

Date: 23.05.2022

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

The Manager, Listing Department  
The National Stock Exchange of India Ltd.  
Exchange Plaza, 5<sup>th</sup> 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 Tuesday, May 17, 2022**

Dear Sir/Madam,

This is with reference to the intimation dated May 10, 2022 made by the Company about the Earnings Conference Call scheduled for Tuesday, May 17, 2022 at 03.30 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

  


Chandni Vij  
Company Secretary  
Mem. No. : A46897

**Eldeco Housing & Industries Ltd.**



“Eldeco Housing and Industries Limited”  
Q4 FY2022 Earnings Conference Call

**May 17, 2022**



**ANALYST: MR. KANAV KHANNA – E&Y**

**MANAGEMENT: MR. PANKAJ BAJAJ - CHAIRMAN & MANAGING  
DIRECTOR – ELDECO HOUSING AND INDUSTRIES  
LIMITED**

**MR. MANISH JAISWAL - GROUP CHIEF  
OPERATING OFFICER - ELDECO HOUSING AND  
INDUSTRIES LIMITED**

**MR. SUSHIL GUPTA – GROUP PRESIDENT -  
FINANCE, ACCOUNTS AND TAXATION - ELDECO  
HOUSING AND INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q4 FY2022 Earnings Conference Call of Eldeco Housing and 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 ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference to Mr. Kanav Khanna. Thank you and over to you, Mr. Khanna!

**Kanav Khanna:** 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 know or unknown risks, uncertainties and another 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 we have made the results and the presentation and the same are also available 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 us through the results and answer all your questions today, we have the top management of Eldeco Housing and Industries Limited represented by Mr. Pankaj Bajaj - Chairman & Managing Director, Mr. Manish Jaiswal - Group COO, Mr. Sushil Gupta – Group President Finance, Accounts and Taxation. We will start the call with a brief overview of the quarter gone past and the year gone past and then conduct Q&A. With that said, I will now hand over the call to Mr. Pankaj Bajaj. Over to you, Sir!

**Pankaj Bajaj:** Thanks, Kanav. Good afternoon everyone. I welcome all the participants to Eldeco Housing and Industries Limited Q4 FY2022 earnings call. We had a lot of positives coming out in the financial year 2022. The demand for residential real estate has come back all over the country after years of stagnation. We recorded our highest ever booking in the financial year of Rs.265 Crores in FY2022. This was about 180% higher than last year’s booking of Rs.95 Crores. In volume terms this translates to 7 lakhs square feet area booked in FY2022 against 2.5 lakhs square feet in FY2021 translating to a growth of over 175%.

In collection terms as well we ended up registering a record collection of Rs.156 Crores in FY2022 versus Rs.128 Crores in FY2021, a growth of 18% year-on-year. For any industry to grow both demand and supply has to grow in tandem. We have now come out of a long period of stagnation of demand of housing in the country, this demand is only expected to grow in the coming year due to a confluence of factors like affordable real estate prices, reasonable rates of interest, growth in jobs and urbanization and also years of pent-up demand; however, in the short-term there are challenges on the supply front, tying up new projects and getting approval for them in order to meet the demand is a complex task. Compared to low demand this is a good

problem to have and we are confident of overcoming this problem. We have recently acquired about 20 acres of fresh land to be launched as Imperia phase 2. If you remember we have already launched Imperia phase 1, which has got a great response last year.

Our foray into the Bareilly market has also turned out to be a great success and we are looking at selectively following up on that. We are constantly looking for opportunities to add new projects. As a now we are free from bank debt, which gives us ample headroom to raise debt funding should there be a need. I thank our shareholders for their trust and support, we believe in sharing the wealth we have created with our shareholders. For this reason and towards a consistent dividend policy we had declared a dividend of Rs.8 per share, this translates to a payout of over 15% of our annual profit. As you all must be aware we have got the shares of the company listed on NSE recently. With this our shareholders get an additional pack on to the trade the shares of the company in addition to the BSE. In the end, I would like to state that the coming years look good for real estate development industry. We hope to take advantage of the opportunities with the same steadfast commitment to financial prudence and to corporate governance that we have shown in the past. With that I would like to 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 Agastya Dave from CAO Capital. Please go ahead.

**Agastya Dave:** Thank you, Mr. Pankaj for the opportunity and congratulations on great performance again. Mr. Bajaj, I have a few questions, the first is the clarification on the comments that you put on the presentation. In that you have mentioned that, so I will just repeat part of it, you are saying therefore in spite of strong demand environment many micro markets including Lucknow are out of inventory and fresh supply in terms of launchable new projects is low, therefore in spite of strong demand environment we may not see major expansion in sales in the coming quarters. So is this a general statement for the industry or is it a statement about our company?

**Pankaj Bajaj:** Both and since we are present in many markets and we also know what is going in the industry so most micro markets are out of inventory as of now. We know that supply in our business it comes with the lag, so that I think for the next couple of quarters we were looking at the lag period, before supply responds to the sudden increase in demand.

**Agastya Dave:** The two quarter number that you have just mentioned is that an indicator number or a specific number again that you have in mind based on the things?

**Pankaj Bajaj:** Yes, it is an indicator number because supply depends on our being able to tie-up the land and that is specific to Eldeco and other micro markets, for other players also, so

not only do you have to tie up the land and you also have to have to tie up the approval, you know real estate approval are long process, so it is only a indicative time line that how long it will take for supply to respond and suddenly if you are out of inventory you cannot start filling tomorrow with a new project, it takes time, so our statement is that it will take a couple of quarters, if there is a demand it is a little bit like the car market today, there is a lot of demand, but there is no chip supply, so it take some time to respond so similarly the inventory situation in real estate industry and specifically Lucknow and other markets also completely has turned on its head in the last one year and they are out of inventory, so is the other good developer so our assessment is it is going to get better at least in another couple of quarters.

**Agastya Dave:**

Mr. Bajaj, then logic would dictate that something will happen on the price side, so are you seeing a situation where prices will continue to increase till the supply situation sorts itself out because you are also mentioning that the demand is here to stay in spite of higher inflation, higher prices and also higher interest rates presumably going forward so would you expect more price hikes happening in the property market better realization while the supplies are restricted?

**Pankaj Bajaj:**

For the last one year we have already seen a significant price hikes and if you look at I think we discussed it in our presentation our average realization has been going up, the quarter they look a little low because there is some institutional property we sold some school property, which are sold at a low rate if we exclude that actually our number is 10% higher than the last quarter as a realization so historically in the Lucknow market we are selling at about Rs.3500 a square feet, Rs.3600 a square feet, this has reached up to Rs.4500 to Rs.4700 a square feet, so there is a 65% jump in one year and in a supply constrained environment this is going to continue to happen that is what logic says, but the only caveat which is not a micro market thing it is a macro thing only caveat is that inflation in the overall economy also going up so if the inflation is going up and if the wages do not go up by that extent then we will they continue to have the mind power to support higher price one does not know, so it all depends on how long the demand continues and as of now it looks like it is going to stay and prices in the short term are going to see another round all over increases.

**Agastya Dave:**

So, in your mind what could be the tipping point, what level, so the number that I have of average realization of 40 to 30 for the last quarter and you are saying that it is closer to 4500 now excluding the land sales that you mentioned, so at what price do you think you will get worried with the possibility of demand destruction either a price level or probably an interest rate level or some other factor what is something that will worry you?

**Pankaj Bajaj:**

So, you are asking me to say a number and I am going to say it because that is what my assessment is, I think it will be another 15% to 20% from now, and I will give the reason for that, CAGR of property prices in the country over the last 10 years it is still

comfortable, our price still not doubled from say 2012, it gives us for a period of almost 8 to 10 years and some increases happened in the last one year so even if we were to increase the prices and people's incomes have actually doubled or more than doubled in the last 10 years so that the ratio is still comfortable, I think we still have another 15% to 20% to go before I start getting worried that the market is overheated and demand is not going to support these prices, I do not think we are at that territory yet.

**Agastya Dave:** Sir, in terms of interest rates is there a number beyond which you start seeing problems?

**Pankaj Bajaj:** In my 25-year career I have not seen property sales to be very sensitive to interest rate fluctuant, because Deepak Parik also went on record to say that Mr. K P Misry also said the same thing, the thing is interest rates are not fixed in anymore, home mortgage rates they are floating rates so it may not, today if they are low, tomorrow they can be less, so I do not think family is really make the decisions by it today recent risk and in sense of that they know that over a 20-year period they will circulate hopefully in 6.5% to 8% and families are okay with that, but if suddenly the rates of interest go from, I am talking about home loan rates if they go to 9% I do worry I do not think they are going they go to 9% right now they are hovering around in spite of the recent increase they are hovering around 7%.

**Agastya Dave:** Right, Sir. I have few other questions, but I will go back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Varshit Shah from Veto capital. Please go ahead.

**Varshit Shah:** Thanks for the opportunity and congratulations, Mr. Bajaj for a good set of numbers. Sir, first question is on the overall inflation, cement prices going up, steel price is going up, now with this realization also going, so is there a net expansion in margin at this point as you see for at least incremental construction which we are going to do or is it more like covers the inflation and cost margin largely remain same?

**Pankaj Bajaj:** There is a net expansion in margin. I will tell you the reason, let me explain that a little bit, so out of the overall top line construction costs is 40% to 50%, land cost is 20% to 30%, balance is your other expenditures and your gross value added profit so if your construction cost which is if I am selling stuff worth Rs.100, my construction cost is Rs.40 to Rs.50 that goes up by say 20%, so cost goes up by Rs.8, but my sales value has gone up from 100 to 120, other things have also gone up so there is a net if you look at even our numbers overall there is actually increase in our margin whereas going forward the prices if we are going to be able to keep passing on construction cost, we will see that, but as of now in the last one year there has been expansion in margins.

**Varshit Shah:** So, connected to this, we are in Mumbai and in Mumbai some of low end developer I would call it, not the organized ones or company of your size, the low end developers who were doing a very small affordable housing kind of thing they are actually seeing pressure on the margins so even in the markets which we operate, work for our projects, but at least in the lower end of the segment the pressure would be much higher because they were not able to price it the way let us say Eldeco would be able to price it, so they are getting more squeezed out from the market, is that assessment also true for your markets?

**Pankaj Bajaj:** It is not true for Eldeco specifically, the reason being that if you look at our margin, they are on the higher side in fact very high as far as the industry is concerned, but if we are playing in the affordable segment your construction cost as a proportion of your overall sales is as much as 70% to 80%, now if the construction cost increases by 20% to 25%, which it has in the last one year then definitely your margin is under pressure in fact possibly you could not even be breaking even, but in our case our construction cost is a 40% of our overall sale value, so even if it increases by 20% and we were able to pass that onto the customers, it is not affecting us, so yes, you are right, but in the lower end of the market, the increase in input costs is a bigger cause for concern, for Eldeco it is not.

**Varshit Shah:** So, do you see may be an opportunity over medium term not immediate quarter or so, but to kind of premiumize that space a bit income from not exactly the products which you are selling currently, so that you can kind of push out some of these smaller players gradually outside because you will be able to charge a premium slightly on your brand name and recover those costs while those players cannot, so do you have seen an opportunity in the segment emerging in the medium term or it is too early to call?

**Pankaj Bajaj:** I did not understand the question, if you can explain that?

**Varshit Shah:** So, let me rephrase it again because of this lower end of the market is facing some problem maybe Eldeco can come up with separate segments so that we a charge a slightly better premium than the market in the low end segment and still make a decent IRR on those projects, do you see a new segment where some of them could be an emerging opportunity for Eldeco over medium term, not immediate?

**Pankaj Bajaj:** No, I feel there is a contradiction there, if we are entering the low end of the market and charging a premium then you are no longer lower end there, so we are in the middle end, we are very clear as to what our corporate strategy is and the segment we are playing and we have always been in that. We are not an affordable housing developers, we do not want to be because we are always cognizant of the sudden impact in input costs that are completely make your calculation go wrong which is what has happened, it is not unexpected. A bout of inflation is bound to come

sometime in the construction cycle and we do not want to play a thin margin game. Where we want to be is that we do housing which starts out as middle income, but has elements of premium so by the time it ends it is fetching premium and which also enables us to pass on any mid cycle increase in construction cost work as well, that is where we want to be, we do not want to go down lower end in the market because the margins there are too thin that is always been a problem with affordable housing in India. What would you do with the sudden increase in construction cost and the players who are in the segment are right now facing the heat, frankly we have not been to pass through it because we have not been able to pass it on to our customer and they are willing to support a higher price, to answer your question specifically, we do not want to go down the affordability ladder to a more affordable range of products.

**Varshit Shah:** Sure, I understood and another question is any plans to merge the two entity of ours?

**Pankaj Bajaj:** Frankly, we cannot report it official, but we keep deliberating upon it, there are complications there whenever we have something to announce we will announce this, it is not a foregone conclusion like it will happen, but at the same time we are looking at ways how we can expand at least Eldeco housing footprint so that that company continues to have enough growth runway, I mean it should not be that it is not expanding in Lucknow, it is not expanding anywhere else also that we will ensure that it has enough runway. So in the last couple of years it has been good for us and we hope that we keep feeding the project pipeline with enough projects so that it can continue to grow. The merger of private entity is one way of doing it, but there are other ways of doing it as well.

**Varshit Shah:** Sir, if I could squeeze in one more, so apart from our traditional stronghold market Lucknow, Bareilly, etc., is there any other markets we should believe that probably we should look at from future perspective I mean even at the board level especially in the North India market because I see a lot of gaps in a lot of cities where they look for us to go and tap those markets, may be we have to do spend some money and then building out there in one or two projects in those cities so any further areas or cities which you have in mind for a 5-year perspective for the people who want to stick around with the company for 4 to five years?

**Pankaj Bajaj:** This company is looking at other cities as well and in fact we have entered into some preliminary kind of agreement for a premium/luxury development in Rishikesh called as Yoganagari and that is for luxury home and the target segment will be all over North India because Eldeco group is present in a number of cities and we have a catchment area which is quite large, so we have already just like we did an experimental project in Bareilly which did very well, so we have taken some small foot hold in the Rishikesh market, apart from that we are looking at other areas as well.



**Varshit Shah:** Sure, and any particular investment plans two to three years down the line in terms of tying up lands or acquisition of land, etc., which we have in mind any range?

**Pankaj Bajaj:** So, in our presentation we have already announced 22 acres that we bought recently in Imperia phase 2, there are similar land parcels which we hope that we should be able to announce in the coming quarters, so there will be something in the coming quarters, but if it is not tied up I would not make a premature announcement.

**Varshit Shah:** Sure, I will get back in the queue, thank you so much.

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

**Priyank Gupta:** Congratulations to the management on outstanding results and it is heartening to hear a very positive commentary. My question is, what actually Pankaj was just telling us about the land, which has been acquired in the current year 22 acres, if you can throw some light on it as to how it will be monetized in the next few quarters?

**Pankaj Bajaj:** This land is adjacent to Imperia phase 1, which is the project which we sold out in a matter of a couple of days Q3 FY2022, so that is the market we are already well established and the prices have risen there, we are doing simply land adjustment to that and we will be able to get 22 acres of contiguous lands, the approval process is going take another couple of quarters and then we are going to launch it, the product profile and mix is going to be similar to the Imperia phase 1.

**Priyank Gupta:** And in addition to what you said about Rishikesh and other markets, do you have any other options of expanding any other existing projects like Imperia?

**Pankaj Bajaj:** So, we have a number of those, but as I said that till we do not have a definitive agreement, in real estate, a number of deals fall through, so I do not want to announce something which did not have definitive agreement on, hopefully in the next conference call we should be able to announce something.

**Priyank Gupta:** Thank you so much and best wishes.

**Moderator:** Thank you. The next question is from the line of Jatin Kumar from Alpha Capital. Please go ahead.

**Jatin Kumar:** Sir, congrats for a good set of numbers. Sir, I am just looking at your PPT and I am looking at this ongoing projects so in this ongoing projects we are saying that the value of area booked is 428 Crores so out of this 428 Crores can I say that about present in FY2022 you reported we have booked 265 Crores, so out of this 428 probably 260

Crores odd came was booked in this year and rest of that was booked in the previous year is that a right assumption?

**Pankaj Bajaj:** Yes, that is right.

**Jatin Kumar:** Sure and our revenue is quite low in this year compared to this area booked, now if I see we have couple of projects that are going to a complete in June as well as December as well as September of this year, so can we say that our revenue will increase as this year will get completed and handed over to customers while even if we do not start new things our revenue will go up in these coming quarters?

**Pankaj Bajaj:** That is right except if you are looking at the presentation if you look at row #15, Eldeco City at Bareilly where we have declared that we have 40% beneficial interest so that entire revenue is not going to get consolidated in the revenue of Eldeco because it is 40% it is more than 50%, but the income is going to come as bottom line so that revenue is not going to get recognized as Eldeco revenue, your question about revenue recognition, but the profit is going to get recognized but the rest of the value which has not been booked in the profit and loss account would at some stage as and when the projects gets completed, they will start getting booked.

**Jatin Kumar:** Sure, Sir and as in there are three project which are going to complete in June only Eldeco Luxa as well as City Dream, so they are running on schedule?

**Pankaj Bajaj:** Yes, they are running schedule.

**Jatin Kumar:** And we have a lot of projects, which are already ongoing as well as forthcoming, but you are also talking about inventory issues, so is that going to affect us in a big way the inventory so we have enough projects already coming in or forthcoming?

**Pankaj Bajaj:** For the forthcoming projects are those we defined as those where we have not received the RERA approval or some reason or the other either there are some precedent approval, which are not received and it takes time some are under planning, so some of these may not get launched in the immediate quarter or the quarter after that, I see that there could be low sales in the first quarter of this year, but whatever we have seen it in the past like COVID was a disruption and we did hardly any case in the lock down period, but in overall year we did great sales, so we feel that unlike other industries if we lose sales in a quarter it does not matter because the entire pent-up demand or the entire pent-up sales come back whenever you launch the project, it is a kind of lumpy, so whenever these project gets launched and they will be mostly be recovered by second half of the year, the first half of the year, I do feel that lack of launchable projects the sales will a little affected.

**Jatin Kumar:** Sure, Sir. Thank you and all the best.

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

**Yogansh Jeswani:** Thanks for the opportunity and congratulations for a good set of numbers. Sir, just one quick question, sorry if I missed in your opening remarks I joined a bit late, Eldeco Luxa was not sold a lot till like in the last year; however, this year's presentation we see very good sales, so what led to this and also the agreement which we have a partnership agreement for 40000 to 45000 square feet area in this project, could you also just share more details about what is actually this partnership is?

**Pankaj Bajaj:** The second question I understood, what is the first question?

**Yogansh Jeswani:** Eldeco Luxa was a project which was launched a couple of years back, however, we did not see any much sales from it, while this year itself, a huge junk of sale has come in so what kind of efforts did we put for such a phenomenal customer feedback and booking?

**Pankaj Bajaj:** That is a good observation and I remember I have taken this question a year ago and somebody was concerned about this low sales in Luxa, we did for that micro market position as a luxury project and the price point are about 15% to 20% higher than what that neighborhood demands, that is because we wanted to go up the value chain and it is premium/ luxury and what has happened as you would have observed allover the country in fact all over the world there is move towards premium or luxury housing and the project progress happened the structural work is ready, finishing is going on, somebody mentioned it is going to get ready in two to three months' time we are going to apply for completion certificate so when the market saw the kind of quality and amenities we are delivering in this project and also a move towards premium or luxury housing that is how the market responded, we kept at it and we have been able to sell good numbers, that is the reason for Luxa. It was slow to start with but towards the end it picked up and I am happy that it is no longer a slow moving inventory, we are running out of the inventory in the Luxa as well and hopefully we should be out of inventory by the time we get completed that is how we assess any projects. If you look at most of our projects, once they are completed we are hardly left with any inventory. Your second question is about some 45000 square feet or thereabouts we have committed to a partner in Luxa, is it about Luxa because it is also there in some of our other project, so one of our forthcoming project we had to do something to our partner, so in Luxa it was a kind of a JD, the land was JD and the 45000 square feet is the land of the partners share.

**Yogansh Jeswani:** So, in terms of bookings you have seen looks like our entire inventory in Luxa has sold out how is the situation for the JD partner, I am asking because typically once two people are selling the same inventory there is usually a competition in terms of price, so is it because that we had sold at a lesser price then JD partner?

**Pankaj Bajaj:** JD partner are local landowners who decided to hold onto the inventory and they are going to sell now, yes, the pressures on a developer and those on a land owning partner are different, we actually sell because we have to build as well and as you know that we are at debt free company so we depend on advances from customers we do not borrow from banks and build, so we say yes, we did sell at prices, which are lower than today, but we have built it without any bank debt, JD partner, the landowner did not have a pressure to sell and he is going to sell now.

**Yogansh Jeswani:** What would be the average selling price of this inventory?

**Pankaj Bajaj:** It was about Rs.4500 per square feet if I am not mistaken that I will have to check that.

**Yogansh Jeswani:** That was really helpful. Thank you and all the best. I will get back in the queue for any questions.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from CCIPL. Please go ahead.

**Keshav Garg:** Sir, just wanted to know your view that for a lay investor who has no knowledge of real estate, what kind of top line revenue growth can shareholders expect for the next three to five years broadly speaking?

**Pankaj Bajaj:** We should double very soon, three or five years I do not know, but the first interim target would be to double our top line and bottom line.

**Keshav Garg:** That is very heartening to hear, and like you are mentioning that in the first half, the revenue booking is expected to be on the lower side, but on the full year basis for FY2023, can we hope to exceed the peak revenue of around 170 Crores that we achieved in FY2017?

**Pankaj Bajaj:** I would not like to make that comment at this stage, our revenue recognition depends on a number of things. I would request you to wait for a quarter or so for me to answer that question.

**Keshav Garg:** Okay, Sir. Thank you very much and best of luck.

**Moderator:** Thank you. The next question is from the line of Harsh Beria an Individual Investor. Please go ahead.

**Harsh Beria:** Congrats for the very good number this quarter. I have a question on the gross margins per square feet the company is doing, for the new projects where the land has been bought recently, are you just still maintaining gross margins of 70% to 80%?

**Pankaj Bajaj:** Not 70% to 80% but still very decent margins compared to the industry, this 20 acres that we have declared that we bought fresh is going to give very good margin. I think it is going to be as much as 40% to 50% which is by industry standard is very, very high, so please observe that our 20 acres gives us as much profit as somebody else 60 acres, so it not 70% or 60% margins which we are showing recently is no way sustainable, it cannot be sustainable at all, we are doing it because we have a historical land bank and we have been liquidating those, but even then I am happy to report that even the fresh purchase is at a reasonable price and that is because of our deep roots into the local market we are able to acquire that, so we hope to get very good margins even there, but nowhere like 60%.

**Harsh Beria:** But say like 40% to 50% gross margins like you said is good?

**Pankaj Bajaj:** I hope that we should be able to. Land has been acquired at reasonable price and the Eldeco name and the kind of premiumization we are introducing, we should be able to get more than market prices, we get a premium in this, I think 40%, hopefully 50%, I do not know whether it is 40 or 50, in that range we should be good.

**Harsh Beria:** My next question is about the whole process of approval, so once you purchase the land, getting the final approval to launch the project, how long does this process take?

**Pankaj Bajaj:** This should take as much as a year and year-and-a-half, but now things are generally better in every state of our country, so the local approvals tend to take three to six months and then there is one big approval given the size projects we do which is the environment clearance that takes another three months, so in all about it takes six to nine months when we are seeking that could for a specific issues, which could be made further, but six to nine months is a good assumption to take.

**Harsh Beria:** So just to follow up to that would be of the saleable area that you have of 13 lakhs square feet more or less, how much of this do you think would be launched in FY2023 like most of it would be launched in FY2023?

**Pankaj Bajaj:** I do not know most of it, but it will be half of it, I hope Imperia phase 2 definitely get launched and one of our group housing project four or five GS3 or GS4 should get launched, so at least half and we will try for more.

**Harsh Beria:** So, you can maintain the area booked to more than 5 lakhs square feet, so it should not go down back to less than 3 lakhs square feet?

**Pankaj Bajaj:** That is what I said that this quarter is going to be very critical for us, this and the next quarter and we hope that we should be able to launch it in the third quarter, so even if we lose some sales in the first couple of quarters, I will not be too bothered because we tend to see that once we launch a good product there is so much pent up demand that it

covers up for all the time lost, if we get all the approvals we should be able to launch them somewhere in quarter three.

**Harsh Beria:** I think quarter three is also like the most important point because of the festival season we generally see the seasonality so probably that would be a good time?

**Pankaj Bajaj:** Yes, quarter 3 and 4 both.

**Harsh Beria:** My last question was on the current management bandwidth, so with the current setup that you guys have, how much do you think can Eldeco grow to, in terms of area booked and then area constructed?

**Pankaj Bajaj:** We do not have a bandwidth issue right now, I think with the current bandwidth and the current management itself it can change by order of magnitude, I do not know whether it can be twice or thrice, the constraint is the kind of products we can bring to the markets, we do not have a financial capital constraint right now, we do not have demand constraint, we do not have execution constraint, we do not have bandwidth constraint, but we do have a launchable project constraint which we are trying to address.

**Harsh Beria:** And most the construction happens is it outsourced or is it done by the company?

**Pankaj Bajaj:** No, it is outsourced to local contractors.

**Harsh Beria:** So, it is definitely scalable then?

**Pankaj Bajaj:** Yes.

**Harsh Beria:** That is it from my side. Thanks for taking my questions.

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

**Arjun Lamba:** Hi, Pankaj and team, congrats on a good set of results and even better commentary and good business execution. I think most of my questions have been already asked, I just want to ask once again, like you discussed about the top line of this company, how do we make it scaling up the top line from that 150 Crores to 200 Crores bracket to about 350 to 400 Crores and I mean if we look at argumentation in projects I think we have the run rate of growth, we have the capital like you discussed, I think it is now just typically getting this projects in line and executing and delivering and I think the management is very cognizant about that, just some thoughts on that and I think we could probably speed up on this and like Bareilly, what we did in Bareilly that is something to explore, new land acquisition, which we are doing, I mean just a few thoughts and few questions like I asked and that is it from my side?

**Pankaj Bajaj:** So, I agree that all the list of things which you need for growth are there except for good few launchable projects, which we are trying to address, rest all seemed to be aligned. Inflation generally could spoil the party that is something that we cannot control as of now there seems to be so much pent-up demand for residential real estate that even cost increase the market is going to accept as I said earlier, doubling, because our base is small doubling from here does not look very difficult we just need to add some projects and launch them, which hopefully we should be able to do, if not in two quarters then three quarters. Our projects, the life cycle is three to four years, five years so one quarter here or there does not matter, but generally speaking we are in a good place, the market is consolidated, the market is gaining in premium, and we have waited out for so long, so that is good for us, it should not be very difficult, but at the same time we have been very careful with the kind of projects we do. We do not like to bet the whole company on one project, we do not like to take wild guess, that is not going to change and it is great market and your capital available be conservative as far as that is concerned, and we are going to tread cautiously but at the same time take advantage of these favorable winds.

**Arjun Lamba:** Yes, I agree with you on that I mean with our governance filters in place, and inflation I would not be too worried about because if you see inflation everything else in inflated much more than real wages, I think next will be real wages that will play and that should probably board okay for demand from our company perspective.

**Pankaj Bajaj:** I agree.

**Arjun Lamba:** Perfect, thanks a lot guys. Thank you, that is all from my side.

**Moderator:** Thank you. The next question is from the line of Aman Rakesh Shah from Jeetay Investments. Please go ahead.

**Aman Rakesh Shah:** Thank you for the opportunity, Sir. For all the explanations that you gave a lot of my questions got answered. Just wanted to know the material cost has increased because of the inflation, have we now started also to see inflation on the land prices?

**Pankaj Bajaj:** Yes, definitely and the reason for inflation in land prices is not so much general inflation in the market, it is just that there is so much demand for it suddenly, there is a demand for real estate that is getting translated back into demand for land. We are looking for land so we have to assume that other people are also looking for land, and land prices have also been stagnant for a number of years, they also have to catch up with the lag and that is what they are doing so generally speaking the land prices have doubled almost everywhere.

**Aman Rakesh Shah:** Sir, the cash kitty that we have built at 130 Crores odd, and so for the last 14 to 15 years we have been maintaining our minimum amount of cash, will it take time for us to deploy the cash again in to more projects?

**Pankaj Bajaj:** It is a difficult question, so if we get a good opportunity we could deploy it overnight, and we are going to hold back if the opportunity ticks all our boxes in terms of risk, in terms of pricing, in terms of approvability, etc., etc., and if we do not find something there and something does not tick all the boxes and we will not be under any deployment pressure we going to continue to hold cash. It depends on what we get, some other developers have done it, but it is dry powder on a balance sheet in fact if an opportunity big enough and comes to justify that kind of investment not only would we deploy this cash, it is not our stated policy to remind debt free, if it requires we will take debt also as of now we have not found an opportunity where we are seeing that you know let us go all in and deploy all our cash at one go so we are going to be patient and if something comes up we are going to be aggressive, so I cannot answer that question immediately that you know we should be able deploy the entire cash this year or not, we could deploy it as soon as an opportunity comes or we could hold onto it.

**Aman Rakesh Shah:** Is there any minimum benchmark of underwriting norms in terms of return on investment that we have?

**Pankaj Bajaj:** We look at a project RR of 20%.

**Aman Rakesh Shah:** Great, Sir. Thank you and all the best.

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

**Agastya Dave:** Thank you for allowing the follow up, Sir. One question that I had was that I remember we took a quantum leap in execution in the scale of the company in 2016 and I think we used to significantly below 100 Crores before that and we jumped well over 100 Crores after that, so that was also the time when the real estate market was pretty like it was not doing well at all and we were one of the very few companies, which actually could do such a great improvement in scale of the company while maintaining all the matrices that we maintain, now again over the last five to six years you have been consistently delivering a lot of projects and I think the land bank as such is at the lowest level as a percentage of what you are doing every year, in this cycle and currently the situation what prevails in the market, what are you thinking in terms of building up the land bank, would you be aggressively looking to keep on acquiring or this is just like whatever you can deliver in the next two years you will just stick yourself to that or will you build up a land bank of five to six years of deliverance, so how are you looking at it?



**Pankaj Bajaj:** Let me out it in this way, the reason to not go aggressive and everybody lauds us on having cash on our balance sheet and not having debt, but at the time we do not have a huge land bank, the two go hand in hand, if we had land bank then we would not have a cash on balance sheet and we would have debt on our balance sheet because we require capital to create a land bank, so when the market was kind of not going anywhere, it was going sideways, it was stagnant, prices are not rising, so we were kind of conservative in terms of taking on debt and deploying the cash so our average land bank to our annual revenue run rate ratio we are probably maintaining three years of land bank or a four years of land bank, and now it is probably because of our increases sales it has come down to 1.5 years to 2 years of land bank, but because of market looks good we may bring that ratio back to about three to four years or even five years, so to answer that question it depends, it is not that our strategy has changed, the strategy is still the same, it is a question of timing, you are keeping a clean, nice and handsome balance sheet, when was the going was a little tough and now the things are looking better and things have turned around for residential real estate, we will look to build our land bank and for that as I answered in the previous question we are looking at the right opportunity, we will not be under pressure, there is no pressure on us to build a land bank for having land bank, if it justify we will deploy this money.

**Agastya Dave:** Right, Sir, in terms of any other constraints you went into some detail about how long does it take to get the approvals, but in terms of other constraint in terms of labour availability and also there are some people at least in the NCR region, who was facing severe problems in procuring anything from like basic quarry material to cement and labour is also a constraint, are you facing some constrains on that side, which would delay certain deliveries?

**Pankaj Bajaj:** No, we are not facing any problems there, I think that is a familiar question on pricing, I do not think as a country we are short of labour, as I said in one of the other question that we expect our wage belt to increase, labour prices will increase, if we give good price to labours, they are available. Similarly we are not facing any material shortage and all our project are on schedule for timely delivery, we are not facing any challenge on the supply side of our projects.

**Agastya Dave:** Mr. Bajaj, last question you mentioned that you are coming up with a property in Rishikesh in sometime so do let us know how to get in touch with your sales team, I would be interested for sure, so give some concession to the shareholder, I have been a shareholder for a long time?

**Pankaj Bajaj:** That's a great idea, we should do that.

**Agastya Dave:** Thank you very much and I really appreciate your hard work and the way you run the company is exemplary many people will do well to learn from you. Thank you very much and all the best, Sir.

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

**Yogansh Jeswani:** Thanks for the followup opportunity. Couple of questions on your Imperia project, in this pipeline forthcoming projects we see there is an Imperia phase 2 as well, so two questions there, is phase 2 bigger than phase 1 or the phase 1 is the bigger one and secondly at what point do we think of launching phase 2 because if you look at the phase 1 number 70% odd is already booked, so by when do we think we will be launching phase 2?

**Pankaj Bajaj:** So, phase 1 is about 17 acres, phase 2 is also 17 acres, we are looking to add more land in phase 2 and we want to get all approvals for phase 2 at one go, so if we want we could have gone for approvals of phase 2, and it is a relatively simple approval there and launch it there in three to four months from now and that would have been that, but we want to add more land as you one of the question was that you should be adding more projects, we feel like we can add more land, that 17 acres could probably go up to 25 acres, so we are trying to do that so that we can get the entire approvals at one go, whenever we are able to add that land and we get the approvals I think we should get a great response. To answer your question, we could go for approvals today and launch it in Q2, but as of now we have decided not to do that and we are trying to add more land there.

**Yogansh Jeswani:** Understood and Sir, in terms of the delivery schedule for phase 1 in December 2024 is something that we have written is it that too near given it is a township and that typically takes a longer time?

**Pankaj Bajaj:** I would like it to happen on December 2023 and that is what we are going to target, we written it as December 2024, but as of now the phase of work at site is looking at December 2023, so you should be happy to hear that.

**Yogansh Jeswani:** And what is the typical price point at which we are selling here?

**Pankaj Bajaj:** That is about Rs.3200 a square feet.

**Yogansh Jeswani:** Got it, thank you, Sir. I will get back in the queue.

**Moderator:** Thank you. The next question is from the line of Harsh Beria an Individual Investor. Please go ahead.

**Harsh Beria:** Thanks for the followup opportunity. My question is on the fixed cost structure of the company, so what would be the annualized fixed cost structure of the company be which would not scale with let us say increase in sales?

- Pankaj Bajaj:** So, I think our fixed cost structure is going to be perfectly in line with the increase in sales and probably right now our fixed cost structure is quite low and with increase in sales we will have to increase our fixed cost and right now it is 3% or 4%, going forward I expect it to be around 6% to 7% of our sales and our sales are also going to increase, I hope that answers your question?
- Harsh Beria:** Yes, so this cost structure would kind of increase with sales and will go up from the current year?
- Pankaj Bajaj:** It is going to, I feel like from the lower side and we are facing pressure there so this 4% also not sustainable, it has to increase. I feel that is going to go up to 6% to 7% and sales are also going increase, so as an absolute number it is going to double.
- Harsh Beria:** Thanks for that and just to follow up on gross margin, so when you were saying 40% kind gross margin you meant that the land cost and the construction costs are 60% to 70% is that what you were implying or you just implying land costs in your gross margin?
- Pankaj Bajaj:** No, that is both land and construction.
- Harsh Beria:** Thanks for the clarification. That is it from my side.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Pankaj Bajaj:** Thank you. I am very happy with the keen interest people have shown and I hope that they continue to support us like this, so thanks a lot gentlemen and we will see you back in 3 months' time.
- Moderator:** Thank you. On behalf of Eldeco Housing and Industries Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.