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The Manager, Listing Department
The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, C - 1,
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BSE Scrip Code-523329

NSE Symbol- ELDEHSG

Subject: Transcript of Earnings Conference Call held on Tuesday, February 14, 2023

Dear Sir/Madam,

This is with reference to the intimation dated February 9, 2023 made by the Company about the Earnings Conference Call scheduled for Tuesday, February 14, 2023 at 3.00 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

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
Q3 FY 2023 Earnings Conference Call”

February 14, 2023



MANAGEMENT: MR. PANKAJ BAJAJ – CHAIRMAN AND MANAGING DIRECTOR

MR. MANISH JAISWAL – GROUP COO

MR. KAPIL SALUJA – FINANCE AND ACCOUNTS

Moderator: Ladies and Gentlemen, Good Day, and welcome to the Eldeco Housing and Industries Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Bhatt from E&Y. Thank you, and over to you, sir.

Abhishek Bhatt: Good afternoon, everyone, and thank you for joining us on the call. Before we proceed to the call, let me remind you that today's discussion may contain forward-looking statements that may involve known and unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risk that could cause future results, performance or achievement to differ significantly from what is expressed and implied by such forward-looking statements. Please note the results and presentation are available on the exchanges and on the company's website. Should you need any assistance to receive them, you can write to us, and we'll be happy to send them over.

Today, we have on the call the senior management of Eldeco Housing and Industries Limited, which is represented by Mr. Pankaj Bajaj, Chairman and Managing Director, Mr. Manish Jaiswal, Group COO, Mr. Kapil Saluja from Finance and Accounts, will begin with the highlights of the quarter, followed by Q&A.

Now I would like to hand over the call to Mr. Pankaj Bajaj. Over to you, sir. Thanks, Abhishek.

Pankaj Bajaj: Thanks Abhishek. Good afternoon. I would like to welcome everyone to Eldeco Housing and Industries Limited Q3 FY '23 results call. Let me begin with a few comments on the real estate market, after which I will discuss operational and financial results for the quarter and nine months December 2022.

Residential real estate experienced robust rise in demand last year, fuel the reduced loan rates and demand from clients looking to upgrade their house. Despite rising interest rates and house prices, demand for housing has remained strong in the present year also. If you look at a 10-year period from, say, 2012, the CAGR and house prices in India, also the volumes have been quite muted. In this background, we feel that the demand side will remain strong in spite of the recent spurt in prices and volumes.

Similarly, in Lucknow, the demand for housing remains high. The Lucknow real estate market has progressed from a state of stagnant inventory to one-off supply scarcity. Supplies reacting to the demand with the lag, primarily due to the time required to assemble new parcels of land and the one-year approval cycle. New products are taking their time to hit the market. This is also reflected in our third quarter performance.

During the quarter, the company handed over 1,09,214 square feet of 100 homes successfully registered, compared to 84 homes sequentially. The quarter collections remained at INR 38 crores, with sales bookings at INR 22.3 crores. The area book for the quarter was INR 47,443

square feet compared to 2,56,190 during the same period last year, owing primarily to considerable bookings from our Imperial project in Q3 FY '22. All our existing projects are developing well in terms of execution, sales and collections. And we are confident that we will complete them all within or before the RERA time line.

Going forward, as previously stated, our selling focus is on boosting supply to meet the rising demand. We are gradually expanding our land bank and between April '22 and December '22, we purchased a total of 16.52 acres of land. We were able to increase a beneficial share of the Bareilly projects from 40% to 50%. Furthermore, we intend to launch two additional residential projects in Lucknow by the end of the current financial year itself. We are also in early term sheet stage negotiations for two additional projects that will be launched in the coming financial year. This gives us a sense of future growth and allows us to plan for next year's launches and so the rise in demand.

The revenue from operations for the quarter stood at INR 30 crores in Q3 FY '23, compared to INR 42.7 crores in Q3 FY '22 and INR 32.9 crores in Q2 FY '23. The revenue from operations for the nine-month period FY '23 stood at INR 90.4 crores compared to INR 97.9 crores in nine months FY '22. The EBITDA was at INR 12.2 crores in Q3 FY '23 compared to INR 17.1 crores in Q3 FY '22 and INR 9.6 crores in Q2 FY '23.

EBITDA for the nine-month period ended 31, December '22 or at INR 33.1 crores. The EBITDA margin stood at 40.7% for Q3 FY '23 compared to 40.1% in Q3 FY '22 and 29.1% in Q2 FY '23. The company's profit after tax stood at INR 10.5 crores in Q3 FY '23 and INR 29.5 crores for the nine-month period ended 31, December 2022, respectively.

With this, I would like to open the floor for questions. Thank you. If there are any questions.

Moderator:

The first question is from the line of Monica Arora from Globe Secure Advisors.

Monica Arora:

So just want to ask a couple of questions, like I can see that you are building on your suppliers. So when can we expect that this would start in contributing to the cash flows? And what would be the rough estimate of these cash flows, like how they will convert into our revenues?

Pankaj Bajaj:

I missed the first part of your question, Monica. What is the question about?

Monica Arora:

Yes. So I was telling that I can see that you are building on your supply. So when can you see the cash flow out of those supplies? And what would be the rough quantum of these cash flows, basically?

Pankaj Bajaj:

It's there in our presentation. We have in the slide, which says Forthcoming Projects. We are going to launch the number one land, there in Eldeco Imperia Phase II. And number four, Eldeco Latitude 27. So they are going to get launched as soon as, so we have already received the main approvals from the local body, now we have to get the environment clearance and RERA registration. It's a four, five-month process, but there's a lot of pent-up demand for these projects.

Together, they have about 9 lakh square feet. and that's a sale value of INR 300 to INR 400 crores. Apart from that, we have a couple of other projects also which are also a decent size for

it. So total about INR 800 crores of sale value is expected to be launched in the next 12 months, depending on how quickly we can get the approvals. And we expect that the booking value on launch itself should be at least 50%. So that's the plan for the next 12 months. Obviously, it takes some time for that to get executed and to get recognized in the books and revenue. That's going to come with the lag over a year or year and a half after that. The supply pipeline is getting activated as we speak.

Moderator: The next question is from the line of Niraj Mansingka from White Pine Investment Management.

Niraj Mansingka: I just have two questions. One on the forthcoming projects that are given to be launched. How much land bank is left after removed this project? Or you can say other way, how much million square feet area can be launched on the projects which are not like part of this forthcoming projects?

Pankaj Bajaj: So the forthcoming for is total is about 1.5 million, as you can see, and another 1 million or 1.5 million, which is in early stages, which we are not disclosed in the forthcoming projects because it's still early and the land have not been taken over, the approval, etcetera. So total about 2.5 million to 3 million is there, trying to note that.

Niraj Mansingka: That also includes the 16 acres that you have purchased?

Pankaj Bajaj: Yes, that includes that.

Niraj Mansingka: Sir, and second question was on the restructuring project, you have another promotor and KPI also looking at NCR, can you get a thought on what you plan to do? What you plan to do with the restructuring so that the incentives are pretty aligned and companies become a larger company?

Pankaj Bajaj: So that's a thought that often crosses our mind and we've been questioning about that in the past. The thing is that merging two real estate companies is a lot of regulatory stuff. So that's what we're trying to figure out whether it is worth it or not. Because you have to take multiple approvals from the concerned RERA bodies and their stamp duty implication. There are costs and benefits. We are not yet decided. At the appropriate time, if something works out, we'll take it to the Board and obviously disclose it then. But at this stage, premature to make a comment.

Niraj Mansingka: Can you also give some forward-looking estimate or thought process of your, how you see the market for the Lucknow and Kanpur belt in terms of price movement? Because if you compare the price prices of North India, South and other parts of NCR is quite low. Even in Tier 2 cities in India, they have received a very good prices. So any thoughts of yours on how you see the per square feet rate of Lucknow-Kanpur belt?

Pankaj Bajaj: Good question Niraj. The first part of the question, the demand supply dynamics are totally in favour of the supplier right now. There's a lot of pricing power that good brand now come at. So I touched upon that in the opening remarks that stagnant kind of situation, but now it's a supply scarcity whether new products are not coming for various reasons. And that is also getting reflected, I think, it's somewhere there in our presentation, that our average realization used to

hover around INR 3,500 a square foot traditionally over the last four, five years. But in the last one year, it has gone up to INR 4,500 square foot, which is a jump of nearly 25% to 30%.

So that means the improvement in realization per square foot in weighted, and that's weighted average across product. And we feel that this is -- this trend is there for some time. I don't see a correction happening in this ride. And I think that the coming year will not only see increase in realization, but also increase in volumes subject to our being able to launch the projects that we have tied-up.

So both are looking good. The pricing is going to rise definitely because the current prices are, and another trend which is which is reinforcing this is the gravitation towards branded developers. So the market is willing to pay a premium, and also the gravitation towards an upgrade of houses, which also means that people are not that interested in affordable housing, they want a higher-end of the product, which also means higher realization per square foot. So we think these are both strong trends and are not likely to get reverse very soon. So we feel that prices are going to rise and the volumes obviously are going to rise.

Niraj Mansingka: And sorry, I'm pitching, one more question. See, you use to have 40%, 41% margin on EBITDA side. Because the price hike, do you see that the EBITDA margin moving up in say next two, three years because does it reflect in your income statement when they start computing?

Pankaj Bajaj: The question is that the EBITDA margin is going to improve further. Is that the question?

Niraj Mansingka: Yes.

Pankaj Bajaj: I would not bet on it because on the same side, we also have higher land prices and higher input costs that we are contending with. So there has been a well-documented inflation and input costs. It is possible that some products, the plotted development and horizontal development would have higher EBITDA margin. But at the same time, the group holding projects don't have these kind of EBITDA margin.

And Niraj, one more thing, if you notice, these are some of the highest margins in the industry. Bottom line that we do for our top line is other companies do about 3x the top line to get this kind of bottom line, because our EBITDA margins are very high. I don't know if there can be further improvement in that. Only if the product is completely skewed towards plotted development, could there be an improvement. But I would not say that they would improve significantly.

Niraj Mansingka: And what is your target square feet to be sold for the next two years because there was a jump in FY '22?

Pankaj Bajaj: About 1.5 million to 2 million square foot.

Niraj Mansingka: And this is for next year, FY '24?

Pankaj Bajaj: So next two years, I think we should be doing, in terms of sales value, I think next year, we should be doing about INR 300 crores-plus and similarly, the year after that. This year, the

calendar year has been a little low for us, because we have not been able to launch new projects for various reasons. But we are going to cover up next year and the year after that.

Moderator: The next question is from the line of Dinesh Shah from Alpha One Investments.

Dinesh Shah: I have a couple of questions. What is the visibility on order pipeline for next financial year? And whether it would be residential flats or standalone houses?

Pankaj Bajaj: So I already answered the question. And the last question that I answered from Niraj, that I said that the next year, we should be doing about 1 million square feet of sales. That's mostly residential. Nothing significant in other asset classes. Nothing in office, very little in retail. So mostly residential, about 1 million square feet is what we are hoping to book next year.

Dinesh Shah: And what is the cash flow generation we are expecting in FY '24?

Pankaj Bajaj: So the sale value is what we look at. And sales value is about, you can see our average per square foot realization trend. Currently, it's at about INR 4,500 square foot.

Moderator: The next question is from the line of Keshav Garg from Counter-Cyclical PMS.

Keshav Garg: Sir, sorry to be repetitive, but I missed the revenue target you mentioned for FY '24 and FY '25, sir, did you say INR 300 crores top line each?

Pankaj Bajaj: Around that much, yes. No, it could be '24 next year would be about, I would not say top line, I can only say, because you know the recognition of revenue depends on a number of factors on your completion certificate and your how much the sale degree you give in favor of the customer till then it carry on in your balance sheet as advances. So sale guidance is what I gave, I did not give any revenue guidance. Sale guidance is about INR 300 crores to INR 400 crores each for the next couple of years.

Keshav Garg: And sir, margins approximately 40%, which you are currently doing, can we hold on to the same?

Pankaj Bajaj: That's EBITDA margin.

Keshav Garg: Yes.

Pankaj Bajaj: So EBITDA margin, as I said, the current margins are indicative of our product mix, which is horizontal development, plotted development. We hope to get those kind of margins in plotted development, but group housing margins would be a little lower. So going forward, the mix is a mix of both, it's 50-50.

Moderator: The next question is from the line of Monica Arora from Globe Secure Advisors.

Monica Arora: So sir, on the profitability side, how is the outlook in FY '24 and FY '25? And do you think that we would be able to pass the profitability part as compared to the next last year?

Pankaj Bajaj: Profitability?

- Monica Arora** Yes.
- Pankaj Bajaj:** I think we should be able to maintain, if not improve what we have in the coming years. I think it should actually be higher, but I can't say because it depends on the revenue recognition, sales value and booking value and project launch is a metric that we really follow, because rest everything follows from that with a lag. And those two are looking good for the coming two years.
- Monica Arora** And also, I wanted to get a sense on how the Lucknow market specifically looks to you? How do you see that market? What changes is happening in those markets? And do you think that it would be a bet for investors next?
- Pankaj Bajaj:** I think it's an under-penetrated market, given the quality of life it is offering to the residents of the city and it is attracting a lot of investment. UP is attracting a lot of investment. You may have read the headline in the last couple of days, the Global Investors Summit, which happened in UP. It's like INR 30 lakh crores of investment which has been committed in UP, which is the highest in the country. Even if 50% or 25% gets translated, it's a game changer.
- And I don't know if you've been to Lucknow, it's one of the shining stars in the next tier of cities in the country after the top six or seven cities. That is getting reflected in the aspirations and the kind of real estate that the city is demanding and that is not only residential, but also commercial, retail. You know two of India's biggest malls are open and they're recording record footfalls. There are Phoenix malls or Lulu malls. So all that is reflective of a rising city, rising aspirations and I think we are the number one brand there and we are very small. So the upside is just huge.
- The numbers that I'm talking about are very low and there is a lot of room to grow. It's only that we have to, it's a difficult real estate market in terms of bringing projects to the market. And this year has been a little slow for us, but we hope to make it up in the coming year and the year after that. And by no way is our growth constrained by the size of the city. I think it has a lot to offer and it is growing every year. So we are very happy to be concentrated in this one city.
- Monica Arora** And one last question, if I can pitch in. So, and you have increased your beneficial share in the Bareilly project. How much additional cash flow do you think it will generate?
- Pankaj Bajaj:** Marginal, so it's gone from 40% to 50%. So that's just a 10% increase. So the additional cash will be only to the tune of 10% only, not much.
- Moderator:** The next question is from the line of Gunit Singh from CCIPL.
- Gunit Singh:** So I have a question regarding the sales projections that you have said that we are putting out INR 800 crores of sales projects for the next year?
- Pankaj Bajaj:** Not for the next year. It's for the next two years, it's not for the next year. I said for the next two years. I am cumulative. So each one year could be INR 300 crores other would be INR 500 crores something like that. So next two years is INR 800 crores.
- Gunit Singh:** So projects worth INR 800 crores over the next two years, you will be putting out?

- Pankaj Bajaj:** Yes.
- Gunit Singh:** So for the current year, financial year, for the last 12 months, how much were the projects did we put out in the market?
- Pankaj Bajaj:** No, we didn't launch anything in this year? It was all such an old stage. We were not able, that's what I said that that we were not, the approvals got delayed and various things happened. So all the things which are happening are the system and stages. By system and stages we mean the projects which have already been launched, they have inventory and they keep getting sold. We did not, there was only one project I think, Twin Tower or something, which was a small project which got sold, launched this year. But nothing significant project.
- Gunit Singh:** And as per the last four to five years, we have been seeing revenues to hover around INR 100 crores to INR 150 crores. But looking at the guidance for next year, I'm very excited. And I just hope that you were able to execute everything perfectly.
- Pankaj Bajaj:** There is a caveat there. The guidance that I am giving is for the sales value. It takes time to get reflected in the -- to get recognized as revenue in the book. That I am not giving any guidance on. I am only giving guidance on the sales value, the booking that happens from the customer. So that is one caveat, but obviously once you book something, sooner or later it will get recognized in books.
- Moderator:** The next question is from the line of Arjun Nagpal from Guardian Advisors.
- Arjun Nagpal:** I think everybody is talking about the margins and all. I mean, we as shareholders, I'm sure that you'll maintain the margin and all. You guys are a prudent company. What we are looking forward to is higher sales velocity, which I think you are guiding. And if sales are booked, there will be accrued to the revenue also at some stage. So I think my question has been answered. I think the time has come to up the ante and take this company into a little bit of a higher orbit. And we look forward to that journey.
- Pankaj Bajaj:** Thank you, Arjun. This is what we are working to us. And thank you for your support. So all these years and that's state advice. Our team is excited and for the first time if you would have noticed I am actually giving out a guidance for the next year.
- Arjun Nagpal:** My question is answered. Only if sales growth is bottom line EBITDA and PAT and this tax growth. So we are aligned that with.
- Moderator:** The next question is from the line of Niraj Mansingka from White Pine Investment Management.
- Niraj Mansingka:** So my question is any plans for diversification geologically because you're pretty heavy on Lucknow?
- Pankaj Bajaj:** Yes. So two-part answer to that question. One, we are very bullish on Lucknow, and as I commented in response to one of the earlier questions, by no stretch of imagination is our growth constrained by the fact that we are concentrated in Lucknow. So, there are enough examples of many real estate companies in India doing very well being concentrated in one city or two cities.

So I think that it's not that we have got 50% of the market share of Lucknow and we can't further grow there. I think our market share will be less than 10% and there is a great trend towards consolidation and I think there is a market share capture opportunity in Lucknow, number one.

Number two, Lucknow itself is growing so the market is great and we should not be distracted by moving out of Lucknow. That's number one. Number two, we have taken baby steps towards geographical diversification and the transaction in the Bareilly project was a step towards that. We took a small step by taking a 40% stake and we increased because the project did well and we increased it to 50%.

Similarly, we are looking at a couple of other markets. But we don't want to dilute ourselves too much from the focus on Lucknow. I know we had a kind of a steady tier or a flattish year this year, but we are convinced of the opportunity in Lucknow. And just like there are some great companies out of Hyderabad or Bangalore, we feel that the same thing can happen with us in Lucknow. So we are really concentrated. I've given out our guidance for the next couple of years. It could even go higher. I don't want to say too much. I hope that answers your question. Yes, but to answer your question, if you're thinking that we come to NCR or we go to some other city, not at this stage. There is enough opportunity there.

Moderator: The next question is from the line of Abhishek Agarwal from KR Choksey.

Abhishek Agarwal: Sir, my question is like as we are seeing that the interest rate is rising. So in this interest rising scenario, how you look at the real estate market, especially on the UP market?

Pankaj Bajaj: I didn't get the question, Abhishek. Can you repeat?

Abhishek Agarwal: In this rising interest rate environment, how do you see that real estate market will perform in next two to three years?

Pankaj Bajaj: So again, we are not too perturbed about the rising rates on interest. One, we feel that the interest rate cycle is going to turn. It's not going to keep like this, home loan rates are now 8.5% or something. But remember, they were 6.5% about a year ago. So just as they go up, they also come down. and everybody is expecting and I hope I think you guys know better or nobody knows, but the exact timing of interest rate cycle is going to turn on.

And in a 20-year period, there will be multiple such cycles and the other thing is that the customer EMI does not really change. All that the home loan companies, mortgage companies do is they change the tenure of the loan. So it's of academic interest that in the fourth year the rate of interest is higher and in the seventh year it is lower. At the end of it the customer ends up with a loan of 20 years and ends up pre-paying. The data is out there. They end up pre-paying in the sixth or seventh year. That's part number one.

Part number two is we found that not a lot of people surprisingly are dependent on home loans, especially in Tier 2 towns. In a city like Bangalore or Delhi or Pune, which are kind of the market is IT employees who are getting a salary. So that's very -- the data suggests that's where your home loan rate of interest sensitive. But in Lucknow that is not the case. There's a lot of organic

demand and we find that not more than 25% to 30% of our total receipts comes from through home loans. So it's not very sensitive to that extent. So it's not, they're not perturbed that much.

Abhishek Agarwal: And are we looking for any new geography apart from our existing area?

Pankaj Bajaj: We have enough on our hands in Lucknow and we have gone out our guidance and we are focused on launching these products in the next three to six months.

Moderator: The next question is from the line of Vivek Chaturvedi, an Individual Investor.

Vivek Chaturvedi: In your management commentary, you mentioned that we acquired a total of 16.5 acres of land between April and December. So how does this compare with what we've done in the past couple of years? And how much land are we looking to acquire in the next couple of years?

Pankaj Bajaj: So the land that we acquired is something which we have not disclosed, but it is going to come in Imperia Phase III. So if you look at our presentation, there is Imperia Phase I, there is Phase II, which is about to get launched and there are Phase III, which is going to come. So it is largely made up of that.

There are some other parcels which I have hinted in the past that we are giving advances on. We will not be in a position to disclose the exact details of that because it is a little premature. But that's all it is. I think we should be acquiring about a 1 million square feet every year. That's what we want to sell out in a year. And that is what we will have to replenish every year as well.

Moderator: The next question is from the line of Gunit Singh from CCIPL.

Gunit Singh: I just have a follow-up question. So we're putting out INR 18 crores of projects for the coming two years. And you mentioned that for the last one year, there was a significant amount of projects that were rolled out basically. So I just want to understand on average. What would be the sales value of the projects that you put out any say, for the last four to five years?

Pankaj Bajaj: What would be the sales value of the projects we put out annually, is that the question?

Gunit Singh: Yes, correct.

Pankaj Bajaj: So kind of lumpy, Gunit. Last year, we put out a project, which was Imperia Phase I, and that had a sale value of about INR 100 crores or something, maybe slightly more. And then after that, we put out on this year, Twin Towers, which is about INR 50-odd crores. So this year has been flattish, but we hope to be launching or, as I said, INR 300 crores or more annually in the coming year onwards. It has been kind of low in the last two, three years because of COVID, all those approval issues, land assembly issues, but I think we are finally coming out of that. Higher velocity in the coming years.

Gunit Singh: So on average, we would have been rolling out about INR 100 crores of project annually.

Pankaj Bajaj: No. Last year, we had INR 100 crores maybe, but going forward, much higher than that. So that gets reflected in your top line also. Our top line has been between INR 100 to INR 150 crores in a year.

- Gunit Singh:** Correct. That what I was trying to get an understanding of the conversion. So all it sounds great. Thanks a lot.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for the closing comments.
- Pankaj Bajaj:** I think I've given a lot of comments already. So thank you all for coming today for interest in the company. We hope to do well in the last quarter of the year, but more importantly, in the coming year, we're really looking forward to that. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Eldeco Housing and Industries Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.