GANESH HOUSING CORPORATION LIMITED

ANNUAL REPORT 2018-19

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Forward-looking statements

The Annual Report may contain, without limitation, certain statements that include words such as "believes", "expects", "anticipates" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that may cause actual performance or results to be materially different from those anticipated in these forward-looking statements. The Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

ASSESSING OPPORTUNITIES. EXPANDING THE POSSIBILITIES.

For the real estate industry, it can be said, that 'the times are changing'.

Nationwide implementation of regulatory regimes of Real Estate (Regulation and Development) Act, 2016 (RERA) and Goods and Services Tax (GST) coupled with continuous amendments to strike the right balance; the introduction of favourable regulatory regime and tax incentives to promote the affordable housing segment; and the rising expectations of the new customers have all changed the market dynamics. They are usurping a new era for the industry.

For us at Ganesh Housing, it has been a time to relook at the market and assess opportunities. To relook at our forthcoming projects and align them to emerging demand patterns. To relook at our balance sheet to make it more rewarding and sustainable. For us, it has also been a time for expanding our possibilities.

Today, we are aligned, focussed and geared for the future markets where we will play a leading role.

HIGHLIGHTS OF THE YEAR

Major Industry Developments

GST REDUCTION AND TRANSITION PLAN FOR NEW TAX STRUCTURE

GST Council reduced taxes at 5% for under-construction flats and 1% for affordable housing without input tax credit (ITC). All new residential projects after April 1, 2019 would have to follow the new tax rates with a provision of procuring 80% materials from registered dealers. While incomplete projects as on March 31, 2019 have a one-time option of choosing between the old structure (effective rates of 8% or 12% with ITC) or shift to new structure. Projects having up to 15% commercial space will be treated as residential property.

EXPANSION IN THE DEFINITION FOR AFFORDABLE HOUSING

The scope of affordable housing for availing GST benefits has been extended to flats costing up to ₹ 45 lakhs and measuring 60 sq metres in metros and 90 sq metres in non-metros.

Gujarat Ownership Flats Redevelopment Bill to unleash mega opportunities

With the President's approval to the amendment in the redevelopment norm in Gujarat, the segment has thrown open immense opportunities. The new Act allows for buildings older than 25 years to go for redevelopment with the consent of 75% of the occupants as against 100% earlier. It is estimated that Ahmedabad has 800 housing societies, of which 700 are older than 25 years. This opens significant redevelopment opportunity. This will be further boosted by GDCR's allowance to purchase additional FSI up to a maximum of 2.7 above the base of 1.8 in old Ahmedabad and 1.2 in new Ahmedabad.

REDEVELOPMENT OPPORTUNITY IN GUJARAT

75%

Consent of 75% occupants required for redeveloping buildings older than 25 years

FSI PURCHASE

GDCR to allow FSI purchase up to a maximum of 2.7 at 40% of jantri (land valuation certificate)

700

Housing societies in Ahmedabad are older than 25 years

RERA: AFTERMATH AND THE FUTURE

RERA brings in new era of transparency and keeps speculative buying on check: Survey

Our Bureau I Mumbai I Updated on May 29, 2019 | Published on May 29, 2019

The Hindu BusinessLine

With the Real Estate Regulatory Authority (RERA) firmly reigning in and prices stabilising, it is the best time to buy property. The new era of transparency brought in by the regulation has also kept speculative buying on check and developers have become cautious in pricing their products, according to a study.

The authority has also ensured that only serious real estate companies remained, while the fly-by-night developers vanished, according to a survey of 50 realtors and analysts across ten major cities including Mumbai, Delhi, Kolkata and Bangalore bybizbuzzindia.com.

As it stands now, 22 states and 6 Union Territories have already notified their RERA rules, out of which 19 states have active online portals, said Anuj Puri, Chairman, Anarock Property Consultants. West Bengal too has an active portal for its own real estate law.

"While buyers have been continuously fretting about the dilution of the rules notified, they are bestowing their faith in the law and coming forward in bulk to raise their complaints against faulty developers for myriad reasons including project delays. For instance, Maha RERA has received as many as 6,631 complaints as of April 30, 2019, out of which the state authority claims to have disposed more than 64 per cent of the complaints," Puri added.

The Real Estate (Regulation and Development) Act, 2016 was passed by Parliament in March 2016, but its execution started effective in May 2017. It's been two years since the deployment of the RERA across the country and the Centre's aim enforce it in each state is gathering visible momentum. Even the north-eastern states including Manipur, Meghalaya, Mizoram, Nagaland, and Sikkim – which earlier shied away from it - have agreed to officially notify RERA rules soon.

West Bengal is the only state which notified its own real estate law under West Bengal Housing Industry Regulatory Authority (WBHIRA). RERA has ushered in a regime of transparency and accountability and weaned away fly-by the night developers to a great extent, said Abhinav Joshi, Head of Research for CBRE India.

RERA progress calls for applause, but there are areas that need to be fixed

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The RERA progress calls for applause, yet there are areas that need to be fixed. Each and every activity of developers is strictly under the scanner now. Financial Express

The Real Estate (Regulation and Development) Act (RERA), 2016, came into force in its entirety on May 1. 2017.

Kapil Kumar Sharma

The Real Estate (Regulation and Development) Act (RERA), 2016, came into force in its entirety on May 1, 2017. It is seen as a big move to decode the unregulated real estate sector and to introduce regulations to ensure transparency, quality and provide a redressal mechanism to aggrieved buyers.

The RERA progress calls for applause, yet there are areas that need to be fixed. Each and every activity of developers is strictly under the scanner now. Where the underlying concern of the legislature is to afford preventive, ameliorative and remedial measures to a specified segment of the society, the legislation acquires the colour of a benevolent legislation. Such benevolence in spirit and object, which RERA seeks to accomplish, is clear from its features—RERA's umbrage to salvage buyer interests is far-reaching.

– Its purpose is to mandate reporting of projects by developers along with requisite details at the time of registration. Some of these are the list of necessary approvals to develop the project, carpet area of units sold, possession timings, etc. The same is required to be displayed on their websites.

– Developers have to report the progress of construction on their websites. This ensures visibility of the current status of the project, which can enable buyers to make an informed decision about investing in a property. The provision stipulating a defect liability period of three years is another safety valve that ensures that the quality agreed by developers remains intact at the time of delivery of property.

– Developers now require consent from buyers as well as authorities before giving effect to any change. They are also prohibited from transferring the rights in a project before its completion and, therefore, cannot escape their accountability in respect of the units sold to buyers.

– There is an escrow account wherein sale proceeds from buyers are held in reserve. This ensures the funds collected from buyers are expended on development of projects and not on developers' vested business interests. The stringency in withdrawal of funds from the escrow account supplements the above requirement, making it highly regulated.

The Company is front mover in terms of RERA compliance.

Our premium projects viz. Maple Tree and Maple Trade were registered under RERA. As per RERA registration, the said projects were to be completed before 28.02.2019, accordingly, the Company received building use permission for the said projects before time line i.e. on 29.12.2018 for Maple Trade and on 04.01.2019 for Maple Tree.

This shows our commitment to regulatory requirements and also the ability to adapt the changes in regulatory framework.

CHAIRMAN'S MESSAGE

"

MOVING PAST FINANCIAL PERFORMANCE, THE GOOD NEWS IS THAT WE HAVE FULLY COMPLETED OUR MAPLE TREE PROJECT HAVING 1.9 MILLION SQ FT SALEABLE AREA. THE PROJECT HAS RECEIVED APPROVAL FOR OCCUPANCY AND UNITS ARE READY FOR POSSESSION. THIS WILL OFFER THE ADVANTAGE OF NOT ATTRACTING GST. THIS GIVES US IMPETUS TO LIQUIDATE OUR INVENTORY WHICH STANDS AT ₹ 6,463 MILLION AS ON MARCH 31, 2019 AS WELL AS REDUCE DEBT.

Dear Shareholders,

We have been on a pursuit to make our business more sustainable over the longer run during the last few years. What we recognise amidst this constantly evolving regulatory regime and challenging market scenario is that there is no one strategy that can deliver. We must be more agile and flexible to quickly respond. Therefore, we centred our focus on introspection. We assessed where we stand today and the opportunities that lay ahead. We assessed what our stakeholders expect from us and explored possibilities on how we can deliver on them.

Obviously, this led us to relook at our industry positioning and strategies. There were a few things that we did for a better future. We rediverted focus from premium projects to affordable housing projects understanding that they would be a drag with the ongoing liquidity crisis prevailing in the market. Instead, we believed that the affordable housing segment would be the next growth driver triggered by the Government's ambitious housing for all programme.

Acting on this strategy, we took the tactical decision of delaying projects anticipating the Government to incentivise the affordable housing segment. Rightly so, the segment has now been provided infrastructure status and is on top priority. The GST rates for affordable houses have been reduced to 1% without input credit tax. Tax incentives and subsidies are also being offered to financiers and buyers.

While this decision put us in good stead for the future, it did have a short-term hit on our FY 2018-19 performance. Our topline declined by 47% to ₹ 2,672 million and EBITDA by 62% to ₹ 770 million. This was primarily due to deferment of new project launch resulting from constant regulatory amendments and adoption of IND AS 115 i.e. revenue recognition. Our interest cost for the year declined from ₹ 1,005 million to ₹ 917 million. Further, your Company has recommended a dividend of ₹ 0.50 per share subject to shareholders' approval. If approved, this will be your Company's 15th consecutive years of dividend payment to shareholders.

Moving past financial performance, the good news is that we have fully completed our Maple Tree project having 1.9 million sq ft saleable area. The Project has received approval for occupancy and units are ready for possession. This will offer the advantage of not attracting GST. This gives us impetus to liquidate our inventory which stands at ₹ 6,463 million as on March 31, 2019 as well as reduce debt.

TARGETING EMERGING OPPORTUNITIES

We have continued with our strategy of exploring project development opportunities in Chharodi-Tragad and Godhavi regions of Ahmedabad which are upcoming areas and where most of the development is happening.

We are happy to announce that we have achieved financial closure for our upcoming Malabar County 3 and 4 projects in Tragad. We intend to soon commence its construction. Malabar County being one of our most successful and time-tested series of affordable housing projects, offering unmatched value for money proposition, will have strong market demand. In Godhavi, we continue to negotiate with landowners and acquire land bank in patches targeted at developing an integrated township.

We are optimistic of the recent amendment in the Gujarat Flat Ownership Act of 1973 which now allows society older than 25 years to undertake redevelopment with the consent of 75% owners instead of 100% earlier. This opens another potential for redevelopment market. With around 700 housing societies in Ahmedabad older than 25 years, we expect significant opportunities to come under way. In

another landmark event, stringent FSI norm, a key hurdle that barred flat owners to take the redevelopment route was relaxed. Redevelopment under old FSI norms entailed flat owners losing out significant floor space. However, with the modified they are permitted to purchase additional FSI. With this, a housing society that was initially allowed an FSI of 1.8 can now purchase an additional 0.9 FSI. This meant they can actually increase their floor space. This will be a key motivating factor for flat owners to go for redevelopment.

MOVING FORWARD

As we move forward, we will continue to nurture the core values of trust and transparency that this organisation has always been reputed for. Wealth creation, affordable housing and free cash flow generation will be three key agendas for us.

The Ganesh Group is holding land bank of approximately 620 acres as on March 31, 2019. In the affordable housing, we would be focussed on expediting construction and launches. Our venture into this segment has made our business more robust. It has enabled us to add a new layer of revenue and bring diversity to our business. From catering to one segment, we have now broadened our base to cater lower, middle and upper residential categories as well as commercial categories. We welcome the positive move of GST Council to slash rates and its smart move of removing input credit tax (ITC) from the new residential constructions. This will not only resolve the issues between builders and buyers regarding benefits of ITC not being passed on, but also make the properties more attractive. For generating free cash flows, we would work towards faster liquidation of inventory and using the funds to repay debts.

I thank all our stakeholders for their support. We are proud of what we have accomplished until now. But I hope this report helps you understand that we are not satisfied with our progress and that we are not standing still. I believe our recent moves will make your Company more resilient and prepared to maximise value creation. I thank the efforts of our employees. I believe it is time for each one of us to bring in renewed passion to work and accelerate our efforts.

Regards,

Dipakkumar G. Patel
Chairman

VIEWING CHANGE AS AN OPPORTUNITY

Sea changes constantly and can be challenging for some. For a sailor, it is a great opportunity to learn, achieve and be humble. They do not try to conquer the tides. They strive to keep moving on with the flow. Respecting the elements. Not trying to change the direction of the wind; rather adjusting the sails to reach destination.

Just like the sailor, we at Ganesh Housing view challenges as an opportunity. We welcome every change. We use our experience, learnings and agility to quickly adapt to the scenario and capitalise on the new opportunities it brings us.

CHANGES	OPPORTUNITY FOR GANESH HOUSING
Regulation and taxation changes due to RERA and GST	Leveraging the core value of transparency, timely delivery commitment, quality, innovation and environment friendliness on which the Company is founded to strengthen competitive edge
Market shifting to mid and affordable housing projects due to increased land prices and policy and tax benefits to the segment	Delaying projects to utilize land bank and launching projects into affordable housing segment that is in-demand at the right time with the Government easing policies and taxes and offering subsidies
Drying up of funds to the real estate segment and liquidity crisis	Destressing balance sheet by obtimising debt through expediting inventory liquidation, monetising land bank and taking calculated investment decision in new land bank and projects

CONVERTING OPPORTUNITIES BY EXPLORING POSSIBILITIES

When sailors take existing routes, they often end up where others are. Great reward lies ahead for passionate sailors who continuously explore new route. For them, sea isn't just about reaching the destination, for them it is a means of continuous exploration. They often end up discovering new places and redefining existing routes.

At Ganesh Housing, we are like these passionate sailors, continuously exploring and expanding possibilities to make good of market situations and deliver the evolving needs of customers. We believe this ability of ours to judge the market and responding to it with our agility and flexibility makes us sustainable in the longer run.

Exploring new possibilities…

In the new emerging market that is driven by the Prime Minister's thrust on Housing for All, we have pivoted towards the affordable housing segment and are making a foray into this sector in a big way.

With a clear belief in Ahmedabad's future, especially the emerging areas, we are in the process of developing an integrated township near Godhavi and are planning to launch new residential projects which will qualify for affordable housing as per new guidelines.

Believing in the redevelopment opportunities in Ahmedabad, we may plan to tap the opportunity for assisting co-operative housing societies and look forward for redevelopment for its members.

With each of these initiatives, we are transforming opportunities into possibilities.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Dipakkumar G. Patel
Chairman & Whole Time Director
DIN: 00004766

Mr. Shekhar G. Patel
Managing Director
DIN: 00005091

Ms. Aneri D. Patel
Director
DIN: 06587573

Dr. Bharat J. Patel
Director
DIN: 00944269

Dr. Tarang M. Desai
Director
DIN: 00005100

Mr. Ashish H. Modi
Director
DIN: 02506019

COMPANY SECRETARY

Ms. Priti Kapadia

STATUTORY AUDITORS

M/s. Purnesh R. Mehta & Co.
Chartered Accountants
Ahmedabad
FRN: 142830W

INTERNAL AUDITORS

M/s. J.M. Parikh & Associates
Chartered Accountants
Ahmedabad
FRN: 118007W

SECRETARIAL AUDITORS

Mr. Anand Lavingia [ACS: 26458]
Company Secretary
Ahmedabad

AUDIT COMMITTEE

Mr. Ashish H. Modi
Chairman

Dr. Tarang M. Desai
Member

Mr. Shekhar G. Patel
Member

NOMINATION & REMUNERATION COMMITTEE

Mr. Ashish H. Modi
Chairman

Dr. Tarang M. Desai
Member

Ms. Aneri D. Patel
Member

STAKEHOLDERS' RELATIONSHIP COMMITTEE

Mr. Ashish H. Modi
Chairman

Dr. Tarang M. Desai
Member

Mr. Shekhar G. Patel
Member

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Dipakkumar G. Patel
Chairman

Mr. Shekhar G. Patel
Member

Dr. Tarang M. Desai
Member

BANKERS

Tamilnad Mercantile Bank Limited

ICICI Bank Limited

HDFC Bank Limited

Axis Bank

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