

August 01, 2011

HOLD

HIGH RISK

PRICE Rs.153

TARGET Rs.175

REAL ESTATE

EARLIER RECO

BUY

Price	Rs.129
Target	Rs. 175
Date	May 30, 2011

SHARE HOLDING (%)

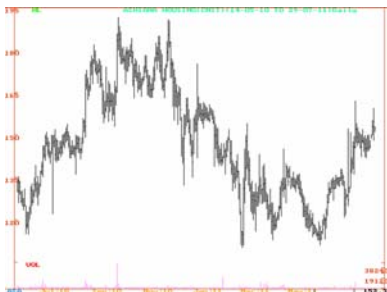
Promoters	66.4
FII	0.8
FI	0.8
Body Corporates	7.3
Public & Others	24.8

STOCK DATA

Reuters Code	AHFN.BO	
Bloomberg Code	ASFI IN	
BSE Code	523716	
NSE Symbol	ASHIANA	
Market Capitalization*	Rs.2847.3 mn	US\$ 63.3 mn
Shares Outstanding*	18.6 mn	
52 Weeks (H/L)	Rs.191/110	
Avg. Daily Volume (6m)	11432 Shares	
Price Performance (%)	1M	3M
	11	24
	6M	10
200 Days EMA:	Rs.137	

*On fully diluted equity shares

Part of  Bonanza



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Ashiana Housing has come out with a decent set of numbers for Q1FY12, with Revenue de-growth of 8.2% YoY and PAT growth of 11.4% YoY. Key points pertaining to results are summarized below:

Key Highlights of Q1FY12

- During the quarter ended Q1FY12, Ashiana Housing's Revenue is down by 8.2% YoY and 24% QoQ to Rs.368 Mn. De-growth in sales is mainly due higher contribution coming in from partnership firms.
- Its Area booked increased by 17% YoY to 3.8LSF. Higher booking was mainly contributed by the company's Rangoli Garden project which is at Jaipur. Area booked in Rangoli Gardens has increased by 41% QoQ to 4.9 LSF.
- Equivalent Area Constructed during the quarter has increased by 13% YoY to 2.7 LSF.
- The company's Realization for the quarter has decreased by 1% YoY while increased by 9.1% QoQ to Rs.2187/SF. Quarterly variations are due to varying weights of different projects in different quarters.
- Ashiana's Operating Profit is down by 12.4% YoY to Rs.106.5 Mn. Its Operating Profit Margin is down by 140 bps YoY and 740 bps QoQ to 28.9%.
- However due to higher contribution coming from share of profits from partnership firms, its net profit has seen an increase vs de-growth in Net Sales and Operating Profit. Its Net Profit is up by 11.4% YoY to Rs.130.5 Mn in Q1FY12. It's Net Profit Margin increased by 630 bps YoY to 35.5%.
- Share of profit from partnership firms has increased by 109% YoY to Rs.34.4Mn.
- The company's total saleable area stands at 7.3MSF, with area launched at 4.8 MSF and total area booked at 3.36 MSF (70.4% of launched area).
- **Marine Plaza Project** – It is a retail-cum-hotel project of 1.87LSF strategically located on banks of the river Subernarekha and near the prime residential and commercial areas like Circuit house, Bistupur and Sonari in Jamshedpur. Marine Plaza will comprise of two floors of retail space (Ground and First), and six floors above for the hotel.
- **Retail** - It has launched retail part of its Marine plaza project at Jamshedpur during the current quarter of 83,000 SF and seen a booking 18,000 SF, 22% of launched area.
- **Hotel** - Ashiana Housing has signed up a Hotel Management agreement with Hyatt for its Marine Plaza hotel at Jamshedpur on profit sharing basis.
- **Acquired new land** - The Company has recently acquired a land at Bhiwadi of ~40 acres at a cost of Rs.25 Crs. This land will be utilized to develop a residential colony with total saleable area of approximately 30LSF.
- **Management Guidance:** With huge potential of Retirement Resorts, improved market conditions and larger bandwidth available with Ashiana, its bookings are expected to attain the mark of 16 LSF in FY12 from current 13.5 LSF (FY11). While the EAC is likely to increase to 14 LSF in FY12 from current 10.7 LSF (FY11).

OUTLOOK & VALUATION

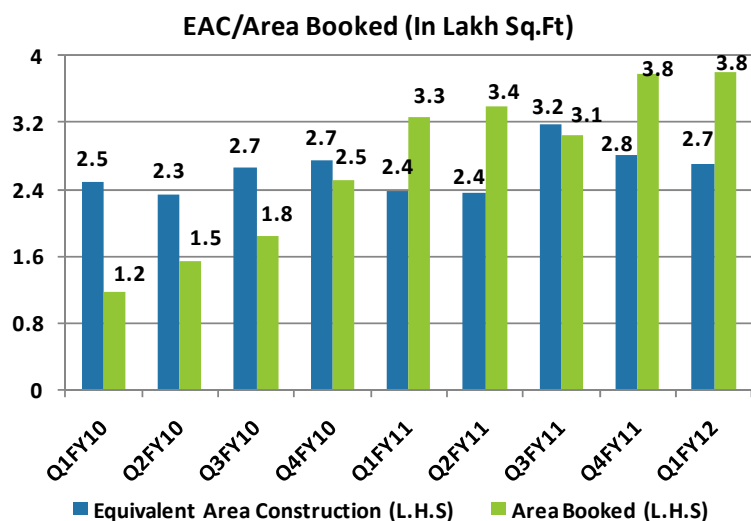
Ashiana Housing has reported decent set of numbers for Q1FY12. It has seen good rise in area booking during this quarter 3.8 LSF. Most of this higher booking comes from Rangoli Gardens for which revenue has been recognized in the current quarter. We believe that the company is likely to see higher share of profits from the partnership firms going ahead. Keeping in mind the ongoing projects saleable area of 7.3MSF, EAC target of 14LSF and area booking target of 16LSF for FY12 coupled with impressive past performance we believe that the company is likely to grow at a CAGR of 21% for the next two years. We maintain our positive stance on the company and recommend HOLD with a price target of Rs.175.

KEY FINANCIALS

Y/E Mar.	Revenue (Rs mn)	RPAT (Rs mn)	EPS (Rs)	EPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY10	1125.5	367.7	20.3	29.5	7.5	31.1	32.5	2.1
FY11	1365.5	438.6	23.6	15.9	6.5	27.5	28.8	1.6
FY12E	1624.9	519.2	27.9	18.4	5.5	25.7	26.2	1.3
FY13E	1806.9	593.3	31.9	14.3	4.8	23.6	23.9	1.0

KEY HIGHLIGHTS

- Area Booked during the quarter has increased by 17% YoY to 3.8 LSF. While the EAC has increased by 13% YoY to 2.7 SF.



Source: Company

- The company's total saleable area stands at 7.3 MSF, with area launched at 4.8 MSF and total area booked at 3.4 MSF (70.4% of launched area).
- Group housing accounts for ~91% of the total saleable area followed by Retirement resorts accounting 4% and 5% Retail and Hotel.

Project Name	Location	Type	Salable Area (Lakh Sq.Ft)	Area Launched (Lakhs Sq.Ft)	Area Booked till date (Lakh Sq. Ft)	Area Booked QoQ (%)
Ashiana Angan	Bhiwadi	Group Housing	20.6	20.5	15.7	9%
Utsav	Jaipur	Retirement Resort	3.9	3.0	1.6	8%
Ashiana Greenwoods	Jaipur	Group Housing	3.6	3.6	3.4	4%
Ashiana Brahmananda	Jamshedpur	Group Housing	4.8	4.0	2.7	16%
Ashiana Amarbagh	Jodhpur	Group Housing	5.3	4.0	3.3	9%
Utsav	Lavasa (Pune)	Retirement Resort	6.9	3.9	2.0	0%
Rangoli Gardens	Jaipur	Group Housing	25.0	7.8	4.9	41%
Marine Plaza	Jamshedpur	Retail & Hotel	1.9	0.8	0.2	0%
Total			73.0	47.7	33.6	12%

Source: Company, Sushil Finance

- The company has recently launched its Marine Plaza project.

Marine Plaza Project – It is a retail-cum-hotel project of 1.87LSF strategically located on banks of the river Subernarekha and near the prime residential and commercial areas like Circuit house, Bistupur and Sonari in Jamshedpur. Marine Plaza will comprise of two floors of retail space (Ground and First), and six floors above for the hotel.

Retail - Ashiana has launched retail part of its Marine plaza project at Jamshedpur during the current quarter of 83,000 SF. The company would be selling this project on an outright basis at a rate of Rs.3000-3500/SF, with construction cost at Rs.1600-1700/SF. This project would be completed in the next 36 months.

Hotel - Ashiana Housing has signed up a Hotel Management agreement with Hyatt for its Marine Plaza hotel at Jamshedpur on profit sharing basis. The hotel will comprise of 120 rooms with all modern amenities. This project will be completed in the next 42 months.

- **New Land Acquisition** - The company has recently acquired a land at Bhiwadi of ~40 acres at a cost of Rs.25 Crs. This land will be utilized to develop a residential colony with total saleable area of approximately 26LSF. The company currently has 73LSF of area under immediate construction. Thus this land acquisition would increase its area under immediate construction by ~35% thereby increasing the revenue visibility. It plans to generate revenue of ~Rs.700Crs from this project. However, the land is currently 'Agricultural' and the Company plans to receive the requisite clearances in this financial year and start development soon. We have not factored this land in our NPV model, awaiting the requisite clearances.
- The company now has an estimated additional saleable area of 6.18 MSF, thus providing clear revenue visibility beyond the 7.3 MSF of ongoing projects.

Lavasa – project at halt

- Ashiana has a retirement resort project at Lavasa covering an area of 6.87 LSF which is just 9.6% of the company's total project area under construction. MoEF has issued a show cause notice to Lavasa Corporation to stall its construction activity. According to the ministry, the company has a no-objection certificate to construct structures of up to only 960 metres. Ashiana Housing's construction being below the marked level has till date not received any notice from the ministry. However its construction at the Lavasa site is on halt awaiting further guidance from the ministry. The management expects this show cause notice to delay its project by maximum six months.
- The company has till date recognized Rs.18Crs of the revenue from the Lavasa project.
- It has received an amount of ~Rs.30 Crs from the investors and has expended ~Rs.24Crs as direct expenditure and Rs.6Crs as indirect expenses.
- It has approximately constructed an area of 1 LSF out of the total area of 6.87 LSF and has seen a booking of ~2 LSF from the aforesaid project.

Our Assumptions

- Keeping in mind the stoppage of work at Lavasa, we have assumed a 1 year delay on higher side for the company to resume its construction work at the site. The Lavasa project now contributes Rs.25.5 to the NPV of Rs.175 of the company.

QUARTERLY STATEMENT

Rs.mn

Y/E March	Q1FY11	Q4FY11	Q1FY12
Net Sales	400.9	484.1	368.0
(%) Chg. YoY	44.7	28.7	-8.2
Project Expenses	217.4	238.1	196.6
Staff Cost	26.2	42.3	31.1
Other Expenditure	35.7	28.0	33.8
Total Expenditure	279.4	308.4	261.5
PBIDT	121.5	175.7	106.5
(%) Chg. YoY	24.7	3.2	-12.4
(%) Margin	30.3	36.3	28.9
Interest	2.4	1.0	3.9
Depreciation	3.7	6.0	5.5
Other Income	11.2	27.2	22.7
PBT incl OI	126.6	195.9	119.7
Tax	25.9	69.9	23.6
(%) of PBT	20.5	35.7	19.7
Share of Profit in JVs	16.5	43.5	34.4
RPAT	117.1	169.5	130.5
(%) Chg. YoY	31.6	10.7	11.4
(%) Margin	29.2	35.0	35.5

PROFIT & LOSS STATEMENT

Rs.mn

Y/E March	FY10	FY11	FY12E	FY13E
Net Sales	1125.5	1370.8	1624.9	1806.9
Project Expenses	646.4	847.5	984.4	1087.5
Staff Cost	80.0	117.0	126.7	140.9
Other Exp	105.8	129.6	178.7	193.3
Total Expenditure	741.1	956.2	1143.7	1277.2
PBIDT	384.4	414.6	481.3	529.7
Interest	10.5	6.6	8.1	9.0
Depreciation	15.0	20.1	24.4	27.1
Other Income	84.8	170.4	208.4	257.4
PBT incl OI	443.7	558.4	657.2	751.0
Tax	76.0	119.7	138.0	157.7
RPAT	367.7	438.7	519.2	593.3

BALANCE SHEET STATEMENT

Rs.mn

As on 31 st March	FY10	FY11	FY12E	FY13E
Share Capital	180.8	186.1	186.1	186.1
Reserves & Surplus	1117.0	1563.4	2028.1	2556.1
Net Worth	1297.9	1749.5	2214.2	2742.2
Secured Loans	77.8	6.8	6.8	6.8
Unsecured Loans	0.6	0.0	0.0	0.0
Total Loan funds	78.4	6.8	6.8	6.8
Deferred Tax	11.5	32.4	28.4	31.6
Capital Employed	1413.0	1813.2	2276.9	2808.1
Net Block	291.0	415.3	461.0	503.9
Cap. WIP	130.5	4.7	5.2	5.8
Investments	498.5	748.2	848.2	998.2
Sundry Debtors	17.3	28.9	48.7	57.8
Cash & Bank Bal	160.6	401.0	456.4	646.6
Loans & Advances	187.5	141.7	198.4	257.9
Inventory	685.5	750.8	991.2	1138.4
Curr Liab & Prov	563.4	677.5	736.5	804.8
Net Current Assets	487.4	645.0	958.3	1296.0
Total Assets	1413.0	1813.2	2276.9	2808.1

FINANCIAL RATIO STATEMENT

Y/E March	FY10	FY11	FY12E	FY13E
Growth (%)				
Net Sales	24.1	21.3	19.0	11.2
EBITDA	88.4	6.5	17.6	10.1
Adjusted Net Profit	29.5	19.3	18.4	14.3
Profitability (%)				
EBIDTA Margin (%)	34.2	30.0	29.6	29.3
Net Profit Margin (%)	32.7	32.1	31.9	32.8
ROCE (%)	31.1	27.5	25.7	23.6
ROE (%)	32.5	28.8	26.2	23.9
Per Share Data (Rs.)				
EPS (Rs.)	20.3	23.6	27.9	31.9
CEPS (Rs.)	21.2	24.6	29.2	33.3
BVPS (Rs)	71.8	94.0	119.0	147.4
Valuation				
PER (x)	7.5	6.5	5.5	4.8
PEG (x)	0.3	0.4	0.3	0.3
P/BV (x)	2.1	1.6	1.3	1.0
EV/EBITDA (x)	7.0	6.0	5.0	4.2
EV/Net Sales (x)	2.4	1.8	1.5	1.2
Turnover				
Debtor Days	5.6	7.7	11.0	11.7
Creditor Days	13.2	8.8	14.6	14.2
Gearing Ratio				
D/E	0.1	0.0	0.0	0.0

Source : Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.
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