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Department of Corporate Services
BSE Limited,
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Dalal Street,
Mumbai-400001

The Manager, Listing Department
The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, C - 1,
Block G, Bandra - Kurla Complex,
Bandra (E), Mumbai – 400051

BSE Scrip Code-523329

NSE Symbol- ELDEHSG

Subject: Transcript of Earnings Conference Call held on Wednesday, August 10, 2022

Dear Sir/Madam,

This is with reference to the intimation dated August 01, 2022 made by the Company about the Earnings Conference Call scheduled for Wednesday, August 10, 2022 at 12.00 Noon 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

You are requested to take the above information on record.

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


Kapil Saluja
Chief Financial Officer



Eldeco Housing & Industries Ltd.



“Eldeco Housing & Industries Limited
Q1 FY23 Earnings Conference Call”

August 10, 2022



MANAGEMENT: MR. PANKAJ BAJAJ – CHAIRMAN AND MANAGING DIRECTOR

MR. MANISH JAISWAL – GROUP COO

**MR. SANJAY AGARWAL – VICE PRESIDENT ACCOUNTS & TAXATION,
ELDECO GROUP**

Moderator: Ladies and gentlemen, Good day and welcome to the Q1 FY23 Earnings Conference Call of Eldeco Housing & Industries Limited.

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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhishek Bhatt. Thank you and over to you, Sir.

Abhishek Bhatt: 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. It must be viewed in conjunction with our business risk that could cause future result performance or achievement to differ significantly from what is expressed and implied by such forward looking statements. Please note that the result and the presentation are available on the exchanges and also on company’s website. Should you need any assistance to receive them, you can write to us and we will be happy to send it over. Now to take you through the results and answer all the questions today we have the top management of Eldeco Housing & Industries Limited with us represented by Mr. Pankaj Bajaj – Chairman and Managing Director, Mr. Manish Jaiswal – Group COO, Mr. Sanjay Agarwal – Vice President Accounts and Taxation, Eldeco Group.

We will begin with the quarter highlights followed with Q&A. Now I would like to hand over the call to Mr. Pankaj Bajaj. Over to you, Sir.

Pankaj Bajaj: Good afternoon everyone. This is Pankaj Bajaj. I welcome all the participants to Eldeco Housing & Industries Limited Q1 FY23 Earnings Call. Let me start with brief comments on the real estate market I believe you already have the results with you. So, I will just give a brief background on the market and after that I will touch upon the operational and financial performance for the quarter. So, India’s residential real estate demand remained un-awaited during the quarter despite the global and domestic disruptions which includes the Ukraine conflict and increase in interest rate, increase in input cost etc.

During April, June 2022 the demand remained solid in spite of the factor as listed by the steady flow of numbers or inquiries for our projects because of the increase in demand, unsold inventory across cities including Lucknow has come down during the last few quarters. So, from an inventory overhand to a short supply situation that has turned around in about four to six quarter the last four to six quarters. This has enabled developers to pass on the increase in cost to the customers. Moreover, the established brand names are able to command the premium in their respective markets. With this background the business economics for leading developers look comfortable and have a cushion to withstand input price shocks.

Talking about our operations during the quarter we have successfully handed over 1.1 lakh square feet with the registration of 78 homes. The collections continued to remain strong

during the quarter and stood at nearly Rs. 50 crores. Strong demand in electric sector has consequently pushed up land prices also. So, our challenge right now is to purchase land at a suitable location, however, we are confident of adding at least three new projects within this financial year to our development portfolio. All our current projects are progressing well in terms of execution, sales and collections. We are confident of completing all of them within or before the RERA timelines. In the current quarter we are also going to apply for approvals of our group housing projects in Eldeco City either GH4 or Crest whichever comes first and also phase 2 of Eldeco Imperia project.

I would now like to move on to our recent financial performance. The revenue from operations for the quarter stood at Rs. 27.6 crores compared to 15 crore last year in the same quarter. Last quarter this was very low it was a low base because of the COVID waves, and this quarter has also been slightly low for us because of lower completions. The EBITDA was at Rs. 11.3 crores compared to 5.1 crore last year. EBITDA margins was 40.9% compared to 33.9% in Q1 of FY22. The PAT stood at 10.1 crores in Q1 FY23 compared to 4.7 crore in Q1 FY22 witnessing a robust growth of more than 100% year-on-year. With this short comment from our results I would like to open the floor for questions. Thanks.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Agarwal from Prithvi Finmart Private Limited. Please go ahead.

Abhishek Agarwal: Sir can you throw some light on inventory status of Lucknow market as a whole and how we are placed in this market and secondly, I want to know are we looking for any opportunity in the other geography apart from Lucknow market?

Pankaj Bajaj: So, I would not know for sure the exact number of inventory because most of the companies other than us in Lucknow are not listed. So, that data is not in the public domain, but I would guess that the unsold inventory is not very high not more than 2,000 unit in all over Lucknow and consumption the offtake is nearly that much. So, it is less than supply, like all of Lucknow market has right not, so it is a short supply market with a very strong demand. In that background it makes sense because traditionally we are a Lucknow company to add projects in Lucknow for which we are working hard and I have already said in my opening comments that we are going to add projects this year. Unfortunately, this is not the quarter where we can officially declare I would not like to make a premature declaration of what projects we have added, but we have proceeded far enough to be confident to say that we are adding projects this year. With that background Lucknow and UP is most attractive right now. So, if you were in the previous concall this question comes and we have said that we are going to go outside also. As of now Lucknow looks the most attractive markets, but if you remember we have taken tentative steps in Bareilly. So, we are thinking of rolling of the Bareilly project into the main company by having a majority stake there, but since it is a related party transaction we want to trade very carefully. So, we have appointed our external agency one of the big four wants to advise us there and they come in arm's length kind of valuation. So, once that come then Bareilly will probably with due approval from the bodies and even our shareholders, we will probably have a bigger presence in Bareilly, but as of now our core focus is to add

projects in Lucknow. I think it can take a number of new projects not just three because of the given inventory short supply in the market.

Abhishek Agarwal: Sir, my second question on a revenue visibility and cash flow visibility if we look at current project ongoing project what we see is current area is around 5,25,000 and the forthcoming project area is around 13 lakh around, so which gives the current realization of 4,000 square feet we have the revenue visibility only of 750 crore. So, how you are guiding this revenue thing I think this all the project will get completed in next 7 to 8 years?

Pankaj Bajaj: No, it is not going to take that long. First of all, if we look at our historical numbers last year was a highest selling number last financial year in terms of FRED base which was about Rs. 220 crores. As you have rightly pointed out the current pipeline is about 750 crores. So, that in itself is about 3.5 years of project pipeline and to that we are going to add more. So, I am not too worried it looks a little thin right now, but I assured in our previous concall also that before this gets exhausted, we are confident of adding more. So, we hope that the new benchmark which was set last year we do below that and we only increase from there.

Abhishek Agarwal: Sir because my concern is only on the cash flow part because as per my understanding if we have 750 crores of revenue than cost will be around 50% of that including land cost and everything, so cash flow will be around 370 crores, 350 crores around, so our NPV is not much to get the value in the market that is the only concern what I have?

Pankaj Bajaj: No, there are land bank I do not know you have given in the presentation.

Abhishek Agarwal: I am just talking on the presentation basis?

Pankaj Bajaj: So, there are other land banks which are not at a project space so they have not been declared. There the NPV is much higher, but obviously that is not the number that we declare and there is enough cash flow to support much higher NPV.

Abhishek Agarwal: Last question it will be helpful if you can share on the next presentation what the land bank we have so that it will be better to calculate the NPV and secondly do we have any inventory in the completed project, any realization to happen?

Pankaj Bajaj: That I think is there in the investor presentation. If it is not there I do not have the investor presentation, but we routinely declare that and if it is not there we will make sure it is there.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Sir, just a clarification you have clearly said three new projects will be added this year and did you say that actually there are much more and the pipeline is much longer and more projects will be added or am I confusing something?

- Pankaj Bajaj:** So, it is a bit of both. If you look at page#17 in our investor presentation. So, we have the forthcoming projects. These are land which are already there. So, there are in various stages of approval and we are going to launch at least two or three of these in the coming quarters within this financial year. Within this is 5 projects long, but this also is going to get increase because we are adding more land, but they are not at a stage where we can say that some could be at term sheet stage, some could be MoU stage, some advances have gone and in real estate we do not support. We do not want to give a premature kind of.
- Agastya Dave:** Sir, my question was actually exactly on this slide, so on this slide# 17 let us say by the end of this financial year when you say 3 projects we are talking about 3 projects out of these or these 5 will become 8?
- Pankaj Bajaj:** Both will happen.
- Agastya Dave:** Three of these projects will become available for booking and they will shift from slide 17 to slide 16 as ongoing project I am talking about end of the financial year.
- Pankaj Bajaj:** Yes.
- Agastya Dave:** So, 3 of these will shift to ongoing projects and then some new projects will get added here?
- Pankaj Bajaj:** Subject to approval, but yes that is what is our operating plans and that is what we are working towards.
- Agastya Dave:** Sir in the previous concall you had mentioned something about plans to double the revenue and what the previous investor was asking that given the visibility that we have today and what you did last year the 200 to 220 odd crores, so when you said in the previous concall that you are looking to double the size of the company, can you give some further clarity has the visibility on that guidance improved, have the timelines become more clear to you just any addition that you want to do to that?
- Pankaj Bajaj:** I would only be able to give a long-range kind of answer that in the next 3 years if we have not doubled I would be very disappointed. So, it could be before that, it could be 6 months after that, but in 3 years definitely we should have doubled from our current size if not.
- Agastya Dave:** And sir when you say double do you mean this delivery like around 200 crores to 220 crores which you did last year that becoming 400 is that when you mean?
- Pankaj Bajaj:** Every metrics actually.
- Agastya Dave:** Can you quantify the price increases you had previously mentioned I think two quarters back that the land prices were up by 40% if I am not mistaken, I could be wrong about which quarter you said it, but you said something about 40%, so can you again give some idea as to what has happened subsequently to land prices?

Pankaj Bajaj: So, the big jump happened couple of quarters ago and maybe another 5% to 10% increase in the last quarter and it has been flat after the last quarter. In fact, I think see the pace of increase of land prices has softened. So, it was really shot up it was a flat for a number of years it shot up and corrected immediately after the unlock happened and then the pace of softness in the last two, three months we sense that it has kind of become flat.

Agastya Dave: Now that this at least the first derivative has kind of changed, is it now probably more desirable to have land bank, a bigger land bank now because you had again said that probably by the time the prices of land kind of stabilize and you have confidence that the market is sustaining you will look to build a 3 to 5 year land bank, so are the conditions now justifying that kind of action from the company?

Pankaj Bajaj: Yes we are that is why we are saying in slide# 17 we are going to add 3 more so that is going to be the number 1 to 5 is going to become 1 to 8 we are going to add more land and 3 of these will move to the other slide so it is going to come back to 5.

Agastya Dave: And one final question sir obviously last 2 years were greatly impacted because of the pandemic and on the approval side and on the pace of construction side just the activity levels even though the demand was very high supply was a constraint for a variety of reasons, has that kind of sorted out itself, are the approvals now coming at a faster pace or is it still taking upwards of 9 months to get approvals, is there like any bottlenecks which we were facing as a company, has anything resolved itself which could add in increase in pace of execution or launches from our side?

Pankaj Bajaj: So, unfortunately great feedback on this one. The pace of approval does continue to be slow it is not company specific it is what it is. So that governance how approvals are done in India and if you have to launch any projects you need at least 10 major approvals and another 15 minor ones. So, that is what takes time and that does take 6 months to 9 months there is nothing new to recall there that is why the 5 projects that we want to launch 3 out of these are fully paid land, there are no title issues, there are any confirming land areas, but still we are not able to launch them primarily because of approvals. There is no red flag there why approvals will not its just it a cumbersome and sequential procedure.

Agastya Dave: One final question which I forget to ask any comments on affordability of houses in Lucknow segment, in the Lucknow market are you still comfortable with the affordability of properties there?

Pankaj Bajaj: So, our average realization this quarter was Rs. 4,300 per square foot this is very much in affordable range. I think I would not get worried still it reaches 5,000 and 5,500 I think there is still quite a lot given there.

Moderator: Thank you. The next question is from the line of Yogansh Jeswani from Mittal Analytics. Please go ahead.

Yogansh Jeswani: One question on the change in strategy if you have any for example in past if we look at the kind of saleable area that we have launched so far was usually in the range of 20,000 square feet then 40,000, 50,000 square feet while of late the Eldeco city we launched at a bigger size of 8 lakh plus square feet and 3 lakh plus square feet, so going forward the kind of projects that you are now looking at or as a company that you guys are now considering are these against similar to our 50,000, 70,000 square feet area or are we now looking to have bigger projects say 3 lakh, 4 lakh, 5 lakh as a single project?

Pankaj Bajaj: It is the later not the former. So, just to clarify our model largely is township model. Eldeco city was a big township by our own standard it was about 133 acres I think. Now within that 133 acres it is like a mother project which keep skewing out broader projects. So, within that there is a Twin Tower project within that there is a Eldeco Dream projects, within that Eldeco City Breeze and GH4 and GH6 this was also within Eldeco City, but it has also as a plotted development components which looks large. So, going forward we are looking at aggregating land in the region of 20 acre to 50 acres and they would in turn add like a mother project and will start skewing our smaller projects when the mother project becomes mature. So, it is a combination of two, but largely if we are taking a standalone project I do not foresee taking anything less than 2 lakh to 3 lakh square feet our standalone project, but if it is a project which is part of mother project then of course it would be a small local shopping center within our township it could be much slower.

Yogansh Jeswani: You did touch upon the pricing scenario and the reduction in overall inventory from an overhang to now a short supply could you also give some example in terms of how the prices are moving in the Lucknow region and what is the trajectory like going forward as per you?

Pankaj Bajaj: It is much like the land market have corrected upwards so has the selling prices especially in the segment that we are working which is row housing and plots not certain apartments. So, for example, our Saubhagyam project or a Twin Towers project or Eldeco City Breeze project the pricing have gone up by 10% to 15%, but in our plotted or row housing kind of product there the increase has been as much as 40% to 50% which is almost levels the increase in raw land prices. So that has been kind of increase in the last 12 to 18 months. In the last 18 months it has been about 40%.

Yogansh Jeswani: Sir another question is on the construction cost given that last year has been a difficult one in terms of higher steel, cement everything going forward do you see that higher raw material affecting margins in the upcoming projects or do you think that is fairly taking care of in the realization that we are now charging?

Pankaj Bajaj: Our construction cost as a component of our total sale is not more than 30% to 40%. So, even if it increases by 20% that is an impact of 7% to 8% in our overall scheme of things. That kind of price rise is transmittable to the market. So, I am not too worried about it obviously I would prefer a lower construction cost to a high construction cost, but we cannot help construction cost, we cannot help commodity prices, they are what they are, but it is not that it comprises 80% of our cost and it is very sensitive when pricing is not so sensitive to its movement. The

other big movement is the rate of interest, you have not asked that question, but these are the two important cost for the customer to consider, but we find that in both these cases our market because of short supply situation it is able to any increase in cost that we want to pass on to the markets and also the banks are increasing rates of interest on home loans then market is shrugging it off as of now.

Yogansh Jeswani: Sir one last question from my end so far our company has had surplus liquidity or cash, so going forward with the kind of projects you have in pipeline and considering these are bigger compared to what we have done in past so are we also open to taking on debt in this entity as well and growing the balance sheet or do we want to stay conservative here and not bring on debt in this and just continue with the cash flow.

Pankaj Bajaj: Judicious capital structure is very important and not taking too much debt is a good thing in terms of judicious capital structure, but not taking any debt is also not a good thing to ask. So, we are going to be taking debt selectively. We are completely equity driven company Right now we are building a war chest we have been building it for the last couple of years. We have substantial cash surpluses which we are going to supplement with the judicious amount of debt not only for construction finance, but also for land acquisition. So, we definitely look forward to a judicious amount of debt going forward to see our growth.

Yogansh Jeswani: So, any numbers that you would like to share or is it too soon at the moment?

Pankaj Bajaj: It depends on what kind of projects we take on and we are at time, but if it is a good enough project which requires so it depends in response to one of the earlier questions, I said we are going to add 3 more projects. I am not in a position to share further details, but the quantum is not yet finalized, but depending on the quantum the debt number could increase or decrease, but definitely I do not foresee, as of now debt equity is more than 1 is to 1 right we are at zero practically.

Moderator: Thank you. The next question is from the line of Aditya Mehta from AB Advisors. Please go ahead.

Aditya Mehta: Sir I had a couple of questions so my first question would be on the collections as the collections for the quarter is quite flattish sequentially what can be this trend going forward?

Pankaj Bajaj: They were flattish because we did not have any new launches so there were basically collections from our old bookings and those bookings were already done so they will remain either flattish if we take out the three launches that we intend to do this year the collections will remain at this level these are 200 crore annualized rate. So, that is what it is going to be, but depending on what kind of projects we are going to launch this is going to go up gradually. I have already said what are target, for the next two years it is double than before.

Aditya Mehta: I guess I missed that answer you gave, but then I would like to know the actual number of the peak cash flow generated during the quarter?

- Pankaj Bajaj:** I did not understand the question.
- Aditya Mehta:** Sir what are the free cash flow generation during the quarter?
- Pankaj Bajaj:** Free cash flow number I do not have that number Sanjay can you give that number if you have it with you.
- Sanjay Agarwal:** As per number of collection from the customer itself and there is no known cash expenditure it is barely minimum depreciation. So, whatever collection is there it is operational cash flow only.
- Moderator:** Thank you. Our next question is from the line of Harmit Desai from Pendulum Investment. Please go ahead.
- Harmit Desai:** Sir my first question to you is could you provide a ballpark figure, your sales guidance for the entire fiscal in square feet?
- Pankaj Bajaj:** I guess it is too early to provide that. We are trying to launch 3 projects this year. So, that depends on us because we do not know when we will get the approvals and when we will be able to launch. So, maybe next quarter we will have more clarity and we will be able to give you back, but it is not with me.
- Harmit Desai:** Sir my next question to you is does the Lucknow market have enough demand?
- Pankaj Bajaj:** I wanted to apologize Harmit sorry the real estate is not a quarter-on-quarter business. So, I am unable to actually say that when I am going to be able to launch that project, could be this quarter or it could be Quarter 4 that number depends upon when we are able to launch it sorry sir carry on please.
- Harmit Desai:** Sir my next question to you is does the Lucknow markets have enough demand and are you looking at diversifying to other parts of the country just to provide a hedge against the Lucknow market?
- Pankaj Bajaj:** I think Lucknow has enough demand or more I think it is a short supply market and it is one of the emerging new economics magnet of the country, just like Pune and Bangalore and many of these newer cities were about 20 years, 25 years ago that is a Lucknow. In my view this is going to grow very fast. The kind of infrastructure investment which has happened in Lucknow, the kind of growth the UP is seeing over the last four, five years and it is a big place, it is an administrative town, it is a capital city. So, it has got enough demand to sustain the company of us. Having said that I have already answered that question a couple of times earlier in this call. We are looking at consolidating our stake in the Bareilly market. So, that is definitely on the card and if we are not able to deploy capital within the Lucknow market then we will look outside also, but as of now it looks that Lucknow is big enough for us to be able to deploy the reserve that we have on hand and plus some debt. So, we are very bullish about Lucknow as of now.

Moderator: Thank you. As there are no further questions from the participants. I now hand it back to the management for closing comments. Over to you, sir.

Pankaj Bajaj: I have nothing more to add. Thank you for your interest in the company and your support so I will see you in 3 months' time. Thanks a lot.

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