

Poddar Developers – Summary of messages from AR 2014-15

Numbers first

Increase in Sales by 47.97% and increase by 156.88% in PAT

Made allotment of 11,10,900 Equity Shares of Rs. 10/- each fully paid at a premium of Rs. 1115.21/-

Opportunity size is very big, here is extract from AR

The recently released Report of the Technical Group on Urban Housing Shortage (TG-12) (2012-17) has estimated the Housing shortage to be 18.78 million out of which 56.18 per cent is in the economically weaker segments and 39.44 per cent is in the Lower income group categories. As per projections of a report by the McKinsey Global Institute, the housing shortage under business as usual circumstances could go up to 38 million units by 2030

There is a thrust from central govt. as well for affordable housing

Ministry of Housing & Urban Poverty Alleviation has undertaken studies and extensive consultations with a variety of stakeholders including the private sector, non-governmental sectors, state governments and urban local bodies as well as other Government of India departments as well as external experts and academics. The recommendations made are primarily aimed at providing a fillip to catalyse EWS & LIG housing projects through appropriate policy instruments

Operating update

Company is building a huge pipeline

Company have completed projects with a Saleable Area of approximately 1.05 million Sq.ft., comprising of a total of 2,428 units, across 151 buildings, including 2,314 residential units and 114 retail shops, as part of the integrated residential complexes and for the convenience of Customers Company have also developed retail shops in some of our projects. Company own or have entered into joint-development agreements or joint venture agreement for 8.40 million Sq. ft. of Saleable Area in ongoing and upcoming projects in which we have beneficial interest over 7.14 million Sq.ft.

Good progress in two of the running projects

In the Badlapur Project, the Company has sold 1674 flats out of 1863 flats as on March 2015.

The Company's subsidiary Poddar Habitat Pvt. Ltd. Project "Poddar Navjeevan" at Atgaon near Kasara is running in full swing and 45% construction completed till March 2015. The First Phase has 36 buildings consisting 1 RK and BHK Flats. The response for this Project has also been very encouraging and Company has sold 368 flats out of 576 flats.

The company has various other projects in pipeline in multiple locations in Mumbai for reference see the snapshot from their corporate presentation, it is no coincidence the capital work in progress has shot up this year

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Projects summary			
Projects	Status	Land Bank	Location
Samruddhi Complex	Completed	Bhivpuri	Karjat, Raigad
Poddar Evergreens- Phase I	Completed	Mohili	Kalyan, Thane
Poddar Evergreens- Phase II	Completed	Atgaon	Taluka Shahpur, Thane
Poddar Evergreens- Phase III	Ongoing	Badlapur	Badlapur (East)
Poddar Evergreens- Phase IV	Ongoing	Vasai	Vasai
Poddar Navjeevan- Phase I	Ongoing	Vidyavihar	Vidyavihar
Poddar Aspire	Ongoing	Goregaon	Sonawala Complex

Management claimed that significant improvement in numbers came from cost rationalisation

Our Company performed did reasonably well mainly due to effective cost control and favourable input cost

A quick analysis reveals this to be true

See how cost of construction in proportion to sale to has gone down, This has straight away bolstered net profit margin

Item (INR Lacs)	2015	% Sales	2014	% Sales
Sales	10503	100%	6993	100%
Cost of Construction	4908	47%	5372	77%
Inc / Dec of stock	1335	13%	-353	-5%
Employee exp	409	4%	296	4%
Interest	14	0%	5	0%
Depreciation	90	1%	56	1%
Other Exp	639	6%	319	5%
Exceptional Item (Gain)	38		6	
PBT	3146		1303	
Tax	1026		478	
PAT	2119	20%	825	12%

A deeper dive into construction cost would indicate that most of the savings is in development cost as compared to previous year

Item (INR Lacs)	2015	% Sales	2014	% Sales
Land related cost	194	2%	92	1%
Development cost	3415	33%	4281	61%
Admin cost	527	5%	510	7%
Marketing cost	583	6%	307	4%
Finance cost	106	1%	227	3%
Maintenance	83	1%	47	1%
Set off		0%	-92	-1%

Further probing into development costs shows material and infrastructure cost have brought in savings

NOTE NO 'A2'

DEVELOPMENT & CONSTRUCTION COST

Material Consumed :

Opening Stock

267.70

342.81

Add : Purchase during the year

914.11

1698.33

1181.81

2041.14

Less : Closing Stock

160.59

267.70

1021.22

1773.44

Less : Post Possession Maintenance

24.33

-

996.89

1773.44

Labour cost

1644.16

1616.32

Other construction Expenses

209.92

110.08

Infrastructure cost

564.03

781.57

3415.00

4281.41

NOTE NO 'A3'

Is this accounting gimmick ?

The reason I am asking this is because they have changed revenue recognition method for projects starting 01-apr-2014

a) In respect of property sale transaction

i) Projects launched before 1st April 2014

Revenue recognition in respect of property sale transaction is on the basis of agreement to sale as well as on the transfer of all significant risks and rewards of ownership to the buyers on handing over the possession of the property. Further contribution to other amenities is accounted for as and when due as per the terms of agreement to sale.

ii) Projects launched on or after 1st April 2014

The Company is following the percentage completion method of accounting in accordance with the Guidance Note on Accounting for Real Estate

Use of percentage completion method requires a lot of estimating from management

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Determination of revenue under the above method necessarily involves making estimates, some of which are of technical nature, concerning, where relevant, the percentages of completion, the cost to completion, the expected revenue from the project or activity and the foreseeable losses to completion. The estimates of project income, as well as the project costs, are reviewed periodically. The effect of changes, if any, to the estimates is recognized in the financial statements for the period in which such changes are determined. Revenue from the project is recognized net of revenue attributable to the land owners. Losses, if any, are provided for immediately.

Still I don't think results are accounting gimmick reasons are

a. there is no unbilled revenue shown by company – A tactic used by real estate companies to boost their revenues, This should be a key watch item if you are evaluating any real estate company

b. Profits are converting into cash

Item	2015	2014	Inc / Dec
CFO	1,591	419	280%
Net Profit	2,119	825	157%
CFO / NP	75%	51%	
Capex	643	17	625

Working capital situation remains good with just 17% increase in investment in working capital requirement

Item (Rs Lacs)	2015	2014	Inc/Dec
Short Term Borrowings	0	0	
Trade Payables	319	233	
Other CL	8887	10557	-16%
Short Term Provisions	163	205	
Total CL	9369	10996	
Current Inv	13213	53	
Investories	11137	12459	
Trade Receivables	188	148	
Cash	358	1149	
Short Term Loans & Advances	186	216	
Total CA	25081	14025	
Total CA excluding Inv & Cash	11511	12822	
Inv in WC	2142	1827	17%

Other CL has gone down year on year reducing **float** available to the company, the main reason is advance from customers have reduced , syncs with management commentary in con calls

But the good thing is company is investing in marketing , See below

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Marketing Cost	A4	583.43	307.48
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Marketing and Publicity expenses #		149.91	0.88
		<u>639.04</u>	<u>319.23</u>

* Certain expenses have been apportioned to the respective project and debited to cost of construction in Note "A3" & "A4"

Represent soft-launching expenses of Tisgaon project, such as publicity in the print media, cost of brochures, brokerage and other incidental expenses.

Other titbits I picked were

JV with Employee, Employee misappropriated cash

The Company has entered into a Joint Venture agreement for construction of residential complex with one of the employees and paid an advance of ₹.33.30 lacs to be appropriated against the sale of area allotted to him under Joint Venture agreement.

- h) Loans and advances to others represent sticky loan of ₹.115 lacs to a Company which could not repay the same within stipulated time. After the negotiation, the Company has obtained post dated cheques towards the repayment of principal amount. Accordingly there is no need to make any provision in the Accounts for the time being
- i) Advances recoverable in cash or kind include ₹.3.07 lacs which had been misappropriated by one of the employees in the earlier year against which the Company had lodged an FIR and the matter is still under investigation. However, the same has been provided for.

This is not an easy business

The Company had purchased 14983.10 Sq. Mtrs. along with the structures mostly occupied by the tenants / occupant and slum notified area for purpose of redevelopment in Goregaon (East) Mumbai. The slum owners had formed the society and the said society has appointed M/s. Shiv Shakti Developers, a firm in which the Company and one of its subsidiaries are partner, as the developers. The said firm has applied for necessary permissions under SRA Rules from the appropriate authority. In addition to above, the Company is also planning to redevelop other areas along with various tenants / occupants for which necessary steps will be taken in due course of time

Vidhyavihar Project

the payment of expenses of 32.13 lacs (Prev. Yr.32.13 lacs) and advances of 70.25 lacs (Prev. Yr.62.25 lacs) towards the proposed joint redevelopment project at Vidhyavihar including incidentals, pending documentation. Moreover there are certain litigation matters, relating to the above, which will be resolved in due course of time

Revenue from this stream is increasing at very brisk space

Contribution towards other amenities	853.26	413.42
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Finally Not alarming but they spoil a good resume, these are avoidable

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Type	Section of the Companies Act	Brief Description	Details of penalty/ punishment/ compounding fees imposed	Authority (RD/NCLT/ COURT)	Appeal made, if any (give details)
A. COMPANY					
Penalty		An ex-parte adjudication order bearing no. JJ/AM/AO-128/2014 dated September 19, 2014 has been passed by SEBI against Monotona Exports Limited (erstwhile name of our Company) alleging that our Company has failed to redress pending investor grievance and also failed to obtain SCORES authentication.	3,00,000.00	Securities and Exchange Board of India	NA
Penalty		Noncompliance with clause 35 of Listing Agreement (delay of 10 days) for the quarter ended March 2014.	83,203.00	Bombay Stock Exchange	NA
Penalty		Noncompliance with clause 49 of Listing Agreement (delay of 16 days) for the quarter ended March 2014.	31,461.00	Bombay Stock Exchange	NA

Thanks