



“Ashiana Housing Limited Q4 FY16 Earnings
Conference Call”

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**MANAGEMENT: MR. VARUN GUPTA - WHOLE TIME DIRECTOR,
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Moderator: Good day ladies and gentlemen and welcome to the Ashiana Housing Q4 FY16 Earning Conference Call. As a reminder, all participant 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 you may 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 to Mr. Gaurav Sood from Kanav Capital. Thank you and over to you Mr. Gaurav.

Gaurav Sood: Thanks 'Shilpa. Welcome everyone and thanks for joining this Q4 FY16 Earnings Call for Ashiana Housing Limited. This is Gaurav Sood from Kanav Capital and Christensen IR. The results have been mailed to you along with the press release and it will also will be available at our website incase if any one does not have a copy of the press release. Please do write to us and we will be able to 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 of the company and Mr. Vikash Dugar who is the CFO. We will be starting this call with a brief overview providing in brief company's performance and then we will follow by Q&A sessions.

I would like to remind you 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 risk that they face. These uncertainties and risks are included but limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual report which you can find on our website. With that said I now turn the call over to Mr. Vikash Dugar. Over to you Vikash.

Vikash Dugar: Good afternoon everyone. Thank you for joining us to discuss performance of the Q4 and FY16 as a whole of Ashiana Housing. I extend a warm welcome to all of you. The year gone by was a mixed one while the market remains sluggish putting pressure on sales, we had manyfirsts to our credit.

This was the year with the highest ever execution, area delivered and PAT. We successfully implemented Happy Handover as a team. Q4FY16 sales was at 2.21 lakh square feet versus 2.63 lakh square feet in Q3FY16 and 3.52 lakh square feet in Q4FY15. For the entire FY16 we recorded a booking of 8.63 lakh square feet. We handed over 16.75 lakh square feet in Q4FY16 vis-à-vis 1.13 lakh square feet in Q3 FY16 which resulted in higher revenue booking in Q4FY16. With this we hand it over 23.6 lakh square feet in FY16. Higher area delivered was the primary reason for recording highest ever revenue of 536.05 crore. Out of 23.6 lakh square feet delivered in FY16, 15.07 lakh square feet was delivered in AHL projects and 8.53 lakh square feet in partnership projects. PAT jumped to 109.29 crore in Q4FY16 versus 4 lakhs in Q3 FY16, resulting from higher revenue booking. PAT for FY16 was at 129.39 crore versus 46.49 crore in FY15.

Pretax operating cash flows for FY16 was negative at 10.89 crore due to pressure on sales whereas we continued to construct as per committed deliveries. However, given the receivable from total booked units, we do not see execution challenges that is area to be constructed. We have already tied up with debt capital raise of more than 100 crore including an NCD issuance to cater to temporary working capital requirements over the next 12-24 months. This is to fund the construction cost of finished inventory which might remain unsold at the end of the construction period. Equivalent area constructed was maintained at 6.1 lakh square feet for the Q4FY16. Sustainable momentum in area constructed on a Y-o-Y basis reflects that the company is generally on schedule for project deliveries as we grow. For the year as a whole we clocked construction of 23.44 lakh square feet versus 22.8 square feet in FY15. You will appreciate despite of sluggish market conditions, we have maintained our construction pace as per plan which we hope will be advantageous to us when the overall economic cycle turns around for the reality sector which in turn would also revive cash flow from operations substantially.

We continue scouting for expansion opportunities. We have been progressively deploying the QIPfunds for landdeals. Till the last quarter we have already deployed more than 85 crores in various deals primarily towards Ashiana Tarang in Bhiwadi, extension of Ashiana Umang in Jaipur. New upcoming project in Ajmer in Jaipur and Ashiana Maitri in Kolkata. Basis feedback from our stakeholders, we have tried to increase our level of disclosures and provide more detailed information like breakup of sales and revenue into AHL and projects in partnership firms. Details of cash flow in ongoing projects and gross profit data to facilitate better understanding of our numbers. In this challenging times we plan to stick to core basics, like preserving enough liquidity to sale through cyclical downturns, judiciously allocate capital and keep capturing customers joy through initiatives like Happy Handover

On this note I would like to conclude my remarks. We will be now happy discuss any questions or suggestions that you might 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 Arun Malhotra from Santalum Capital. Please go ahead.

Arun Malhotra: Just wanted to ask could you give us a sense of the real estate market especially in the market where you are present that is one and second the projects which you are looking to complete in the next 1 or 2 years and thirdly going forward any intention of purchasing land in the pockets where you are serving?

Varun Gupta: I will take the question in reverse order. On question 3, where we looking to purchase land, we are actively scouting deals in various markets. We did four transactions in last year and we will continue to scout transaction this year. We prefer the JDA route but we are open to acquisition of land as well. But literally in home market, so this kind of more we purchase something in

Jaipur and we continue to look at home market for acquisitions. This is a good time for us to do overall land transactions, so we are actively looking.

Second on projects which are up for completion this year. The list is here, out in the presentation as what we expect for completions of projects in this financial year we could review those, we have a lot of projects coming up for completion this year probably 6 or 7 in various phase of various projects, Phase-I probably delivered this year, Phase-II coming next year or Phase-I coming next year, it depends on the project they have listed on the sheets. On the first bit on the market that we are presenting, that we are present in quite a few markets would not takes up all of them. I would the scenario in probably Bhiwadi and Jaipur is what I would discuss which are our larger markets. There are larger markets, the markets are challenging at this time as our area bookings for the year sort of reflect on the quarter, also reflect that the markets are challenging at this point of time. Again the view is, mostly that the customers are there. They are just delaying decisions even want of better deal or what you would call is a negative sentiment around the sector so that is the challenge been.

Arun Malhotra: What basically I am trying to ask is compared to last year same time, are we better off in terms of demand scenario and one more thing, in terms of approvals, are the approval process been shortened because we keep hearing that at least in markets like Mumbai and all the number of approvals have reduced and has become faster. So are you also experiencing the same across various market where you are operating?

Varun Gupta: We have not seen much change in the approval scenario in various markets we have been in. That said also the markets that we have been in are according to what we hear from our other developers in other market that the markets we are in are generally better than the other markets in the country over there. So but that said they continue to be similar as what is before on the approval front and in terms of sales momentum, FY15-16 was the worst year that we have seen as a company and so hopefully things will improve as we go forward. But currently the scenario looks similar to what it has been over the past year as last year.

Arun Malhotra: And lastly with real estate regulator in picture and do you foresee more institutional capital coming into the sector and if yes how would that impact us?

Varun Gupta: I do not know more capital will come into this sector because of the regulator coming in, it would be very hard to take a call on that, as to how that will happen. According to me the regulator will create some entry barriers into the business which will have its own impact on the market as it goes on.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Just want to understand about Chennai launch, seem launch this year, I mean how is the response, is this in line with our expectation as far as I see it is still very significant I mean in

terms of contribution this year for Chennai projects. So do you see this to improve going forward, in terms of run rate you have seen in this quarter?

Varun Gupta: Launched project in March itself, so we just had I think 2 or 3 weeks of sale in that area booking unit. Our expectations from Chennai is a little lower because we have no brand presence there and it is furthest away from our home market. So expectations that launch was already low anyways, we expect things to improve because we seek Chennai as a very good market to senior living and my view is that things will improve. Getting an indication that we are also getting in April and May. We expect things to improve in Chennai as we go forward.

Prem Khurana: You said you launch in this particular month of March, would you have any data for your months of April, May as well. So has the pace picked up now I mean in the month of April and May or is it still the same?

Varun Gupta: As of today we sit on total of about 35 bookings and end of March we were at 15-16 I do not have the exact numbers. So if we get a lakh square feet a year overall in Chennai, this year we would be happy as let us say as per our expectations.

Prem Khurana: And who is doing the marketing in this project, we are doing or Arihant is doing

Varun Gupta: We are doing the marketing of this project. But specially a senior living project, right? So we are specialist in that.

Prem Khurana: But don't you think it would have been better if your dues at marketing channel of Arihant because they-have been there for quite sometime,

Varun Gupta: We are partnering with them and their brand has helped a lot in overall generating confidence as said senior living at a different channel of sales in regular as eventual sale. So I think therefore we are doing marketing around that. But we are closely, I think having a great partner like Arihant in Chennai, has definitely contributed significantly to our ability to execute the project and we are overall very positive in Chennai. We expected to do very well for us.

Prem Khurana: And if I look at our cash flow situation I mean the number that you give in terms of operating cash flow before the land acquisition it seems to have turned negative this year 11 odd crore versus 73 crores last year. So would it make to little slow on land acquisition or on construction of projects where in we do not have any significant sales or we would continue with the same this year, it has been one of the best year in terms of execution

Varun Gupta: I will tackle those questions differently. One on the front of acquiring more projects. Fortunately, we have cash which can be deployed as of today. So we will look to deploy to that cash to get more projects. So we will not stop on that front. That said we have become a little bit more careful than we were earlier but we are actively looking for projects. So that is one, second on the construction front I think we will be able to keep momentum this year more or less. If sales do not pick up this year, then execution in next year will be a little lower because

we do not want to build anything that is not being sold speculatively and more required. The project where we have started sales, the pace will keep up there because our association of timely delivery with our brand I think is a very important association that there is. So phases will be built as per schedule and we do not see a very large funding challenge over there because we can fund most of it through already sold inventory.

Prem Khurana: Would you be able to maintain run through a cash flow situation in existing project, how much are we able to see from these projects, how much of pending construction cost?

Varun Gupta: We did send out the note out for the stock exchanges in the sense. So we are about 48.53 lakh square feet of saleable area under construction out of which a sold area 27 lakh square feet worth about 802 crores, out of which we still have to receive about 285 crores and we have constructed about 52% of the saleable area. So with that 285 crore yet to be received, we can fund 90% of the construction from it. So again we do not see a very large challenge in our ability to fund construction, whatever we sell this year we will have ours to finance our overheads and everything.

Prem Khurana: And any targets for next year in terms of equivalent area construction and sales?

Varun Gupta: We have not given any guidance on it this time but I think equivalent area constructed will more or less remain similar to what we have done this year around 23 lakh square feet, give or take 5%-10% here or there. So the construction we will be able to maintain.

Prem Khurana: And the line acquisition that you talked about and given that the market are subdued and you would be able to get some good deals, markets you already present and not some new market we will be looking at towards any...?

Varun Gupta: We are not looking at any new markets. So this will be in markets we are already present in.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

VP Rajesh Thanks for the opportunity. First of all, we were just trying to understand the breakdown of the inventory. We have 731 crores of inventories and I was just trying to understand how much of that is finished and unsold inventory versus land versus you know the current projects

Varun Gupta: So finished unsold inventory is about 2,88,000 square feet which is again detailed out in our presentation to stock exchange that should be at cost of about, roughly around 50 odd crores, between 50-60 odd crore I do not have the exact number but that is what I would estimate that to be and of the remaining inventory again details we will be able to give you. So about 265 odd crores would be land and about 390 crore of work in progress and about 53-54 crore of completed construction.

- VP Rajesh:** In terms of looking at the project which has been out there for a while what is the plan to especially tree house residence, so what is the plan, are we trying to move that inventory by reducing the prices, I think you can just provide some color, like what is the game plan?
- Varun Gupta:** Honestly I do not know what we will do with tree house residential particularly, we have not spend so much time on it. The unsold inventory in the larger scheme of things I think Tree house is smaller piece of perspective, we are working on how to move inventory in other projects. Reducing prices according to us not a solution, it is not going to solve at the moment. We need to think through other solutions. Unfortunately, we have not been able to think through something that has really worked till now.
- VP Rajesh:** We generally hear that in the NCR region, 6 years of inventory outstanding. So my question is Bhiwadi and Jaipur being your core market, in your sense of the inventory sitting out there in those market?
- Varun Gupta:** I would say Jaipur would be far better position in terms of the number of months of inventory that Jaipur would have, again it is third party data that floats around in Jaipur is around 30 months as compared to let us say about 72 months for NCR, but again that data, how correct those data points are is very difficult to gauge, but on the same like to like basis Jaipur is doing favorably. Bhiwadi is in the same situation as the rest of NCR.
- VP Rajesh:** And then any guidance for the booking targets for the current fiscal year?
- Varun Gupta:** We have not given any guidance. It is very difficult for us to get a sense of how things are right now for the year.
- VP Rajesh:** Sure. Would you say that it would be higher than what we did last year or you think like it could be plus minus 5%-10% of what we did?
- Varun Gupta:** Our expectation is that we would do better than last year. How much better is a very difficult piece to reach. But the way things are looking, I think FY15-16 is the worst year that we would see hopefully in the near term. So things should become better. How much better is a difficult piece to give you a sense.
- VP Rajesh:** And among the markets given Bhiwadi seems to have lot of inventory and you say the Jaipur or some other market where you actually see some potential which will help you get over that expectation that you have or achieve that expectation, I should say?
- Varun Gupta:** So two things, I think Jaipur should definitely do better than last year, so that would help. Second we are going to launch a project in Jamshedpur in a new location. I think we will get significant traction in our Jamshedpur project which will add to the kitty and newer cities we are in some traction should start coming as well as we progress over there. And thirdly I think overall expectations is last year we did a theme around Happy Handing over there. Lot of Handovers and our customer satisfaction at the time of handovers is very high. So which gives

us a trend where there should be positive rub off of delivering on schedule and making customers happy. So that is the other thing that we are expecting to play positively in our favor this year.

VP Rajesh: And lastly on this Sohna market, what I am hearing is there is credit discounting. So have seen that in the market place?

Varun Gupta: There is discounting happening by some developers, we are not doing the same.

VP Rajesh: So do you foresee Sohna becoming core market or you have pushed the delivering to FY19, so I think you are going to slow there. But you see in more projects in this area ?

Varun Gupta: Ashiana Anmol delivery got rescheduled because of some approval issues that we have had that took longer than we expected to sort out. So there has been no delay that has been planned or anything to do from a scheduling perspective or our expectations in the market. My personal view is that Southern Gurgaon Sohna should become a core market for us as we grow. Gurgaon is a city is growing, creating jobs and providing high quality housing to that population should be a core market for us in the near term. Our brand resonates very well in the NCR. We expect to grow there And currently the situation is tough but that said there is population, there is job creation, there is end user demand in the long term and we expect to cash in on that.

Moderator: Thank you. The next question is from the line of Ravi Purohit from Securities Investment. Please go ahead.

Ravi Purohit: Some of my questions have already been answered. Just couple of questions, one is I think in the opening remarks I think Vikash has mentioned about QIP money being spent and I think as of now we have spent about 85 crores and some of it we spend in Kolkata. So can you just give us an update on what is happening on Kolkata projects, we are stuck for like ages?

Varun Gupta: Yes, we spend money in Kolkata to conclude the transactions, basically we upsize the land, so we upsize from 10 acres to 19.5 acres. Therefore, capital was required and the transaction was stuck also because there were approval issues that had come into the township that we have bought in. That got resolved this year. We are in the process of getting approvals for our specific project. So I think plans are going to start, go and get submitted from 30-day period from today and we will get approvals from them. We intend to launch Kolkata in the second half of this financial year, I would say. Let us when the approvals come in now. Not it is more procedural.

Ravi Purohit: Okay but this project will see the light of the day this year at least?

Varun Gupta: I hope so. In this business I cannot commit on this timeline.

Ravi Purohit: Second I think historically I think the way some of our projects and some of the geographies that we have been able to create a strong hold on is basically when we actually start delivering homes in the first phase and that is when the word of mouth also become pretty helpful in terms of getting our Phase-II or Phase-III. In Neemrana is where we are handing of Phase-I now and Halol I think also is there, we are handing over our Phase-I. Neemrana last time when we have launched our Phase-I it is sold out like in record time. I remember we had mentioned in some of the calls that we kind of sold out like in a month or whatever. So now that project is getting delivered what are your hopes on launching Phase-II and expectations from that and also on Halol, what has been our experience like?

Varun Gupta: Neemrana we have delivered one project before called Ashiana Green Hills and we could not do a project there because there were no approvals available Phase-I saw a lighter day. According to me the brand presence in Neemrana because of NCR has always been strong, so the same thought that Phase-I deliveries help in brand presence. I don't think applies to Neemrana overall according to. Phase-II, we were struck for approval issues. Those issues have been resolved. We are just recalibrating based on market condition, so we are taking a dipstick on the market and depending on that we will launch because we don't want to launch any phase where we will see further construction commitments which cannot be financed or advanced from customers, so that is something we are being very careful around overall as a company right now. So, with that thought Neemrana we are right now in the midst of a dipstick analysis over there that you would like to call it and we will get to know in the next 3 to 4 months as to how things are panning out over there. On Halol, Phase-I has been delivered or is in the process of deliveries. We will get to know in 3 to 4 months based on occupancy, how things are going, it is a market I am unable to understand because we get a lot of visits, we get a lot of praise for the project we have done, people come there, they like it, but they don't book, so maybe 3 or 4 months more we will get a sense of how things are. It is getting a lot of praise and we are getting a lot of visits. Conversion is little tough.

Ravi Purohit: Okay, but we have out of that 3 lakh odd square foot we had almost sold like 70% to 80% there.

Varun Gupta: Correct, but mostly to investors. So, what happened in Bhiwadi also primarily earlier on we sold to a lot of investors, who put the projects on rent and based on that ecosystem got created. In Halol also I think one of the things that we will have to do is once the deliveries are there, get people in to live there. On that we have been working very hard to get the occupancy there going, so which should start reflecting in a 3 or 4-month period and if we are able to get families to live there, that will then create a different vibe altogether.

Ravi Purohit: Okay, sir in the sense of new projects to be launched in this year is Jamshedpur and Calcutta.

Varun Gupta: Jamshedpur and Calcutta yes.

- Ravi Purohit:** So, between these two they have about what 2 million square foot of overall 2 to 2.1 million of overall square footage but you probably launched let say 10% or 20% of that.
- Varun Gupta:** Probably Yes 20% to 25% .
- Ravi Purohit:** Okay, so about let say 5 lakh square foot.
- Varun Gupta:** Correct.
- Ravi Purohit:** And existing projects I think Ashiana Town, beta Phase-I is where I think you have a maximum unsold area now, about 75,000 square foot, so how is Ashiana Town been because that is like the one of the largest projects you have?
- Varun Gupta:** Correct, Ashiana Town has been slow for the year and so the again expectations are in that Ashiana Town as we will deliver Phase-I, more people start living in there, we should see positive traction. If you would say as the biggest challenge the company faces today is getting sale volumes in Ashiana Town. As that is said in terms of quality, in terms of development, it is one of the best projects that we have done.
- Ravi Purohit:** Okay, is pricing an issue or demand an issue.
- Varun Gupta:** I wish I knew we could solve it. We are not able to figure out what the exact issue is, so I think once we know the issue and solving it is easier, we are not able to figure out what the real issue is.
- Moderator:** The next question is from the line of Shankar Dutt, who is an individual investor. Please go ahead.
- Shankar Dutt:** Sir my question is, is the traction is active senior living as a concept?
- Varun Gupta:** This year actually we grew in a senior living portfolio, so senior living Lavasa, we finally got traction, we launched Chennai, we expect to see traction, so senior living it makes a very small part of our portfolio as of now but we expected to contribute more as we go forward and this year was definitely one of the best year for senior living we have had in the last 4 to 5 years.
- Shankar Dutt:** And sir how is the assisted living business doing in Jaipur and Bhiwadi?
- Varun Gupta:** It is doing okay which again a very set a small quantum of a portfolio, we don't look at it as a separate business, more like that is a support service to the active senior living business is one, so after a certain age, people would need assisted living, so we have a small assisted living facility there instead of generally looking at it as a separate business.
- Shankar Dutt:** And sir what is the impact of real estate regulator in the industry and your company also?

Varun Gupta: I would say there has not been any impact as of today because just act has been notified, I think it will take another 12 to 15 months for them to implement the act with creation of a regulator, notification of rules and how it will go. My view what it will do is it will create entry barriers in the business. So only serious players will remain in the business, so which will be very good for the business, it will increase customer confidence in the industry which will also be good for the business. It will create a little bit of extra regulation, which will hopefully not create as much red tape and some changes that we will have to deal with, so if it creates more red tape in the business, then it will just slow us down. Overall, my expectations are that though the regulator will be very-very good for the business by making only serious players there, creating some entry barriers, building more customer confidence and so for.

Shankar Dutt: So, it is not going to impact us financially but it will improve our sales?

Varun Gupta: Financial impact will definitely be there. It will have impact from the competitive landscape, it will have impact on how capital can be used. It will have lots of impact that there is I think it give only a theoretical assumption of what will happen according to me. Right now, I cannot tell you because of there something has happened, that will probably we will know only in about 2 to 3 years' scenario.

Moderator: The next question is from the line of Jatin Agarwal from Perfects Research. Please go ahead.

Jatin Agarwal: Okay, sir I was asking that we all know that we are very well-known in the state like Rajasthan, so I just want to know what are the progress in the establishing of brand equity in other states like Chennai and Gujarat and on account of that what are the percentage of customer advances we have received from different sites for the year?

Varun Gupta: Okay, so on establishment of brand equity in new cities, I would say our brand gets established as and when we deliver, so over the time period we are delivering, so we build confidence in through our sales process, we build confidence through keeping construction as per schedule and then by delivering a good product and customer joy at the end of the day. Different locations are at different stages, I think as we go through those exercises brand will get established in different cities at different points of time and they are in different stages in different cities. In terms of advance from customers on a project level basis, we don't provide project level information on customer advances, we do provide total amount of money that has been received across projects which are ongoing, we received 517 crore of the area which is worth booked at about 802 crores, that information is provided and disclosed publically you can have that. Individual project level information on that respect we do not provide.

Jatin Agarwal: Sir one more thing, any expectations regarding the delivery of volumes for FY17?

Varun Gupta: We should expect to deliver between 15 to 18 lakh square feet in FY16-FY17.

Jatin Agarwal: Okay and breakup with between AHL in partnership?

- Varun Gupta:** I would look at about 5 lakh square feet in partnership and the balance to be in AHL projects.
- Moderator:** The next question is from the line of Meeshal Mehta from Polaris Capital. Please go ahead.
- Meeshal Mehta:** Just wanted to confirm something, as you mentioned, some percentage of saleable is still to be constructed, can you just give me that number again?
- Varun Gupta:** So 52% of the saleable area has been constructed, 48.53 lakh square feet is under development, on an equivalent basis, we have constructed 25.33 lakh square feet.
- Meeshal Mehta:** So about 23 lakh square feet is left to be constructed.
- Varun Gupta:** Yes, again on an equivalent basis like, out of that not a single square foot of this has been fully completed from 48.53 lakh square feet
- Meeshal Mehta:** Okay, fair enough, sir I am just trying to get an idea of how much of a construction plan is still left from what we have sold, okay. It is about 23 lakh square feet or equivalent area left on this and you mentioned about 20% of Jamshedpur and Calcutta which is about 5 lakh square feet, so about 28 lakh square feet is the construction plan that we have more or less lined up for this year as we stand right now, is that correct.
- Varun Gupta:** In addition to that, we will open up faces of under development projects as you go through the year. Okay, we don't have that schedule with me right now but we will open up stages in various different projects as we go through the area.
- Meeshal Mehta:** Any range of how much that could be 5 lakh square feet, 10 lakh square feet broadly?
- Varun Gupta:** Would be hard to comment Meeshal, it depends on the pace of sale. It is very dependent on the pace of sale.
- Moderator:** The next question is from the line of Ankur Jain, who is an independent investment advisor. Please go ahead.
- Ankur Jain:** Varun, my question is on the cement prices, so last year there was a report which said that some of the North Indian Chapter of CREDAI has went to the CCI, again some sharp increase in the cement prices and you as the company experienced the same that there was sharp increase in the input prices?
- Varun Gupta:** We did and then it came down again. Cement prices have been very volatile for the year, like when I see volatility of swings in on a biweekly basis of the nature which is very perplexing so that has been a volatile for the year.
- Ankur Jain:** Okay, so I mean the reports also mentioned about some cartelization so would that be a correct word to say about cement pricing?

- Varun Gupta:** I would refuse to comment on such things, whether it is cartelized but I do not have enough information to state this, the fact is that it will be very volatile for the year and it swung from lows to highs, to mediums to lowest at different points. I can't comment on whether there is cartelization or not.
- Ankur Jain:** So, I mean in order to mitigate that risk of the sharp increase in the input price, you have any long-term tie-ups?
- Varun Gupta:** We don't have long-term buy ups in cement and neither do we hedge in the commodity markets or anything like that, that risk is something that is there.
- Ankur Jain:** That is open-ended.
- Varun Gupta:** It is open-ended.
- Ankur Jain:** And one more question, which I had, I mean, could you please explain the note which you mentioned about the tax expense, though it was quite elaborate but still I mean I fail to understand that completely. The tax expense note that you have already submitted to the exchange.
- Varun Gupta:** I think you are okay, let me explain on that. Basically we had MAT credit of 27.40 crore at the beginning of the year. The MAT credit was not recognized in our books. We were just reflecting it as a comment in note to the account that this exists but it was not there. The asset was not recognized as an asset in our books. This year we went ahead and recognized that asset, okay because we believe we can consume it. So once we recognized the asset this year corresponding this is the way to recognize the asset is by crediting the P&L account and creating an asset on our books. So therefore our tax expense was lower than what it would have been if you have not recognized that asset. Out of that 27.40 crore, 8.94 crore was availed during the year against our tax expense and 18.46 crore is yet to be availed so that is the note that meant. So was that clear or not yet.
- Ankur Jain:** Not yet, if the income tax total to be paid was 36 crores and the MAT credit availed was 8.94, so the.
- Varun Gupta:** And we paid 27 crores this year.
- Ankur Jain:** Okay, so you have paid 27 crores this year.
- Varun Gupta:** We had paid 27 crores this year and 18.46 crore of MAT credit which was available with us which was recognized as an asset and will be consumed in the future so we will pay lesser taxes as we go ahead as well.
- Ankur Jain:** So the provision in the P&L statement was 8.54 crore but the total cash outflow was 27 crores, is that right.

- Varun Gupta:** Yes, correct.
- Moderator:** The next question is from the line of Manan Patil from Samiksha Capital. Please go ahead.
- Manan Patil:** On the revenue booking part I had this question on EBITDA margins and/or profit margins, which seem to be lower than our historical trend. So could you throw some light on it.
- Varun Gupta:** Sure Manan what we would like to say is on the margin front the way our business should be looked at is I think we should split our business into two – AHL projects and partnership projects okay, and our margins on EBITDA vary for two things – 1) on the partnership projects we only take in after tax profits as our sale item on the revenue front and have not corresponding expense associated with it and the second on there is a certain amount of indirect expenses which are incurred every year anyways which are not as volatile in nature so even if I do their lesser deliveries or high deliveries those are expense so both of those have an impact on our EBITDA margin. So for the way we look at the business we reported it, last year also we reported it, this year also, we delivered like 15 lakh square feet this year in AHL only projects which led to 155 crore of gross profit. So I would be looking at our business would try to extrapolate on these numbers, I do lesser deliveries this will reduce and if I do more deliveries this will increase in a per square foot margin you can calculate from these basics, we reported it last year, we are reporting in this year. This year you can estimate what should be that or this was the margin on the GP front on a percentage basis and then reduce indirect expenses from it and add our part on the partnership front again we 8.53 lakh square feet was delivered against which we reported after tax profit of 36 crores. So that has been distilled according to us this is a great way to look at our margin numbers. Instead of straight line this margin 30% or 28% or 20%, this is a better way to look at our numbers according to us.
- Manan Patil:** Right, so in that sense you delivered on your partnership projects, the number of deliveries in your partnership projects were much higher than like the usual trend. So I would, I was under the assumption that because it is just a PAT number from that partnership coming to your top line, margins like should have been higher is that understanding right, because mathematically that?
- Varun Gupta:** So but on the front of percentage of revenues, okay 28.7% was the contribution in '14-15 of partnership profit to our total revenue in FY14-15, this year was only 6.8%, okay, so therefore the chart that we have provided on how you can look at our numbers going forward, we have reported it for year before, this year as well. According to me that is a great way to look at this business.
- Manan Patil:** And you said 155 crore of gross profit from your Ashiana's project, right.
- Varun Gupta:** Correct and so all of 15.07 lakh square feet.
- Moderate:** The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

- VP Rajesh:** Yes, Varun, just one follow up, what is the delivery target of fiscal year 2017?
- Varun Gupta:** 15 to 18 lakh square feet.
- VP Rajesh:** Okay, and then, I am just trying to understand this pre-operating cash flow number of (-11) crore, so can you just tell what is the equivalent numbers for the sales and then obviously I will know the cost as well.
- Varun Gupta:** It is more to do with collections and expenditure on construction and overheads.
- VP Rajesh:** So the total number was 284 crore or so right and from the booking this year.
- Varun Gupta:** You will not be able to correlate to that because there were collections from bookings of previous year, the collections from this year, so it is more dependent on how much money we collected, okay. We will have a detailed note out which we send in the within the annual report, you can have a look at that and see what is exactly leading to those numbers, it is primarily driven by reduced collections due to lower sales and construction cost being slightly upwards due to increased area of construction.
- VP Rajesh:** Right, so given that condition for this year may not improve, we conclude that this year again could be a negative year from the pre-operating cash flows that point?
- Varun Gupta:** Yes, it could be sir.
- VP Rajesh:** That is all and sorry one more thing. So you had mentioned about QIP funds being totally kept aside for land purchase. Is that going to be the continued thinking or?
- Varun Gupta:** It is going to be the continued thinking sir.
- Moderator:** The next question is from the line of Ravi Purohit from Securities Investments Private Limited. Please go ahead.
- Ravi Purohit:** One was on this additional disclosures this two slide presentation which has been released which gives us this gross profit numbers from AHL and from partnership, in that the one line item is indirect expenses, now are these indirect expenses variable in nature in the sense in a year when you deliver lesser volume these will go down proportionately or whether they are fixed in it, I am assuming corporate expenses will be fixed but is this 78 crore entirely fixed or variable in nature and also in this year it looked a little high so I just wanted to know whether any one-offs or this is the usual rate of indirect expenses and what kind of indirect expenses are these.
- Varun Gupta:** There are 4 or 5 major heads in the indirect expenses, one is expense on employees which will be consistent, this will not be dependent on how much area is delivered, then there is depreciation again not dependent on how much area is delivered in a particular area, other

miscellaneous administrative expenses which is also not dependent on area delivered in a particular year and there is this selling expenses which is dependent on how much area is delivered. I think selling expenses for this year I would be about between 14 and 15 crores, which is dependent on the amount of area that is delivered in a particular year.

Ravi Purohit: Okay, so in the coming year when your deliveries are slightly lower as compared to what we had this year which is about 23 say let say if they drop to 15 to 18, a small portion of the indirect expenses will go down but the by and large the let say bulk of it will remain as it is?

VarunGupta: Not necessarily, I think our per square foot selling cost, has been more in the last couple of years than before, so even though my area might decrease your selling cost might go up a little bit, we in the annual balance sheet again we report what is called un-accrued selling expenses, so that un-accrued selling expenses is the expenses which have been incurred towards selling but have not been charged to the P&L which will be charged as and when area is delivered and they are proportionate to somewhat what is the area which has been sold, so you can get a sense of what is the cost per square foot of selling price from that un-accrued selling expenses and the area that has been sold in AHL and build along that.

Ravi Purohit: Okay, one last question, from the time that you would have basically taken on these projects and a lot of these sales would have happened about 2 years back or 3 years back the area booking, between then and now, I think prices of your construction materials would have dropped quite substantially in the sense steel prices have corrected quite sharply in the last one and half to two years. Cement has been volatile but it is not kind of gone up over a 2-year stretch by like 50% to 60% of whatever the case may be, so in that sense we have index of raw material cost would have been lower than when these bookings would have been made. Should that had been kind of reflecting in the margins that we are making right now and then going forward whether that may or may not be the case?

Varun Gupta: Two things Ravi, so steel and steel is generally consumed in the earlier during the early parts of construction. Steel is absorbed when the project is commenced so the reflection is going to be revealed more in deliveries which will happen in 2016-2017 and 2017-2018, that said whatever gains we have got in on cement pricing is probably been compensated otherwise an increase in our labor cost and also increase in some regulatory cost that we have had. Some VAT has been imposed across states which were not there. Cess payments that we have to pay across various states which was not there, so overall I would say cost fronts we are actually facing pressure now even though commodity costs have come down on certain.

Moderator: Next question is from the line of Meeshal Mehta from Polaris Capital Pease go ahead.

Meeshal Mehta: That you mentioned to an earlier question, advance collections have slowed down a bit from payments, from customers, is that something to do with the way deliveries and bookings have gone or are you seeing some kind of payment pressure from customers?

- Varun Gupta:** No, it's more to do with the lesser sale volumes, we have just sold lesser area in the year so therefore collections from new bookings were substantially lower this year as compared to last year.
- Meeshal Mehta:** I just wanted to confirm so nothing from properties that have been signed up already to sell, where you are facing some issues with people paying up, nothing of that sort.
- Varun Gupta:** Little bit issues that you always face Yes.
- Meeshal Mehta:** There is nothing extraordinary.
- Varun Gupta:** But you always face it, some issues or the other.
- Meeshal Mehta:** So that has not gone up in the last year half or something.
- Varun Gupta:** There has not been any changes in that any material changes.
- Moderator:** Ladies and gentleman, that was the last question. I now hand the conference over to the management for their closing comments.
- Vikash Dugar:** I would like to thank all of you for being on this call and being so patient with all the questions. I hope we have been able to answer your questions satisfactorily, 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 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 the management. Ladies and gentleman, on behalf of Ashiana Housing that concludes this conference call. Thank you for joining us and you may now disconnect your lines.