



“Ashiana Housing Limited Q2 FY-16 Earnings Conference Call”

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MODERATOR: MR. DIWAKAR PINGLE – CHRISTENSEN IR

Moderator: Ladies and gentlemen, good day and welcome to the Ashiana Housing Limited Q2 FY16 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your Touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Diwakar Pingle. Thank you and over to you, sir.

Diwakar Pingle: Thank you Karuna and good morning to everyone. On behalf of Kanav Capital and Christensen it is my pleasure to welcome you all to Q2 FY16 Earnings Call of Ashiana Housing Limited.

We did sent in the investor update in the press release last evening and again this morning. In case any of you have not received it please do write in to us and we will be happy to send it out to you.

The results and the investor update have also been put up on our website so in case you need to look at it you can go to the website of ashianahousing.com and look at that.

Today on the call to discuss the results from Ashiana Housing, we have Mr. Varun Gupta – Whole Time Director and Mr. Vikash Dugar – the Chief Financial Officer. We will be starting the call with a brief overview of the company's performance, which will then be followed by the Q&A session.

I would like to remind you that everything said on this call that reflect any outlook for the future which can be constitute as a forward-looking statement. Must be viewed in conjunction with uncertainties and risks are included but not limited to what we have mentioned in our prospectus filed with SEBI and subsequent annual report, which you will find on our website.

With that said, I would now turn the call over to Mr. Vikash Dugar for the opening comments. Over to you, sir.

Vikash Dugar: Good afternoon everyone. Thank you for joining us to discuss the second quarter performance of Ashiana Housing in FY16. I extend a warm welcome to all of you.

As a quarter, Q2 FY16 was better than Q1 FY16. Quarter-on-quarter sales improved to 2.16 lakhs square feet versus 1.65 lakhs square feet in Q1 FY16, which was at 6.34 lakhs square feet in Q2 last year. However, the overall condition remain sluggish. We expect a better H2 especially post festive season and more so with the launch of our new projects in Chennai and Bhiwadi.

Area handed over in current quarter increased to 3.38 lakhs square feet versus Q1 FY16 at 2.36 lakhs square feet. Deliveries happened in Anantara Gemini, Lavasa Phase-II and Gulmohar Garden. Profit after tax increased to Rs. 1,337 lakhs for the quarter vis-à-vis Rs. 671 lakhs for

the previous quarter due to higher revenue booking which resulted from 43% increase in area handed over.

Current year in terms of profit recognition will improve as company expects more deliveries in Ashiana Town Beta, Rangoli Gardens, Ashiana Anantara, Ashiana Aangan Neemrana, Ashiana Utsav Lavasa and Gulmohar Gardens.

Pre-tax operating cash flows of the current quarter were negative at Rs. 149 lakhs, which was at negative Rs. 111 lakhs in the previous quarter. This year will be challenging in terms of cash flows however, given the receivables from total booked units we do not see execution challenges in terms of area to be constructed for the year.

Equivalent area constructed increased to 5.87 lakhs square feet for the current quarter, which was at 5.33 lakhs square feet in the previous quarter. And the similar figure for the last year was 5.63 lakhs square feet. Sustainable momentum in area constructed on an year-on-year basis reflects that the company is generally on schedule for project deliveries as we grow. You will appreciate that in these sluggish markets we have maintained our construction pace as per plan, which will be advantageous to us when the overall economic cycle turns around for the realty sector, which in turn would also revive the cash flow from operations.

We continued scouting for expansion opportunities. We are pleased to share that we have acquired, made full payments and received lease deed in respect of land measuring approximately 7.2 acres, which is a saleable area of roughly 6.5 lakhs square feet adjacent to Ashiana Umang. Saleable area of Umang therefore increases from 12.43 lakhs square feet to 18.93 lakhs square feet.

We concluded the acquisition, made payment and received lease deed in respect of land measuring approximately 14 acres located near ICD in village Milakpur, Bhiwadi. Saleable area of this would be approximately 10 lakhs square feet. With significant deliveries this year our theme for the current year is 'Happy Handover'.

The feedback received from the customers have been really encouraging so far and enrich us with lot of learning and understanding customer expectations. We continued to maintain that initiatives like these to create a long term connect with our customers and helps us to enhance the image of brand Ashiana.

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. The first question is from the line of Abhitesh Agarwal from IndiaNivesh Securities. Please go ahead.

Abhitesh Agarwal: Sir, my question was what was the gross profit per square feet for the own projects and partnership projects that was derived by you after Q4, so what was there for the current quarter?

Varun Gupta: Abhitesh, it varies project to project. I think therefore we have not been reporting it on quarterly basis but roughly, gross profit per square feet for projects, which we own, would be around Rs. 1,000 a square feet.

Abhitesh Agarwal: And for partnership?

Varun Gupta: I would not have that information with me right now but I think that will also be Rs. 1,000 per square feet, but we have a 50% share over there. So what will flow towards is about Rs. 500 a square feet.

Abhitesh Agarwal: And I would also like to ask why the unsold inventory was stagnant in this quarter as compared to previous quarter like compared to it is already completed project so we assume that the pace of selling should be at least higher?

Varun Gupta: Say that again?

Abhitesh Agarwal: Why was the completed inventory stagnant this quarter like there was no movement in Treehouse, Rangoli, Utsav?

Varun Gupta: So there has been no movement in Treehouse Residences, which has been a challenge, which has been discussed in the previous calls. We are looking or figuring out a way to get some movement and traction in Ashiana Treehouse residences. In Ashiana Utsav, Lavasa there has been some movement and we see offtake that has happened in Ashiana Utsav Lavasa Phase-II specifically if you see overall traction and the percentage of contribution to the saleable area Lavasa has moved up to 9% of the total saleable area in a quarter, which is generally they were contributing maybe 2% odd as towards the contribution that Lavasa was generally doing. There has been movement I think Lavasa's sales is improving and that part of unsold inventories shall move. The remaining units are again they are one off units that we are not really seeing any particular reason to see any traction or not. It is just Ashiana Treehouse Residences, which is a little worrying because we do not have any movement there.

Abhitesh Agarwal: And as for the Q3 guidance, which are the deliveries that we are expecting like earlier we were expecting Ashiana Town Beta, Rangoli Gardens, Dwarka and Rangoli Gardens Plaza right?

Varun Gupta: So we do not give a quarterly guidance, Abhitesh.

Abhitesh Agarwal: Yes, not the quarterly guidance but which are the tentative deliveries to be expected where these are the expected deliveries to happen during....

Varun Gupta: We do not give quarterly guidance. In the second half of the entire financial year, what you would see is Ashiana Town parts of Ashiana Aangan Neemrana, parts in Rangoli Gardens, part in Ashiana Anantara and second phase of Gulmohar Gardens just while coming in. So there are deliveries going up, but I cannot give you a quarter figure as to which will happen in this quarter or next quarter.

Abhitesh Agarwal: Okay and apart from that any new land banks that are currently deals any going on or we have currently good cash?

Varun Gupta: We concluded two transactions. One transaction, which we have done in September 13 which was linked to approval which is land near ICD in Bhiwadi where they are launching a project called Ashiana Tarang. We concluded that transaction in this quarter paid monies in full and also got the title transfer in our favor with building plan approvals also approvals also received. So we are hoping we are just waiting for environmental clearances to come in to launch the project. In Ashiana Umang we added around 7.5 acres which we bought which is adjacent to Ashiana Umang and it will become one project so that has been concluded. In the third quarter we have already announced that we have entered into an understanding for development of a project in Jamshedpur and that is also final paperwork just needs to be done so that that will get concluded, but launch of that will be in the next financial year only. So those three things has been done. We are in active discussions for a deal in Neemrana I think which we can close in the next three to six months, and other than that we are actively negotiating modules.

Abhitesh Agarwal: Okay and any new launches that we are planning any new launches like Kolkata and other launches?

Varun Gupta: So Ashiana Tarang in Bhiwadi is something we are expecting in this financial year. And Ashiana Shubham in Chennai is also going to be launched in this financial year. And Ashiana Aangan Neemrana Phase-II is also expected but it can be little close save whether it is this financial year or the next financial year because they are looking at either Q4 or Q1.

Abhitesh Agarwal: Okay and going forward Q3, do we expect an increase in area bookings or like as there is a sequential improvement so how what perspective do we have about the market?

Varun Gupta: We are looking for sequential improvement. Definitely overall there has been an improvement that has happened in Q2 over Q1 and I think there is continuous improvement that we will see, but again it will be gradual in nature, you will not see very big time improvement in numbers as of now.

Abhitesh Agarwal: And one last thing. The earlier guidance which was we had about delivering 1800 homes in FY15, are we on the track to deliver those homes apart from the area booking guidance that we are ..?

Varun Gupta: I think we will miss it by a little bit, as some deliveries will go over to Q1 of the next financial year the one specifically which was slated for February-March we are coming generally close

to call in terms of when those deliveries will happen. Overall, generally projects are running on schedule as promised to customers.

Abhitesh Agarwal: So we can expect the deliveries?

Varun Gupta: So again I do not have an exact figure against that 1800 but we are mostly on track. And we will miss it by a little bit.

Moderator: Thank you. Next question is from the line of Ravi Purohit from Simplex. Please go ahead.

Ravi Purohit: Varun, I am sorry I joined the call a little late so I do not know whether you have already addressed this question. But just wanted to get your thoughts on I mean from the papers and from most of the other real estate companies we get that there is significant slowdown. So what is it that we are doing now to kind of address that in terms of either pricing action or in terms of launch action or so what are the various steps that we are kind of taking to face this slowdown? Secondly, I think you had mentioned in the presentation that we have added some land in Milakpur. I think in the presentation it says 14 acres land located in village Milakpur Bhiwadi saleable area to be approximately 10 lakhs square feet. Now whether this is different from the other land parceled which is right now I think there was some dispute going on there so in Milakpur where the saleable area is 31 lakhs square feet. So just wanted to kind of understand whether the two are different or they are close to each other or is there any overlap there?

Varun Gupta: Ravi, I will take the question # 2 first. As a land, which has been concluded for transaction that was earlier notified as land near ICD in Bhiwadi. Both those parcels were actually in village Milakpur were they were at the other edge of village Milakpur. So the deal was done in September 13 it was in the future projects reflected as land near ICD Bhiwadi with about 10 to 11 lakhs square feet of development. Basically, in the last quarter we concluded the transaction some approvals were pending that had to get in and payments were linked to that. So we concluded that transaction basically. So since it was a heavy land payout if you see per cases this quarter has been we wanted to give a context as to why purchases have moved so much higher in that. So that is basically that is just conclusion of a transaction that had happened in September 13. And approvals sort of coming in building plans also received so we are on track for launch of that project. Now would that clarify what you were looking for?

Ravi Purohit: Yes and actually if I can just squeeze in one more question related to this land parcel or this geography. Now we have almost like three projects on right now in Bhiwadi, Ashiana Town, Nirmay Surbhi and this is another land parcel. And given the current slowdown, is there really that kind of absorption capacity for this geography or are you seeing any let us say future projects, some industrial projects coming up or some industries coming up which will drive this demand or whether this kind of because it is like a big bulk of our existing and future projects. So if you could just give us some sense of Bhiwadi as a geography as well for you?

Varun Gupta:

Sure, I will take that question up after I answer the first one. On the front of what we are looking to do during the slow down the first and foremost thing we are looking to do is our focus clearly on the company is on executing and delivering what we have. And the theme around that we spoke about a little bit in the opening remarks is the theme around Happy Handover and Khushi Meter internally, where we are measuring customer satisfaction at the time of hand over quite methodically and consistently just to ensure that (a) the biggest thing that we need to do right now is make sure our customers are happy. That we are delivering what we committed to them that we are creating a base when things do turn around in the markets there is positive referrals from our customers, which will lead us to do better when the markets turn around.

So one thing is that preparatory work needs to happen now very methodically and we see that happening very well and the company's focus is overall over there. Second on the short term basis of what is coming in the newspaper and what is happening there are two things that I would say here, one again then we are looking for little, little things that we can do to understand what is happening in the market and react to it.

One thing that is clear in the market is it has become more than what actually is a driven market that is happening. The second thing that is happening is that the actual user is also taking much longer to make decisions because he has become a little jittery in his decision making process. There are people who want to come and buy properties but they make seven, eight, nine visits before concluding a decision, they are always in two minds as to whether to buy now or buy later.

Given that scenario we have put focus on the sales process and little things that we will do during the sales process to ensure that we are able to get a bigger pie of the market that is smaller today. The second piece of it is that we are also focusing on where Bhiwadi comes in; strategically do we have the right product? Do we come in and do we have enough variety of products and in capital a large enough share at the market? So the basic thought is we reviewed Bhiwadi we thought we had products within the Rs. 25 lakhs to Rs. 35 lakhs category in Ashiana Surbhi or probably Rs. 22 lakhs to Rs. 32 lakhs. We had something in the Rs. 40 lakhs to Rs. 60 lakhs bracket in Ashiana Town.

What we were really missing was that Rs. 30 lakh to Rs. 40 lakh pie overall where we did not have any products in the market. Ashiana Tarang is an attempt to resolve that where we get an alternate location so Bhiwadi as a market has become large where it has multiple micro markets now. As the city has grown so Ashiana Tarang, Surbhi and Ashiana Town are all in three different micro markets at different price points trying to cater to a different customer. And Ashiana Nirmay is a senior living product again capturing a different customer.

So the idea has been to get multiple products out there which will allow us to capture a different set of customers through each of these products. And that is one strategy that we are seeing in Jaipur one of the reason I think we are doing well in Jaipur as compared to the rest of

the market is in Jaipur we have three projects with three different locations at three different price points which we have floors, villas, flats, so we are able to address a larger mix of customers. So I think that is going to be our key strategy going forward as to ensure that we have enough different variety of products in the market. So that is the strategy Bhiwadi how deep it is and how it is going to be we will get to know. We are excited about Ashiana Tarang's launch again that will allow us to capture a different part of the market.

Ravi Purohit:

And any update on Chennai launch?

Varun Gupta:

So in Chennai launch should happen in the next two to three months, we have started the expression of interest/registration process that we do a week ago and that should continue two to three months where we go into a formal launch in the market.

Ravi Purohit:

Okay so before the end of this Fiscal we should be able to launch Chennai fairly?

Varun Gupta:

Yes, we should.

Moderator:

Thank you. Next question is from the line of Rajat Budhiraja from Banyan Capital. Please go ahead.

Rajat Budhiraja:

How has been the festive season for now in terms of bookings as of now in the current quarter?

Varun Gupta:

Festive season is never ever any like a blockbuster time. I think if anything is the worst season for booking so it is a very difficult thing to comment. We generally do not, our view is that festive season is a time when people are more in a festive mood and not in a mood where they make very large decisions, which is large financial decisions like buying a home. So festive seasons are generally always slow.

Rajat Budhiraja:

But have you seen increase in number of site visits or increase in conversion so any time that you would like to mention?

Varun Gupta:

See those two things do not happen in festive season. You see you will not see in that any festive season, even site visits because there are lot more holidays, even on weekends people are doing other things when most site visits are going to happen. So those things are generally slower during the festive season. So there has not been any significant change in the festive season, that said overall site visit numbers remain good. Our challenge is getting conversions of those visits.

Rajat Budhiraja:

So I understand that it is difficult to give any guidance but knowing the new launches that are going to happen, so on a conservative basis, what do you think that we will be able to go out say touch double digit in the current financial year?

Varun Gupta:

Well, expectations are such that double expectations are that we will hit double digits and things should improve but again guidance was very hard to give in predict it, specifically in

new launches because we do not know how they are going to fare specifically when we go to a new city like Chennai. But expectations are that we will get it.

Rajat Budhiraja: And so we had around Rs. 300 crores of cash as of March 2015, which is now Rs. 185 crores. So can you please tell us like where have we utilized this cash?

Varun Gupta: Current cash is about Rs. 200 crores if you look at so most of the cash utilization that has happened has been in two purchases, one is Ashiana Umang extension in Jaipur, the other has been to pay off Ashiana Tarang's parcel that we had concluded the transaction concluded in September 13 as an agreement but payouts were made in the last 6 months. We have also concluded the paper work and process for Kolkata where we have paid some sums of money out. So that has been the utilization primarily.

Rajat Budhiraja: Most of the funds have gone to acquire new land as compared to working capital?

Varun Gupta: Yes definitely. So if you see pre-tax operating cash flows of the company they have been negative but they have been negative Rs. 3 crores over the last six months.

Rajat Budhiraja: Right and we are saying that this would be challenging for the current financial year do we see it at the same pace or it can go worse than the current level?

Varun Gupta: The pace of what?

Rajat Budhiraja: Pace of the pre operating cash flow.

Varun Gupta: The pace can go a little bit more negative, Rajat. We are looking to get some leverage to ensure that the cash that we have is not utilized for construction. So for construction we are looking to get some financing that as well there. It will deteriorate a little bit over the next 6 months.

Rajat Budhiraja: I want to correct myself, initially I stated Rs. 300 crores and around Rs. 200 crores, that was a next cash I am going to say that of borrowing?

Varun Gupta: See, as of 31st March 15, we had about Rs. 315 crores of cash. Right now we have closer to Rs. 200 crores of cash overall. That is just the basic situation.

Rajat Budhiraja: And my last question is on Gurgaon. So what is the kind of response you are getting now in the current quarter?

Varun Gupta: Even in Gurgaon, July, August, September was definitely better than June. So in July, August, September we sold about 20,000 odd square feet in Gurgaon, well less probably 18,000 to 19,000 square feet in the quarter, which was miniscule in April, May, June quarter. So things are definitely improved and I am overall bullish on that market because Gurgaon we have seen a lot of office space leasing a lot of job creation, and my belief is that the Gurgaon market in

terms of volumes of residential bookings should start picking up sooner than later. Pricing will remain a challenge for a lot of the major markets, but that said, we are again priced at basic price of Rs. 4,350 which is very reasonable for that overall market. And therefore fits the affordability. I remain overall bullish on Ashiana Anmol.

Rajat Budhiraja: Recently a month back Raheja's launched a project which is in the range of around Rs 3,900, I am not sure about the competitiveness but did you see it has a threat to the pricing in that belt?

Varun Gupta: I do not think so. Because again Raheja's project is about 20 minutes away from us further away. And 20 minutes is quite a bit. So that, again my view is that it will not impact us in any way significantly.

Rajat Budhiraja: And it would be great if you can give an overview of that belt because there are 10 to 12 developers. So what is the total size of the market there and what is the inventory, which is there in that belt currently?

Varun Gupta: That belt will be right now total about 7,000 to 10,000 units total inventory that will be available for sale in general in the market put together. And I cannot quantify how much the amount is because at the end of the day that micro market is trying to capture Gurgaon's basic, the larger Gurgaon market where people are working. Gurgaon has close to 5 crores square feet of office space. And so it has very large number of people working in Gurgaon, the idea is to capture that market. So I do not think overall that overall inventory of Sohna in that way is any significantly sized to create an oversupply challenge or any of that.

Moderator: Thank you. So we will move on to the next question. That is from the line of Abhitesh Agarwal from India Nivesh Securities. Please go ahead.

Abhitesh Agarwal: So you told you cannot give guidance for the next quarter but overall for the H2 FY16, the overall deliveries plans are anyways better than Q2, right like the Ashiana Town Beta, Rangoli Garden, Gulmohar Garden, and Navrang?

Varun Gupta: Yes, H2 FY16 deliveries will be better than H1 FY16 deliveries overall it will be.

Abhitesh Agarwal: Overall.

Varun Gupta: It will significantly be better.

Abhitesh Agarwal: And Chennai and Kolkata we are looking at so we are looking to launch the entire project or phase wise, any phases-wise?

Varun Gupta: Every project we launch we launch in phases that goes without saying across the Board and Calcutta is a little further away in terms of launch to comment specifically how it will happen. Phase-I in Ashiana in Subham in Chennai will be around 130 units that we are looking to launch.

- Abhitesh Agarwal:** And apart from that any other launches we are looking apart from this like?
- Varun Gupta:** Ashiana Tarang in Bhiwadi and Ashiana Aangan Phase-II in Neemrana.
- Abhitesh Agarwal:** So in Tarang also which phases like how we are going to launch it or anything details you can give?
- Varun Gupta:** Not right now, I think on that we will have to wait till the next call.
- Abhitesh Agarwal:** And about the Jamshedpur project that is also totally new land parcel right?
- Varun Gupta:** That is a totally new land parcel we have just started the planning on it, so it is very early stages to comment on it.
- Abhitesh Agarwal:** Okay so we have not finalized about it anything?
- Varun Gupta:** We have not finalized anything over there.
- Abhitesh Agarwal:** And apart from that, for the next land parcels we are looking at going ahead, we are looking to acquire land bank or do joint ventures only?
- Varun Gupta:** Yes we prefer to do joint ventures so in Jaipur and Bhiwadi we acquired but going forward we are mostly looking at joint ventures, joint developments.
- Abhitesh Agarwal:** And Jaipur and Bhiwadi also as we have acquired, so is it the management plan, is it your plan like you may have sensed like is it a good traction or the land were available at good opportunity or?
- Varun Gupta:** Bhiwadi, which was done in September 13 so I think the pricing was of that nature. Again in Ashiana Umang more than pricing it is nature of being right next to Ashiana Umang becoming a part of that project and the rub off we will get of an existing delivered project on that is what made us excited about buying that out. Okay so our call is generally taken project by project and location by location the strategy will generally remain joint venture, joint development. It is very rarely that we will go and purchase projects.
- Moderator:** Thank you. Next question is from the line of Rajat Budhiraja from Banyan Capital. Please go ahead.
- V P Rajesh:** It is V. P. Rajesh here. So a couple of quick questions on the inventory. The jump to Rs. 811 crores from Rs. 625 crores at the end of March so could you just tell me if like if the new land buys are also sitting in that inventory and secondly what is the split between the inventory that is already paid for and the portion which is not sold as yet which is being built and therefore it is sitting in the inventory?

- Varun Gupta:** V.P. Rajesh, can you please repeat the question. I got a little lost in it?
- V P Rajesh:** So the question is Varun, that if you look at the total inventory, which is around Rs. 810 crores the portion of that have been already sold and it is under construction. And the customer deposits are sort of supporting that inventory. And then the projects are being built there some of the portions may not have been sold. I am just trying to bifurcate the inventory into those two components?
- Varun Gupta:** Okay so let me put it this way. It will be very hard to decipher how much of the work in progress is being financed from sale and whether you know if we have a tower, which has 40, 80 units and all of which are in progress and you sold 25 units and you have unsold 23 units how will you say that it is being financed?
- V P Rajesh:** The way I think about it is that if my total inventory is Rs 100 crores and whereas my cost is per unit I will just think like 24 units whenever the number we sold and being supported by people who have actually bought it and the remaining is unsold which I still have to go and sell in the market right?
- Varun Gupta:** Yes but that is not something that we look at overall what we see is our overall advance from customers is about Rs. 678 crores. And we have a corresponding inventory of Rs. 811 crores. Some of it is land, some of it is unsold completed constructions, some of it is WIP, and the numbers will vary on that. So the WIP is generally definitely mostly financed from advance from customers. The challenge if you are looking for how much inventory might come up on our books which will remain built but unsold and therefore will get carried in sold and completed construction we repeat we report the month of area which is under development, you know how much of it is reported, how much of it is sold we are giving a basic idea of when the delivery schedules will be.
- And you have a quarterly run rate of sales that we are important. I would do a math on that as to expect how much square feet you think might remain built and unsold at the end of the day. And that is a challenge, I would go that way. We are looking at how much you are getting finance through our own sources. As of this moment, our construction is financial advance from customers and our land is financed from equity in general.
- V P Rajesh:** Right. So does inventory figure has some land that you bought recently or this is totally the area under construction?
- Varun Gupta:** No, the inventory figure has land in itself this quarter itself if you look at there is a line item called purchases stock in trade. The purchase of stock in trade toward 90% to 95% of that purchase is stock in trade in general in every quarter you will find that corresponds to land payment. So that will give you a sense of how much of that inventory is changing because of addition of land.

- Moderator:** Thank you. We have a follow up question from the line of Ravi Purohit from Simple. Please go ahead.
- Ravi Purohit:** Can you share some update on how Kolkata project and the Baroda project are progressing?
- Varun Gupta:** So Ravi, the Kolkata project is in the midst of planning, approvals and everything. So I think project launch of that will happen definitely in the next financial year.
- Ravi Purohit:** In the next financial year?
- Varun Gupta:** It will be hard to predict a timeline on it right now probably we will at least go to second quarter of next financial year if it does not go to next half financial year but I see it going to the next second quarter of the next financial year for sure given what is going on in the planning and approval process over there. In our Halol project we are the project is on we are in advanced stages of construction in Phase-I and part of Phase-II. We expect to start deliveries in the first half of next calendar year so I do not know if it will be in this it is slated in that March, April type of month as per our engineers. So that is what is going on in terms of construction.
- Sales have been slow in the last two quarters in the numbers respect. We expect sales to sort of pick up after we have given delivery. The challenge we are having is also at some level convincing people of the kind of development that coming in Halol. It is not something that we believe is happened in Halol and our view is that once we are ready for deliveries and once delivery start that is when things should pick up.
- Ravi Purohit:** How much of that project is already sold as a percentage wise roughly if you could just give a ballpark number?
- Varun Gupta:** How much of Halol is sold?
- Ravi Purohit:** Yes, of the phase that we launched?
- Varun Gupta:** We have sold 221,000 square feet to 308,000 square feet.
- Ravi Purohit:** So that is more than 70% is already sold?
- Varun Gupta:** Yes, 70% is already sold.
- Ravi Purohit:** But what have your experience and feel now you have been in Halol for more than two years?
- Varun Gupta:** Yes, we started development in January of 2014. So yes, it is about two years.
- Ravi Purohit:** So how has been your kind of on that but now you would have got a fair amount of understanding of that geography and whether it has that potential to become let us say another

Bhiwadi for you or another Jaipur or Jamshedpur or whether you think may be after this project has done we may not do much in Halol?

Varun Gupta:

So Ravi, well when we entered Halol we looked at the larger Gujarat market over there. Halol is little smaller so to get to Jaipur sort of volumes in Halol will definitely not be possible and we never expected Halol to deliver that volumes in itself. We expected once we have entered Halol and then we can make further inroads in to Gujarat and other towns and stakes the brand transparencies easier to develop over there when you transfer the brand elsewhere. The good experience is there is that overall ease of doing business has been comparatively easier over there than other states. So have overall enjoyed that aspect of it.

The challenge is on the margin front. It is still very difficult to command a price that we think we should be commanding for the product we have given. And again on that front we are looking for deliveries to start happening for us to see if we can do that. Gujarat otherwise has come across is a little bit more price sensitive as a market as compared to other markets in the country. So that is the other experience of it.

The third said overall economic activity is still seems to be budgeting over there. They are seemed to be job creation, new things coming up all the time and that is a very, very good sign of overall home demand in the state and in Halol overall. So which is very, very good.

Ravi Purohit:

But would you expand further in Gujarat or what are your thoughts on it?

Varun Gupta:

We are looking for opportunities.

Ravi Purohit:

And similarly Jamshedpur I think we have signed up this new project I think we have announced a few weeks back or may be a week back. If you could also share some sense of how big a market can Jamshedpur be or is there any surrounding city or within the state that we can further take our brand across or is Jamshedpur like one exclusive place where we have our existing brand equity so we are just kind of capitalizing it?

Varun Gupta:

I think overall we are going to capitalize on the brand equity in Jamshedpur we are not looking to expand further in to more cities over in that state or that part of the country. Calcutta is definitely close by so there is some rub off of the Jamshedpur brand that will happen in Calcutta. And some transparency which is one thing that we looked at. Jamshedpur otherwise the challenge in Jharkhand is not that there is no demand or our brand and we will not be able to sell that. Challenge in Jharkhand more is getting land, which is developer will because of title there is a lot of tidal land, which is not developer will because of various laws and private parties tribals cannot transact with non-tribals. That makes titles little bit cumbersome and very difficult to get a project.

So Jamshedpur that is the biggest challenge. So we are looking for more launch always we started looking at this as a parcel as and when we are signed off for Anantara itself. And we have completed parts of Anantara already and we are going to handover when we are getting

another project after looking for that long. So we are looking for projects but remains a very, very difficult market to open more opportunities at the same time.

Ravi Purohit: Last final question from my end. Update on Lavasa as to is there any pickup in the sales velocity in Lavasa or whether it remains sporadic or further are we also looking to expand further in Maharashtra in and around Pune, Lavasa and some of these areas or what is your thoughts?

Varun Gupta: On the first question, the last quarter was probably the best quarter we have had in Lavasa till now. Since the last three to four years overall we expect things to become better. Two reasons. One, we have started believing that again deliveries help show once the product is up and available hence visible people are a lot more convinced in buying that. That is one. The second, in Lavasa we were also having a few challenges customer satisfaction since about 18 months ago. This we had discussed in the last to last analyst meet as well. I think we have gone ahead in solve that and our customers are now very happy. And we are getting a lot of referrals. So I think two of those things are really impacting and I think sales should continue to do well. But again we have a built inventory that we will sell as well. So in Lavasa we have some build inventory that will need to get exhausted.

Ravi Purohit: And any thoughts on expanding further in Maharashtra?

Varun Gupta: We have been looking at Pune for a long, long time and we are hoping to do a transaction very difficult pin in Maharashtra to find a deal which make sense to us in terms of numbers and financials. For some reason whenever we see the number they seemed very, very tight and we are not able to reconcile how other developers are able to make money and what is the trick over there. So I think that difficulty still remains. So we are looking for opportunities but very, very tough overall as a market to see viability right now.

Moderator: Thank you. The next question is from the line of Mahesh Pawar from Pawar Securities. Please go ahead.

Mahesh Pawar Basically I want to know about the operating margins. The operating margin currently has came around 13% to 14%. So it will be remain as at this level or it will go improve it?

Varun Gupta: Our operating margins for the next second half of the financial year will definitely improve because we can see an improvement on reported cost line because of deliveries. Mahesh, the way we like to look at things is on a per square foot basis. And GP and everything which we prefer to report in on an annual basis I think the quarterly margins will delayed very, very volatile basis for the company because it is not a quarter-on-quarter business. So I think the margin should really, really been seen in only on an annual basis and not seen on a quarterly basis at all.

- Mahesh Pawar** And one more thing regarding the Tax expenses. This time means there is a tax expenses out go is there. Therefore, as compared to earlier quarter so I think there is a MAT credit might be possible. So going forward so there will be the tax liability for the future projects?
- Varun Gupta:** Right now we have my credit gets exhausted we will that our liability will be around 18% plus the charge and such and everything. And then if you come back to normal tax rates I think next year is when I think within the next financial year that is between 2016, 2017 we should exhaust our MAT credits completely is our expectation.
- Moderator:** Thank you. As there are no further questions, I would now like to handover the floor to Mr. Varun Gupta for his closing comments. Over to you, sir.
- Varun Gupta:** I would like to thank all of you for being on this call and being so patient with 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. With that, I would like to conclude the call. A 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 and gentlemen, on behalf of Ashiana Housing Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.