



“Ashiana Housing Limited Q2 FY20 Earnings Conference Call”

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**MANAGEMENT: MR. VARUN GUPTA – WHOLE-TIME DIRECTOR
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Moderator: Ladies and gentlemen, good day. And welcome to the Ashiana Housing Limited Q2 FY20 Earnings Conference Call. As a reminder, all participant lines will be in a listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by entering ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Sood from Kanav Capital. Thank you and over to you, sir.

Gaurav Sood: Thanks Melissa. Welcome everyone and thanks for joining this Q2 FY20 earnings call for Ashiana Housing Limited. The results and investor update has been mailed to you and is also available on the stock exchange. In case anyone does not have a copy of the press release, please do write to us. We will be happy to send it over to you. To take us through the results of this quarter and to answer your questions. We have today with us, Mr. Varun Gupta the 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 for the quarter and then we will follow up with the Q&A session.

I would like to remind you all that everything said on this call that reflects any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with the 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 will find on our website. With that said, I 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 second quarter of FY20 of Ashiana Housing. I extend a warm welcome to all of you. Sales recorded in Q2 FY20 were 2.37 lakh square foot as compared to 2.62 lakh square foot in Q2 FY19. The sales were at 3.54 lakh square foot in the previous quarter. Additionally, we have launched Ashiana Aditya in Jamshedpur in Q3 FY20 and Ashiana Daksh, Jaipur has also been open for registrations, i.e. an expression of interest. Response towards both these projects have been healthy and we expect to launch Ashiana Amantran, Jaipur in Q4 FY20. We expect H2 FY20 to be significantly better than H1 FY20. We handed over 1.65 lakh square foot in Q2 out of which 1.51 lakh square foot was delivered in Ashiana Housing and 0.14 lakh square foot was delivered in Partnerships. This was against a delivery of 2.11 lakh square footage in Q2 FY19. Revenue recognized from completed projects was at Rs.58.59 crore for Q2 FY20 vis-à-vis Rs.50.46 crore in Q1 FY20. Revenue recognized from completed project so, that Rs.129.48 crore in Q2 FY19. Total comprehensive income i.e. TCI was negative at Rs.9.05 crore vis-à-vis negative Rs.4.87 crore in Q1 FY20. Margins are under pressure due to lower deliveries.

Pre-tax operating cash flows was positive at 3.32 crore versus positive at 4.42 crore in the previous quarter. Equivalent area constructed was at 2.04 lakh square foot which was in line with our delivery scheduled in the September quarter vis-à-vis 2.14 lakh square foot in the previous quarter and was 1.97 lakh square foot into Q2 FY19. Our construction has been

generally in line with our commitments. On this note, I would like to conclude my opening remarks. We will now be happy to discuss any questions or suggestions that you may have.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Sachin from Perfect Research. Please go ahead sir.

We will move to the next question. There is no response from this participant. The next question is from the line of Kunal Sharma from Perfect Research. Please go ahead.

Kunal Sharma: I have a couple of questions, listing them together. Number one, how much is the Bhiwadi market correlated to the fortunes of auto segment, given autos is going through a tough time and does that mean that it will make a much longer time to liquidate our Bhiwadi inventory. Number second, in the newer markets we are exploring like Chennai, via senior living how big is it, how big is the potential market given in the social fabric of Indian elders staying with their family and what kind of competition are we seeing from other bigger players in this segment? Thank you.

Varun Gupta: So the first question is how much is the market in Bhiwadi connected to Auto Sector, I would say quite a bit, the largest industry in Bhiwadi and around is the auto business and therefore the problem in the auto industry will have an impact on the Bhiwadi market as such. However, there are two things that I would just like to articulate, a large part of our Bhiwadi market sales now is also driven by senior living, which has no bearing on the auto component business or the auto business and automobile business for us. So I think that the senior living part of the business is definitely insulated from auto. And on the regular housing piece, we are also trying & have been looking to sell to people who will work in Gurgaon and Manesar and who live in Bhiwadi. And that market is also becoming a larger piece of the market for us as we go forward. And therefore, that should also provide some protection to the declining trends in the auto business that might impact us in Bhiwadi. Moving on to your second question is, how big is the senior living market, taking in the India social fabric factor. One thing that I would like to say the social fabric in most places are similar outside of the Western world, that the people in the next generation are expected to take care of their elders and that is there, but that being said, in India also 70% of the families are nuclear as per the National Sample Survey. And in that context, in the urban areas it is happening to a large degree with children moving either within India to different cities for jobs or moving abroad for workplace and seniors are looking for care and support with that and the infrastructure in our cities is weak to provide any sort of social security, wellness, health, & that kind of infrastructure to seniors. And, according to us, the market is right now big enough for us to play in. The competition right now is little but more and more people are joining in. If you ask me to quantify the market, I have no way to quantify how large the market is and how big that would be, will be just like shooting in thin air for me. But that said, we see senior living to be a bigger piece of the business going forward.

Moderator: Thank you. We have the next question from the line of Nisha Kakran from Unify Capital. Please go ahead.

Nisha Kakran: I wanted to actually understand what's your view on Jaipur market because, in our own projects we have slowed down slightly. And also in the partnership project which are majorly in Jaipur. We have seen the traction coming down. So are we seeing any impact in demand for Jaipur market?

Varun Gupta: No, contrary to that I think Jaipur is doing quite well. As a market for us we are in the midst of launching a new project there. I think therefore some sales would have gotten transferred into that. So the new project we have gotten RERA registrations and launch for what we call expression of interest in registration. There is one project called Ashiana Daksh, the response to that project is very healthy. We will convert to bookings from registrations/ expression of interest in the month of December. And we expect the Jaipur market to do well this year on the back of that launch and we expect to launch one more project in Jaipur in the next quarter. And for that we expect a good response there as well. In our existing projects, we are also at the fag end of two particular projects Ashiana Umang and Gulmohar Gardens where the inventory with us has become very limited, the choice of units have become very limited. So that is also tapering off sales in those two particular projects and also in, Vrinda Gardens as well. The, unit mix that we have is also very little in the launched phases but we do have an un-launched phase in Vrinda Gardens as compared to Umang and Gulmohar Gardens where we don't. I think when we will also launch that phase in Vrinda Gardens, overall sales booking should improve. We remain bullish in Jaipur because I think overall the market never saw the excess supply that other markets like the Bhiwadi and NCR had seen. So therefore, that market continues to be good.

Nisha Kakran: Okay. And sir the performance in Jamshedpur is it as per our expectations?

Varun Gupta: So in Jamshedpur in the first two quarter Ashiana Sehar launch was not as per expectations we were expecting better numbers than what we got. But since then, in quarter three we have launched a new project in Jamshedpur called Ashiana Aditya, the responses in Ashiana Aditya has been better than what we expected. And Jamshedpur also I think will do well this year for us.

Nisha Kakran: Okay. And sir, the three projects which we are planning to launch in H2. So, what would be the area in that all together?

Varun Gupta: How much area we will sell or how much area will we launch?

Nisha Kakran: Launch?

Varun Gupta: I would say around anywhere between 12 to 15 lakh square foot all put together the phases we will launch the project itself total to about 22, 23 lakh square foot but we will launch about phases totaling up to about 12 to 15 lakh square foot, I don't have the exact number on me right now.

- Nisha Kakran:** Sir, just one thing I would like to ask, so when we are talking about Ashiana Aditya, Jamshedpur; Aditya's two phases is around 6 lakh square foot, so is fair to assume that the first phase will be around 3 lakh?
- Varun Gupta:** It will be a little bit more in phase one than phase two. And again, I don't have the exact number on me, if you wait and ask the question and in another 15 minutes, we'll have that number for you as to the phase wise areas that we plan to launch across the three projects.
- Nisha Kakran:** Okay, and sir just some more view of yours on H2 how are we expecting and how are we expecting to end the overall year at?
- Varun Gupta:** Okay. At the beginning of the year we had given an ambitious number of 20 lakh square foot of area booked for the year for the company. And given sort of that was the ambition and a view that 16 lakh square foot number is a definite possibility. We continue to maintain that view that we should get 16 lakh square foot at least this year. And if we strive and get our things in order a 20 lakh square foot number for the year is also possible.
- Nisha Kakran:** Sure sir. That's all from my side, I will wait for the revert on launch pipeline.
- Varun Gupta:** So, can I give you Aditya numbers initially, Aditya phase one area is 3,55,000 square foot.
- Nisha Kakran:** Right sir. And what about Ashiana Daksh?
- Varun Gupta:** Ashiana Daksh is also similar we will get you those numbers, if you come back after 10 minutes please.
- Nisha Kakran:** Sure sir, Ashiana Daksh as well as Ashiana Amantran which we are launching?
- Varun Gupta:** Yes, we will get you those numbers.
- Moderator:** Thank you. We have the next question from the line of Rohit Potti from Marshmallow Capital. Please go ahead.
- Rohit Potti:** My first question is on Anmol Gurgaon. Is it going as per your expectations, and I believe that the other Ashiana project is very close to this one so is that affecting us in any way?
- Varun Gupta:** Rohit, it is not going as per expectations it's been going very slow in sales. And that's a project we need to find a solution to get better sales there. The Ashiana Mulberry project, which is other Ashiana project, which is very, very close to us. I don't think that is having any negative impact on sales as such. The overall market is a little slower than we thought. And I think it's a larger issue of the market itself. Rather than it's Ashiana Mulberry has impact on us.
- Rohit Potti:** Okay so taking on what you said of the larger market impact. So, first question on that is, does this particular response to Ashiana Anmol change our strategy for the Gurgaon market. And the

second thing is, what we have been, what at least I have been hearing, is that the real estate slowdown is becoming more pronounced than what it was in the past as well. So you have views on that, do you think the slowdown is becoming sharper or it is not for organized developers like you?

Varun Gupta:

So in my opinion that, again we'll have to find ways to get solutions there. And in my opinion the real estate cycle in NCR is at the bottom of the cycle, I don't think it's going to get any worse. In my opinion, again the conversations that I hear in friends and family who actually want to invest or buy a house is improving and increasingly where people are considering and figuring out whether they want to buy the expectations of price decline further has been removed. They think a lot of people are saying now it's a good time to buy, prices have come down to the bottom. So those things are at general and in total sense that things are good. I think in Ashiana Anmol from our Gurgaon strategy. The Sohna micro market particularly in Gurgaon is also having a little bit of a tougher time because of lack of certain developments, a lot of access road is being redeveloped. So, in the long term its very good, because we'll have a large elevated corridor, but for another 12-18 months, there could be under construction issues. So there are, little bit micro market trend issues, our branding issues as well and getting that right. So, I think the issues are a little bit more complex than that, just let me put it this way, that there might be a further decline in the market and in my opinion we are at the bottom.

Rohit Potti:

And what about your strategy. Because you had mentioned that Gurgaon is one of the places that you were looking actively for land parcels. So does this experience change your strategy there in any way?

Varun Gupta:

No, we will proactively continue to look for partners there. We will take learning's from this into account and before we sign off the parcels, we have spoken to few customers in Anmol as to what kind of issues there might be in there and do the strategy accordingly, but we are looking for parcels in Gurgaon and we will continue to look for them and hopefully do one more project there.

Rohit Potti:

Got it. And so what you are saying is, in Gurgaon, the Kid Centric part has taken off quite well, but it is the external factors that is sort of restricting sales from where you would wish it to be?

Varun Gupta:

Yes, the sales are not where we would like them to be. And so sales can be also in the market, we might need to figure out whether allocation was off, whether our product was off, whether our pricing was off, whether the branding has been off ? Now a project having being delivered, what impact will it have on our brand. So if we fix those things, will we see the demand situation change in a new project, is something to be seen. So those are the kind of context we will use to make a decision before buying another land.

Rohit Potti:

Understood. And then could you speak a little on the larger real estate environment and all the markets that you are in right now. I mean, we hear a lot of slow down related news that we read, how bad is it, or how good is it for organized developer?

Varun Gupta: In most of the markets, in some places have started improving. My view is that Jaipur market has started improving before others. Jamshedpur market continues to be good for us, we are getting good sales there. That's where it is. Bhiwadi, I think, will start getting better going forward. Because I think a large part of it is also due to the excess supply that the market had is just getting out of the market. And so a lot of it depends upon how much extra supply did the market have in the first place and what is the pace of reduction of that supply. So Jaipur and Jamshedpur have had lesser excess supply and therefore they are able to recover faster. Bhiwadi-Gurgaon they have had a lot more excess supply in the beginning, so they are taking a little longer to recover.

Rohit Potti: Understood, that's helpful. One last question from my end for now is, there is a sharp fall in the Dwarka project of Jodhpur. Is there any particular reason why?

Varun Gupta: So FY20 quarter one was also driven by a new launch for a phase, so we have got some bulked-up bookings there, also in quarter two we have had some challenges with respect to consumer activism in Ashiana Dwarka. So therefore, the last three months have been weak, again quarter three is also going to be weak in Ashiana Dwarka. Where if you would have the customer, we need to resolve some of those issues before sales can go up.

Rohit Potti: Understood. Sorry one last question from my end is. So we have done around five and a half, six lakh square foot in the first half and you expect to do much, much more than that in the second half. One, do you think the external environment is good enough for you to achieve that. And two, you mentioned that there's something which you need to do internally. So if you could explain what do you think you need to work on to achieve the target that you have set for yourself?

Varun Gupta: So, first I think the external environment is conducive. Second, we just need to get the launches right, I think Aditya and Ashiana Daksh are on track we'll need to get the Ashiana Amantran launch right. And to get the launch right getting our marketing right, the sales process right, getting the site looking, those kind of checklist, just ensuring that would having the right people selling, those kind of things are important making sure our customers are happy and they are referring us. That's another key aspect. So, I think that's where what we are looking at, sort of to do. And if we get that right, I think we will be on track, mostly. And there are a couple of projects particularly, I would say the senior living projects Ashiana Shubham and Ashiana Nirmay. They are doing better than what they used to do earlier in terms of senior living, in my opinion we need to find a way to get even better sales because our potential in those two projects is higher.

Moderator: Thank you. We have the next question from the line of Krishna Kumar an Investor. Please go ahead.

Krishna Kumar: Being the third consecutive quarter where we have a negative EBITDA and what is reason for this are we facing any kind of stress and when we will turn positive?

Varun Gupta: Okay. The stress we have been facing for about three, four years. And I think the way accounting works for us is on deliveries and the deliveries has been muted this year and will continue to be muted next year because of lower sales over the last three, four years. And as we expect sales to improve in this financial year, we were also better in the last financial year compared to other years. When I says sales, I mean area booked. That area will get delivered in FY21-22 and FY22-23. Those are the years when I think we will start seeing improvement in EBITDA in numbers. This financial year and the next financial year continue to be difficult for the company in terms of reported sales and profit.

Moderator: Thank you. We have the next question from the line of Rohit Potti from Marshmallow Capital. Please go ahead.

Rohit Potti: So, I was curious on your medium to long term strategy of senior living, you did mention that you are intending, you foresee its becoming a larger portion of the Ashiana pie. So curious, I have heard at least as a laymen that there are retirement cities which are very different from the cities that most of the employment happen so, for example in the south I believe Mysore, Coimbatore are considered to be the retirement city. So, do you intend to move to other geographies for this particular market, for this particular segment going forward?

Varun Gupta: As per research the market sits mostly around the metros. So, the states where we see senior living markets are Maharashtra, Tamil Nadu and Bengal where the population is a lot more senior and overall demographically are at older stage. We also see market around NCR just because we have been developing the senior living market for a bit and sheer population size is very heavy so, what we plan to do is we plan to stick around the larger suburbs of the larger cities in these locations. So, in Chennai we are an hour drive, an hour and 15 minutes' drive from Chennai city, it's in a place called Maraimalai Nagar, but we service the population in Chennai, even in Kolkata, we are in a different municipality called Uttar Pada. So we'll be able to service Kolkata but be a little further away from the city itself. In Mumbai, we haven't found the land, but idea has to be somewhere between the Mumbai-Pune belt, Lavasa is also something trying to service the Mumbai population. So, the whole idea is to stick to demographics where there is a larger senior population and in those states and around the larger Metro urban areas, which can be serviced. To us going to retirement specific cities are very difficult to sell overall because to attract population from a larger Metro becomes very difficult, as for a person to come, visit, evaluate the project, take a decision. It's a lot more cumbersome and difficult. To travel to go Coimbatore from Chennai, or to go to Maraimalai Nagar from Chennai, that's the context we take.

Rohit Potti: That was very helpful, thank you. And could you give the details on the Pune and Kolkata projects any updates there?

Varun Gupta: So, the Kolkata project, we have just been so as I said earlier, the environmental approvals were in, we have been working on getting the building plan approvals. A lot of back and forth has happened with the authorities and our drawings, a little bit of a learning curve for us in terms of

the bylaws there. I think we are looking at another four or five months for approvals in Kolkata to come in. So, I think the launch of Kolkata will go to the first quarter of next year. In Pune, we have been waiting for non-agricultural permission approvals for the landowner to get. They are in the final stages, they got stalled a little bit because of the Maharashtra elections there. Now the election over they are also in progress. So that project is moving but the launch for that project is about, in my estimate now is, 12 to 15 months away from today is where we can probably look to launch a project at Pune.

Rohit Potti: Got it. And the last question I have is, in general with all the regulations, particularly the RERA coming about. I believe the business has become a little more capital intensive than what it was in the past. So how do you foresee over a cycle, over the whole cycle do you think you would be able to generate, you foresee generating returns that we had generated in the last cycle?

Varun Gupta: I think the capital intensity for us has really not been because of RERA because we were following some of the stipulations in RERA from before. Capital intensity has increased because of slower sales and a little bit of decreasing margins because sales prices have not gone up at the pace that construction costs. I think with the cycle turning land prices little lower. I think we will see margin expansion and return on capital expansion is going forward. Reported return on capital obviously from FY21 to FY22. But on an operating basis, economic basis, I think return on capital expansion is going to start up. I hope to see the numbers we made in the last cycle. It's difficult to say whether we will make those numbers or not.

Moderator: Thank you.

Varun Gupta: Before the next question, I had committed that I would share the areas of phases that are getting launched in the projects, in Ashiana Aditya the Phase-1 is 3,55,000 square foot, Ashiana Daksh Phase-1 is 3,19,000 square foot. We are also looking to launch Ashiana Daksh Phase-2 which is 2,34,000 square foot and Ashiana Amantran will be 3,79,000 square foot. Thank you we can take the next question. Thank you.

Moderator: Sure. We have the next question from the line of the Darshan Shah from White Equity. Please go ahead.

Darshan Shah: My question is already answered. Thanks.

Moderator: Thank you. We have the next question from the line of Nimit Sanghvi from 5Y. Please go ahead.

Priyank: This is Priyank. Pardon me if I'm just repeating the question because I just joined in late. I have one question about the average realization for Q1 and Q2. This seems to be pretty good at 3300 and 3400. So what contributed is in this quarter we don't have Lavasa contributing to it?

Varun Gupta: So, in the first quarter we launched a project called Ashiana Sehar in Jamshedpur, that project was also priced higher. So that had a significant contribution in that regard. And generally the mix of projects that we are selling is also becoming a little bit on the pricier points, let say the

senior living projects have had better contributions, senior living projects are both priced higher than regular projects. So, I think it's just a change of mix of projects. We also launched Gulmohar Gardens Villas, and the Villas are priced higher on a per square foot basis. I think the change in mix has contributed to the increase in the sales price and also a little bit of changing into a new GST regime whereby a lot of the earlier projects were priced with input credits and 12% GST, now they are getting priced without input credit at a 5% GST so the new phase launches are also increasing pricing from that regard. So, therefore the average realizations are moving a little bit.

Priyank:

In that case, can they be compared with the previous realizations?

Varun Gupta:

I would take about 3-4% bump up on the previous realizations and then compare this, because a lot of the older projects still continue where we have input credits. So there is a mix, I would take a 3% bump up if you take the older projects, older pricing increase that by 3% and compare it to this would be a little bit more reasonable comparison.

Priyank:

Okay and for the next half will this kind of realization is it possible?

Varun Gupta:

Little bit depends on the mix, I think the next half will be a little lower because the projects we are launching which will have a contribution in this our price is going to be a little bit lower about Rs.100 to Rs.200 lower than this. I think this year's average, expecting average realization of the company between around 3200 to 3300 is what the company will average probably over the year.

Priyank:

Right. We cannot talk about gaining pricing power in Bhiwadi right, are we?

Varun Gupta:

Right now, so I think the margin expansion story is not started yet Priyank, but I think it's not too far away. Volumes are expanding, pricing will start improving as well. It will follow volume.

Moderator:

Thank you. As there are no further questions from participants. I would like to hand the conference back to the management for closing comments. Please go ahead.

Varun Gupta:

Thank you all for being on this call and being patient with all the questions. 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. You can also email your queries for any further clarification. Thank you once again for taking the time to join us on this call. Thank you.

Moderator:

Thank you gentlemen. Ladies and gentlemen, on behalf of Ashiana Housing that concludes this conference. Thank you for joining us and you may now disconnect your lines.