

AS  
TRANSFORMERS.

AS LEADERS.

WE LEAD  
TRANSFORMATION.



# CONTENTS

## 01-16

### CORPORATE OVERVIEW

- |    |   |
|----|---|
| 01 | As transformers. As leaders.<br>We lead transformation. |
| 02 | Highlights of the Year                                  |
| 04 | Chairman's Message                                      |
| 06 | RERA – Its Implications on the Industry                 |
| 08 | REIT – Its Implications on the Industry                 |
| 10 | Successful Project Executions in the Past               |
| 12 | Ready for New Horizons                                  |
| 13 | New Horizons of Growth                                  |
| 14 | Performance Over the Years                              |
| 16 | Corporate Information                                   |



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## 17-71

### STATUTORY REPORTS

- |    |                                    |
|----|------------------------------------|
| 17 | Notice                             |
| 25 | Directors' Report                  |
| 34 | Management Discussion and Analysis |
| 43 | Corporate Governance Report        |

## 72-160

### FINANCIAL STATEMENTS

- |     |                                |
|-----|--------------------------------|
| 72  | Independent Auditors' Report   |
| 78  | Balance Sheet                  |
| 79  | Statement of Profit & Loss     |
| 83  | Notes Forming Part of Accounts |
| 116 | Consolidated Accounts          |
| 157 | Proxy and Attendance Slip      |

**THE REAL ESTATE SPACE IN INDIA IS ALL SET FOR AN UNPRECEDENTED TRANSFORMATION. THIS UNPARALLELED CHANGE HAS BEEN USHERED IN DUE TO TWO KEY EVENTS THAT WILL HOLISTICALLY AND IRREVERSIBLY TRANSFORM REAL ESTATE SECTOR IN INDIA FOR THE BETTER.**

### **THESE TWO EVENTS ARE RERA AND REIT.**

Real Estate (Regulation and Development) Act, 2016 (RERA) is the government's bold and far-sighted legislation that will benefit all players by bringing in transparency, accountability, responsibility and compliance. Widely considered to be an impediment to the industry, RERA on the contrary shall be a boon for players who are clean, committed and transparent. More importantly, it will filter the unscrupulous players. RERA brings back confidence, commitment and conviction into the real estate industry with strict penalties for non-compliance and false promises. Therefore, real estate players who are already committed and transparent in their operations would stand to get significantly rewarded through the upcoming opportunities.

### **RERA WILL TRANSFORM REAL ESTATE INTO A REAL ASSET**

Real Estate Investment Trusts or REITs, on the other hand, are the new financial instrument set to transform financing in the real estate industry. The government's recent changes in REIT framework had made it easier for investors to participate in the real estate opportunity by lowering the minimum size of projects. REIT provides a well-defined and structured framework for investors looking for transparency in tracking projects and timely delivery with quality construction.

### **REIT WILL TRANSFORM FINANCING IN REAL ESTATE INTO A PROMISING REAL INVESTMENT**

At Ganesh Housing, we are extremely optimistic of this transformation. Even before RERA came into effect, we have been transformers and leaders in the real-estate industry. Quality, Transparency and Commitment have been integral to our core values and business philosophy for the past 26 years. Delivering every project as promised, as planned and as scheduled has made us the preferred developers in Ahmedabad.

**WE WELCOME RERA AND REIT, AND BELIEVE THE CHANGES THAT HAVE BEEN BROUGHT IN THE REAL ESTATE INDUSTRY WILL BE A TRANSFORMATION UNLIKE ANY OTHER.**

**AS  
TRANSFORMERS.  
AS  
LEADERS.  
WE LEAD  
TRANSFORMATION.**

# HIGHLIGHTS OF THE YEAR

## TOTAL REVENUE

₹ 4,088 MILLION  
26%

## EBITDA

₹ 2,128 MILLION  
3%

## PAT

₹ 746 MILLION  
6%

## EPS

₹ 15.93  
13%

## NET WORTH

₹ 8,467 MILLION  
7%

## GROSS BLOCK

₹ 2,286 MILLION

## UNION BUDGET 2017-18

### POLICY INITIATIVES

- Affordable housing segment got accorded the infrastructure status to ease flow of funds and relax financing norms
- Liberalisation of Foreign Direct Investment (FDI) along with phasing out of Foreign Investment Promotion Board (FIPB) for boosting foreign investments
- Allocation of ₹ 29,403 crore to Pradhan Mantri Awaas Yojana
- Refinancing of individual housing loan amounting to ₹ 20,000 crore by National Housing Bank

### TAX PROPOSALS

- Base year for capital tax computation shifted from April 1, 1981 to April 1, 2001 to reduce tax burden on sale of immovable property
- Rationalisation of income tax deduction for affordable housing schemes to enhance deduction
- In Joint Development Agreements, capital gains tax deferred to the year in which project acquires completion certificate
- The deemed rental income incidence on developers' completed unsold inventory shall apply a year after the end of the financial year in which the completion certificate is attained
- ₹ 2 lakh set-off limit for losses from let out house property against income under any other head
- Removal of service tax incidence on the portion of land for construction contracts



## MAJOR INDUSTRY DEVELOPMENTS

2016-17 has been a landmark year for the real estate sector marking several policy changes that are likely to benefit the sector in the long run. Some of the major policy changes and its impact on the sector include:

POLICY CHANGES	IMPACT
<b>Real Estate (Regulation and Development) Act, 2016</b>	New set of rules and creation of institutional infrastructure for protecting consumer interest. This shall boost growth of real estate sector with focus on trust, confidence and credible transactions along with efficient and timely project execution.
<b>100% deduction in profits for the construction of affordable houses</b>	This shall motivate promoters towards development of affordable houses (300-600 sq ft carpet area) and facilitate in boosting realty demand.
<b>Interest subsidy for first-time home buyers</b>	Apart from ₹ 2 lakh deduction of interest, the first-time home buyers shall get the benefit of claiming up to ₹ 1,50,000 deduction in case of repayment of the principal portion of EMIs.
<b>Change in arbitration norms for construction companies</b>	Facilitative arbitration norms for constructors shall facilitate in faster resolution of cases, which in turn shall boost stalled projects and enable construction companies to reduce burgeoning debt burden.
<b>Dividend Distribution Tax (DDT) exemption on REITs</b>	Exemption of DDT on any distribution made out of income of SPV to the REITs and infrastructure investment, a major hurdle in REITs transactions, shall enhance REITs viability.
<b>Amendment to the Benami Transactions Act</b>	This shall bring in more transparency in the real estate industry and curb benami transactions.
<b>Implementation of the Goods and Services Tax structure</b>	This shall simplify taxation structure and bring in more transparency to the sector. Additionally, reduced tax burden of developers shall enable them to pass on benefit to the buyers.
<b>Demonetisation</b>	Demonetisation slowed down the real estate industry transaction and new launches. However, for clean real estate developers, it has proved to be boon as this is likely to increase real estate prices and existing investment will be consumed faster.
<b>Status of permanent residency, for foreign investors</b>	This shall encourage foreign investments in India and facilitate Make in India programme.

# CHAIRMAN'S MESSAGE

Dear Shareholders,

Twenty six years ago when we started operations, real estate was an industry space that most shied away from. Despite this, we entered the business with a vision. A vision to transform the industry in which we operate, the region where we operate, and the lives of people around whom we operate. Driven by this, we developed the five core values of our business that defines all our actions – transparency in all dealings, commitment to deliver on time, innovation in designs and concepts focussed on customer comfort, quality of construction and care for the environment.

**DURING THE YEAR, OUR TOTAL REVENUES INCREASED 26% FROM ₹ 3,240.86 MILLION IN 2015-16 TO ₹ 4,087.73 MILLION.**

It was our strong belief in these values that enabled us to set new benchmarks in the industry. Today, Ganesh Housing is synonymous with trust, transparency, and quality. More importantly, these values, that once defined our purpose of existence, have become industry norms. While most others are busy restructuring organisation and readjusting business strategies to adhere to the new norms, we are in a sweet spot to capitalise on the huge opportunities that the industry would unfold in the coming years.

Another major strategy that we undertook was to restrict our presence to the Ahmedabad market, which was still developing. Being an important part of the city's development and its meteoric rise in real estate, we developed our niche in this market. Building strong ties with the best in the industry suppliers and engineers, working with best people and gaining customer trust, we have unmatched presence, knowledge and expertise in this market.

## PERFORMANCE REVIEW, 2016-17

2016-17 was a difficult year for the industry. As most of the players were gearing themselves up for the upcoming implementation of RERA, in came the demonetisation shock that impacted real estate sales as significant cash crunch in the industry. It also led to further delays in project delivery, given that most of the industry participants. The impact was more severe on players who used to take the wrong route to avoid tax incidence.

At Ganesh Housing, things were different. 2016-17 was a great year for us in many ways. Not only did we witness strong performance, we also further strengthened our foundation that would enable us to take the fast mover advantage of the new industry regulations.

During the year, our total revenues increased 26% from ₹ 3,240.86 million in 2015-16 to ₹ 4,087.73 million. EBITDA and PAT increased by 3% and 6% respectively to ₹ 2,128 million and ₹ 746 million respectively in 2016-17. The earnings per share in 2016-17 increased to ₹ 15.93 as against ₹ 14.12 in the previous year.

Driven by the strong performance, the Board has recommended a dividend of ₹ 2.00 per share, subject to the approval of the shareholders.

## INDUSTRY OPTIMISM

What makes me most excited about our long-term growth story are two major industry developments – the implementation of Real Estate (Regulation and Development) Act, 2016, widely known as RERA, and the easing norms of Real Estate Investment Trusts (REITs).

RERA is an important development in the industry that focusses on eliminating all sorts of ambiguities in the industry to protect buyers' interest. While most other players are intimidated by RERA, given the amount of disclosures to be made and transparency to be adopted, it is a welcome move for us. Going forward, all players and parties involved in projects needs to be registered with RERA along with sufficient disclosures relating to quality, delivery schedule, and plan among others. Thus, as most industry players get busy restructuring organisation and building capabilities to comply with the norms, there is likely to be a significant shortfall in the supply of residential and commercial properties. This is where our expertise shall come into play. Having followed similar norms for over two decades, we face no major hurdles. With our strong pipeline of RERA-approved projects, we shall be able to meet significant demand. Our focus for the coming years shall be on creating robust cycle of getting more projects registered, deliver as per specification, generate cash flows and fund new projects.



**EBITDA AND PAT  
INCREASED BY 3% AND 6%  
RESPECTIVELY TO ₹ 2,128  
MILLION AND ₹ 746 MILLION  
RESPECTIVELY IN 2016-17.**

REITs are another major development that we are counting on. Globally, REITs have emerged as an important asset class for investors seeking investment in real estate in a liquid manner. However, REITs being a completely new asset class in India and its norms being unfavourable earlier, investors were hesitant to enter this space. Now with the government modifying the rules, it is likely to witness some development.

An important factor that REITs consider before investing is the developers experience, market reputation, and income generating and capital appreciation capabilities of their projects. Besides with RERA implementation, consideration for RERA-approved projects would also form an important criterion. At Ganesh Housing, having fulfilled all the requirements, we are confident that our under construction as well as completed Project shall be an attractive investment option for REITs. This shall help in funding ongoing projects and transferring the completed ones for a consideration which shall facilitate in reducing our leverage and enhance growth momentum.



### MESSAGE TO THE STAKEHOLDERS

On behalf of the Board, I would like to thank all our shareholders for their trust and support over the years. Our focus has always been on maximising returns to the shareholders and going forward we shall continue to do so. In addition to this, RERA and REITs make our growth potential even more exciting. We shall continue to strengthen capabilities to enhance our delivery competencies.

I also take this opportunity to thank our employees for their continued efforts to take Ganesh Housing to greater heights and various builder communities for making our projects a reality.

I would like to assure all our stakeholders that as a future-focussed organisation we have undertaken all the necessary initiatives for creating long-term value and growth together.

Yours sincerely,

**Dipak G. Patel**  
Chairman

# RERA - ITS IMPLICATIONS ON THE INDUSTRY

## WHAT IS RERA?

RERA or the Real Estate (Regulation and Development) Act, 2016 include new set of consumer-centric guidelines that intends to bring clarity and fair practices for protecting buyers' interests and penalising errant builders. With the rising case of builders swindling consumers, delaying projects and giving out misleading information, the consumer confidence in the industry was declining. RERA, considered as a major game changer for the industry, focusses on bringing more transparency and better regulation to revive fading consumer confidence.

## IMPACT OF EXISTING PRACTICES

Under the existing practices, the buyers faced several issues relating to project delays, quality of construction, pricing, and title. Besides, all disputes between the buyers and developers were heard in the consumer courts which took significantly long time for settlement, putting the aggrieved party in dilemma.

One of the biggest issues faced by the buyers was in regard to project delays, resulting in them losing a significant amount of hard-earned money towards repaying loans without actually getting its benefits. As per ASSOCHAM, of the 2,300 projects that were being developed at the end of 2016, 826 housing projects were facing delays of about three to four years, while another 60 commercial projects were also facing delays. The delays could be due to several reasons including diversion of funds to other projects, changes in regulations of various authorities, land acquisition issues, unapproved projects and litigation issues.

## HOW RERA WILL BE A GAME CHANGER

DEDICATED WATCHDOG TO PREVENT DISCORD	PROVISIONS FOR TRANSPARENCY
<p>Under RERA, each state and Union Territory will have its own Real Estate Regulatory Authority as a regulator. The responsibility of these regulators will be to ensure strict adherence to RERA provisions by all parties involved, especially the supply side. This will help in reducing instances of discord between homebuyers and developers.</p> <p>Besides, all developers and project sizing over 500 sq metres or eight apartments will have to be registered with RERA. Thus, only clean developers with good past track record and proper disclosures would get necessary clearances to market new projects.</p>	<ul style="list-style-type: none"> <li>➤ Developers would have to disclose all project-related information when registering with RERA such as project implementation schedule and layout, land status, approvals from authorities, and real estate agents and subcontractors involved. This information also needs to be provided to consumers when marketing the project. In case of any mismatch or issues, the consumers can approach RERA for appropriate solutions</li> <li>➤ 70% of the amount collected from homebuyers of a particular project need to be maintained in dedicated accounts and used for the same project only. Further, funds can only be withdrawn based on the extent of completion status of the project</li> <li>➤ Promoters will have to specify carpet area for selling instead of the super built-up area. Besides, the developer cannot make any changes to the plan without the consent of 2/3rd of the existing members of the Project</li> <li>➤ Provisions made for making developers responsible for structural defects for a period of 5 years from date of possession</li> </ul>



## BENEFITS OF RERA

## TO INDUSTRY

- Regulated framework with high governance and transparency
- Standardisation of processes, improvement in quality, and higher efficiencies
- Improved investor confidence leading to higher investments

## TO BUYERS

- Buyer interest protection with quality of projects, no misleading information and timely delivery
- Transparency in sales terms
- Dealing with trusted developers

## TO DEVELOPERS

- Companies to follow best industry practices
- Improved efficiency and consolidation of sectors
- Improved rating and chances of attracting higher investments

## RERA — IMPACT ON GANESH HOUSING

## BENEFITS TO GANESH HOUSING

## IMPROVED PROJECT DEMAND

All projects falling within the ambit of RERA would be requiring registration with RERA before marketing a project.

This shall result in significant squeeze in the supply of real estate as most players prepare framework for meeting RERA guidelines.

Our focus on transparency, quality and commitment since 26 years of existence shall enable us to easily fulfil these guidelines and get our projects approved. Thus, with a pipeline of RERA-approved projects, there shall be significant demand for our projects enabling us to clear off our existing project stock.

## IMPROVED GOODWILL

Our ability to comply with RERA guidelines with relative ease speaks tons of the amount of accountability and transparency adopted by us.

This shall further improve our market goodwill and consumer trust factor.

It will give level playing field for quality developers.

## IMPROVED EFFICIENCY

With standardisation of processes we would be able to significantly enhance our operational efficiency facilitating faster turnaround of projects and timely delivery.

In addition to this, our existing financial prudence, execution skills and balance sheet strength shall further provide us scope to fund ongoing projects to ensure no delays.

## IMPROVED ABILITY TO ATTRACT FUNDING

Being an established player with strong corporate strengths and track record, we would emerge as amongst the few players adhering to the new industry guidelines.

This would enable us to attract more funding for completing existing projects and undertaking new ones.

## IMPROVED COMPETITIVENESS

Our existing operational practise involving disclosing minute details of the projects provides us significant edge over competitors who do not follow this practise.

This shall facilitate us in rapidly launching new projects as compared to others and gain on the fast mover advantage.

# REIT - ITS IMPLICATIONS ON THE INDUSTRY

## WHAT IS REITS?

REITs or Real Estate Investment Trusts is an asset class that aggregates funds from large number of investors and directly invests it in income-generating real estate properties. An independent trustee is appointed to hold the assets of REIT on behalf of the unit holders. Further, being listed on stock exchanges, it provides significant liquidity with investors having the option of easily buying and selling units. The structured framework of investing and robust historic returns from real estate sectors makes REITs an attractive investment option.



## MAKING REITS ATTRACTIVE

Though REITs were allowed in India from 2014 onwards, there has not been a single listing owing to various regulatory hurdles. Thus in order to make REITs facilitate a reality, the government undertook a series of reforms which include:

- Allowing REITs to invest up to 20% in under construction assets
- Allowing REITs to making investment in two level SPV (special purpose vehicle) structure through a holding company (Holdco), having sufficient shareholding in the Holdco and the underlying SPV. Besides, 100% of the cash flows realised from underlying SPVs have to be distributed by Holdco along with 90% of the remaining cash flows
- Exempting REITs from Dividend Distribution Tax (DDT)
- No requirements for companies to change existing capital structure compared to the norm of dissolving the Company structure and bringing existing SPVs under parent company earlier
- Allowing five small real estate companies to come together and pool assets for REITs listing
- Allowing foreign fund managers to act as Portfolio Managers
- Proposal by SEBI for permanent registration of certain market intermediaries to enhance ease of doing business
- Allowing companies to allot shares amounting to ₹ 5 lakh during public offering, up from ₹ 2 lakh earlier
- Foreign investors allowed to own 15% stake in domestic stock and commodity exchanges, up from 5% earlier

