increased demand, low rates of interest, people upgrading, people moving towards better developers, with more established track record that has happening across markets. The Eldeco group itself works in a number of markets and this is what we hear from other developers as well.

**Arjun Lamba:**

Okay, and just one follow up question. I believe even the commercial market has come back. I know you are not so exposed to commercial but looking at lead performances and commentary that the commercial market is also coming alive now?

**Pankaj Bajaj:**

Actually, we do have some exposure to these markets. The retail markets have actually come back earlier and stronger than the commercial markets, the office buildings. Those are the last ones to come back. Within retail, of course, there are a few segments which are lagging, namely cinema for obvious reasons but shopping is back big time. If you go to any mall in NCR that is where you are or Bombay you go to any mall, the footfalls are back to pre-pandemic levels. Offices are still not 100% there but it is not as bad as we thought that this is a structural change forever and people are going to work from home forever and you know the office space world are going to see in that is not what is happening. So, it is coming back, though it is the last one to come back. But the news is good on that front also. office market is not going away anywhere.

**Moderator:**

Thank you. We have the next question from the line of Ankur Gupta from Safe. Please go ahead.

**Ankur Gupta:** Firstly, many thanks for acknowledging the request of our retail investors, I really appreciate and best of luck for your team, so this is what I wanted to convey in this conversation with you.

**Pankaj Bajaj:** Thank you Ankur. Keep the need of suggestions and anything to make the shareholder happy.

**Moderator:** Thank you. We have the next question from the line of Karan Gupta from KP Synergies. Please go ahead.

**Karan Gupta:** Mr. Bajaj, can you just walk us through a little bit about your land bank, what opportunities that the company has beyond the next four to six quarters with regards to new projects etc.?

**Pankaj Bajaj:** I already answered partly in response to Priyank's question. We have about 1.8 million square feet of sellable inventory right now on projects which are already tied away where we have a land bank. So, beyond that I mean it is not in our hands. We are looking for opportunities. We are confident that we will tie up something but shortage of inventory is not going to hold back the company at least for the next couple of years but if you are asking me if we have visibility or we have our land bank which is enough for next seven or eight years, we do not believe in that as a strategy frankly. Right now, the market is high and land banks are back in fashion but we do not believe in that. We look at land as raw material and at any point the developable area that we have will fluctuate between 2 to 5 years of inventory. Right now, we are at 2.5. We do not have 5 or 7. I do not think we would ever have 7 to 8 years of inventory in our books.

**Karan Gupta:** Right, I appreciate that. You know, during some earlier call you had mentioned that there were difficulties in tying up.

**Pankaj Bajaj:** You have clarified the question. That eased out a bit for us, though the prices are a little higher but few of our term sheets are out in Lucknow and we hope that we should be able to close them into definitive agreements and once that happens we will disclose it. Before that I think they are going through the due diligence process and any of these lands tend to scale that process itself. So, we hopefully will declare something in the next couple of quarters. But as of now, nothing has gone through specifically. But we are working actively on it. But that is an ongoing process. It is not a quarter thing. We do BD as an ongoing process and we also do sales. So we would like to maintain our land bank to be sufficient for the next two to five years. We are at the lower end of that spectrum right now. We are aware of that and we do

have dry powder on our balance sheet. We would like to increase it in say four to five years.

**Karan Gupta:** Alright. Thanks. And also as part of your quarterly filing it has a disclosure regarding listing on the NSE, so can you just walk me through what are the next steps, what is the expected time line or what visibilities are regarding that?

**Pankaj Bajaj:** I would not be able to comment, I am sorry. I mean the Company Secretary is taking care of that. I am sure the process, whatever the NSE process is we will file that and whatever the process I guess it does not take too long. It is not a very complicated thing. We are already fully compliant as far as the BSE compliances are concerned. So whatever the timeline is I am not personally aware what the timeline is. It could be a quarter or two max.

**Karan Gupta:** Just a ball park like one to two quarter issue or do you think it would extend beyond?

**Pankaj Bajaj:** I will have to come back to that. I am not personally competent to answer that question.

**Moderator:** Thank you. We have the next question from the line of Kieran Baptista from KYA. Please go ahead.

**Kieran Baptista:** This might not be a pertinent question, but I was just wondering with new IPL team coming up in Lucknow are there some opportunities we can explore, with regards to housing or something, we have any projects near the stadium?

**Pankaj Bajaj:** As, we are actually looking at three land parcels near the stadium, though I do think that IPL will make no difference to the local market at all. It is four-week thing, once a year and how many matches will happen in Lucknow may be three or four, and how does it impact the local market at all. But as things stand that is the part of Lucknow which is actually developing very well and we are in talks for three land partners in that vicinity in that micro market itself. But it is coincidental that the stadium is there and I do not think IPL has an effect there but it is just that it is a good part of town and we are actually looking at some stuff there.

**Moderator:** Thank you. The next question is from the line of Arjun Lamba from Guardian Advisors. Please go ahead.

**Arjun Lamba:** We appreciate your strategy that we do not want to be holding land for seven years. As shareholders, we just want to state this since you did say that I think a factory approach is a better approach that whatever visibility you have, otherwise one will be



saddled with high cost land, especially in times like this on the balance sheet. As shareholders, we are kind of happy with that strategy with decent visibility but we are not playing the land bank game and as we have seen in the past over the last 10 years the land bank game did not pan out well for anybody.

**Pankaj Bajaj:** I agree Arjun.

**Moderator:** Thank you. We have the next question from the line of V. P. Rajesh from Banyan Capital. Please go ahead.

**V. P. Rajesh:** My question was that are you seeing the investors come back or this was mostly the end users who are booking the flats last quarter. If you can give color as to where the bind is coming from?

**Pankaj Bajaj:** One can never say for sure whether the buyer is buying for his own end use or he is buying for investment, but you can only surmise from their behavior pattern at the time of booking and we do gather from our sales team giving us the feedback that it is the end user. They visit with their families, the children come, the wife comes, the relatives come, so that is not typical investor behavior. The other thing is that it all does not get sold in one day. They tend to visit the site multiple times before they book and it is not that we open booking one day and the broker will land up with his cheque that night itself. So, it is happening fast but we are seeing a lot of foot fall on the site which makes us believe that this is all end user demand and people are coming out. There was this pent-up demand for good housing and also the pandemic effect and I think that a lot of people had postponed their decision to buy houses over the last many years and they have accumulated some savings over the pandemic or the importance quotient of the house went up. So, I think most of it is just end user demand which is a great thing frankly.

**V. P. Rajesh:** Right. My other question was you talked about the land prices going up quite a bit, so do you think we are reaching an unsustainable level very quickly or what is your sense on that?

**Pankaj Bajaj:** Sir, the line was not very clear. Your question is about the land prices being unsustainable or what was the question about?

**V. P. Rajesh:** Yes, Yes. That was my question.

**Pankaj Bajaj:** We are not close to the unsustainable level of land pricing because land prices were also stagnant for a number of years. So, the real estate market tends to act in spurts. It remains flat for a number of years and then suddenly in few years it will have

exponential jump of 50% per annum and then remain flat. So right now, what is happening is we are correcting for the stagnation of the last seven to eight years. We have not reached a level where it has gone beyond the affordability index of people or even developers or the business model has run out of that. So, if you look at affordability index, even now developers are able to produce and supply and put to market houses in a price range which is affordable to a vast majority of people. It is not that you know you are scratching the head that who will buy these houses and who can buy at these prices. Sometimes it does happen, like it used to happen in Mumbai in the 90s that you would scratch your head and think that who will book and buy these houses. But that is not what is happening in a place like Lucknow. The price points are still like 50 lakhs, 60 lakhs, 70 lakhs and nobody in today investing at a level which is not sustainable. Land prices are rising but not to a level that one would say that you know we will have to halt our business model for some time. I think this can continue for some time but if the trend continues then how long at what point the market starts resisting it that is the no point I do not have an answer there. But I do not think that it is happening anywhere in the next two to four quarters. I think it is quite sustainable and market will have add to enough to anything that you put out right now.

**V. P. Rajesh:** And my last question was regarding your geographic extension. in the prior calls, you talked about slowly investing in other territories. Any update on that side?

**Pankaj Bajaj:** Yes, as of now we have money on the balance sheet and we are looking to the project suitably and fruitfully. So, as I mentioned earlier, we are looking at a number of partners in Lucknow itself and we are also looking at some outside partners. The other thing is we do not want to come into conflict with the unlisted entity so we are looking at a geography which will not conflict with the unlisted entities at all, but the first focus remains Lucknow and only if Lucknow is not able to absorb our growth aspiration, we will be going out but it is under active consideration.

**Moderator:** As there are no further questions, I would like to hand the conference over to the management for closing comments. Please go ahead, Sir.

**Management:** I have no more comments from my side. Thank you everybody for participating and I hope to see you in three months.

**Moderator:** Thank you members of the management. Ladies and gentleman, on behalf of Eldeco Housing and Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.