



“Ashiana Housing Limited Q2 FY 2018 Earnings Conference Call”

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**MANAGEMENT: MR. VARUN GUPTA -- WHOLE TIME DIRECTOR, ASHIANA
HOUSING LIMITED
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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q2 FY 2018 Earnings Conference Call of Ashiana Housing Limited. 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 for an operator by pressing “*” then “0” on your Touchtone Phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Gaurav Sud from Ashiana Housing Limited. Thank you and over to you, sir!

Gaurav Sud: Welcome everyone and thanks for joining this Q2 and H1 FY 2018 Earnings Call for Ashiana Housing Limited. The Results and Investor Update have been e-mailed to you and are also available on the Stock Exchange. In case, anyone does not have a copy of the Press Release please do write to us and we will be happy to send to over to you.

To take us through the results of this quarter answer your questions we have today with us, Mr. Varun Gupta -- Whole Time Director of the Company; and Mr. Vikash Dugar -- who is the CFO.

We will be starting the call with a brief overview of the Company’s performance and then we will follow with a Q&A session.

I would like to remind you all that everything said on this call that reflect any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks that they we face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with the SEBI and subsequent Annual Reports which you will find on our Website.

With that said, I will now turn over the call to Mr. Vikash Dugar. Over to you Vikash!

Vikash Dugar: Good Afternoon, Everyone. Thank you for joining us to discuss performance of the second quarter of FY 2018 of Ashiana Housing. I extend a warm welcome to all of you.

Sales continued to be sluggish at 1.57 lakh square foot vis-à-vis 1.51 lakh square foot in the previous quarter. We handed over 4.75 lakh square foot in Q2 out of which 3.47 lakh square foot was delivered in AHL and 1.28 lakh square foot was delivered in partnerships. This was against a delivery of 2.69 lakh square foot in Q1.

Revenue recognized from completed projects of INR 97.72 crores versus INR 62.69 crores in quarter one of FY 2018, higher revenue due to higher deliverables. Revenue recognized from completed projects was at INR 107.15 crores in quarter two of FY 2017. Total comprehensive income was at INR 24.55 crores versus INR 6.24 crores in quarter one of FY 2018, higher total comprehensive income resulting from higher area deliveries in the second quarter.

Total comprehensive income includes standardized profit on market investments in addition to PAT that is profit after tax. Pre-tax operating cash flows were negative at INR 23.8 crores versus positive Rs. 9.4 crores in quarter one of the current year.

Delay in collections putting pressure on cash flows. However, we expect full year cash flows from operations at a pre-tax level to be positive. One important aspect which needs to be highlighted is that the average realization price for the current quarter has been understated due to passing of GST benefit to the customers including the ones who had bookings with us in the pre-GST regime. And entire benefit has been loaded on to the area sold for the second quarter. Equivalent area constructed lower at 1.87 lakh square foot versus 2.40 lakh square foot in Q1 and 4.40 lakh square foot in Q2 of FY 2017.

Our construction has been generally in line with our commitments. We have entered into a MOU with a Pune based developer for development of a Group Housing Project on 19 acres approximately of land parcel situated near Hinjewadi, District Pune on revenue sharing basis. Expected saleable area would be 12.5 lakh square foot to 15 lakh square foot

On this note, I would like to conclude my remarks. We will now be happy to take discuss any questions or suggestions that you may have.

Moderator: Thank you sir. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Priyank Sanghvi from 5Y. Please go ahead.

Priyank Sanghvi: My first question is, can you elaborate more on the delay in collections that you just mentioned?

Varun Gupta: There was not like our collections were delayed, so the amount we demanded and the amount we collected in this quarter as a percentage of total demand was weaker than what we usually have. Couple of reasons were probably also because of some demands getting delayed at our end because of GST and some procedural issue at our end. Some procedural issues at the banks in terms of RERA related. So, we were RERA cleared but you have to file paper works or some movement was around that. And some movement was also just delayed in terms of payments from our customers as well and those things. So according to me it is a passing phase. Things have not completely gone back to normal in October. But things did improve overall in October. We expect things to pick-up again in November, so collections are expected to come up again.

Priyank Sanghvi: Okay, fine. Thanks. My second question is about can you tell the occupancy in Ashiana Town, Bhiwadi as of now?

Varun Gupta: Ashiana Town, Bhiwadi is I do not have exact figures but it is somewhere around 260 to 275 it should be somewhere in that range.

Priyank Sanghvi: Yes, okay. 260 to 275 units occupied out of booked would be around somewhere what will be the total booked units?

- Varun Gupta:** Somewhere around 800 units will be totally booked and probably around 600 units would have been handed within in terms of people have registered and taken possession and the rest, we are waiting for the possession payment for them to do we are processed to take over the flats.
- Priyank Sanghvi:** Okay, fine. Good. Thanks. My last question is about, few days back there was a news item about IFC investment in Ashiana Housing. So will it possible for you guys to say more on that?
- Varun Gupta:** So I will elaborate a little bit. So first on Ashiana Town's occupancy again, things are moving pretty briskly, we would be adding between 10 families to 15 families a month in Ashiana Town in terms of occupancy which is a decent pace according to us in terms of flats getting occupied over all because people do have lots of reasons to move in at a particular point of time. You have other reasons to come in, so things are moving fairly, quickly according to me. And now coming to the IFC transaction, we are speaking to IFC for two types of transactions, one is on the equity front and one is on the debt front. On the equity front what we are talking to them is to sort of to do a platform whereby we can utilize their capital to buy outright projects they will investment in the specific SPVs on agreed terms. So that is on the equity front. On the debt front, we are looking at raising debt to basically fund some JDAs as well. We believe this is a good time to sort of do land deals where you see some action from us coming in, we announced one deal this quarter already last quarter hopefully we should have something this quarter as well or next quarter. In terms of just being a little bit more aggressive on land transactions and therefore other capital range. The equity component is around INR 150 odd crores and the debt component is around INR 115 crores that we are talking to.
- Moderator:** Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** Varun, my first query will be on the operating cash flow as we understand the collections were delayed a bit. But could you give us some guidance of how will the second-half look like? Do you see things coming back to normal in the third quarter or maybe it is going to push till fourth quarter when we are going to see the operating cash flows positive?
- Varun Gupta:** It would difficult to give quarterly guidance Abhishek as to what it would be. Things have started improving in October itself and collection there was also a one-time, not a one-time thing but we had some EDC, pending payments in our project in Gurgaon (Gurugram) to the tune of INR 10 crores which we also paid off in last quarter. Half of it was due in last quarter and INR 5 crores was an older due. And these payments generally come in every six months at about INR 4 crores to INR 5 crores every six months. So that was on expense that came in that particular quarter that we paid-off. My expectation is full year cash flows should be positive. So we should recover the cash flows that has happened negative till H1. How much of it will in Q1 and Q2 it will be very difficult for me to estimate.
- Abhishek Anand:** And regarding the RERA based regulations, most of my customers have been registered or the process is in progress what is the status of that?

Varun Gupta: All our projects are RERA registered whichever one was launched and ongoing. We are couple of projects that we have to push through for registration in terms of new launches or phases of existing projects that is in progress. But we are fully now RERA, RERA processing are fully through.

Abhishek Anand: And what about your customers because RERA requires 10%.

Varun Gupta: So not RERA registrations agreement for sell registrations. So our interpretation has been that the new customers post RERA is coming those agreements for sales need to be registered that is an ongoing process. I do not know how many are pending today. But the process has again been, the process has been put in place across locations this would also create some gap because registration you have sometimes it does take time where the customer has to come to the registrar and particularly if there are outstation bookings, it does create sometime hurdles on that that the only scenario that is there.

Abhishek Anand: And finally Varun, on our business development side, so of course we have seen Pune, if you could give more details on like what is your revenue share versus the land owner's revenue share? And also, in general if you could discuss what all geographies are you targeting and how the scenario is different may be from two years back or three years, why do you feel that this is the right time to get more projects on board or have significant amount of portfolio addition?

Varun Gupta: Okay. So the first query on Pune, the revenue share is in the low-30's I would not disclose the exact amount like this because it is a little bit of a sliding scale which is dependent on launch pricing so that will get cleared but it is in the low 30' is where the number is where is a little bit depending on what price points we are able to sell at. And on the front of launches, my view is on two fronts. I see, (a) land prices have become finally conducive in terms of deal terms and we would like to do that. Second, we believe that a lot of area bookings for us will get driven by new launched by diversifying our project across locations and across price points whether in the same city our outside, so you are able to cater to a wider mix of customers because overall there has been a reduction in the number of customers that is there. And the third view that we have is that the market is consolidating in terms of that supply has reduced in the market substantially and launches are lower than sales and off take with and launches will according to me will continue to be slow because most of the developers' balance sheet are ruptured and it is hard for them to create supply. In a falling supply environment, our view is that we will be able to get a larger share of the market and therefore, be able to improve our sales going forward for that we need to get launches going. So these are three reasons why it is. So given this scenario we are looking to do some deals and launch some projects.

Abhishek Anand: Any particular geographies you are looking at?

Varun Gupta: Our concentrations will be in Jaipur, Pune and Chennai and in Jamshedpur also as well. We have one project signed up, we are trying to get that lunched and we are looking to do a Jamshedpur a very smaller size project. In Jaipur, Pune, Chennai the projects are obviously a little larger than the nature.

- Moderator:** Thank you. The next question is from the line of Nikhil Kapoor from JM Financial. Please go ahead.
- Nikhil Kapoor:** Can you please throw some light on the realization front? You said the, realization was impacted due to the GST benefits being pass through but even if we look at the last two years the realization have been quite steady and stagnant, we have seen too much of improvement there, any views on that?
- Varun Gupta:** So first on the realizations have been steady there has been any price movements either upwards or downwards any significant movement. Most volatility in pricing quarter-on-quarter comes in from project mix, depends on which projects have more or less because you have wide range of pricing across projects which in there is average realizations. This particular quarter I would say, about INR 250 hit came just due to GST of older projects and also now average realizations where GST is applicable in those average realizations going forward is also reducing because your cost of construction has also reduced, and we have ensured that the total price to the customer including Service Tax or now in the GST the total price remains the same. So the total numbers will also reduce from that perspective.
- Nikhil Kapoor:** Okay. So on a ballpark figure we must be at 3,000 or thereabouts.
- Varun Gupta:** So I would say because a lot of our projects are also ready to move in which are selling and there is not a large component of GST projects in quarter-on-quarter. This quarter a large impact about Rs. 4 crores of impact was also the GST benefit we pass through to customers who had booked prior to 30th June as well on their remaining demands because we were getting GST benefit on the remaining construction. Therefore, GST benefits was given on the remaining demand which had a INR 4 crores impact which is what I was saying about INR 250 a square foot. If I add that INR 250 a square foot maybe a little bit more to 2,924 I get 3,175. So according to me a ball park sale average realization going forward will be in the 3,100 to 3,200 kind of a range.
- Moderator:** Thank you. The next question is from the line of Ruchi Parekh from Anand Rathi. Please go ahead.
- Ruchi Parekh:** Sir, I would just like to get a view on your Bhiwadi sales as in see, sir, if I see your completed projects as well as the inventory in completed projects as well as ongoing project somewhere around I see 0.8 million square feet of your inventory which is huge compare to your overall inventory which is there. So how are the sales going there, or how is Bhiwadi area moving?
- Varun Gupta:** So, Bhiwadi has been tough overall. The silver lining has been last two quarter has seen Ashiana Town which comprises the biggest inventory of our ready to move in inventory in Bhiwadi north of about 5 lakh square feet where we were averaging anywhere about 5,000 square feet a quarter, we moved it up to about, we moved it to 14,670 in the first quarter, 16,780 in the second quarter. Not in the third quarter but fourth quarter onwards I expect some uptrend further here because we are concentrating on our energies to further liquidate Ashiana Town and some marketing activity is going to start around it and our focus is over there. Ashiana Surbhi has also started

seeing some attraction quarter-on-quarter whereby some movement has started. So the silver lining is some movement which started. The challenge right now is movement still do small in the momentum is to really pick-up. My view is that fourth quarter onwards things should start looking better across the board because the momentum should catch again, driven a lot by the readiness of the projects and occupancy. If you go to a particularly Ashiana Town you will see a lot of life there now the 250 families and continuous inflow of people which is a very-very positive sign. So I am hoping things should improve going forward.

Ruchi Parekh: Okay, fair sir. Sir, and more thing sir, just wanted to ask on the future projects that you have mentioned one of them is Ashiana Gama in Bhiwadi. So that would be what kind of a project type? It would be comfort housing or senior living?

Varun Gupta: It should be comfort home only there Ashiana Town. But exact configuration and launch will a lot depend on how the sales in Ashiana Town Beta happens. That will give us a fair overview.

Moderator: Thank you. The next question is a follow-up from the line of Priyank Sanghvi from 5Y. Please go ahead.

Priyank Sanghvi: Can you tell, response to the credit link subsidy scheme going across projects?

Varun Gupta: It had not made that much of difference Priyank as we expected it to do. So some benefits have also started flowing through trickle, it has created a benefit for customers; but the overall benefit is a lot lower than I thought it could have been.

Priyank Sanghvi: Okay. In the last call you had mentioned a particular number of sales book through CLSS and it helped a bit in the Ashiana Town booking. So do we have some similar numbers for this quarter?

Varun Gupta: I do not have the numbers on me but the primary help it has provided has been in four projects. Ashiana Town, Bhiwadi; Ashiana Surbhi, Bhiwadi; Ashiana Navrang, Halol; and Gulmohar Gardens in Jaipur; these are the four projects where we have seen positive impact. Other projects have not been as positively impacted as these four have been. I do not have exact numbers on me for this quarter.

Priyank Sanghvi: Okay. My next question is about Ashiana Nirmay in Bhiwadi, this I believe is a senior living project, right?

Varun Gupta: Correct.

Priyank Sanghvi: And this project was doing fine for us until this quarter. So can you tell what happened anything that has happened in this quarter for lower bookings?

Varun Gupta: Yes. So one particular thing that happened is been our inventory mix, so a lot of preferred inventory has been sold in Phase-I and what we have is sort of a less preferred inventory in terms of preference of the customer. We also do not want to launch Phase-II without selling

substantially more chunk of it. So we are delaying Phase-II launch till we get a little bit more of this inventory out as it might again become a drag on the balance sheet by sitting as build console inventory. So that is the basic challenge that has come about in Ashiana Nirmay. I would say Phase-II launch is about three months - four months away then things should pick-up.

Priyank Sanghvi: Okay, fine. And anything happened in Shubham Chennai for a slightly lower booking?

Varun Gupta: Again, very similar situation there. We are looking to launch Phase-II of Shubham. Probably next quarter we are in the process of getting RERA registration done there. So I think, again, the numbers will pick-up in Phase-II kicks-in.

Priyank Sanghvi: Okay. And for Navrang in Gujarat?

Varun Gupta: Navrang, I am not so sure as to why the bookings have not come about as they were earlier.

Moderator: Thank you very much. As there are no further questions, I now hand the conference over to the management for their closing comments. Over to you!

Vikash Dugar: I would thank all of you for being on this call and being so patient with all the questions. I hope, we have been able to answer your question satisfactorily. We aim to be more transparent and proactive in our communications and will strive to increase our level of disclosures on the basis of your feedback. 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 lot of material we have talked 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, members of management. Ladies and Gentlemen, on behalf of Ashiana Housing Limited, this concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.