

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

Date: 23.08.2021

Scrip Code-523329

**Subject: Transcript of Earnings Conference Call on Financial Results for the quarter ended June 30, 2021**

Dear Sir/Madam,

This is with reference to the intimation dated August 13, 2021 made by the Company about the Earnings Conference Call scheduled for Tuesday, August 17, 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 Q1 FY-22  
Earnings Conference Call”

**August 17, 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 gentlemen, good day and welcome to the Eldeco Housing and Industries Q1 FY22 earnings conference call. As a reminder, all participants' 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 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. Lokesh Pareek from Christensen Advisory. Thank you and over to you, Sir.

**Lokesh Pareek:** Thank you. 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. So, it must be viewed in conjunction with our business risks that could cause future results performance or achievement to differ significantly from what is expressed 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 Mr. Pankaj Bajaj – CMD and Mr. Anil Kumar Dhanda – Group CFO.

We will start the call with a brief overview of the past quarter by Mr. Bajaj, followed by a Q&A session. I hope you have received the presentation and all the material. If not, please write to us and we will be happy to share with you. I now hand over the call to Mr. Pankaj Bajaj. Over to you, Sir.

**Pankaj Bajaj:** Good afternoon everyone, I welcome all the participants to Eldeco Housing and Industries Limited's Q1FY22 earnings call. I hope all of you are healthy and safe with your families.

Let me start by giving you brief comments on the real estate market, specifically in the Lucknow area. Ever since we emerged out of the first lockdown last year, the residential real estate has been showing strong signs of recovery. There is a clear demand for bigger and better houses the world over, and India is no different. The residential real estate market was long due for an upward correction, and the pandemic induced lockdown has acted as a trigger. Moreover, we are seeing demand to be gravitating towards bigger and more established players in each geographic market.

However, the second wave, which started from April'21 slowed the momentum down due to lockdown led restrictions. For two months the business processes like construction, sales or even getting routine government approvals were slowed down or completely shut. Execution was less impacted during second wave compared to first wave as labour migration was significantly lower this time. However, supply chain disruptions did cause a slowdown.

Talking about our operations, we have launched two projects this quarter, namely Eldeco East End, having saleable area of around 63,000 sq. ft. and Eldeco Saksham, having saleable area of around 67,000 sq. ft. 78% of former and 100% of later has been booked already in Q1'21. We

continued to see good sales at decent pricing in Eldeco City Bareilly. I am also pleased to inform you that we have received RERA approval for our Eldeco Twin Tower project within Eldeco City, Lucknow in this quarter. This weekend we soft launched the project, and I am happy to report that 25 bookings were received the first day itself.

I would now like to move on to our recent financial and operating performance. This quarter we registered operating revenues of Rs. 15 crores versus 20 crores in Q1FY21 and 40 crores in Q4FY21. The lockdown was the main reason for such a drop. The EBITDA for the quarter stood at Rs. 6.5 crore, which would convert to a margin of 43% and Net profit for the quarter was Rs. 4.7 crore, which would in turn convert to a margin of 31%.

So the main takeaway for this quarter has been that though the quarter was weak in terms of execution and revenue recognition, the underlying demand trend is becoming stronger. With prudent capital allocation and focus on timely execution, we have been able to maintain a strong balance sheet. With the way our demand trend is moving, we feel that we are well placed to grab the opportunity. With that, I would now open the floor to Q & A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Priyank Gupta from Guardian Advisor.

**Priyank Gupta:** I understand, while reading the presentation that the average realization during the quarter was lesser than the previous quarters due to sale of EWS properties during the quarter. I just wanted to understand from the management as to how the EBITDA margin stack up in all the segments, EWS, middle-income and luxury in case of our company? Thank you.

**Pankaj Bajaj:** Priyank, EWS is largely a no profit, no loss kind of operation. We are happy to do it that way. Sometimes we do incur loss also in EWS, because the pricing of EWS unit is fixed by the government and in case commodity prices rise and the cost of construction rises we find it very difficult to get the government to revise the prices directly in line with the cost escalation. So, the current sale which has happened in this quarter was Eldeco Saksham which is an EWS, so we don't expect any profit there. I don't expect any loss either, but for the other products as you know we are largely in the upper middle segment of Lucknow. We're not in luxury as defined in Lucknow and we're not in affordable as defined in Lucknow market. Our ticket prices are in the range of 40 to 60-70 lakhs and profit margin historically we have been working between 30 to 40% and that's what we are maintaining at. Though I have to say that is also because we've been sitting on historical land banks, going forward I do expect some of the margins to compress and we will replace land banks with land at fresh prices.

**Priyank Gupta:** My follow-up question is, during the quarter still the EBITDA margins were as high as 45 to 46%.

**Pankaj Bajaj:** That revenue recognition is not coming from the sale which has happened in the quarter because the sale which has happened in the quarter is Saksham, EWS. That revenue recognition will happen in due course of time when it gets completed.

**Priyank Gupta:** In the presentation, the average realization is of the sales which we have done in the quarter and not what we have booked the revenue. Okay. Thank you for the clarification.

**Moderator:** The next question is from the line of Aruj Lamba from Guardian Advisors.

**Aruj Gamba** I just want to get a macro perspective, on the industry that you broadly spoke of in your opening comments and how is the demand of post the second wave comparative to when the first wave when there was a spurt in demand. Are we seeing it at the same pace, lesser, stronger? I mean, just if you could get some flavor labor on that please?

**Pankaj Bajaj:** So, I can only share empirical data and one of the lines in my opening comment was that we opened sale for Twin Tower project last weekend, and we got 25 bookings the first day, this Sunday and the popular perception is that there's a very strong, uptrend in plots in plotted developments. That is what everybody has been talking about. Happily, we are largely in that segment, but this Twin Tower project is an apartment complex and on the outskirts of the city. We are seeing that demand is now percolating into other segments of residential houses other than plotted. I can only surmise from that, the demand trend is becoming stronger and we have seen that everywhere, even our realization though, Priyank had a question that they looked lower that was because of Saksham, but we find that the even not only pricing, both pricing and velocity are much stronger going forward.

**Priyank Gupta:** Basically, you're saying from the square yard it is percolating into the square foot now.

**Pankaj Bajaj:** It is on the built-up yes.

**Priyank Gupta:** And our Bareilly project how is that coming along?

**Pankaj Bajaj:** I think I answered that in one of the previous con-calls, the total saleable area that we were allowed to sell we have already sold out, we had some remaining inventory which we sold out in this quarter, the balance inventory we can't sell till we achieve for this competition, because the government has a policy. They keep some inventory bags, as a surety that project will get completed. Hopefully we'll apply for completion sometime next year in the middle or second half of next year. But the price is appreciating. We launched that product at Rs.18,000 a square yard and the last we did was Rs. 27,000 a square yard. That's a 50% appreciation in less than 12 months.

**Priyank Gupta:** That's quite heartening. I think we have heard this on other real estate larger, smaller, I mean, all sizes. I mean, that's what everybody is saying that subsequent, sort of sales in older projects or completed projects are happening at a significant premium to the last round. That obviously is on account of buoyant demand and the reasons that you gave for the demand. Basically it is safe to assume that in this quarter, the sales momentum will be much more healthier. And the OC certificate, is it still challenging, is that happening at a quicker pace now?

**Pankaj Bajaj:** You asked me two questions. The first part is about the launches. Yes, we have already on Twin Towers and then after we are done with Twin Towers, maybe sometime next month we

will launch our may Township Eldeco Imperia which is the next project in the EHL portfolio. There are two launches in this quarter and that's why we are quite excited and confident about both of them. Regarding the second part I don't have very happy report to give to you. OCs are not actually coming on time. The government sources are still not functioning smoothly. The hangover of Corona, COVID, lockdown it is still there. We find there is so much of backlog, I am sure that other companies are also reporting the same. The pace of government approvals has really slowed down. We hope that, in the next two, three months, this will get resolved, but as of now I don't know, I don't have happy report to give you.

**Moderator:**

The next question is from the line of Manish Sharma who is an Individual Investor.

**Manish Sharma:**

My name is Manish Sharma, I'm an individual investor. I have a couple of questions to ask from the company management. My first question is what is the idle inventory at the moment company is having? My second question is, coming to the future prospects we see most of the projects are coming only in Lucknow and a nearby area. When we talk about the pan India operations, what are your plans to go beyond UP or say beyond Northern India, do you have any chances to go towards South, Eastern side Western side and, my last question is any chance of split and bonus since the share price is quite high. Just to increase the volume in the share, is there any chance of bonus and split, thank you?

**Pankaj Bajaj:**

So, the first question was about inventory, I didn't get it completely, but, we have circulated a presentation, if you don't have it we will ask for advisors to send you one. So, I think that it is about 4.5 lakhs square feet completed project inventory, it is about 5,00,000 square feet in ongoing projects and then there are forthcoming projects. So that split is there in the presentation. So, we'll have it sent to you. I think that will answer first question. The second question is that new projects are coming in Lucknow. So, Manish, let me remind you, this is Lucknow based company. This is not a pan India company.

**Manish Sharma:**

I know. I am your investor, so I know.

**Pankaj Bajaj:**

We did the Bareilly project as an experiment outside, which we co-invested with our group company, EIPL, Eldeco Infrastructures.

**Manish Sharma:**

My question was that when we compare with companies like DLF and companies like Supertech, so in that comparison, my question was, you have any chances to go beyond the Northern India?

**Pankaj Bajaj:**

No, we are neither comparing ourselves at DLF nor with Supertech, I am sure those companies are doing great. So, the thing with this company is this has historically been the mandate, we work in Lucknow. It has been very transparent that this works in Lucknow. But as I discussed in the past as a strategy, the balance sheet is becoming bigger and we have not been able to get the great opportunities in Lucknow, so we are actively considering after the success of Bareilly to move out of Lucknow. Now there are always questions about whether it will get merged with the unlisted company, whether some other form of co-investment model will emerge. So,

something will emerge in terms of co-investment, this company will move out but depends on what kind of opportunities come. At some point definitely this company will start investing outside Lucknow. But as of now it doesn't have anything other than that to share.

**Manish Sharma:** A last question if you can answer please?

**Pankaj Bajaj:** It's not under consideration as of now. Yes, I understand that there is a school of thought that says that it will enhance trading volumes, but it does nothing to enhance shareholders' value in our opinion. But we have taken your suggestion about the split of bonus. We will deliberate it internally.

**Moderator:** The next question is from the line of Mr. Diwakar Pingle from Christensen.

**Diwakar Pingle:** My question was, I have been listening to calls from the other real estate firms that have kind of gone well, the mood generally seems to be buoyant as far as how they perceive demand to be picking up. Pankaj, a question to you is in the micro markets that you are working in, how do you perceive that? This is more in a very broad-based philosophical question, how do you kind of expect demand kind of coming out over the next 2-3 years and how we see that benefitting Eldeco in Lucknow?

**Pankaj Bajaj:** It's a very broad question. I am not sure I am qualified to answer it. But just I will throw some data at you. At a peak, India sold about 4.5 lakh fresh apartments or houses from the developers in the year 2012. That number has been steadily declining over the years and it touched in other year at about 2 lakhs. Last year we sold 2.5 lakh apartments or fresh units. So, all this talk of the market being buoyant and the demand coming back, bear in mind the numbers. This is a rise of 25% from the year before but still way below our peak. So, I think it is safe to assume that we will quickly hit our peak. And the other thing is that by all means the market should have grown organically because of the trends, urbanization, rising incomes. This 4 lakhs should have become 8 lakhs, maybe, I don't know 7 lakhs, 10 lakhs a year. So, we are at 2.5 lakhs right now. It has to first hit the previous peaks. Then it has to go beyond that. Now, if all this has to happen in the next 3 years or 5 years or 7 years, I don't know when it will happen, but it is going to happen because every other macro indicator does indicate towards it. Then what we are talking about is a quadrupling tripling or quadrupling of the market size per se in the next maybe 7 to 10 years. By any metric that's a massive increase from where we are. The other trend is that till now 80% of the market was cornered by the top 7 cities of the country but after the pandemic something has happened. This is for social commentators, so we have heard that something. But the data on the ground indicates that instead of 20% the smaller cities will command 30% as a market. So, that itself means that their market size is going to increase 50% and plus the market size itself, the overall market size itself is going to settle. So, what we are talking about is a massive jump in volumes in the coming years. Now, whether that is Lucknow or Chandigarh, therefore its going to happen all across. All these cities are at the stage where a Pune or a Bangalore, was about 10-15 years ago or 20 years ago and we all know what happened there. So, all these cities now had 3 million 4 million. And all these indicators told that its going to be a very-very explosive time for Indian

real estate in the next 4-5-7 years. Now, of course, there is going to be blips along the way but third trend that I wanted to highlight was that demand is gravitating towards the more established players in each market. We put all these together I think that they are increasing good period of growth for the leaders in every macro market.

**Diwakar Pingle:**

That's very useful Pankaj and very heartening to note that you believe that there is definitely a scope for growth. Obviously, the timing is anyone's guess. I think the idea to have this question was to give the investor a general feel of the fact that the market is huge, and that market is there. I mean its not that we are working in a small micro market. So, obviously we know the way you did because of that kind of indication. Thank you for that. I will get back in the queue.

**Moderator:**

The next question is from the line of Ankur Gupta from Pace Financial.

**Ankur Gupta:**

Pankaj, hearty congratulations because I can see that in spite of all this volatility in the property market in the last 10-12 years, our company has grown in a very stable manner, and I also understand that Eldeco recognized that there's a huge potential in the property market overall. But I have just a small query, in terms of the Eldeco housing on the expansion space. We have been doing a steady turnover, steady profit for the last 10-12 years. What are the plans for the expansion wherein we can move from this say 100-150 bracket to maybe 500-600? Do we have something in our mind to reach to those scales, so that we actually get the potential of the market which we recognize?

**Pankaj Bajaj:**

Definitely, Ankur. We don't want to be sitting on idle money. We want to be deploying that. You know what our return on capital employed is. And you also know what kind of funds we have on the balance sheet. So, it is our responsibility to deploy that money efficiently, allocate it prudently. So, we are looking for projects in Lucknow. It does take time. We don't want to get into projects which are drag us down. But we are talking to landowners for a number of deals in Lucknow. Also, as I mentioned in response to one of the earlier questions, we are also looking at outside Lucknow, probably as a co-investment with our group company. Obviously if something materializes we will definitely disclose it right up front. But your question, I agree with you that, we have been stable which is a good thing in a volatile market, but time has now come to grow. That point is taken.

**Ankur Gupta:**

My next query would, if we have such plans, is there any time horizon which we thought in our internal budgeting that okay next 12 months maybe 24 months this is how we shall plan for the next project outside Lucknow?

**Pankaj Bajaj:**

That would be irresponsible for me to comment on. As you know our business goes from project to project. So, it's not like a manufacturing facility or a hotel facility that it once you put it up you have a stable revenue stream. It depends on what project you get at what time, and we don't have anything right now. So, I can't make a definitive statement. But our business development teams are working on it. As soon as something works out, then it will come suddenly, and it will be big. But as of now we don't have it.



**Moderator:** Ladies and gentlemen, that was the last question. I would now like to hand the conference back to the management team for closing comments.

**Pankaj Bajaj:** Thank you all. Thank you for your support. And we hope to return in three months' time with better numbers, because hopefully there won't be another lockdown. Thank you everybody.

**Moderator:** Thank you very much. On behalf of Eldeco Housing and Industries, that concludes this conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.