



CRISIL IER Independent Equity Research

Ashiana Housing Ltd

Q2FY13 Results Update

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

About CRISIL Research

CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

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Last updated: April 30, 2012

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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Ashiana Housing Ltd

New launches expected to boost bookings in H2FY13

Fundamental Grade	4/5 (Superior fundamentals)
Valuation Grade	4/5 (CMP has upside)
Industry	Real Estate Management & Development

Ashiana Housing Ltd's (Ashiana's) Q2FY13 results were in line with CRISIL Research's expectations. A change in the accounting methodology - to possession-based from percentage completion - led to 50% y-o-y decline in revenues. EBITDA margin declined to 18.6% from 31.1% in Q2FY12 as the company had certain fixed costs and revenue recognition was lower. With the likely growth in H2FY13 revenues, we expect EBITDA margin to improve. Owing to decline in revenues and EBITDA margin, PAT declined 51% y-o-y to Rs 71 mn. The land conversion approval process in Rajasthan, which was at a standstill for the past one year, is showing signs of traction. This is expected to boost Ashiana's future project pipeline - about 6.7 mn sq ft of projects (total of 9.6 mn sq ft) are awaiting land conversion approvals in Rajasthan. We retain our earnings estimates and the fundamental grade of **4/5**.

Limited availability of inventory impacted bookings and construction

Limited availability of saleable and buildable inventory impacted bookings and construction during the quarter. We have already factored the same in our projections. Bookings declined 30% y-o-y to 0.34 mn sq ft but were up 13% q-o-q due to better traction in Utsav Jaipur and Utsav Lavasa projects. During the quarter, the company also launched a 0.13 mn sq ft premium housing project in Bhiwadi (Rajasthan) - Tree House Residences - where 0.04 mn sq ft is already booked. With contribution from the Tree House project and rise in bookings from other high-value projects such as Utsav Lavasa and Rangoli Gardens (Jaipur), realisations grew 31% y-o-y and 11% q-o-q to Rs 2,727 per sq ft.

1.1 mn sq ft project in Jaipur received approval, launch expected in H2FY13

The Jaipur-based Gulmohar Gardens (1.1 mn sq ft) project got approval under Section 90A (new conversion law) of the Rajasthan Land Revenue Act. We expect the project to be launched in H2FY13. Since the past one year, the land conversion process in Rajasthan was at a standstill following the Rajasthan High Court's instruction to the government to regulate unauthorised constructions. The Rajasthan government has recently started approving land conversion requests as per the new law, which is aimed at regulating growth as per the master plan 2025. Ashiana is currently awaiting land conversion approval for 6.7 mn sq ft of projects in Bhiwadi. Besides, a 0.4 mn sq ft project is expected to be launched in H2FY13 in Jamshedpur (Jharkhand).

Pre-tax operating cash flows declined, balance sheet allows further land acquisition

Due to decline in construction and bookings, pre-tax operating cash flow of Rs 114 mn was lower in Q2FY13 compared to Rs 265 mn in Q1FY13 and Rs 412 mn in Q2FY12. As of September 2012, Ashiana has total cash balance of Rs 1,042 mn which allows the company to acquire additional land and enhance its projects pipeline.

Reiterate our fair value estimate of Rs 205; CMP has upside

We continue to use the net asset value method to value Ashiana and reiterate our fair value of Rs 205 per share. At the current market price of Rs 172, the valuation grade is **4/5**.

KEY FORECAST

(Rs mn)	FY10	FY11	FY12	FY13E	FY14E
Operating income	1,140	1,396	2,417	1,372	1,497
EBITDA	399	441	826	532	568
Adj net income	363	429	696	426	485
Adj EPS-Rs	20.1	23.1	37.4	22.9	26.1
EPS growth (%)	26.8	15.0	62.0	(38.8)	13.9
Dividend yield (%)	0.9	1.0	1.3	1.3	1.5
RoCE (%)	32.6	26.9	36.7	18.2	17.5
RoE (%)	32.1	28.2	33.5	16.4	16.1
PE (x)	8.6	7.4	4.6	7.5	6.6
P/BV (x)	2.4	1.8	1.3	1.1	1.0
EV/EBITDA (x)	7.6	6.2	3.1	4.2	1.4

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimates

For detailed initiating coverage report please visit: www.ier.co.in

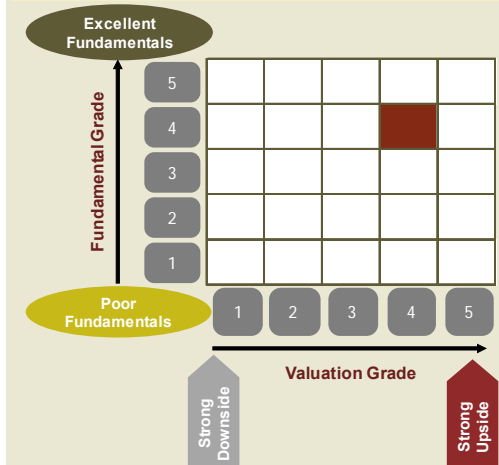
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November 07, 2012

Fair Value Rs 205
CMP Rs 172

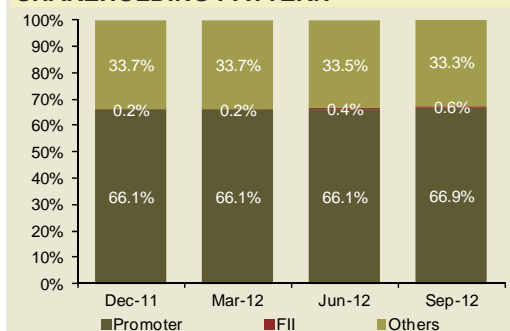
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	5724/18817
NSE/BSE ticker	ASHIANA/ASHIHOU
Face value (Rs per share)	10
Shares outstanding (mn)	18.6
Market cap (Rs mn)/(US\$ mn)	3,197/59
Enterprise value (Rs mn)/(US\$ mn)	3,056/57
52-week range (Rs)/(H/L)	185/128
Beta	1.4
Free float (%)	33.1%
Avg daily volumes (30-days)	4,113
Avg daily value (30-days) (Rs mn)	0.7

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Ashiana	-1%	9%	1%	-3%
NIFTY	0%	8%	13%	8%

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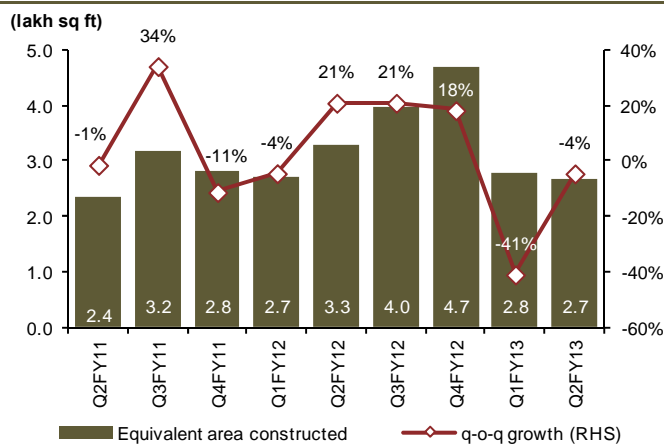
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Q2FY13 Results Summary (Consolidated)

(Rs mn)	Q2FY13	Q1FY13	Q2FY12	q-o-q (%)	y-o-y (%)	1HFY13	1HFY12	y-o-y (%)
Net sales	283	307	567	(8.0)	(50.2)	589	970	(39.2)
Raw materials cost	157	158	312	(0.8)	(49.7)	315	508	(38.1)
Raw materials cost (% of net sales)	55.5%	51.5%	55.0%	399bps	51bps	53%	52%	97bps
Employees cost	36	31	40	17.1	(9.2)	67	71	(5.4)
Other expenses	37	26	39	45.1	(5.7)	63	73	(14.5)
EBITDA	53	92	176	(43.2)	(70.2)	145	317	(54.3)
EBITDA margin	18.6%	30.1%	31.1%	-1152bps	-1250bps	24.6%	32.7%	-812bps
Depreciation	6	6	6	1.6	8.9	13	11	11.4
EBIT	46	86	170	(46.5)	(72.9)	132.2	305.7	(56.8)
Interest and finance charges	6	5	4	1.9	45.4	11	8	41.2
Operating PBT	41	81	167	(49.7)	(75.6)	121	298	(59.3)
Other Income	40	26	10	55.7	291.6	65	33	98.6
PBT	80	106	177	(24.4)	(54.6)	187	331	(43.6)
Tax	9	17	31	(46.5)	(70.1)	26	54	(51.5)
PAT	71	89	146	(20.1)	(51.3)	160	276	(42.1)
Adj PAT	71	89	146	(20.1)	(51.3)	160	276	(42.1)
Adj PAT margin	25.2%	29.0%	25.7%	-383bps	-57bps	27.2%	28.5%	-134bps
No of equity shares (mn)	18.6	18.6	18.6	0.1	0.1	18.6	18.6	0.1
Adj EPS (Rs)	3.8	4.8	7.8	(20.2)	(51.3)	8.6	14.9	(42.1)

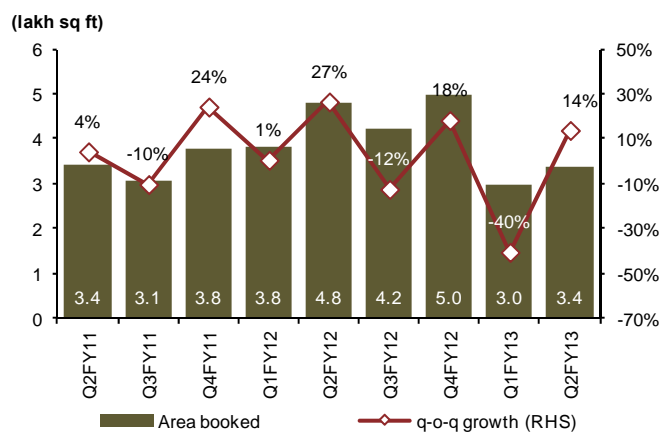
Source: Company, CRISIL Research

Area constructed declined q-o-q



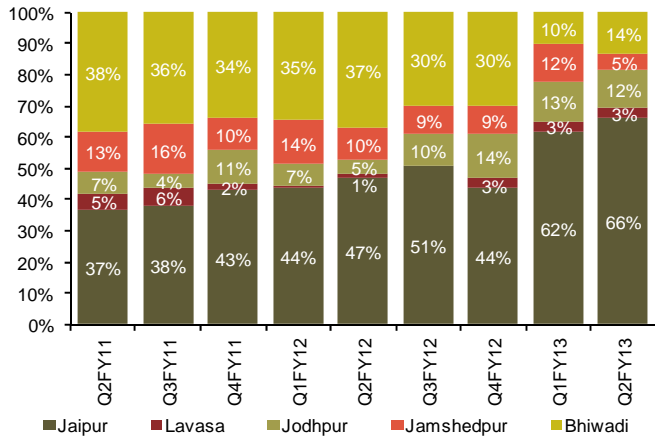
Source: Company, CRISIL Research

Bookings grew 14% q-o-q



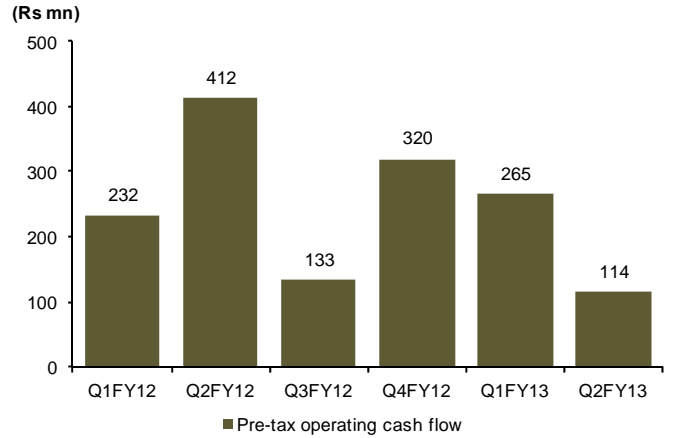
Source: Company, CRISIL Research

Jaipur and Bhiwadi contributed 80% to total bookings



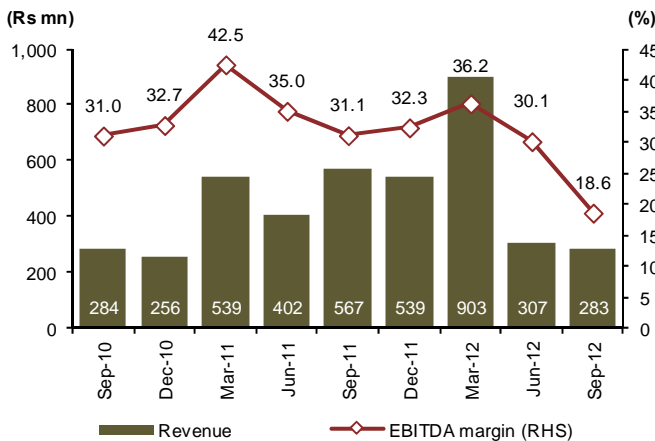
Source: Company, CRISIL Research

Pre-tax operating cash flow declined in Q2FY13



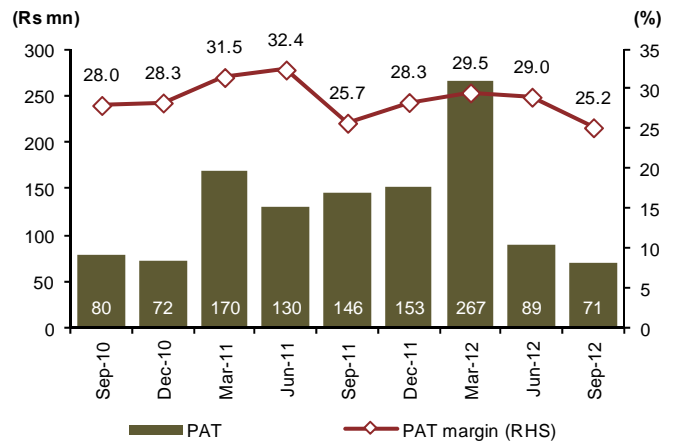
Source: Company, CRISIL Research

Shift in accounting method impacted revenues



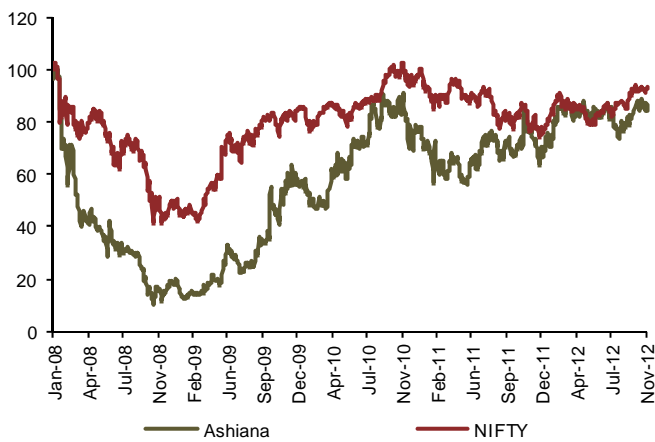
Source: Company, CRISIL Research

Decline in revenues and EBITDA margin led to lower PAT



Source: Company, CRISIL Research

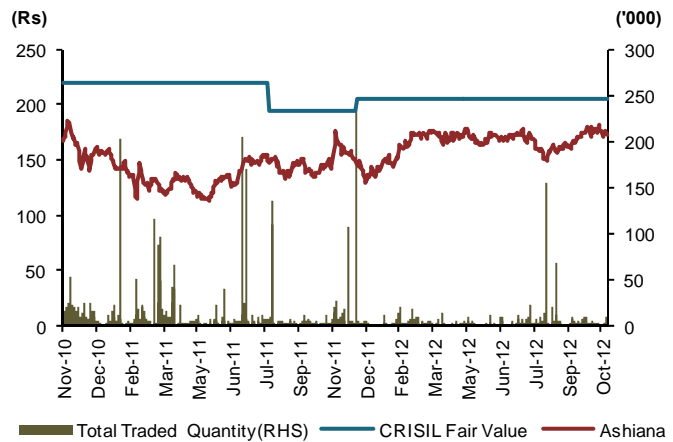
Share price movement



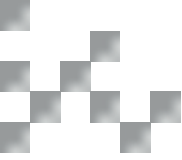
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Source: NSE, CRISIL Research

Fair value movement since initiation



Source: NSE, BSE, CRISIL Research

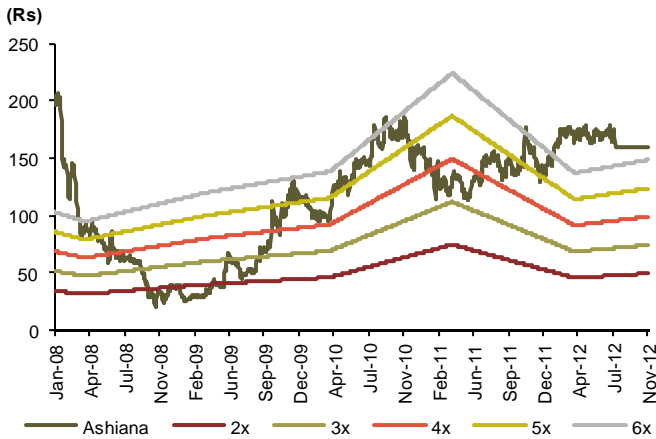


Valuation

Grade: 4/5

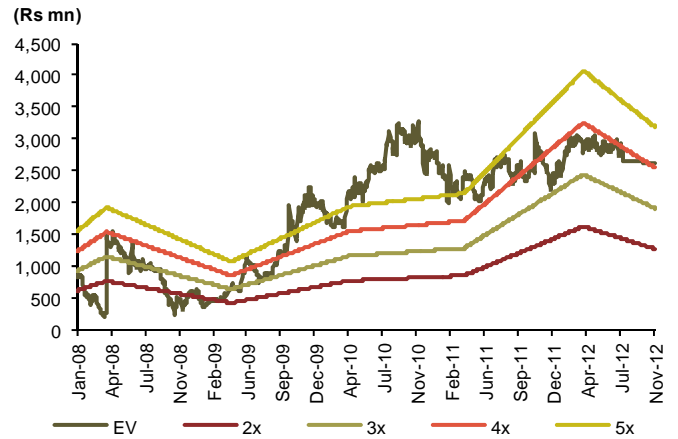
We continue to value Ashiana by the net asset value method and retain our fair value of Rs 205 per share. At the current market price of Rs 172, the valuation grade is 4/5. We continue to value the land parcels at cost where projects are not yet conceptualised due to approval delays.

One-year forward P/E band



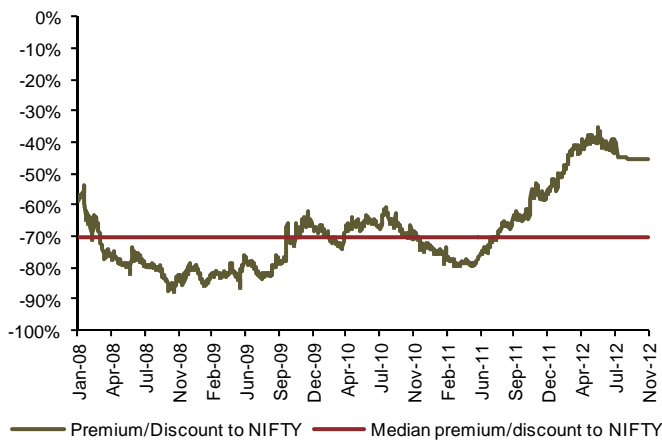
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



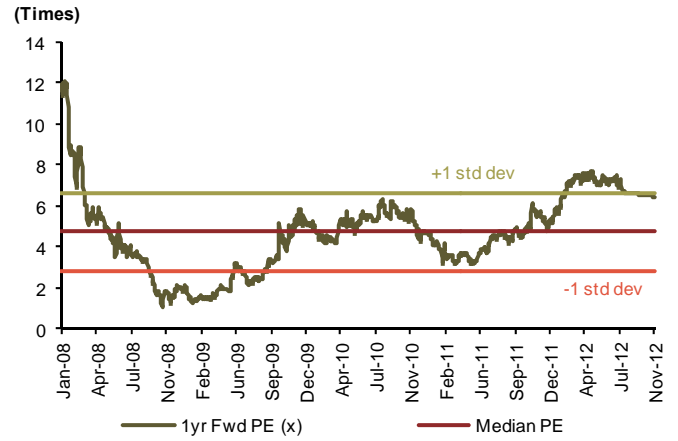
Source: NSE, CRISIL Research

P/E – premium / discount to Nifty



Source: NSE, CRISIL Research

P/E movement



Source: NSE, CRISIL Research

CRISIL IER reports released on Ashiana Housing Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
03-Nov-10	Initiating coverage	3/5	Rs 220	5/5	Rs 166
11-Feb-11	Q3FY11 result update	3/5	Rs 220	5/5	Rs 115
06-Jun-11	Q4FY11 result update	3/5	Rs 220	5/5	Rs 131
08-Aug-11	Q1FY12 result update	3/5	Rs 195	5/5	Rs 150
15-Nov-11	Q2FY12 result update	3/5	Rs 195	4/5	Rs 164
07-Dec-11	Detailed report	4/5	Rs 205	5/5	Rs 149
03-Feb-12	Q3FY12 result update	4/5	Rs 205	5/5	Rs 161
09-Jul-12	Q4FY12 result update	4/5	Rs 205	4/5	Rs 173
30-Jul-12	Q1FY13 result update	4/5	Rs 205	5/5	Rs 160
07-Nov-12	Q2FY13 result update	4/5	Rs 205	4/5	Rs 172

Annexure: Financials

Income statement						Balance Sheet					
(Rs m n)	FY10	FY11	FY12	FY13E	FY14E	(Rs m n)	FY10	FY11	FY12	FY13E	FY14E
Operating income	1,140	1,396	2,417	1,372	1,497	Liabilities					
EBITDA	399	441	826	532	568	Equity share capital	181	186	186	186	186
EBITDA margin	35.0%	31.6%	34.2%	38.8%	37.9%	Reserves	1,117	1,564	2,211	2,600	3,043
Depreciation	15	20	25	26	27	Minorities	-	-	-	-	-
EBIT	384	421	802	506	541	Net worth	1,298	1,750	2,397	2,786	3,229
Interest	11	7	29	26	10	Convertible debt	-	-	-	-	-
Operating PBT	373	414	773	480	531	Other debt	80	7	218	147	(0)
Other income	66	145	71	88	116	Total debt	80	7	218	147	(0)
Exceptional inc/(exp)	5	9	(0)	-	-	Deferred tax liability (net)	11	32	31	32	32
PBT	444	568	844	568	647	Total liabilities	1,389	1,789	2,646	2,965	3,261
Tax provision	76	130	149	142	162	Assets					
Minority interest	-	-	-	-	-	Net fixed assets	290	415	436	461	459
PAT (Reported)	368	439	696	426	485	Capital WIP	136	5	0	0	0
Less: Exceptionals	5	9	(0)	-	-	Total fixed assets	426	420	436	461	459
Adjusted PAT	363	429	696	426	485	Investments	499	686	498	498	498
						Current assets					
						Inventory	685	751	1,240	1,646	1,651
						Sundry debtors	17	29	55	63	73
						Loans and advances	187	142	279	321	369
						Cash & bank balance	161	382	359	697	1,969
						Marketable securities	-	81	491	415	415
						Total current assets	1,051	1,385	2,423	3,143	4,477
						Total current liabilities	587	702	715	1,141	2,177
						Net current assets	463	683	1,708	2,002	2,300
						Intangibles/Misc. expenditure	1	0	4	4	4
						Total assets	1,389	1,789	2,646	2,965	3,261
						Cash flow					
						(Rs m n)	FY10	FY11	FY12	FY13E	FY14E
						Pre-tax profit	439	559	844	568	647
						Total tax paid	(70)	(109)	(150)	(141)	(162)
						Depreciation	15	20	25	26	27
						Working capital changes	(198)	83	(639)	(31)	974
						Net cash from operations	186	554	80	422	1,486
						Cash from investments					
						Capital expenditure	(104)	(13)	(45)	(52)	(25)
						Investments and others	(92)	(269)	(221)	76	-
						Net cash from investments	(195)	(282)	(266)	24	(25)
						Cash from financing					
						Equity raised/(repaid)	-	5	-	-	-
						Debt raised/(repaid)	68	(73)	211	(71)	(147)
						Dividend (incl. tax)	(33)	(38)	(49)	(48)	(54)
						Others (incl. extraordinary)	5	55	0	11	13
						Net cash from financing	40	(50)	163	(108)	(189)
						Change in cash position	31	221	(23)	339	1,272
						Closing cash	161	382	359	697	1,969
						Quarterly financials					
						(Rs m n)	Q2FY12	Q3FY12	Q4FY12	Q1FY13	Q2FY13
						Net Sales	567	539	903	307	283
						Change (q-o-q)	41%	-5%	68%	-66%	-8%
						EBITDA	176	174	327	92	53
						Change (q-o-q)	25%	-1%	88%	-72%	-43%
						EBITDA margin	31%	32%	36%	30%	19%
						PAT	146	153	267	89	71
						Adj PAT	146	153	267	89	71
						Change (q-o-q)	12%	5%	75%	-67%	-20%
						Adj PAT margin	26%	28%	30%	29%	25%
						Adj EPS	7.8	8.2	14.3	4.8	3.8

Source: CRISIL Research

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