



“Ashiana Housing Q3-FY14 Earnings Conference Call”

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Moderator

Ladies and gentlemen good day and welcome to the Ashiana Housing Q3FY14 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touched tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Sud. Thank you and over to you Mr. Sud.

Gaurav Sud

Good evening everyone. This is Gaurav from Kanav Capital, it is my pleasure to welcome you all to the Ashiana Housings 3rd Quarter FY13-14 Investors Conference Call. This call is being called to discuss the performance of Ashiana Housing for this quarter and to answer any question that you might have. I hope that all of you have had a chance to go through the quarterly results and investor presentation that went out with the invite. Today on the call from Ashiana Housing Limited, we have Mr. Varun Gupta from Promoter Director. I would now like to hand over to Mr. Varun Gupta of Ashiana Housing for his opening remarks.

Varun Gupta

Good evening friends, thank you for joining us to discuss the third quarter performance of Ashiana Housing for the financial year 13-14. I extend a warm welcome to all of you.

This quarter was good construction front, but we got hit on the bookings due to delay in launches. We booked an area of 2.98 lakhs sq. ft. of the quarter. Ashiana, Navrang, which was expected to be launched in the third quarter got delayed and now the project is expected to be launched in the last quarter of the financial year. Ashiana Dwarka and Jodhpur also was launched couple of months late into the fag end of the quarter and could not capture the effect of booking there. There was also lower than expected bookings in ongoing projects as well. Quarter four is expected to be better because of the launch of Ashiana Navrang in Halol and Vrinda gardens in Jaipur and also pick up is expected in bookings of ongoing projects.

Construction on the other hand showed enough momentum growing by 57% year-on-year and 10% quarter on quarter to 4.42 lakhs sq. ft. for the quarter. Momentum in area constructed as expected to rise further in the next quarter. The yearly targets have been revised for booking should 22 lakhs sq. ft. and for construction to 18 lakhs sq. ft.

The average realizations shot up to Rs. 3340 per sq. ft. from Rs. 2289 per sq. ft. in the quarter due to combined effect of increase in prices across projects and higher contributions of projects with high realizations like Lavasa and Anantara. Sales & Other Income for the quarter was recorded at Rs. 16.47 crores and Profit After Tax at Rs. 1.63 crores. Revenues took a bump as very little possession happened in this quarter. This is going to be the hard feature of the possession based accounting.

Best way is to look at yearly numbers which provide much more reasonable number estimates of the economic performance of the company. The pre-tax operating cash flows from ongoing projects for the third quarter increased by 19% quarter on quarter to Rs. 45.36 crores in the third quarter from 38.14 crores in the second quarter of the financial year. It was up 105% year-on-

year. The companies' cash possession is healthy to tackle any cyclical slow down and capture opportunities that come our way in the current economic situation.

A lot happened in the land and approvals front at this quarter. We launched Ashiana Dwarka in Jodhpur. The project consist of low rise apartments with options of two and three BHKs, it is located on Pal Sangriya Bypass Road with a total salable area of around 5.25 lakh sq. ft. This will be our second project in Jodhpur. We have also acquired a residential land measuring 12.65 at Mahindra World City, ITSEZ in Sanganer, Jaipur. The total salable area of this project named as Ashiana Umang will be 12 lakhs sq. ft. approximately.

Lease deed/patta were also received for two projects, Ashiana Surabhi in Rampura Bhiwadi with the total salable area of 4.6 lakhs sq. ft. and Vrinda Gardens in Jaipur with the total salable area of approximately 14.5 lakh sq. ft. Building plans were also sanctioned for Ashiana Navrang, Halol, and we will be launching the same in this quarter. All these developments open up huge inventory to construct and sell and make it exciting for the quarters to come. On this note, I would like to conclude by remarks. We will now be happy to discuss any questions or suggestions that you may have.

Moderator

Thank you very much. We will now begin the question and answer session. The first question is from the line of Rajat Budhiraja from Banyan Capital Advisor. Please go ahead.

Rajat Budhiraja

Hi Varun, so this is the first time that has happened in last three quarters that we have lowered the FY14 estimates from 23-22, so there are two factors that you have mentioned delay in the project and lower than expected bookings, so I want to understand how much these two factors are contributing the estimates. Is it mostly because of the delay or lower than expected bookings?

Varun Gupta

Hi, I just reduced the expected bookings from 23 to 22 lakh sq. ft., it would be a mix of both so probably I will contribute 50-50 to both little slow down in booking in existing projects and also because of delayed launches, so I mean combination of both. It will be hard for me to bifurcate the numbers of course.

Rajat Budhiraja

Okay so as per your target of 22 lakhs sq. ft. in next quarter in Q4, you will have to achieve the bookings of 3.54 lakh sq. ft. So how are going to achieve from your current project and new projects?

Varun Gupta

6.5 lakh sq. ft. if I am correct. We needs 6.5 lakh sq. ft., not 3.5 lakh sq. ft.

Rajat Budhiraja

Okay so how will you achieve that? How much this current project will contribute and how much new projects will contribute?

Varun Gupta

Probably out of that about 2.5 to 3 lakh sq. ft. should come of new projects and 3.5 should come off from ongoing projects.

Rajat Budhiraja

Okay and that will be Halol and Vrinda.

- Varun Gupta** Halol, Vrinda and Dwarka.
- Rajat Budhiraja** Okay and how do you see the market of Bhiwadi, I remember in the last con-call you mentioned that there is more inventory than required in this market, so what is the current situation over there?
- Varun Gupta** Current situation is similar in that overall the amount of upcoming supply in the sense that is under development or approved to be launched is more than what the market requires, so it is going to be very competitive in that situation. The belief is that people who will deliver on time and on quality will get sold and will get occupied, so affordability are not an issue in Bhiwadi as much, but the size of the market in terms of people occupying in living and then number of units that are up for sale are a little bit there might be a situation of two much inventory coming up, but how much of that blue print supply will turn into real supply is also anybody's guess.
- Rajat Budhiraja** Okay and you have 1.77 lakh sq. ft. of inventory right now basically I would say inventory is your salable area, minus area that you have already booked, so I think in next one or two quarters we will absorb that quota, so my question is when are you going to launch the new project according to the demand dynamics over here?
- Varun Gupta** In Ashiana town, the total salable area that we have is right now 39 lakh sq. ft. which were doing over three projects Ashiana Town Beta, Alpha, and gamma. We have launched Phase-I and II of Ashianta Town Beta, Ashiana Town Beta Phase-III, we have opened up very limited inventory and we will open up inventory as we see the markets were going in this quarter, next quarter we will open up more inventory. One of the challenges that came up in the last quarter was our capabilities to open up inventories in Ashiana Town, booking were skewed towards the certain kind of homes basically towards 2 BHK homes, so we needed to get more inventories of that opened up and we are opening of that slowly.
- Rajat Budhiraja** Okay and what is the situation in Jaipur, how the booking is going on as compared to your expectations?
- Varun Gupta** Jaipur is performing as per expectations.
- Rajat Budhiraja** as per expectations.
- Varun Gupta** It is performing as per expectations, last quarter was weaker than expectation, but this quarter seems to be picking up, January has been a good month.
- Rajat Budhiraja** Okay, so I should assume that two projects which is Ashiana Umang, and Vrinda Gardens, these are on track and we should expect the same kind of run rate going forward?
- Varun Gupta** We do expect the same kind of run rate going forward that is our expectations yes that we will be able to maintain run rate in Jaipur as a city.

- Moderator** Thank you. The next question is from the line of Ravi Dodhia from Crisil. Please go ahead.
- Ravi Dodhia** Yeah hi, good evening. I have couple of questions on the booking of few of the projects, see if you look at bookings of Ashiana Town in past one quarter booking has been quite less. If you look at the run rate otherwise in Bhiwadi, so according to you demand has kind of slowdown in this market?
- Varun Gupta** There are two things over there Ravi, one in Ashiana Town, the quarter before was not comparable because we did not have a project in Bhiwadi for a while, so we had created a lot of people who are waiting to book in Bhiwadi where we were communicating with them that we were launching soon, so please did wait and we had a large data base which was captured when we opened up that booking in next quarter. What happened in the second quarter was the actual bookings in the second quarter was higher than what we had expected, so for the third quarter 8, we were not left with as much inventory to sell of 2 BHK units as we needed and it took us a little bit of time to open up that inventory, second our sales team was more preoccupied in closing the bookings that happened in the second quarter in terms of documentation, paper work, and taking care of those customers where insuring customer service to who are actually booking, was on priority as compared to fresh bookings at that point of time, so putting those three things together where a lot of pent-up demand getting exhausting in quarter two and quarter three also getting consumed over there. I wouldn't like to extrapolate either quarter two or quarter three for Ashiana Town. I think this quarter in January, February, and March will give us a better idea of what quarterly booking expectations in Ashiana Town could be.
- Ravi Dodhia** Sure, with the respect to Lavasa meaning booking has been I guess only one incremental flat might have booked in past one quarter. So what is happening there?
- Varun Gupta** In Lavasa, we had a descent month in November, some of the those bookings are we had a lot of checks that were given to us, the bookings have not concluded in terms of sudden amounts of paperwork, so certain incremental bookings are still left to be in cash, but outside of that Lavasa, we have faced challenges post restart of the project after the environmental clearance. We expect with now people moving into projects at Lavasa slowly and slowly, we have 4-5 families living in. we are expecting you know three to four families to move in every month and once occupancy starts picking up, we expect better traction in Lavasa.
- Ravi Dodhia** Now if you look at the say pipeline for next six months or one year, Dwarka you have recently launched and Vrinda Gardens and Halol are coming you know, you will open up in the current quarter, so apart from these three projects which other projects are expected to launch?
- Varun Gupta** Ashiana Umang and Ashiana Surbhi will be expected to be launched in the first half of the next financial year.
- Ravi Dodhia** Okay.

- Varun Gupta** And we have second phase of Ashiana Aangan Neemrana which was not launched, there is part approvals are pending over there, so when that comes in that is also in the pipe line and we are currently on to open up a couple of more geographies that we can look at launching it.
- Ravi Dodhia** Okay.
- Varun Gupta** Pipe line for the next financial year right now doesn't worry Ashiana.
- Moderator** Thank you. The next question is from the line of Ravi Purohit from Securities Investment. Please go ahead.
- Ravi Purohit** Hi Varun. Couple of my questions have already been answered. Just a few ones in terms of can you throw some light on the slowdown Bhiwadi that you had mentioned in the presentation and also to one of the earlier participant questions. A big portion of our inventory that is yet to be launched over the next two or three as which was supposed to drive our growth in terms of area bookings, should I would have assumed has had Ashiana Town and a couple of other projects in Bhiwadi factored in. So do you think that slow down that is going on right now is here to stay for a slightly longer period of time or what exactly the scenario there, because a big concentration of our projects is in Bhiwadi, so just kind of time to understand.
- Varun Gupta** Ravi basically the view is if you look at the second and third quarters are both stood in the opposite into this spectrum, so second quarter was very high. When we came in in the October call, we had told that should not be extrapolated because there was a lot of spent up demand that got captured. The third quarter is also not to be extrapolated because of the three reasons that we had spoken about again where my team was more getting utilized and closing and providing good quality customer service inclosing of those bookings. We were also the lack of inventory of 2 BHK units which caught us a little bit by surprised. It was skewed towards 2 BHK unit preferences in the market and also the pent up demand that got captured in the first quarter are the start of inquiry generation and sight visits had to be restarted. So the January-February-March quarter how it behaves, I think would be the more normal quarter to look at and how Ashiana Town would probably start performing over the next three to four quarters might be gaze from there.
- Ravi Purohit** But you all are not unduly worried about Bhiwadi's overall capacity to observe the kind of inventory we have over the next three to four years?
- Varun Gupta** Not overly worried, specifically because we believe that our inventory will get observed in the competitive scenario because our inventory will get delivered. I believe there is a sense of over supply in the market, but the concern on the supply is that will it turn into real supply because people need actual physical homes to live in, it is not just paper bookings and paper supply which is important. So given that situation we are still comfortable with the Bhiwadi markets right now.

- Ravi Purohit** Okay fair enough. Second if you could throw some light on any newer geographies you are looking it, identified?
- Varun Gupta** Not yet, hopefully soon we will give you guys some light.
- Ravi Purohit** Okay and some couple of housekeeping questions, can we have the exact cash position, net of debt that we have as on 31st December, 2013?
- Varun Gupta** We would be having about Rs. 140 crores including our subsidiaries.
- Ravi Purohit** I am just looking at the rough number, not exact precise number and I was just looking at the handout for the quarterly results we have a statement of assets and liabilities. Out of curiosities, non-current investment figure is a negative figure, so minus Rs. 19 crores?
- Varun Gupta** Yes correct, from our partnership firms, we have been able to withdraw some capital and therefore the non-current investments are negative therefore the negative figure running is in the partnership firms.
- Ravi Purohit** Please excuse my ignorance, how does it work when you say you withdrawn capital as you had put in certain amount of money now withdrawn and this is excess that we are in the firm, is it?
- Varun Gupta** Yes correct there is excess withdrawal.
- Ravi Purohit** Okay. Thanks and good luck.
- Moderator** Thank you. The next question is a follow up from the line of Ravi Dodhia from Crisil. Please go ahead.
- Ravi Dodhia** Yeah thanks for taking follow up. I just want to understand like you are mentioning that more of a demand in the Ashiana Town was in the 2BHK space, so when you do a planning for a particular project and depending on the demand from the customer for your future phases, how will it works to change say from earlier you had envisaged that these many units will be of 3BHK, but now because of change in demand you will shift it to 2 BHK?
- Varun Gupta** Yeah sure, we can do some re-planning exercise that has been worked out Ravi, basically we will have to understand the cost of delay in getting approvals and stuff like that. Because we have to put the plants for again approvals and we are also fearful of deciding on this thing based on three months of data of pent up demand, so we are also looking for the January-February-March quarters' information to make certain decisions. Re-planning in this business is quite common, you get one of these things is wrong, you go ahead recommit your plans for approvals, changed them and go back to the market. Therefore phasing as a strategy to basically with the thought that we do not know the market best when the market has shown something we should have the capability to re-plan and change as per our phases.

- Ravi Dodhia** Right, right now let say we were in second phase of Ashiana Town or say Phase-I, so Phase-II approval is are already in place or?
- Varun Gupta** Yeah sure, what we have is building plan approvals for a little over 15 lakh sq. ft. that is Ashiana Town Beta okay and within that we have launched Phase-I and Phase-II, Phase-III we can re-plan and get more 2 BHK units okay.
- Ravi Dodhia** Another question is what are the expected margins in the new projects that you are looking at Dwarka, Vrinda, Navrang?
- Varun Gupta** Yeah I wouldn't like to comment on specific project margins, okay. We look for 30% gross margins in general as a rule. We are making more than that across projects. These projects should be consistent with our margins some are little lower, some are little higher, but we should be consistent on the margins. Again all three Vrinda, Dwarka, and Navrang are again either partnerships or the revenue share or area share, they are actually all three in the different structures, so again overall return in capital there is expected to be very good.
- Moderator** Thank you. The next question is from the line of Jatin Khemani from Aadhar Securities. Please go ahead.
- Jatin Khemani** Hi good evening Varun. I was wondering at what stage of construction does the property enter EAC bracket (Equivalent Area Constructed Bracket)?
- Varun Gupta** From the first day of start of construction.
- Gaurav Sud** Hi this is Gaurav from Kanav. I had a couple of questions so, one question was that are the FSI cost as a percentage of total project cost are they going up and if yes then how will it impact the margins?
- Varun Gupta** On that front as something related to what Ravi was asking, FSI cost as a percentage of total cost at this point of time seems to be in a similar range as earlier projects and we should be consistent with our margins as expected before with a little bit variation project to project.
- Gaurav Sud** At this time its smoothened out, but if we look back about a couple of years it has moved up or broadly similar, so last year the approval process in Rajasthan was a big dampener, but going forward is the Rajasthan regulatory approval process has it smoothened out?
- Varun Gupta** The regulatory approval processes for Rajasthan had been smoothened out with the recent change in the government, I think the regulatory processes will be little slower till the next general elections when this government will also be settled by in that the national elections in May and we expect the processes for approvals to become again smoother from June-July onwards.

- Gaurav Sud** So Varun one final question was that in April 2012, we moved in to a possession-based accounting from a mix of both and one of the consequences of that was a reported numbers were very low for this quarter, so when do you think this will continue and when do you expect the first set of projects to start contributing post that accounting change?
- Varun Gupta** The next financial year, we should become normal in terms of possession-based accounting reflecting a very consistent and true picture of the company from the next financial year 14-15 and one thing that will have to live with is quarterly variations will happen and yearly numbers would be better to be looked.
- Moderator** Thank you. The next question is a follow up from the line of Ravi Dodhia, from Crisil. Please go ahead.
- Ravi Dodhia** If we look at your EBITDA margin in the past when you were following this percentage completion method, it was in the range of (+30%) whereas now if you look at your first half or say 9 months performance, EBITDA margin has been below 25%, so do you see that improving going ahead?
- Varun Gupta** Next financial year, the margins will be again back to what it was before.
- Ravi Dodhia** No see because even few of the projects irritate the expenses, you are classifying it or say booking it as per revenue recognition, right?
- Varun Gupta** Correct.
- Ravi Dodhia** So despite in the second quarter, despite being good revenue numbers, I am not talking about third quarter, but second quarter, so still EBITDA margin was only say 24.5% so why is this happening?
- Varun Gupta** In the third quarter that was just specific skew because of a the contribution in third quarter came from the two lowest margin projects which were Ashiana Bramhananda and Ashiana Amarbaug, those particular projects had low margins, so in the three projects that we discussed Ashiana Navrang, Dwarka, and Vrinda Gardens, Ashiana Navrang will have substantially lower margins then Ashiana Dwarka and Vrinda Gardens, so in case there is a particular quarter where let say Navrang skews the revenues for the company in the future, we will have a lower profit figures for that quarter. Again coming back my view would be quarterly revenues and profits for any real estate company even a percentage of completion method are not be looked at as with such a microscopic thought as to how are margins behaving because these margins are skewed for accounting purposes, for project contribution purposes, and if they will not behave as evenly as others, yearly figures we should be more consistent and therefore that comparison will start making sense going annually.
- Moderator** Thank you. As there are no further question, I would now like to hand the floor over to Mr. Varun Gupta for closing comments.

Varun Gupta

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. If you have any other further questions or would like to know more about the company, we would be happy to assist. The results, quarterly updates and a lot of material we have spoken about is posted on our website and you can also email your queries for any further clarification. Thank you once again for taking the time to join us on this call.

Moderator

Thank you. On behalf of Ashiana Housing that conclude this conference. Thank you for joining us and you may now disconnect your line.