



“Ashiana Housing Q2FY14 Earnings Conference Call”

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MODERATORS: MR. GAURAV SOOD – ANALYST, KANAV CAPITAL

Moderator: Ladies and gentlemen good day and welcome to the Ashiana Housing Q2-FY14 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Sood of Kanav Capital. Thank you and over to you sir.

Gaurav Sood Good evening everyone. This is Gaurav from Kanav Capital. It is my pleasure to welcome you all to the Ashiana Housing's 2nd Quarter FY13-14 Investors Conference Call. This call is being held to discuss the performance of Ashiana Housing for this quarter and to answer any questions that you might have. I hope that all of you had a chance to go through the quarterly results and investor presentations that went out with the invite. Today on the call from Ashiana Housing we have Mr. Varun Gupta – Director, Finance and part of the Promoter Group. Now I would like to hand over to Mr. Varun Gupta of Ashiana Housing for his opening remarks.

Varun Gupta Good evening friends. Thank you for joining us to discuss the second quarter performance of Ashiana Housing for the financial year 2013-14. I send a warm welcome to all of you.

This quarter was a bit exciting on all fronts. Bookings were impressive. 8.43 lakh sq. ft. of area got booked, 2.2 times of area bookings in the first quarter and 2.5 times of what was achieved in Q2 last year. This was the highest ever achieved in any quarter till date. Most of it was contributed from Ashiana Town launched in Bhiwadi where a lot of pent up demand has been released as nothing has been launched by Ashiana in Bhiwadi after Aangan got delivered last year and people have been waiting for a while. Therefore I would not also extrapolate this quarter bookings in coming quarters. Ashiana Town alone recorded for 5.84 lakh sq. ft. of bookings in the quarter. Utsav Jaipur also saw increase in bookings as more and more possessions have been happening and people have started moving in the project.

The yearly target for booking is 23 lakh sq. ft. and we are on track to achieve the target. Increase in area bookings was also complemented with rise in average realizations per sq. ft. across all projects. The company average has moved from Rs. 2700 per sq. ft. last quarter to Rs. 2889 in the current quarter. Both volumes and price rise have led to Rs. 348 crores of value of area booked, already achieved in the first half of the year. Maintaining the current pace of bookings and average realization will be crucial for the remaining half of the year and achieving that will set a new pace for the company.

On the construction front an equivalent area of 4.02 lakh sq. ft. is constructed in the quarter. Construction has started picking momentum with new projects like Ashiana Town in Bhiwadi and Gulmohar Gardens in Jaipur. But this quarter was also negatively affected by rains. We expect numbers to improve further in third quarter. Revenues saw a huge jump from Rs. 22.70 crores in the first quarter to Rs. 61.41 crores this quarter on account of possessions happening in final stages of Ashiana Brahmananda and Ashiana Amarbagh.

Profit after tax on the other hand was recorded at Rs. 9.92 crores exhibiting a net profit margin of 16.13%. Margins are lower as compared to last quarter due to two reasons. First reason is a decline in profit from partnership firms which gets added to the topline. This quarter there was hardly any recognition in partnership firms except for that in Ashiana Utsav Jaipur. The other reason for decline is that both the projects reflected in sales, i.e., Ashiana Brahmananda and Ashiana Amarbagh, are low margin projects as compared to what the company's average margin is.

The pre-tax operating cash flows from ongoing projects for second quarter increased by 42% quarter on quarter to Rs. 38.14 crores in the second quarter from Rs. 26.84 crores in the first quarter of FY14. This is up by 234% year-on-year. The company's cash position is healthy to tackle any cyclical slowdown in capture opportunity that comes our way in the current economic situation.

On the other developments, NA approvals have been obtained for two projects in the quarter, first being Ashiana Aangan Phase-II of Neemrana where first phase was launched in third quarter of last year and is fully sold off by now. Second project to receive non-agricultural land status under Section 90A of Rajasthan Land Revenue Act is Ashiana Surbhi in a village Rampura of Bhiwadi with total sellable area of approximately 4.63 lakh sq. ft.

Overall a lot of milestones got crushed this quarter across different projects. Some reached completion and some got major approvals to start. Ashiana Town grows bookings after launch. Increasing momentum on approvals in sales has given us impetus to prepare for execution of new projects. We are looking to launch a few more projects from the existing inventory in the second half of the year to generate pipeline for execution. On this note I would like to conclude my remarks.

We will now be happy to discuss any questions or suggestions that you may have.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Ravi Dodia of CRISIL. Please go ahead.

Ravi Dodia Regarding these lower margins, if you can explain bit in more detail as in what are the margins in Brahmananda and Amarbagh projects.

Varun Gupta Can you wait for another 10-15 minutes, we will get you the number during the call?

Ravi Dodia Sure. And regarding this lower profitability from partnership firm, so nothing was recognized from Rangoli Gardens in the current quarter?

Varun Gupta Not in this quarter because Phase-II is completely recognized in the first quarter. So again in profit of partnership firms we get post-tax profits completely so there is not a tax expense corresponding to the share and profit of partnership firms and which is about 4.2 crores in the

last quarter. So if you take that 4.2 crores out and then compare the margins may be you will get a better comparison of the margins.

Ravi Dodia When you say last quarter this is Q1 or Q2?

Varun Gupta It is Q1 of this financial year.

Ravi Dodia Okay. With respect to launch of new projects, you highlighted about this Ashiana Aangan Neemrana and Surbhi that you will be launching in second half.

Varun Gupta No, I highlighted that Ashiana Aangan Neemrana and Ashiana Surbhi got 90A approvals in this quarter, so their launches would be actually little bit further ahead because we had received 90A clearances for Ashiana Dwarka and Vrinda Garden earlier. So Ashiana Dwarka in Jodhpur should be the first to be launched and expected in this quarter in the third quarter itself. Vrinda Garden should be launched in the fourth quarter and Ashiana Navrang in Halol now approvals are finally moving. We had some issues in getting approvals but they seem to be moving and we should be launching Ashiana Navrang Halol also in this quarter or beginning of next quarter. These three projects should be the first to go. And then Ashiana Surbhi in Bhiwadi, Ashiana Aangan in Neemrana and we have also acquired a new land in Jaipur of about 12.5 acres that was in October, also a press release was sent out, which is also an approved parcel in terms of lease deeds being executed in favor of Ashiana. So we should also look at launch those three projects would be the three projects to come up after these three launches have happened.

Ravi Dodia So as of now in the second half of the current year chances of these three projects being launched are high?

Varun Gupta Yeah.

Moderator Our next question is from Manish Jain of Axis Holdings. Please go ahead.

Manish Jain I just wanted to know in terms of the three projects Navrang in the New Jaipur project, what is likely the sellable area and secondly what is the current cash on books after this 12.5 acres that Jaipur was bought?

Varun Gupta In Ashiana Navrang we should build about 6.5 lakh sq. ft. in total and cash on the books currently should be around 130 crores including partnership firms. So as of 30th September when payments were not made we were sitting at about 135 crores.

Manish Jain What will be the sellable area?

Varun Gupta Of the other two projects, Vrinda Garden should be around 14.5 to 15 lakh sq. ft. and Ashiana Dwarka in Jodhpur should be about 5.25 lakh sq. ft.

- Moderator** Our next question is from Ravi Purohit from Securities Investment. Please go ahead.
- Ravi Purohit** Couple of questions. One is I think I missed the early part of the call, if you had given any update on the status of the Halol project and second is given the kind of area under construction that we already have in the first half and the area booked that we have in the first half do you feel that we might end up, is there a case for revising the guidance that you had earlier given on both EAC as well as the area booked?
- Varun Gupta** There is not a case for revising the guidance either upwards or downwards for both area booked and equivalent area constructed. I will comment a little bit more of detail like if you see on track in terms of equivalent area constructed the first half is generally weaker than the second half of the year, just because the second half of the year is better in terms of weather and overall availability of labor to get the work done. So we expect the second half of the year to pick up an equivalent area constructed to make up for overall EAC to happen. And for area booked the second quarter is an outlier in the sense of very high bookings coming in from Ashiana Town where the bookings were locked into the quarter but there was a lot of work in the backend to create a database of customers who we were telling that we will launch in sometime, so please hold on to booking your projects anywhere else. Some of them agreed, some did not. To those who agreed, there were a very significant number of bookings in the quarter, which I would not extrapolate further. But that said, we should be on track to achieve the stated guidance of 23 lakh sq. ft. for the year.
- Ravi Purohit** Okay. So essentially what you are saying is that if I look at the last trailing four quarters, we have already come to 24.6, so essentially in the second half we might see a decline in the area booked number YoY basis.
- Varun Gupta** Yeah, on a trailing 12 basis there would be see decline. Again the last four quarters had seen a maximum number of launches which did well. We had launched Ashiana Aangan Neemrana, which got sold out. We had launched Ashiana Anantara in Jamshedpur which got a very good response. We launched Gulmohar Gardens and we launched Ashiana Town. Again these launches were at some level also covering some pent up demand, like Ashiana Aangan Neemrana there was not a project launched by us for like 4-5 years. So there was some pent up demand that we captured, which I would not like to extrapolate but however we are hopeful for the current launches to do well, whatever we have planned for the next two quarters, three launches should do well.
- Ravi Purohit** And on state of Halol, if you had mentioned earlier and I probably missed it.
- Varun Gupta** Ashiana Navrang should get launched in this quarter or the early part of next quarter. Approvals are moving. We are just in the final legs to launch.
- Ravi Purohit** Last question from my side is about new geography that we have been talking about in the last few calls that we are looking at – have we been able to identify or is it some -

Varun Gupta

In Chennai we are in very advanced stages, but I do not want to comment further than that. We are looking at one or two more geographies but they are not in the stage where we could comment but that is the one of the strategic thoughts that is going on in the company is how do we expect geographically and become good at expanding geographically in terms of not good or better, let us put it that way if that is the way to put it, in making operations smoother, seamless, faster in new geographies.

Moderator

Our next question is from Sirish Hisaria of Kotak Mahindra Bank. Please go ahead.

Sirish Hisaria

I have a question regarding macro level. Couple of questions – the first question is what kind of land prices trends we have seen in Jaipur or say Bhiwadi? Because as per some unconfirmed sources is there a price correction of 15-20% in terms of land? Second question is what kind of sales momentum we have seen during the festival season and what is your view on going ahead as far as price correction or price depreciation is concerned?

Varun Gupta

The first aspect that I would like to answer is the festival season demand. I think in our belief it is the biggest myth that is there people buy real estate in the festival. There is a festival demand for homes. You see it on the news channels that are pretty much the only indication that we have that festival demand does anywhere exist. In fact the worst time if there is any seasonality in our sales, there is absolutely no other seasonality we have been able to figure out in area booked. Like I spoke about seasonality and equivalent area constructed, the only seasonality in bookings is that during the festivities, sales dip. My brother has been in the business for 20 years, cannot talk about one festive season he has not seen a dip. There is a continuous dip because the general temperament of the season is to be on a very – it is a festive mood, you do not make tough decisions, you do not want to be in situation where you make decisions that require a significant amount of your balance sheet to be invested or requiring a deeper analysis or that kind of thought that would be needed to make those decisions. So festive seasons are poor but they are always the same. Second aspect on the land prices, I have not seen a land price correction anywhere right now. Land prices are generally sticky by nature. You tend to see time correction in land prices and rather price correction, so land prices were stay the same for 7-8 years and then kind of adjust for the inflation on 5 years or whatever time there would be, some time correction happens. We have not seen land prices correct anywhere. But they are in different markets at different points in their cycle in terms of even price movements they have peaked out in certain markets where I do not see them increasing further. In certain markets they are still going up and up and I am not able to understand why they are going up further.

Sirish Hisaria

Which cycle would we see in Jaipur?

Varun Gupta

Jaipur is somewhere I think the land prices have peaked out, they will not increase further.

Sirish Hisaria

And what is your view for the next three months on the price appreciation or correction?

- Varun Gupta** In terms of flat prices?
- Sirish Hisaria** Property prices.
- Varun Gupta** Property prices I always have similar opinions like they will track inflation. Different projects will have different price increase because they are in different stages of construction, so we can capture some value that we have created on the project but on a general macro level view on property prices is that they will track inflation.
- Sirish Hisaria** And more specifically in Jaipur?
- Varun Gupta** More specifically on Jaipur, also again similar on a macro level I view, I believe they will track inflation. We have different projects in different stages. If you are able to create better value for our customers then we will be able to get better prices as well.
- Sirish Hisaria** One more thing, what would be your average cost of construction for the Jaipur projects at the Jaipur and the company level both?
- Varun Gupta** Generally, cost of construction is similar across most locations. They vary between Rs. 50 to Rs. 100 a sq. ft. but a low rise cost of construction is about 900 to 1000 levels and a high rise construction is 1200 to 1300 levels. Ashiana Utsav in Lavasa is an exception because of the hilly terrain which makes the cost of construction be higher just because of the location and the terrain.
- Sirish Hisaria** What cost will be there?
- Varun Gupta** They will be closer to 1600-1700 levels, even higher.
- Sirish Hisaria** 900 to 1000, 1200-1300 and say around 1700?
- Varun Gupta** 1700 for Lavasa.
- Moderator** Our next question is from Shakeel S of Banyan Capital. Please go ahead.
- Rajat Budhiraja** This is a follow-up question on the macro picture, so you have talked about the land prices which you are expecting that this may go down 15-20% but what about the demand scenario in the different territories, specially focusing on Jaipur and Thada. So what is the kind of inventory you are seeing and what is the affect of these inventories on your project?
- Varun Gupta** First, I do not see a 15-20% price correction. I would say time correction is what generally happens in land prices and not price correction as much. Mr. Shirish was of the opinion that he got a news 15-20% correction on prices in the land side. That is first. Second, inventory levels there are different measures. One is the inventory on blue print which is sanctioned, which is launched, which is being sold. I am a little of the opinion that that could be higher in Bhiwadi

than probably required by the market but that said, that is the blueprint inventory. On ground construction inventory seems to be generally in check where I come with the opinion that our last project Ashiana Aangan which has 1400 flats or 1500 flats is very well occupied. Ashiana Jaipur project is well occupied. Ashiana Greenwood is well occupied; Rangoli Gardens in Jaipur is well occupied. So overall in terms of actual constructed inventory I do not see an oversupply concern but blueprint in inventory there could be some concerns on oversupply.

Rajat Budhiraja

And my second question is on senior living, so this is related to your Jaipur project, which is 3.70 sellable area and now to reach you have only to book 3.3, it is almost complete. And as per an article in Business Line the company is saying that they will expand to five more cities, so can you please elaborate your strategy given that it took a long time to ramp up your Utsav Senior Living project?

Varun Gupta

I think we have been misquoted in the Hindu Business Line significantly. Right now the plan of the company is actually to launch two to three projects, two projects preferably in either existing markets or new markets. And two more senior living projects understand whatever we have learned from our past three projects, put them together, see how that works and then expand that product. So we have had a lot of learning in senior living, so our first mover advantage in terms of just learning our business. Now we will put that to let us say more test and see how we do and we will take it from there.

Rajat Budhiraja

I understand one of your projects is Utsav Kolkata that would be senior living and Milakpur this project is not moving ahead. So what other one or two projects are you talking about in senior living apart from this?

Varun Gupta

We will disclose it at an appropriate point of time. We are either looking or are in advanced stages of negotiations with client owners to get the projects going.

Rajat Budhiraja

And Varun I joined the call a little late, so can you please tell me the status of your Ashiana Town Thada project? What is the current booking number as of today or by October 31st?

Varun Gupta

I do not have as of October 31st numbers on me right now but as of 30th September as reported in the investor relations update it is 5.8 lakh sq. ft. have been sold in Ashiana Town in Bhiwadi.

Rajat Budhiraja

And what is your main head because 70% of the booking is already done so when are you launching the new project in Thada?

Varun Gupta

We have a total sellable area of 39 lakh sq. ft. potential in that project. We have launched 8.5. The next phase could be launched anytime soon. We are just working out when to launch it depending on our construction and production potential in that project. We do not want to launch and take booking without being sure that we will have the bandwidth to construct that project together in Ashiana Town together.

- Rajat Budhiraja** You said new 3 projects will be coming Dwarka, Vrinda, and Navrang in the next quarter, so do you think like do you have bandwidth to launch these projects?
- Varun Gupta** Yeah, that bandwidth is there. The thing is in a project also you do not want to take up too much on where you might be constrained to deliver on time, cost or quality. So we are just calibrating that. We should most probably launch Ashiana Town Phase-III very-very soon. Managerial bandwidth to execute the three projects that we are launching otherwise does not seem to be an issue at this point of time.
- Rajat Budhiraja** Okay. And my last question is on Anantara, so your current sellable area is almost booked, so when are you launching the new project or you have already launched?
- Varun Gupta** It is launched in October already.
- Rajat Budhiraja** And if you can give us some figures on the booking side like pre-bookings or anything?
- Varun Gupta** I do not have any figures to quote on that but if you want any specific updates in October numbers or anything, you can just write to us. There is a contact detail at the end of the investor presentation which has been sent out and also if you need pricing updates all our prices are updated on the website. So for every project you can get a sense of how we are pricing the new phases which are getting launched.
- Rajat Budhiraja** Thanks a lot Varun. That is it from my side. I just want to appreciate your proactive step to split this Sop so that it does not go into the call option category, so it is good for the investors.
- Moderator** Our next question is from Vishwas Patil of Vishwas Patil Investments. Please go ahead.
- Vishwas Patil** Just wanted to know regarding our sales, whether we can give a breakup of the booking done by investors vis-à-vis the actual buyers, the actual users?
- Varun Gupta** What would you call an investor sir?
- Vishwas Patil** Generally people who just want to invest in the initial stages and then may be when the flats are ready they just sell off, and they are not really actual users.
- Varun Gupta** Let me put it this way. I would not have numbers on that but the bulk booking numbers are very few. Let us say if you have sold around 500 odd units or little lesser, may be 400 odd units is what you would have sold, about 40 units would be bulk bookings where a consortium of people have booked together. But outside of that the predominant bookings are what we would call buy to let guys in the current stages where they are buying a property, holding onto it after possession and putting it on rent. In general in Bhiwadi about 50% of all our projects are sold to these guys and 50% of the projects are sold to owner occupiers. Owner occupiers generally take a longer time to make decisions as well. So as the project progresses we will see more owner occupiers come in but Bhiwadi has a lot of rental demand in general.

- Vishwas Patil** And if you could even give a breakup of maybe the projects that are launched that are open for booking and the actual booking done? What I mean is like it is not the project, when you launch a project may be a part of it is open for booking --
- Varun Gupta** In our chart which is sent out on the investor update presentation there are three columns – there is sellable area column, there is an area launched column and an area booked column. It has all the three figures there for you project by project.
- Vishwas Patil** And the last question I would like to know whether you plan to give your shareholders some benefit in terms of dividend?
- Varun Gupta** We give some dividend. Now whether the quantum of dividend is high or low, that is a matter of opinion. We have been consistent in giving dividends and we will remain consistent in the dividends that we have given. I would not see a very significant increase or decrease in our actual quantum of the -
- Moderator** We will take our next question, it is a follow up from Ravi Dodia of CRISIL. Please go ahead.
- Ravi Dodia** Couple of questions. One if you see the bookings of Tree House it has actually declined QoQ. Any particular reason for that?
- Varun Gupta** We had a couple of cancellations in Tree house residential.
- Ravi Dodia** Otherwise, why booking is low in Marine Plaza because if you look at otherwise pent up -
- Varun Gupta** Bookings have been closed in Marine Plaza. There is no closure of bookings on Treehouse residencies.
- Ravi Dodia** What I have been saying is there has been no incremental booking in Tree House.
- Varun Gupta** It is a little bit more of a premium projects where booking units are more in 1.25 to 1.6 crore range and expected movement has been that it will be a little bit slower than other projects. I think once the project is nearing ready for occupancy, we will see some more movement in there because this is a new client base for us which needs to see the project to buy.
- Ravi Dodia** Okay. Another one was advertising and selling promotional expenses have actually kind of increased year-on-year if you look, so this was mainly because of launch of this project at Bhiwadi, Ashiana Town?
- Varun Gupta** Advertising and selling expenses are recognized with the recognition in revenue. So we had comparatively higher revenue recognition this quarter because of Ashiana Brahmananda and Ashiana Amarbagh and therefore high expenses. And Ravi on the margin figures, the Brahmananda margin is at about 26% at the gross level. Then you shave off employee expenses, advertising expenses, another overhead to come to EBITDA levels and then you

shave off the taxes to come to net profit levels. So from 26% you can shave off anywhere between 10% to 15% to come to net profit margin of this. And Amarbagh has gross margins of 40% but Amarbagh has had a little bit higher administrative cost otherwise as well, though there is just one project. But Amarbagh final phase had some higher margin levels.

Ravi Dodia So this was revenue recognition for final phase in the current quarter?

Varun Gupta Yes, correct.

Ravi Dodia So here it will be somewhere around 20% to 25% margins in Amarbagh?

Varun Gupta Yeah.

Moderator Our next question is a follow up from Shakeel S of Banyan Capital. Please go ahead.

Shakeel S Please give me a timeline by when we will be completely on possession dates accounting. It would be great if you can give a particular quarter by which quarter or which is a very encouraging quarter for possession date.

Varun Gupta Shakeep we have moved to contract completion accounting completely. Not completely in the sense for certain projects we are still doing percentage of completion recognition but those projects are complete, so as and when the booking happens the revenue is recognized. So the only thing happens is there we do not have to wait for possession to happen as such to recognize revenues.

Shakeel S So can we say that more than 90% of the revenues are coming from possession base now onwards?

Varun Gupta Yes, that is correct.

Shakeel S And my second question is on Lavasa, so we have seen some advertisement from FCC in different newspapers in media, do you see any of that or have you seen the demand picking up in that area and what is your view and when are you thinking of launching a second phase over there?

Varun Gupta Second phase has been launched. Phase-I has been handed over, Phase-II has been launched. Phase-III we are not considering at this point of time to launch. The project is in three phases. The impact of Lavasa's advertising, it would be hard to comment right now because they have started around 2-3 months ago overall and increased momentum in the last about 45 days. I think probably at the end of this quarter we will be able to give more feedback.

Moderator Sir, there are no further questions from the participants. Would you like to add a few closing comments?

Varun Gupta

Yes madam, thank you. I would like to thank all of you for being on this call and being so patient with all the questions. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company we would be happy to assist.

Results, quarterly updates and a lot of material we have talked about is posted on our website and you can also mail your queries for any further clarification. Thank you once again for taking the time to join us on this call.

Moderator:

Thank you very much sir. Ladies & gentlemen on behalf of Ashiana Housing that concludes this conference. Thank you for joining us and you may now disconnect your lines.