



Unprecedented opportunity

Poddar Housing and Development Limited | Annual Report, 2016-17

Forward looking statement

This document contains statements about expected future events and financial and operating results of Poddar Housing and Development Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Poddar Housing and Development Limited Annual Report 2016-17.

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Financial highlights, 2016-17

3,309.20
Revenues
(₹ lac)

149.70
EBITDA
(₹ lac)

111.09
Net profit
(₹ lac)

4.52
EBITDA
margin
(%)

3.36
Net profit
margin
(%)

168.81
Cash profit
(₹ lac)

0.67
ROCE
(%)

1.76
Earnings per
share
(₹)

Unprecedented opportunity

Poddar Housing and Development Limited has reached an inflection point in its existence.

The Company has exclusively focused on the affordable housing segment for the last number of years.

The Company possesses an attractive land parcel of 88.12 acres to address this opportunity.

The Company intends to launch 12 affordable housing projects in and around Mumbai over the next 18 months.

During FY2016-17, the Company invested extensively in its business – people, projects, processes and practices – to prepare for this unprecedented opportunity.

Corporate snapshot

‘Affordable housing’ is the magic word in India’s real estate industry.

Encouraged by the Central Government’s priority and incentives, this segment has emerged as one of the most attractive segments.

Poddar Housing and Development Limited is one of the fastest-growing affordable residential housing companies in India.

The company has addressed the low and mid-end segments of Mumbai’s residential market, the largest in India.

Making it a dynamic proxy of the sectoral growth potential and national priority.



Vision

To be the nation’s largest affordable housing development company and being the most trusted brand in the industry. We shall deliver superior value to all stakeholders through extraordinary and imaginative spaces created out of deep customer focus and insight.



Mission

To enhance the quality of life of our customers, by providing, high quality, holistic spaces, through a relentless focus on execution and innovation, at affordable prices.

Background

The Poddar Group, one of India's oldest business houses, dates back to 1690 and boasts a legacy of 10 generations. Historically, the family has been industrialists and bankers, hailing from Ramgarh in the Shekhavati region of Rajasthan. The historic family firm Tarachand Ghanshyamdas was voted by an eminent Harvard professor as the most important Indian firm of the 19th century. Since then, the family has been involved in numerous fields – textile manufacturing, automobile tyre manufacturing, steel manufacturing, food processing, education, healthcare, housing and charitable institutions. At Poddar Housing and Development Limited, we possess more than six years of experience in the realm of real estate with a focus on affordable and value-for-money housing, in and around Mumbai. The Company is one of the leading Indian players in this category.

Promoter's pedigree

Poddar Housing is headed by Mr. Dipak Kumar Poddar (Chairman), a first-generation entrepreneur and promoter with over four decades of sectoral experience. The second generation of promoters in the business is represented by Mr. Rohitashwa Poddar

(Managing Director), who brings with him years of sectoral experience.

Segment

Poddar Housing enjoys a presence across EWS, LIG, MIG and Value segments. The Company's key strength lies in its ability to balance the budgets and aspirations of end users from Mumbai and its surroundings.

- EWS segment: Residential units, typically one-room kitchen apartments with an average size of less than 300 square feet in terms of carpeted area. These units typically cost up to ₹15 lac.
- LIG segment: Residential units, typically one-BHK apartments with an average size of 270-450 square feet in terms of carpeted area. These units are typically priced between ₹15 and ₹25 lac.
- MIG segment: Residential units, typically two to three-BHK apartments with an average size 450-750 square feet in terms of carpeted area. These units typically cost between ₹25 and ₹45 lac.
- Value-for-money segment: Projects comprising relatively low-priced residential units within the city limits.

The first of these projects came up in Chembur. These units typically cost between ₹65 and ₹90 lac.

Brands

Poddar Housing positioned its offerings around 'Homes for Life'. The Company created three sub-brands (across economically weaker sections, low income groups, mid-income groups and value-for-money segments) to address a diverse customer base.

- Poddar Svakam: ₹7.5 to ₹20 lac
- Poddar Anantah: ₹15 to ₹50 lac
- Poddar Spraha: ₹60 to ₹90 lac

Certifications

Poddar Housing and Development Limited was certified with ISO 9001:2008.

Listing

Poddar Housing and Development Limited's shares (nominal value of ₹10) are listed on the NSE* and BSE.

*The Company received listing approval for its equity shares from the NSE on 10th April 2017

The Company's market capitalisation on the BSE stood at ₹597.31 crore as on 31 March 2017 (₹716.79 crore as on 31 March 2016)



• Poddar Housing and Development Limited was awarded the '**Most Promising Brand**' in the 'Real Estate' category in 2014 by World Consulting and Research Corporation - Ernst & Young

• Poddar Housing and Development Limited was conferred the '**Preferred Customer Choice Affordable Housing of the Year**' award in 2015 at the Lokmat National Awards for Excellence in Real Estate & Infrastructure

• Poddar Housing and Development Limited was awarded the '**Most Ethical Company Award**' in real estate by India's Most Ethical Companies – Conference and Awards in 2015

Core values

We share appropriate information in an honest and open manner.

Communication 



Honesty and integrity

We do what is right, fair, and ethical.

We strive to exceed the expectations of our customers (internally and externally) by anticipating, understanding and responding appropriately to their needs.

Customer satisfaction



Quality

We strive for professional excellence to the highest standards possible consistent with the goals of the project.

We encourage agility in thought and action, creativity, flexibility, and an innovative approach to our work.

Entrepreneurial



Attitude

We are positive, enthusiastic, and have a vibrant spirit.

We encourage and reward teamwork.

Teamwork



Leadership/ Initiative

We lead by example. Our actions speak louder than words.

We advance our talents and skills to their fullest potential (as individuals, as professionals and as managers of others).

Professional development and personal skills



Accountability and environment

We are responsible for our actions and understand their impact on others, including the environment and our footprint.

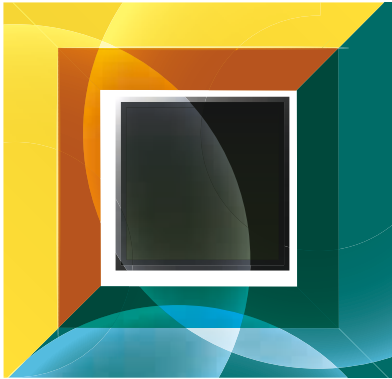
Projects Summary

Projects	Location	Launch Date1	Year of Completion	Economic Interest	Dev. Entity	Land Area (acres)	Saleable area (sq. ft.)3	Carpet Area (sq. ft.)	No. of units	%Area Sold	Status of Approvals	Current Status
Samruddhi Complex	Bhivpuri	Apr-10	Mar-14	100.00%	PHDL	8.84	4,81,332	3,51,655	1,309	98%	OC	Handed over
Poddar Evergreens – I	Badlapur	May-11	May-13	100.00%	PHDL	Part of 25.40	2,62,509	1,83,645	492	100%	OC	Handed over
Poddar Evergreens- II	Badlapur	Apr-12	Aug-14	100.00%	PHDL	Part of 25.40	3,09,207	2,14,904	627	99%	OC	Handed over
Poddar Evergreens- III	Badlapur	May-13	Mar-16	100.00%	PHDL	Part of 25.40	3,78,632	2,62,881	744	97%	OC	Handed over
Poddar Evergreens- IV	Badlapur	Mar-15	Jun-18	100.00%	PHDL	Part of 25.40	2,97,609	2,05,290	456	63%	Part OC obtained	Under Construction
Poddar Navjeevan- I	Atgaon	May-13	Jun-17	79.35%	PHPL	5.83	2,46,350	1,72,106	576	95%	OC	Handed over
Poddar Aspire	Teesgaon	TBD	TBD	83.33%	PHDL	2.00	3,86,790	2,39,809	433	<5%	Planning stage	Under Construction
Bhivpuri Extension	Bhivpuri	TBD	TBD	98.00%	PHDL	0.86	TBD	TBD	TBD	Nil	-	To be started
Mohili	Kalyan	TBD	TBD	100.00%	PHDL	3.19	2,40,086	1,56,794	364	Nil	Planning stage	To be started
Atgaon (Poddar Navjeevan II)	Shahpur	TBD	TBD	79.35%	PHPL	17.11	9,82,261	5,95,530	2238	Nil	NA Application	To be started
Atgaon (Poddar Navjeevan III)	Shahpur	TBD	TBD	79.35%	PHPL	4.23	TBD	TBD	TBD	Nil	-	To be started
Badlapur Ext.	Badlapur	TBD	TBD	100.00%	PHDL	23.55	TBD	TBD	TBD	Nil	Planning stage	To be started
Sanjay Nagar	Chembur	Sep-17	Jan-20	-	PHPL	0.8	1,01,219	63,073	131.00	Nil	Plinth CC obtained	Under Construction
Mharal	Kalyan	TBD	TBD	-	PHPL	17.33	12,99,580	8,10,218	1732.00	Nil	NA Application	To be started
Apna Nagar	Kandivali	TBD	TBD	85.00%	PHDL	1.69	2,33,862	1,34,038	232.00	Nil	Planning stage	To be started
Vasai	Vasai	TBD	TBD	50.00%	VPHPL	11.3	14,27,000	TBD	TBD	Nil	Land aggregation	To be started
Goregaon	Mumbai	TBD	TBD	100.00%	SSD/ PHDL	3.7	45,31,914	TBD	TBD	Nil	Index 2- SRA	To be started
Vidyavihar*	Mumbai	TBD	TBD	91.57%	PHDL	1.46	1,78,000	TBD	TBD	Nil	Under Process	To be started
Total						113.49	94,51,340					

Land Bank – Upcoming projects

Projects	Location	Development Type	Economic Interest	Land Area (acres)	Estimated Saleable area (sq. ft.)	Estimated Carpet Area (sq. ft.)	Beneficial Saleable Area (sq. ft.)
Bhivpuri Extension	Bhivpuri	JDA	98.00%	0.86	46,720	32,448	62,034
Atgaon (Poddar Navjeevan II)	Shahpur	JDA	79.35%	17.11	9,82,261	5,95,530	16,52,781
Atgaon (Poddar Navjeevan III)	Shahpur			4.23	TBD	TBD	
Vidyavihar*	Mumbai	JDA	91.57%	1.46	1,78,000	TBD	1,63,000
Vasai	Vasai	JV	50.00%	11.3	14,27,000	TBD	7,13,500
Goregaon – SRA	Mumbai	JDA	100.00%	3.7	3,03,360	TBD	3,03,360
Goregaon – Industrial	Mumbai	Own Land	100.00%	3.7	1,49,827	TBD	1,49,827
Mohili	Kalyan	Own Land	100.00%	3.19	2,40,086	1,56,794	2,42,640
Badlapur Ext.	Badlapur	Own Land	100.00%	23.55	TBD	TBD	27,68,000
Mharal	Kalyan	Own Land	100.00%	17.33	TBD	TBD	
Apna Nagar	Kandivali	JDA	85.00%	1.69	2,33,862	1,34,038	1,98,783
Total				88.12	35,61,116		62,53,925

Chairman's overview



We are in the right place and right time with the right products to enhance value for our stakeholders



Dear shareholders,

The principal message that I intend to communicate is that the Indian real estate sector is at an inflection point.

For decades, the country's real estate sector was largely unorganised. Then there came a time a couple of decades ago, when the sector began to graduate from the unorganised to the organised. This began with the industry extending from design and development of standalone residential buildings to gated complexes. As gated complexes kept becoming larger and spreading across India, the companies engaged in their development began to evolve as well. They began to get larger, more brand-oriented and professionalised, laying the foundation for India's organised real estate sector.

Some of the most visible manifestations of India's organised real estate sector comprised superior branding, process standardisation, qualitative consistency, sophisticated design and timely delivery, resulting in customer delight.

One of the biggest changes that the organised real estate sector inspired was the embrace of complete cheque payments. Earlier, the real estate sector would be marked by opaque practices. With an increasing number of players turning completely professional, sectoral credibility increased. Even though unorganised players continued to exist, the reality was that the segregation had become all too apparent: the larger and responsible players from the sector conducted their business credibly and documented all their practices – setting a benchmark for the rest.

Introduction of RERA

Even as the business was gravitating from the unorganised to the organised players within the sector, a big transition transpired in 2016 when the Indian Government proposed the implementation of the Real Estate Regulation and Development Act (RERA), from 1 May 2017 onwards.

However, the lead-up to this crucial development

needs to be explained. Even as real estate represented the largest consumer-based asset class in India, there virtually was no sectoral governance framework in place. The result was that promoters could launch projects with a number of municipal approvals pending; the proceeds paid by buyers for the purchase of apartments would be allocated to buy other properties; the design configuration of properties would be changed following sale, thereby compromising the customer's interests and finally there was no scope of punitive action against project completion delay.

The result of these inequities was that while the branded and professional real estate builders followed the rules that they had formulated, the others continued flouting them. The arrival of RERA transformed prevailing dynamics; it created only one kind of company in the sector – the organised. By raising the bar across every conceivable parameter – land acquisition, offering, design, sale and post-sale – the Central Government (through RERA) offered India's most expensive asset class the kind of respect it deserves.

The result is that with a stroke of the pen, the unorganised segments were brought under the fold of the organised. There is now a level playing field for all. This means that the rules that apply to the large apply to the small as well; nobody is exempt.

Sectoral implication

What does this mean for the real estate sector? In my mind, it means three significant things.

One, a number of the small players,

who cannot comply with the stringent RERA requirements, will exit the sector.

Two, the number of apartments being built will lessen considerably as real estate players align themselves with the demanding requirements of RERA. This could, in turn, strengthen real estate realisations – for the first time in years – boosting the profitability of serious long-term players.

Three, one might see a growing incidence of mergers; the weaker players who own land would prefer to partner the process-driven larger players, resulting in a win-win proposition.

Preparedness

At Poddar Housing and Development Limited, we believe that we stand to benefit considerably following the implementation of RERA. We possess a large land bank, a low gearing, a regular inflow of cash from our existing projects and a host of officially-cleared projects on the verge of launch during the current year.

As our new project implementation accelerates during the current financial year, we believe that we will be in a position to bag larger land deals and forge strategic partnerships, which could make our growth attractive and sustainable. Consequently, I believe that Poddar Housing and Development Limited is in the right place, and right time and with the right products in the right location to enhance stakeholder value.

Dipak Poddar
Chairman

Poddar Housing and Development Limited - differentiated

Not a premium real estate development company.

An affordability-focused company instead.

Not an anonymous affordable housing company.

Among the few listed organised players in this segment.

Not driven solely by numbers, targets and performance.

Driven by complete governance and transparency instead.

Not focused solely on accruals, margins and surpluses.

Focused on enhancing residential lifestyles of the affordable segment instead.

Not in the business to merely carve out market shares.

Driven by the prospect of creating an organised affordable housing market instead.

Not focused on maximising one-time profits.

Driven by the vision of long-term business sustainability instead.

Not driven to conduct business at any cost.

Driven to improve the quality of business and enhance stakeholder value instead.

Management review



“We believe that our financial foundation will empower us to emerge as one of the most attractive mid-sized real estate development companies and one of the largest in the affordable space in India across the foreseeable future.”

Rohitashwa Poddar

Managing Director, explains the backdrop to the Company's performance of FY2016-17



Q

Were you pleased with the working of the Company during the year under review?

A

This is a question whose answer needs to be patiently explained. The Company took a conscious decision to slow its business and scale it only when the sector regained complete clarity.

During the year under review, the business was affected by the announcement of RERA,

significantly raising the sector's compliance standards. The year under review was also marked by demonetisation, affecting consumer sentiment and creating raising expectations of a meltdown in real estate prices, postponing fresh spending. Lastly, the prospective implementation of the GST created

uncertainties regarding tax rates, deferring purchases.

The combination of these realities affected the consumer mood and convinced serious long-term players like us that it would be better to not do any business rather than engage in bad business during the year under review.