“Ashiana Housing Limited

Q4 FY '23 Earnings Conference Call”

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MANAGEMENT: **MR. VARUN GUPTA – WHOLE-TIME DIRECTOR – ASHIANA HOUSING LIMITED**
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MODERATOR: **MR. BINAY SARDA – ERNST & YOUNG LLP**

Moderator: Ladies and gentlemen, good day, and welcome to Ashiana Housing Limited Q4 FY '23 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Binay Sarda from Ernst & Young LLP. Thank you, and over to you, sir.

Binay Sarda: Thanks, Aman. Welcome, everyone, and thanks for joining this Q4 FY '23 Earnings Call for Ashiana Housing Limited. The results and the investor presentation have been mailed to you, and it is also available on the stock exchange. In case if you have not received the same, please write to us, and we'll be happy to send it over to you.

To take us through the results of this quarter and answer your questions, we have today with us Mr. Varun Gupta, Whole-Time Director; and Mr. Vikash Dugar, CFO. We'll be starting the call with a brief overview of the company's performance of this quarter, and then we'll follow it up with Q&A session.

I would like to remind you that everything said on this call that reflects any outlook for the future, which may be constituted as a forward-looking statement must be viewed in conjunction with uncertainties and risks that they face. These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports, which you'll find on our website.

With that said, I'll now hand over the call to Mr. Vikash Dugar. Over to you, sir.

Vikash Dugar: Thank you, Binay. Good afternoon, everyone. I hope all of you and your families are keeping healthy. I welcome you to discuss the performance of the fourth quarter and the year ended March 23 for Ashiana Housing Limited. Thank you for joining us today.

The year gone by was quite active in terms of new launches. We launched 5 greenfield projects and new phases of existing projects, totalling to the tune of 29.46 lakhs square foot. Second kid-centric projects was launched in Gurugram by the name of Ashiana Amarah. The first phase of Amarah was launched in October '22, comprising 224 units and was fully booked at launch. Phase 2 was launched in April ’23 consisting of 224 units, saleable area 3.77 lakhs square foot, having a sales value of around ₹ 283 crores. All these 224 units were converted on 17th of April 2023.

Ashiana Prakriti was launched in Jamshedpur in March ‘23 with 162 units and sales value of INR163 crores, entire Phase 1 sold at launch. Ashiana Advik, our third senior living project in Bhiwadi was launched in November ‘22. Ashiana Malhar in Pune was launched in August ’22, and Ashiana Ekansh in Jaipur was also launched.

We achieved pre-sales of ₹ 1,313.43 crores for FY'23, which was our highest ever pre-sales. Area booked increased by 75% from 14.76 lakhs square foot in FY '22 to 25.86 lakh square foot in FY '23. Sales price improved to ₹ 5,080 per square foot for the current year versus ₹ 3,883 per square foot in FY '22, an increase of 31% year-on-year, driven by increasing prices across projects and changing mix towards higher-priced projects.

In the last quarter of FY '23, 8.59 lakhs square foot of area was booked as compared to 9.03 lakhs square foot in the previous quarter. In Q4, bookings were driven by new launches in Ashiana Prakriti Jamshedpur and Ashiana Ekansh Jaipur, and sales in older projects like Ashiana Anmol Phase 3, Gurugram and Shubham Phase 4 in Chennai.

We handed over 10.51 lakhs square foot in FY '23. This was against a delivery of 8.86 lakh square foot in FY '22. Total revenue increased ₹ 425.19 crores in FY '23 versus ₹ 233.59 crores in FY '22, due to higher deliveries. Total comprehensive income was positive at ₹ 28.78 crores vis-a-vis negative ₹ 6.56 crores in FY '22. Total revenue reported for Q4 FY '23 was ₹ 116.94 crores, vis-a-vis ₹ 135.31 crores in the previous quarter.

Total comprehensive income also improved to ₹ 10.51 crores in Q4 FY '23 versus INR9.29 crores in Q3 FY '23. Pre-tax operating cash flows were positive at ₹ 84.84 crores for FY '23 versus positive ₹ 165.05 crores in FY '22. Equivalent area constructive was 16.73 lakh square feet in FY '23 versus 16.20 lakh square feet in FY '22. Further, 2 new land parcels were acquired in Jaipur in FY '23. Ashiana Nitara in Village Bhankrota with an approximate saleable area of 6.5 lakh square foot. And the 'Amaltas by Ashiana' in Jagatpura with approximate saleable area of 4 lakh square foot.

One new land was acquired in Manesar, Gurugram with an approximate saleable area of 10.3 lakh square foot. Total potential saleable area in these new land parcels should be around 21 lakh square foot. 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: The first question is from the line of Vivek Joshi from BP Capital LLP.

Vivek Joshi: Congratulations Sir, for a very good set of numbers, especially on the booking front. I have two questions. One is that could you explain how the expenses are booked? It's mainly an accounting question, like is it related to the deliveries made? Or is it like an ongoing thing on the complete cost that have been incurred during the year? And for deliveries, in your slide, you have given that in FY '24, you are going to be delivering around 26 lakh square feet. So is it reasonable to assume that given the realization rate, our booked revenue will be around over ₹ 1,000 crores for FY '24?

Vikash Dugar: Yes. Thank you for your question. So the year in which we give the deliveries, that year only we booked the revenues and following the matching principle, the costs are also booked in the same year. So both revenue and costs are booked at the time of deliveries or in other words, at the time of possession being given on the project. And as far as revenue for FY '24 is concerned, again, the pricing for each of these projects will have to be seen as to what exactly is the price and then we'll be in a position to exactly see as to what revenue will be booked.

Vivek Joshi: Anything on the average one. The average is about ₹ 4,000, or?

Varun Gupta: Yes. So for all these projects, we list out the value of area book separately. It is provided in the in our operation snapshot as to what the value of area book is of all these projects. If you take from there, you can total it and get a sense of where we are going.

Vikash Dugar: It's on Slide 12.

Vivek Joshi: Okay. I just want to know if I'm approximately in the right benchmark. I'll do the exact math.

Varun Gupta: Yes. You can do the math. I think we also haven't done the full math, we will also do a full math next time when we give this sense. But the thing is, that average wouldn't be right because the average is also getting skewed from what is getting booked at a higher rate in the last financial year. And the deliveries that are happening in FY '24 have been bookings which have done much earlier than that, right? So the average would not be the right context here to date. So I would rather do the math because with sale prices, they can really vary a lot now as compared in our projects earlier.

Vivek Joshi: Yes, yes, yes. Got it. Got it. They would be 2 years back. Got it. Got it.

Varun Gupta: Yes. And earlier, we used to operate in a tight range, so proximation was better. Now, we have projects ranging at ₹ 3,000 square foot and going up to like Amarah Phase 2, I think, closed at ₹ 7,700 square foot, so the variation in price points now has also become very large for us. I think we should just keep that in context.

Vivek Joshi: Okay. And is it okay to ask another question or I'll wait in the queue, as you please, like.

Varun Gupta: You can go ahead. One more question, please.

Vivek Joshi: Yes. Okay. So another thing I wanted to know that now that we have booked like 25 lakh square foot and around ₹ 1,300 Crores value. Is this the run rate we are looking to do because you would have your launches and all early planned in the coming financial year? Or is this going to vary a lot? Is this a new normal or it was an exceptional year?

Varun Gupta: No. So in this year, we are expecting a ₹ 1,500 crores sales value push. So we are looking to grow this number. That said, I think quarterly variations, like last year, also if you see, a bulk of it came in the last 2 quarters. So I think we will continue to have quarterly variations as we go along. So, we'll have a couple of great quarters and a couple of slow quarters, depending on how projects and sales launches are planned in those quarters. But this year, we are expecting a ₹ 1,500 crores value of area booked.

Moderator: The next question is from the line of Himanshu Upadhyay from 3 PMS.

Himanshu Upadhyay: Yes. Congrats, Varun, and the whole team of Ashiana on good set of numbers and meeting the targets which you settled for yourself in the beginning of the year. So great to see the good times for the company. And I also visited the Chennai project this quarter of the year. And it was impressive, the senior living project, what we saw and what we hear from people there.

My first question is, can you give an idea of this HSIIDC land deal? Has it been consummated? And what I understand from reading the document, it seems that the final payment can happen in '24? So is it a long gestation deal? And we can only launch project in FY '25 or '26? Some idea on that, what is happening there.

Varun Gupta: Himanshu, sir, we have paid 25% of the sums of money, okay. We are waiting to now execute what they call a formal agreement to sell. Post the execution of formal agreement to sell, we have up till 12 months to make the remaining payment and thereafter, we can go for planning approvals and stuff like that.

Now there is a process for us to carry out our design, and unfortunately, at Ashiana or fortunately at Ashiana, we take a lot of time to design because design is our winning edge. So time consumption in design is little high, but it also leads to a good product. So we're going to use a substantial part of this time to get a design ready and some approvals like environmental approvals, we can move without even paying the full amount, we'll be using that time. Anyways, we would have expected a 12-18 months timeframe of launch since we did the deal. So we were not expecting the launch of the project in FY '24, no matter what the payment terms are. We would like to launch this project in FY '25.

Himanshu Upadhyay: Okay. And one more thing. You gave a target of ₹ 1,500 crores of sales for, let's say FY '24. We did a 2.6 million square feet of sales in FY '23, so do you think that we'll be focusing more on the sales or remains the area wise? Or do you think the realization itself will take us to our desired target of higher 20% sales growth - what we are expecting?

Varun Gupta: So a combination of both, Himanshu. So some places we pushed for higher sale prices like in Gurugram and Ashiana Amarah Phase 2. We launched the Phase 2, which we disclosed was also at a much higher sale value, I think 224 units this time, and ₹ 7,700 average per square foot pricing as compared to ₹ 6,100 in Phase 1 in Amarah. So in Amarah, we're looking at that. But in some other projects like in Jaipur, we expect volume push as well. So there would be different flavors in different locations. So, it will be a combination of the two when we look at it.

Himanshu Upadhyay: And are you back to the peak margins what we used to do in terms of gross margins in the projects what we are selling? So, we stated that 30% gross margin had come down to 24%-25%, Are we in the incremental sales what we are doing? Can we expect the gross margins to be back to the historical highs, what we were doing?

Varun Gupta: Yes. So 30% is probably average of what we would like to be. And we would expect 30% gross margins on a blended basis across the projects. That said, the older projects like Ashiana Anmol, even at current price points will not make those kind of margins. But for any project that we have signed off after 2015, I think we'll be able to maintain 30% gross margin or more. Like we launched 5 projects last year, Ashiana Advik, Ashiana Amarah, Ashiana Prakriti, Ashiana Ekansh and Ashiana Malhar.

Malhar is an older deal that we had done in 2017, not sure, but 2017 , there as well and first deal in Pune where our margins are a little compromised, they are not in the 30% of close buy but rest of the projects like in JV projects, we are also okay with 27%, 28%, 29%, and we get those in the JV projects and our other projects will be north of 30%. So, across these 5 projects, I think blended average will be more than 30%.

Moderator: The next question is from the line of Praveen Agarwal as an individual investor.

Praveen Agarwal: Yes. Quick question. So, I just wanted to understand when we underwrite the project, what is the internal IRR which we look at? And what is the time? So, from essentially, if you take a parcel of land and we do 3-4 phases, how much time does it take from the first land was purchased and I see that typically, we complete 8- 10 quarters for 1 phase. But typically, how much time does it take a parcel of land to completely consume it? And what is the internal IRR which we target on a land when you purchase that?

Varun Gupta: So Praveen, a couple of things. First, from a time cycle, I think the project takes about 12-18 months to get off the ground. After purchase, it takes time for approvals, it takes time to get the side ready from a saleability perspective, get our sales office and all that going and are designed ready. So about 12-18 months to launch the project, sometimes even extending up to 2 years. And from there on, a project takes about 5-7 years to be fully consumed, depending on the size of the project and the number of phases that we have.

And now coming back from an IRR perspective, we don't really do IRR calculations. We don't run very complex excel sheets to do IRR calculations, we have very thumb rule mathematics. And in thumb rule of mathematics at the company level, we are zwlooking for a 15% return on equity at the portfolio company level, including uninvested capital at any point in time.

And it becomes very difficult to calculate project level IRR by allocating over stuff like that. We have a threshold that we want to make a 30% GP margin on the project, and we run our sort of absolute profits that what we will get in the project and look at a multiple on our investments in there? So that's the kind of thumb rule we do, and we expect to make 15%-plus ROEs in the company.

Praveen Agarwal: That's good to hear. So -- and on the 15% ROE basis, we know that last few years were tough. But at what point in going forward, do we think that we'll start doing those 15% ROE? I mean given what we have booked in 2023, as and when these projects get executed and get booked into our financials, will they all yield 15% ROE on our equity capital?

Varun Gupta: Yes, that's the expectation that we should be able to do that. So we also track what we call economic ROE in the company as to see deliveries can be very delayed, how the company is looking. We have metric for economic ROE calculations.

And our expectations are that the economic ROE should start crossing the 15% threshold from FY 23-24. In FY 22-23, we've hit double digits in our economic ROE calculations. In FY 22-23, that should start flowing better. In an earlier question, I think was around margins asked by Himanshu. And as margins have improved and the sales volume has improved, the value has improved. I think we are looking at good times ahead right now.

Praveen Agarwal: That's great to hear. So my last question is on the new land parcel, in the cities which you are looking to acquire or do projects? And any color on the land which we're looking to buy?

Varun Gupta: So one, we did the HSIIDC transaction in Gurgaon in March. Gurgaon is something we were looking for more work. And I think that seems to be fitting in. And other than that, there are 2 active negotiations going on, one in Jaipur and one elsewhere. But that's about it at this point of time. But that's enough to keep refilling the pipe.

Last year, we ended up effectively doing 20 lakh square foot of deals between HSIIDC and 2 in Jaipur. And right now, we are also in active discussions for 2 projects, which together will be another 20-lakh square foot. So we seem to be okay as a replacement stock. I think on aggression to get more and more stock, we are just waiting for prices to be a little bit more conducive. Otherwise, we have to keep hunting for value rates.

Praveen Agarwal: One last question before I hand it over. So is now Gurgaon an integral part of our strategy, like historically, we are very strong in Jaipur, Bhiwadi kind of areas. So, would it be fair to assume that going forward for the next foreseeable future, Gurgaon will play more and more important role in the overall scheme of things.

Varun Gupta: Absolutely. Gurgaon is going to play a very key role for the company going forward. It drove, I think, 40% of the value of area booked for the company last year, volumes were not as much pricing was higher. It is going to be an integral part of our strategy. I think that and senior living are going to be the integral aspect of it.

Moderator: The next question is from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Yes. Congratulations for the great performance during FY '23. In our Amarah project, you talked about the new bookings being done at a rate of ₹ 7,700 per square feet in Phase 2 compared to Phase 1 pricing of around ₹ 6,100 per square feet. So if you can talk about what is driving this increase in realization? Is it the demand in the specific markets. Now also if you can talk about the pricing across the rest of key geographies like Jaipur, Bhiwadi and Jamshedpur.

Varun Gupta: Okay. So yes, most of our projects are now getting priced in the ₹ 4,000 to ₹ 6,000 bracket. There are some less than that as well, like Jodhpur would be less than ₹ 4,000 per square foot, Bhiwadi, general housing would be less than ₹ 4,000. But now Bhiwadi senior living is ₹ 4,500-odd, and Pune would be ₹ 5,000 plus and we expect ₹ 6,000 plus per square foot in senior living there. So different markets have different price points. I think even in Jamshedpur, we crossed the ₹ 5,000 benchmark in the last launch that we had.

So I think we are operating in the ₹ 4,000 to ₹ 6,000 bracket across most of the projects. In Gurgaon, in Phase 1, our brand was not as well established as I would say. So as when we sold, got some things going, our brand got better established, we got more traction. And then Phase 2 prices improved for us. But the market also has gone up really high in Gurgaon and I think more than the demand, it's a lack of supply in Gurgaon.

Very few group housing projects have been launched in Gurgaon. Most launches in Gurgaon have been around floors. And that lack of supply is helping prices go up.

Ankit Gupta: Sure. And what about how are you seeing traction in pricing across other key geographies like Jaipur and Bhiwadi?

Varun Gupta: As I said prices are ranging between ₹ 4,000 to ₹ 6,000 there, prices across the board have gone up. And we are comfortable with prices and margins at a portfolio level. There will be a few projects which are still concerning, but that I think probably will always be the case.

Ankit Gupta: Sure. And my second question was on our DD pipeline. And you see that land prices have have gone up quite a bit. So is it that the demand across the sector has gone up significantly that developers are bidding the prices up. So like what is the reason for such a thing?

Varun Gupta: I have alluded to this before that the price increase in land has been driven mostly by plotted development. And as plotted developments as like in Gurgaon, prices have come off, plotted developments are not getting licenses anymore. We see demand for land is reduced.

We were able to get a good deal, I believe, in HSIIDC land price because it was only a group housing plot on auction. And therefore, there were not that many bidders for group housing for that plot, and we were able to get value. I don't see a lot of demand for group housing land yet still in the system, but land has alternative users like plotting, and that had made it up.

I think they have started correcting now. I think plot prices are either plateaued or started falling a little bit in a few markets. I think they were fundamentally off the charts.

Ankit Gupta: Sure. And with our increasing focus on Gurgaon ...

Varun Gupta: Ankit, can I request you for the last question, please. Because we have a little bit of a long queue after this. So just last question, this one, please.

Ankit Gupta: Just last question from my end. So how do you see our realizations over the next 2-3 years from we ended this year with around ₹ 5,000 per square foot- ₹ 5,080 per square foot, maybe our increasing focus on Gurgaon as well as other cities. So how do you think realization can be over the next 2-3 years?

Varun Gupta: So we will have, I think, a wider price bracket and a lot of the portfolio will define that. I think Jaipur will continue to operate in the ₹ 4,000 to ₹ 5,500 -- ₹ 4,000 to ₹ 6,000 kind of a price range. Gurgaon will now, I think, be closer to ₹ 7,500 to ₹ 8,500 square foot price range, depending on the new projects we take up, where we take up.

Senior living, I think we are crossing the ₹ 5,000 threshold across the board getting closer to ₹ 6,000. Bhiwadi and Jodhpur general housing continue to feel pressure. So a lot of our price points will also now depend on the mix of projects that are sold in a particular period.

Moderator: The next question is from the line of Anuj Sharma from M3 Investment.

Anuj Sharma: Yes. Congratulations. I don't know if this was discussed but at the sake of repeating it. If we exclude the project mix, then what was the pricing improvement on a like-for-like basis in FY '23?

Varun Gupta: It's very hard to say on a like-to-like basis. I think because the project has got completed and you have launched a new project, it becomes very difficult. So we don't do like-to-like tracking because they're different across different projects, and they have different weights and different years. So taking our weighted average becomes a problem. If a project is selling a few units this year because it has less stock, it's weight might be less in this particular year. So it becomes very problematic to look at that. So we look at a portfolio basis. But I think, ₹ 4,000 per square foot is our new normal. So normal earlier was, I think, ₹ 3,300 - ₹ 3,400 square foot to operate on like a base case scenario. I think that base case scenario has shifted to ₹ 4,000 per square foot. So maybe that's the way to look at it. Like maybe a 15%-20% shift over a 24-month period is probably an ideal way to say where our base has shifted.

Anuj Sharma: Okay. Okay. Got that. And just an extension. So going forward, even if I take a 20% from ₹ 3,300 - ₹ 4,000 per square foot, 10%- 15% is something which we can look on like-on-like basis across portfolio? And which other markets where you think you can push through pricing little easily in your whole portfolio?

Varun Gupta: So I would not comment on how much price increase we look at year-on-year. If you had asked me this at the beginning of the year -- last year, I wouldn't have said the kind of increase we saw over the last 2 years, unfortunately, I'm not able to give a call on that. That said, confidence on pricing in Gurgaon, Jaipur and senior living and Jamshedpur are generally the highest as of now.. And I see that to continue.

Moderator: The next question is from the line of V.P. Rajesh from Banyan Capital.

V.P. Rajesh: Congratulations, Varun. Just a few quick questions. One, on the realization that you were just talking about. Our increase in realization has been much lower than the general inflation over the last 10 years. So are you consciously trying to push the realization up by getting into the target which have higher price points or not maybe?

Varun Gupta: I think, V.P. I think 10 years of inflation has been captured or 7 years of inflation has been captured right now. If I really inflate prices from, let's say, 2010 perspective in markets we are in, we would be hardly at inflation yet. So I think that basis, there is room, but you never know if 2010 is a good baseline number to take. But there was a lot of catching up to do in real estate prices in general because there were no increases for a few years. And there is still some catching up to do in some markets.

V.P. Rajesh: Got you. And my second question is on the ROE side. So it's nice to see that you are moving up the guidance to 15%. But just curious what has been the ROE for this year if you had already done the numbers not on the reported P&L, but the economic value that you track.

Vikash Dugar: Yes. Rajesh, Vikash, here. So we have been improving our ROE year-on-year. So this year, in FY '23, we have crossed the double-digit numbers. Although directionally, the target is to achieve a 15% kind of a number about which Varun Ji spoke a while back. But this year, we have certainly improved, and we are in double-digits number.

Moderator: Next question is from the line of Shivam as an Individual Investor.

Shivam: Sir, I just heard your guidance, will it be INR1,500 crores for FY '24, right?

Varun Gupta: Yes, yes.

Shivam: Okay. And can you give us an estimate of what kind of PAT percentage can we expect? Like just a rough idea.

Varun Gupta: So, the ₹1,500 crores number is not a revenue number. This is the pre-sales number, value of area booked.

Shivam: Yes, yes. That I understand. Like how much of the PAT percentage usually we target like if you are doing the pre-sales of ₹ 1,500 crores?

Varun Gupta: So we are targeting a 30% GP. We target about, let's say, 4%-4.5% of sales and marketing expenses. And the overheads are a fixed overhead number. It's not a percentage number, there is operating leverage. Those are reported. So let's say, if I exclude depreciation and finance from that. So, last year, that cost around ₹ 67 crores.

Vikash Dugar: 6% to 7%.

Varun Gupta: So last year, that cost overall was about was ₹ 65-70 crores according to us. So that's the number. From the P&L, you can base the actual overheads and run that number.

Moderator: We have the management line reconnected. Sir over to you.

Shivam: Yes. The PAT -- any estimate PAT margin percentage?

Varun Gupta: I'll let you walk through this, okay? So we expect a 30% GP margin. Currently, sales and marketing expenses or new projects are running at about 4%- 4.5%, which were earlier much larger number and they started trending downwards on sales and marketing. And administrative and corporate overheads, we run at about 7% -7.7% -- odd, okay? And you take off your tax from that, and then you'll get to a PAT margin. So hopefully, we can operate at a PAT margin of about 13% - 15%, depending on what our blended GP margin or sales and marketing costs are there in a particular area.

Shivam: Okay. And sir, any guidance that you can give that how much is the current land bank potential in terms of sales, any target, if possible, if any internal target you have?

Varun Gupta: Yes. So we have already booked about ₹ 2,100 crores of stock, which is booked but not recognized from a revenue perspective. And we have another crores and some square foot to sell. I would say that blended, you can take that value at about ₹5,500 crores of sales value from that.

Moderator: The next question is from the line of Rahul Jain, as an Individual Investor.

Rahul Jain: Yes. So I heard you mentioned this about this economy ROE one sort, right? So can you explain a little bit how you're calculating this economic ROE?

Varun Gupta: So, we do some math on equivalent area constructed. We do a math on the area booked. We apply what we had at the first square-foot margin to those numbers and then take out where we are looking to go. So it just gives a sense of the direction of where reported numbers will get because basically, our job is to sell and to produce, right? And we take that number of units we are selling, number of units we're producing, apply a blended average to a per square foot margin that we calculate through our cost and our sales and then calculate that margin out. We'll give a little bit more detailed explanation in the annual report this time, and you can have a sense of it.

Rahul Jain: Okay. And any color on buyback or something, I think you had mentioned last quarter, the previous quarter about discussing with the Board about a buyback or something.

Varun Gupta: So we haven't yet firmed up anything like that. As some analysts had suggested on the call, we have been contemplating, being understanding it and trying to wrap our heads around it. We don't have any specific color on this.

Moderator: The next question is from the line of Rishi Singhal as an individual investor.

Rishi Singhal: I wanted to ask 2-3 questions. I wanted to know, think as if in Bhiwadi we are running a hotel and we sell the hotel and use that money in business in the core area? And I see that we have a school, I don't if it is on its balance sheet. Do you want to say anything on this?

Varun Gupta: We think that some of the non-core asset assets should be disposed of. There are some which we want to dispose. We had one Macdonald which was on rent which we disposed of last year. We are thinking for some asset to dispose of. The hotel in Bhiwadi will not be dispose of particularly, they have different implications.

And the hotel on our invested capital makes about 15% returns right now. So we are okay with that kind of return a little bit here or there on the details. But the hotel is not something that is concerning us too much and it does not have a significant amount of capital deployed, but there are other items that we are slowly and slowly trying to dispose off and move those end. And school is an asset that we do intend to transact on.

Rishi Singhal: Second question is, we are focusing more on Bhiwadi in senior living, are we seeing any other center in NCR keeping in mind that Bhiwadi has been named as most polluted city. So does this create some issue in our long term strategy?

Varun Gupta: Okay. We are focusing more on senior living in other cities. So we are not seeing any more place in NCR. We are of the view that, we have to increase work in Bombay, Chennai, Bombay and Pune. We have now started launch in Talegoan with like just the pre-launch process getting activated there. And for Bhiwadi, I would say, they say most polluted city, where they have meter, that is in the middle of the industrial area of Bhiwadi and whereas our projects are far away from it. So once you come into the projects, you will not see that.

We have done meter reading of air as compared to Delhi where you stay and Gurgoan and Noida. And Bhiwadi is less polluted than where I live in Delhi. Or not Bhiwadi, where our Ashiana Nirmay, Ashiana Advik, Ashiana Town are less polluted than where I live in peak winters. Its okay, if some one give names, I don't think it is affecting the sales, particularly in Bhiwadi.

If we have to increase market in NCR, we will do it somewhere else, then the market will definitely increase. Because new options will open up. Many people find Bhiwadi far away. So we can open new things. But now our focus is more on Chennai and Pune for launches.

Rishi Singhal: I wanted to give a suggestion because I live in Gurgaon and I have worked in Biwadi for 17-18 years. I have done a lot of up and down. And I have met your elder brother a couple I have met Vishal ji in one or two parties. I have been an investor for a long time, that now I am feeling that your focus is Bhiwadi and a small center, I mean, if I may use the word, with a small mindset, you are going towards a big builder and a bigger mindset.

So, I mean, like you can launch senior living project in Dehradun. I think Delhi people are very happy to go to Dehradun. I mean, in Bhiwadi, I see the land of Milakpur - a very big land parcel has been involved. What I want to say is that, I mean, it is time to fly. So, I mean, would you like to say something about this?

Varun Gupta: So, the size of our senior living projects have increased. Our focus will be on senior living. So, in general housing, the focus has shifted to Gurgaon. In NCR, that's become the bigger place. Senior living in Bhiwadi continues to do well. And in senior living, according to us, a large part of growth will also come from Chennai and Pune. So, our focus has been a little more on that. According to us, the market has increased a lot in Chennai.

Rishi Singhal: That's good to hear. And these two or three projects, like Calcutta, which are stuck in FY, so are you thinking about how to get rid of them?

Varun Gupta: Sir, it is going on. To get rid of these non-core stock assets, there were a lot of problems in the balance sheet. We are cleaning it slowly. We were doing some operations. We are talking. It takes time. Hopefully, it will be done.

Rishi Singhal: I have seen that we have faced financial fraud twice. Is our system bulletproof that there will be no financial fraud now?

Varun Gupta: Sir, I can't say it is bulletproof. I am not 100% sure. According to me, that is not a view I can take that it is bulletproof. But our internal controls are sufficient. We did two things very important in the last year. If you want details, we will give you more details. One, we changed the internal auditor and made the Grand Thornton, our internal auditor. The quality of internal audit and quality of supervision is improving. Our things have improved.

And second, have switched our accounting systems to ERP. So our engineering systems are already moving to an ERP earlier called Farvision, which is a real estate industry standard, which is very much used. And we have also moved our accounting systems to that. So that has sufficiently improved controls a lot, I would say, in the way we operate.

Some SOPs are also being made to improve the controls. As the company grows, we will have to change our controls with the growth. And I think we have a good eye on that.

Vikash Dugar: We have strengthened the audit side. And even in terms of mix of people in the team, we have brought more seniority and experience. So that we get better control in financial operations. And as Varun Ji said, we are standardizing operations so that things get more streamlined. So, a lot of initiatives have been taken in this area which will help us a lot in future.

Rishi Singhal: It was great to hear this sir. Okay, one indirect question. You don't have any responsibility to answer this. As I see that the cycle is going up and mutual funds are selling continuously, Ashiana shares. So, do they have some special information with these guys which we don't have? Is there anything like that?

Varun Gupta: You should ask them sir. I have no clue. I don't know. I don't know anything. You can ask them.

Rishi Singhal: Okay sir. Thank you very much. It was very informative.

Moderator: The next question is from Vivek Joshi from VP Capital LLP.

Vivek Joshi: So EBITDA margins have been low if I understand from what you have told in the call because of the higher…

Varun Gupta: Vivek, your voice is breaking, we couldn't understand you.

Vivek Joshi: Yes. So what I wanted to understand was the EBITDA margins in the last 3-4 years have been like low. Is it because of like cost overruns in the projects?

Varun Gupta: No. So the EBITDA margin over the last few years or going forward, you mean?

Vivek Joshi: Over the last few years, just to understand like if the costs were always on project-to-project basis, why was the EBITDA margin so low?

Varun Gupta: Has been because of depressed volumes. So what has happened as our overhead was structured for a much larger set of operations. And then our operations declined because volume of square footage decline. So our margins started getting hurt. So that movement is where we really, really got hurt.

And second, yes, we got stuck in higher operations costs as compared to sales price because sales price compressed or remained stagnant over 5-6 years in terms of per square foot, but your construction costs increase, you were locked into high land cost, thinking sale prices will actually increase where they actually decreased. So our assumptions on some of the projects we took at the peak of the cycle went out of whack and we had lower volumes, so our fixed cost started hurting. So we got crushed from 2-3 places here.

Moderator: The next question is from the line of Darshan Shah from Multi-Act Equity Consultancy.

Darshan Shah: Sorry, I joined call a bit late. Can you just give us what kind of area booking that you are looking for in FY '24?

Varun Gupta: We are looking at ₹ 1,500 crores worth of value of area booked in FY '24.

Darshan Shah: And with realization of ₹ 5,000 crores - ₹ 5,500 crores?

Varun Gupta: Yes, somewhere in between, right, yes.

Darshan Shah: Okay. And another question is, how is the response in Prakriti Phase 2? I think you have started registrations from 18th May onwards.

Varun Gupta: Okay. So I'm actually not aware exactly how the response in that particular project is, but we were expecting a good response. I will have to check back and get back to you on that.

Moderator: The next question is a follow-up from Himanshu Upadhyay from O3 PMS.

Himanshu Upadhyay: Yes, Varun. This is just - what did you state about business development? And how are you looking at the geographies where you want to focus in terms of business development for next 2 years or FY 24-25?

Varun Gupta: Yes. So we want to concentrate our existing geographies only Himanshu, where we are outside of senior living. For senior living, we are looking at a couple of more cities. And right now, the thing is we are doing a replacement stock addition mostly. So we added about 20-lakh square foot last year, 2 deals in Jaipur, one in Gurgaon. We are in active discussion for another 20 lakh square foot total across 2 transactions that we spoke about. Till markets become a little bit more conducive for more transactions, we will look to add a replacement stock in a little bit more. And as I said, now I see land prices becoming a lot more viable.

If sales prices have gone up, land prices have remained flat. The plotting market is not doing as well as it was doing earlier. So the demand for land from the plotted developers has reduced, which is leading to prices on the land being plateauing and capping off. So hopefully, we'll start seeing more aggression maybe in 6-8 months timeframe or maybe 12 months' time in deals. But till then, it's mostly replacement stock kind of BD that we're focusing on.

Himanshu Upadhyay: And you stated about this plotted development. Is it just a NCR phenomena? Or you are seeing this across the board, even Chennai and let's say, Pune market?

Varun Gupta: No. Plot development is at Gurgaon -- NCR and Gurgaon and Jaipur phenomena that's -- and that's where we were looking to do more BD because we needed more stock there and we see volumes going up. Chennai and Pune, I think, we have good stock right now to sell and senior living projects to actually launch. In Chennai, we had close to about 18.5 lakh square foot across 2 projects, at senior living that has to be launched. Pune, we are just in the pre-launch zone of a senior living project in Talegaon. So there we had already stocks, we were not aggressively looking.

So it’s hard to comment what's going on there on land prices. As regards the plotted development -- please keep to Gurgaon and Jaipur as a context.

Himanshu Upadhyay: Okay. And can you give an idea of, let's say, let's take a FY '20 base figure, how much would the land prices have increased, and the realization would have increased in the NCR, Jaipur and, let's say, the Chennai market, where major sales are happening for us?

Varun Gupta: So NCR and Jaipur, land prices would have gone up close to double since FY '20. And sales prices would have gone up 20% on the base, but 40% -50% also in some places.

Himanshu Upadhyay: Okay. See, coming to the next thing, we see a lot of optimism, okay, across the real estate, and we are seeing all listed companies are thinking about business development or doing business development. Everybody's business development in FY '23 is higher than what they did in FY '20, all real estate companies I'm talking about. As an outsider, how do I understand that people are not going overboard in the sector now because we had long issues in the cycle in last 10 years, how do I understand that?

Varun Gupta: So one thing, therefore, is to look at joint venture transactions, right? And in joint venture transactions like revenue share, do you see increasing revenue share that people are providing? Are they able to control it? So that will give a good sense. Start asking for how the math look on those. Do you think people are pushing the sales prices to make the math work. Those are a couple of things that you would like to look at.

So we have made a basic idea that we will not cross this kind of revenue share threshold whatsoever. And if you do it as a revenue share threshold, at least you are protected on the margin front a little bit. So we are doing those kind of thought processes ourselves. But we'll have to run the numbers on the math. Running the land price numbers are not a very hard thing to do. It's a very simple thing to do to see whether they make sense or not.

Moderator: The next question is from Shrey as an individual Investor.

Shrey: So, my question is that a couple of calls back, you had spoken about you would have to increase the base of your company as you grow. Could you give me a sense of what base are you targeting, across cycles, something that you would want to increase to?

Varun Gupta: Yes, we are targeting a 15% ROE. So in case we don't raise capital, the base of growth somewhere around that. Maybe a couple of percentage points lower for dividend or something like that, but that's the mid - low teens kind of a growth rate is what we're looking at.

Shrey: No. I wasn't referring to ROE. I was referring to the scale of the company. So you spoke about the base scale of the company. Are you targeting a certain base scale of the company, I mean, are you planning to increase that scale?

Varun Gupta: Ideally, we would like to change the base scale of the company to twice or what it is in a 5-year kind of a threshold.

Shrey: Okay. And how would we take the base to be as in what would be now, if you could give some color on that? What base would you consider as of now?

Varun Gupta: So right now, I think the base scale of the company will be around -- in a down cycle, we would have upped the base scale of the company to about 14-15 lakhs square foot now and roughly about ₹ 700 crores -₹ 750 crores sale as a base case scenario in poor cycles is probably where I would estimate that to be, but let's be careful that's an estimate. It's not somewhere, where I can say this is what the reality looks like.

It's an estimate that I have basis of my understanding of where we are operating. So that ideally, that's what we would like to shift in the company to shift the base scale of the company to maybe about 25-30 lakhs square foot. And that the cycles are good to be doing better than that as well. And I expect the real estate cycle to last a few good years right now. It's still in the beginning of the cycle.

Moderator: We do the last question from the line of Rishi Singhal as an individual Investor.

Rishi Singhal: Mr. Gupta, you have answered the question. I just wanted to ask that do you ever get a differentiated between investors and end users? Is there any such matrix?

Varun Gupta: We do not allow you to resell a flat without registration. So what happens is that the number of traders, I say, who want to buy and exit the position, they get reduced by the nature of that policy. In our projects, there will be 50/50 ratio of owners and tenants who occupy the projects. In some projects, the owners are more and in some projects the tenants are more. But in the company, the average occupancy will be 50% between owners and tenants.

Rishi Singhal: So, at the industry level, do you feel that every builder or every company has a full throttle to keep the accelerator running? Do you see any such signs of danger in the market that the system is overheating? Because we feel that the house prices are going towards unaffordablility. The income level is not increasing enough to make the prices go up.

Varun Gupta: See, two things. According to me, there is still not a lot of increase in the supply side. It is to be said that all the developers are pressing the accelerator because the number of developers left is very less. So, the road is empty because there is no traffic, so everyone has kept the accelerator pressed. If you count the number of developers in NCR from 7-8 years ago, and how many are there today, you live in Gurgaon, count in Gurgaon for instance, how many projects were launched between 2009 and 2015, and how many are being launched now and how many builders' projects are being launched.

You won't see much supply. So I don't see any worry till the supply doesn't increase. So as of now, it's looking good. I am not seeing any problem of affordability also right now. The first sign of affordability we will see is when the size of the flats will start decreasing. Now the size of the flats are also increasing. Builders will respond to affordability concern by reducing flat sizes. When you will start seeing that, then you will see that there is a problem in affordability. Till then, we don't have to worry. On the contrary, big flats are sold more earlier.

Rishi Singhal: It was very nice talking to you. Many doubts have been cleared. See you at the next conference call. Thank you.

Moderator: Ladies and gentlemen, that would be our last question for today. I now hand the conference back to the management for their closing comments. Thank you, and over to you.

Vikash Dugar: We would like to thank all of you for being on this call and being so patient with all the questions and answers. If we were unable to take any questions, please feel free to write to us directly or reach out to us directly. And with that, we would like to conclude the call. A lot of the material we have spoken about is posted on our website, and you can also e-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. Ladies and gentlemen, on behalf of Ashiana Housing Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.