



Karda Constructions Limited
“Karda Constructions Limited Q1FY19 Results Conference Call”
Transcript
16th August, 2018

MANAGEMENT: MR. NARESH KARDA – CHAIRMAN AND MANAGING DIRECTOR
MR. SHEKHAR MAHADIK – FINANCE MANAGER

Moderator: Good evening, ladies and gentlemen. Welcome to the conference call of Karda Constructions Limited arranged by Concept Investor Relations to discuss its Q1FY19 Results. We have with us today Mr. Naresh Karda – Chairman and Managing Director and Mr. Shekhar Mahadik – Finance Manager. Please note that this conference is being recorded. I would now like to hand the floor over to the management. Thank you and over to you.

Naresh Karda: Good evening everyone. On behalf of the board of Karda Constructions Limited, I welcome you all. This being our first analyst meet since our listing, let me brief you about Karda Constructions Limited. We are a real estate company from Nasik. The group started its real estate business in 1994 and since then in the journey of the last 25 years we have proved ourselves as a prominent brand in the real estate in and around Nasik. The company is primarily focussed in the residential real estate which forms a major chunk of our portfolio that is almost more than 95%. The strength of Karda Constructions has been our geographical spread in Nasik. Our projects cover almost 70% of Nasik area. We are almost present across all segments that is affordable, comfortable, luxury and some commercial areas, giving us a wide range of real estate to offer our customers.

The industry has been facing challenges due to changing environment, be it the implementation of RERA, introduction of GST, changes in DCR rules, etc. These changes are expected to bring in positive changes to the industry in long term but the industry is yet to adjust itself to these changes. In spite of the challenges, Karda Constructions has been able to deliver an excellent performance in the quarter gone by. We have realised that the only way to overcome this challenging environment is to have a strong marketing and selling ability. We have carried out a lot of promotional activities at corporate offices, in industrial areas, and towns, including presentation, loan mela's, real estate awareness programs, etc. and this has started yielding good results. We already have the bookings for 75 units in the quarter ending June, 2018 and we expect the momentum to continue into next quarter. We have also launched a new project named as Hari Aakruti Phase-II at Bhabhagarin the month of April, 2018.

Our total revenue in the quarter has been Rs. 30.4 crore as against yearly sale of Rs. 134.55 crore in the last financial year. Our profit EBITDA margin for the quarter has been 31.21% against 28.89%. The PAT margin has increased from 9.67% to 13.88% of the revenue. We have been able to reduce the financial cost for the quarter which is Rs. 4.04 crore as compared to Rs. 19.71 crore for the full year in the last financial year. Our revenue from contracting segment for the quarter has been Rs. 3.11 crore which is approximately 11% of the total revenue. In the way ahead we are expecting the sale to pick up in the coming quarter with the festive events coming up like Ganesh Chaturthi, Diwali, Navaratri which generally generate good sales. Thank you.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. We would be taking the first question from the line of Suvarna Shah from BPS Wealth. Please go ahead.

Suvarna Shah: My question is in regards to the growth of real estate market in Nasik. So, what is the Nasik real estate market expected to grow at? And is the company planning to pan out of Nasik anytime in the near future?

NareshKarda: In near future we are going to expand but close to Nasik only because the connected areas are also going to develop likegatpuri, Manmad and thevicinityof Nasik is very good towards Aurangabad, Dhule, Mumbai, and Pune. So, in these places connected to Nasik, we are going to expand.

Suvarna Shah: And what is the Nasik real estate market expected to grow at?

NareshKarda: In Nasik real estate market we are getting a minimum growth of 10-15% per annum.

Suvarna Shah: What are your marketing strategies?

NareshKarda: Out of our total inventory we are going to construct 40% affordable units. These units are getting the benefit of Pradhan MantriAwasYojana and Income Tax 80-IB(10) schemes. So around 40-50% inventory is affordable and 20% inventory is in medium segment and around 10-15% is the premium segment. These are the marketing strategies and with this we are spread in different areaslike all the location of Nasik, Nasik Road, Deolali, so we are getting the customers from all these area.

Suvarna Shah: What is the pipeline of the ongoing projects?

NareshKarda: Rs. 625 crore construction area is under construction. And the total sales yet to be booked from this projects is Rs 300 crore.

Suvarna Shah: And when are these expected to be completed?

NareshKarda: All the projects are at different level. Some projects are completed, some are under construction, and we have started some of them. We can say 60%units completion is done and it will take another 2-2.5 years to complete.

Suvarna Shah: And what is the size of your largest project and where exactly is it located?

NareshKarda: Maximum size project is HariSanskriti-I. It is the affordable project which is of about 600 units, 458,000 square feet is the area of that project.

Suvarna Shah: And any projectsfacing any legal problems?

NareshKarda: No, not at all. We have delivered projects on time and without any legal implications. All the things are in place with clear title.

- Suvarna Shah:** And with RERA in place how is this going to affect the real estate industry and our company?
- NareshKarda:** We cannot say that RERA is going to affect the real estate industry but it is good for us. We have to complete the projects within time and the money routed through Escrow account and the customer confidence is more developed due to RERA. We are getting additional bookings due to that.
- Suvarna Shah:** What are the expected margins going forward?
- NareshKarda:** As per last year, EBITDA is around 30- 32%.
- Moderator:** We would be taking the next question from the line of NileenaJiji from CRISIL. Please go ahead.
- NileenaJiji:** I just have 2 questions. Basically, wanted to understand what is the construction cost in Nashik like, if you could give me a rough range of the construction cost?
- NareshKarda:** Actually, construction cost depends upon project-to-project. In case of affordable housing we are considering the construction cost around 1,200-1,400 per square feet. And for premium segment, it goes around 1,400-1,800 per square feet, 2,000 is maximum depending upon the location and amenities,it may vary.
- NileenaJiji:** What is the business models that you usually adopt like did you go for JD or JV?Is it like the land, land is owned by somebody else and the construction work is done by you.
- NareshKarda:** Maximum land is owned by us, which is of ownership,outrightpurchase and around 10-15% land is in joint venture with the land owner.
- NileenaJiji:** So that means the marketing will be done separately, right?
- NareshKarda:** No, marketing will be done by Karda Constructions only and we have to sale the product.
- NileenaJiji:** But they would get a share of it?
- NareshKarda:** Yes, as per the revenue sharing and depending upon the location percentage changes but we have to sale the product.
- NileenaJiji:** Ind AS 115, how has it affected your revenues and like accounting has changed, right? So, now most of the developers are going for project completion method. So, according to you, like how has it affected your revenues or going ahead, how would you think it will affect your performance?

Shekhar Mahadik: Actually till 31st March, 2018 we have almost completed all our major projects. So, hardly there will be 1-2 projects which are under construction WIP, of which we have recognized revenue till 31st March, 2018. So, approximately 15-20 crore of the revenue will be reversed in this current financial year, 2019. We have already received the completion certificate for major of our projects.

NileenaJiji: What about the upcoming projects like new projects that will be following completion method, right?

Shekhar Mahadik: So, we will be complying Ind AS 115 in case of those projects which are under construction.

Moderator: As there are no further questions from the participants, I would like to hand the conference over to the management for their closing comments.

NareshKarda: We thank everybody to be available today for this analyst call. Thank you very much for being present and we will be coming back again to discuss our next quarter after results. Thank you very much.

Moderator: Thank you all for being a part of this conference call today. If you need any further information or clarification please mail at pratik@conceptpr.com or ankita@conceptpr.com. Thank you for joining us and you may now disconnect your lines.

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