

February 10, 2011

BUY

HIGH RISK

PRICE Rs. 116

TARGET Rs.175

REAL ESTATE

EARLIER RECO

HOLD	
Price	165
Target	183
Date	Nov. 3,2010

SHARE HOLDING (%)

Promoters	67.4
FII	0.8
FI	0.9
Body Corporates	6.6
Public & Others	24.4

STOCK DATA

Reuters Code	AHFN.BO	
Bloomberg Code	ASFI IN	
BSE Code	523716	
NSE Symbol	-	
Market Capitalization*	Rs.2170.1 mn US\$ 48.2 mn	
Shares Outstanding*	18.1 mn	
52 Weeks (H/L)	Rs.191/93	
Avg. Daily Volume (6m)	17,579 Shares	
Price Performance (%)		
1M	3M	6M
(22)	(37)	(34)
200 Days EMA: Rs. 146		

*On fully diluted equity shares

Part of  Bonanza



ANALYST

Ishpreet Batra | +91 22 4093 5091
ishpreet.batra@sushilfinance.com

SALES:

Devang Shah | +91 22 4093 6060/61
devang.shah@sushilfinance.com

Nishit Shah | +91 22 4093 5074
nishit.shah@sushilfinance.com

Ashiana Housing has come out with a mixed bag performance for Q3FY11, with Revenue de-growth of 3.9% YoY and PAT growth of 23.3% YoY. Key points pertaining to results are summarized below:

Key Highlights of Q3FY11

- During the quarter ended Q3FY11, Ashiana Housing's Revenue is down by 3.9% YoY and 9.3% QoQ to Rs.231.2 Mn. De-growth during the quarter was mainly because the threshold limit of 25% was not achieved in certain projects, thus resulting in no revenue recognition from the concerned projects. Also stoppage of work in the Lavasa hill city project where the company is developing a retirement resort added on to the muted performance for the quarter.
- Its Area booked increased by 67% YoY to 3.05 LSF. Higher booking was mainly contributed by the company's Rangoli Garden project which is at Jaipur. Area booked in Rangoli Gardens has increased by 38% QoQ to 2.5 LSF.
- Equivalent Area Constructed during the quarter has increased by 20% YoY and 34.3% QoQ to 3.17 LSF.
- The company's Realization for the quarter has decreased by 4.7% QoQ and 6% YoY to Rs.1954/SF. Quarterly variations are due to varying weights of different projects in different quarters. Rising share of contribution from Jamshedpur (low priced project) in the total bookings has led to a lower average weighted price per square feet in this quarter.
- Ashiana's Operating Profit is up by 13.6% YoY to Rs.58.9 Mn. Its Operating Profit Margin is up by 390bps YoY to 25.5%. The raw material cost has decreased by 16.9% YoY to Rs.114.5 Mn thereby increasing the margin at operating level.
- Its Net Profit is up by 23.3% YoY to Rs.72.4 Mn in Q3FY11. It's Net Profit Margin increased by 690 bps YoY to 31.3%. Increase in the Net Profit was mainly because of higher share of profit from partnership firms.
- Share of profit from partnership firms has increased by 87.2% YoY to Rs.24.9Mn.
- The company's total saleable area stands at 7.1MSF, with area launched at 3.94 MSF and total area booked at 2.62 MSF (67% of launched area).
- **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 12.5 LSF in FY11 from current 7.07 LSF (FY10). While the EAC is likely to increase to 12 LSF from current 10.2 LSF (FY10).

OUTLOOK & VALUATION

Ashiana Housing has reported mixed bag performance for Q3FY11. The company has seen robust rise in area booking during this quarter which is up by 67% YoY to 3.05LSF. Most of this higher booking comes from Rangoli Gardens for which revenue is not recognized in the current quarter. Thus 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 7.1MSF, EAC target of 12LSF and area booking target of 12.5LSF for FY11 coupled with impressive past performance we believe that the company is likely to grow at a CAGR of 24% for the next two years. We therefore maintain our positive stance on the company and change our rating from HOLD to BUY. However, keeping in mind the stalled construction in Lavasa and increase in the raw material cost we have downgraded our FY11 and FY12 earnings by 24% and 27.6% to Rs.20.7 and Rs.28.4 respectively, also revised the price target to Rs.175 down 4.4% from the earlier target of Rs.183.

KEY FINANCIALS

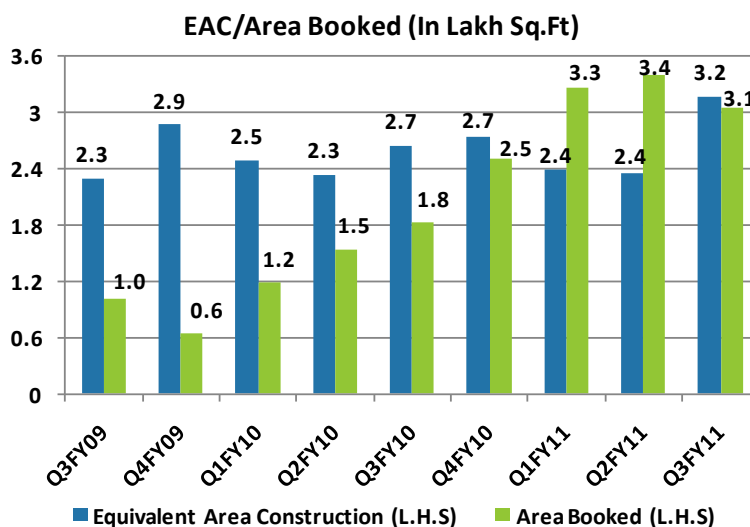
Y/E Mar.	Revenue (Rs mn)	RPAT (Rs mn)	EPS (Rs)	EPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY09	906.7	284.0	15.7	-26.6	7.4	32.7	34.6	2.2
FY10	1125.5	367.7	20.3	29.5	5.7	31.1	32.5	1.6
FY11E	1269.4	374.4	20.7	1.8	5.6	24.1	25.4	1.3
FY12E	1732.3	512.9	28.4	37.0	4.1	25.9	27.0	1.0

Please refer to important disclosures at the end of the report

For private Circulation Only.

Key Highlights

- Area Booked during the quarter has increased by 67% YoY to 3.05 LSF. While the EAC has increased by 20% YoY to 3.17 SF.



Source: Company

- The company has seen a revenue contribution of 38% from Jaipur followed by 36% from Bhiwadi, 16% from Jamshedpur, 6% from Lavasa and lastly 4% from Jodhpur.
- The company's total saleable area stands at 7.1MSF, with area launched at 3.94 MSF and total area booked at 2.62 MSF (67% of launched area).

Project Name	Location	Type	Salable Area (Lakh Sq.Ft)	Area Launched (Lakh Sq.Ft)	Area Booked till date (Lakh Sq. Ft)	Area Booked QoQ (%)
Ashiana Angan	Bhiwadi	Group Housing	20.6	17.9	13.2	9%
Village Centre	Bhiwadi	Retail & Hotel	1.0	0.0	0.0	
Utsav	Jaipur	Retirement Resort	3.9	3.0	1.3	19%
Ashiana Greenwoods	Jaipur	Group Housing	3.6	3.6	2.8	12%
Ashiana Brahmananda	Jamshedpur	Group Housing	4.8	3.6	1.9	33%
Ashiana Amarbagh	Jodhpur	Group Housing	5.3	3.4	2.6	5%
Utsav	Lavasa (Pune)	Retirement Resort	6.9	3.6	2.0	9%
Rangoli Gardens	Jaipur	Group Housing	25.0	4.3	2.5	38%
Total			71.11	39.4	26.2	

Source: Company, Sushil Finance

- Group housing accounts for ~84% of the total saleable area followed by Retirement resorts accounting 15% and Retail & Hotel just 1%.
- The company is about to launch a new hotel cum retail project shortly in Jamshedpur called Marine Plaza, with a saleable area of 1.7 LSF. This project is likely to be completed within next 3 years.

- The company has an estimated additional saleable area of 3.84 MSF including the project above (Marine Plaza-Jamshedpur), thus providing clear revenue visibility beyond the 7.1 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.18Cr of the revenue from the Lavasa project.
- It has received an amount of ~Rs.30 Cr from the investors and has expended ~Rs.24Cr as direct expenditure and Rs.6Cr 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.
- We have also lowered our revenue assumptions from the retail business of the company, assuming just 20% occupancy rate for FY11 and 40% in FY12.
- Considering the spiraling raw material prices, we have further increased our construction cost phase wise by an additional 1%.
- As a result of the above change in assumptions, we have downgraded our FY11 and FY12 earnings by 24% and 27.6% to Rs.20.7 and Rs.28.4 respectively, also revised the price target to Rs.175 down 4.4% from the earlier target of Rs.183.

QUARTERLY STATEMENT

Rs.mn

Y/E March	Q3FY11	Q2FY11	Q3FY10
Net Sales	231.2	254.7	240.4
(%) Chg. YoY	-3.9	9.7	3.1
Raw Material	114.5	139.6	137.7
Staff Cost	22.5	26.0	21.4
Other Expenditure	35.3	30.6	29.4
Total Expenditure	172.3	196.2	188.6
PBIDT	58.9	58.5	51.9
(%) Chg. YoY	13.6	-9.7	-13.9
(%) Margin	25.5	23.0	21.6
Interest	1.4	1.8	2.8
Depreciation	5.9	4.6	4.2
Other Income	7.7	9.7	10.7
PBT incl OI	59.3	61.8	55.6
Tax	11.8	12.0	10.2
(%) of PBT	19.9	19.4	18.3
Share of Profit in JVs	24.9	29.7	13.3
RPAT	72.4	79.5	58.7
(%) Chg. YoY	23.3	18.9	-45.3
(%) Margin	31.3	31.2	24.4

PROFIT & LOSS STATEMENT

Rs.mn

Y/E March	FY09	FY10	FY11E	FY12E
Net Sales	906.7	1125.5	1269.4	1732.3
Raw material	-85.4	-67.2	69.8	112.6
Project Expenses	600.8	622.5	604.9	770.6
Staff Cost	74.1	80.0	99.0	135.1
Total Expenditure	702.7	741.1	936.6	1253.3
PBIDT	204.1	384.4	332.8	479.0
Interest	0.0	10.5	9.1	9.5
Depreciation	14.9	15.0	19.0	22.5
Other Income	131.6	84.8	151.9	178.5
PBT incl OI	320.8	443.7	456.6	625.5
Tax	36.8	76.0	82.2	112.6
RPAT	284.0	367.7	374.4	512.9

BALANCE SHEET STATEMENT

Rs.mn

As on 31 st March	FY09	FY10	FY11E	FY12E
Share Capital	180.8	180.8	180.8	180.8
Reserves & Surplus	782.0	1117.0	1470.3	1962.0
Net Worth	962.8	1297.9	1651.1	2142.8
Secured Loans	7.1	77.8	70.0	70.0
Unsecured Loans	4.0	0.6	8.0	8.0
Total Loan funds	11.1	78.4	78.0	78.0
Deferred Tax	5.3	11.5	5.7	6.0
Capital Employed	1006.4	1413.0	1762.0	2254.0
Net Block	281.3	291.0	312.0	359.5
Cap. WIP	51.9	130.5	160.5	179.7
Investments	406.8	498.5	560.8	560.8
Sundry Debtors	15.4	17.3	38.1	52.0
Cash & Bank Bal	130.1	160.6	187.6	305.1
Loans & Advances	187.7	187.5	215.3	381.8
Inventory	583.9	685.5	888.6	1212.6
Curr Liab & Prov	656.1	563.4	605.1	801.6
Net Current Assets	261.0	487.4	724.5	1149.8
Total Assets	1006.4	1413.0	1762.0	2254.0

FINANCIAL RATIO STATEMENT

Y/E March	FY09	FY10	FY11E	FY12E
Growth (%)				
Net Sales	-28.2	24.1	12.8	36.5
EBITDA	-45.9	88.4	-13.4	43.9
Adjusted Net Profit	-26.6	29.5	1.8	37.0
Profitability (%)				
EBIDTA Margin (%)	22.5	34.2	26.2	27.6
Net Profit Margin (%)	31.3	32.7	29.5	29.6
ROCE (%)	32.7	31.1	24.1	25.9
ROE (%)	34.6	32.5	25.4	27.0
Per Share Data (Rs.)				
EPS (Rs.)	15.7	20.3	20.7	28.4
CEPS (Rs.)	16.5	21.2	21.8	29.6
BVPS (Rs)	53.2	71.8	91.3	118.5
Valuation				
PER (x)	7.4	5.7	5.6	4.1
PEG (x)	-	0.2	3.1	0.1
P/BV (x)	2.2	1.6	1.3	1.0
EV/EBITDA (x)	9.7	5.2	6.0	3.9
EV/Net Sales (x)	2.2	1.8	1.6	1.1
Turnover				
Debtor Days	6.2	5.6	11.0	11.0
Creditor Days	25.4	13.2	25.6	25.6
Gearing Ratio				
D/E	0.0	0.1	0.0	0.0

Source : Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Equity 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.

Additional information with respect to any securities referred to herein will be available upon request.

This report is prepared for the exclusive use of Sushil Group clients only and should not be reproduced, re-circulated, published in any media, website or otherwise, in any form or manner, in part or as a whole, without the express consent in writing of Sushil Financial Services Private Limited. Any unauthorized use, disclosure or public dissemination of information contained herein is prohibited. This report is to be used only by the original recipient to whom it is sent.

This is for private circulation only and the said document does not constitute an offer to buy or sell any securities mentioned herein. While utmost care has been taken in preparing the above, we claim no responsibility for its accuracy. We shall not be liable for any direct or indirect losses arising from the use thereof and the investors are requested to use the information contained herein at their own risk.

This report has been prepared for information purposes only and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. The information, on which the report is based, has been obtained from sources, which we believe to be reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. All expressions of opinion are subject to change without notice.

Sushil Financial Services Private Limited and its connected companies, and their respective directors, officers and employees (to be collectively known as SFSPL), may, from time to time, have a long or short position in the securities mentioned and may sell or buy such securities. SFSPL may act upon or make use of information contained herein prior to the publication thereof.