



“Ashiana Housing Limited Q1FY16 Earnings Conference Call”

Aug 11, 2015



MANAGEMENT: **MR. VARUN GUPTA – WHOLETIME DIRECTOR, ASHIANA
HOUSING LIMITED**
MR. VIKASH DUGAR – CFO, ASHIANA HOUSING LIMITED

MODERATOR: **MR. DIWAKAR PINGLE – CHRISTENSEN IR**

Moderator: Ladies and gentlemen good day and welcome to the Ashiana Housing Limited Q1FY16 Earnings 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 during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle. Thank you and over to you sir.

Diwakar Pingle: Thanks Darrell, welcome everyone and thanks for joining this Q1FY2016 Earnings Call for Ashiana Housing Limited. The results have been mailed to you along with the investor update and it will also be available at www.ashianahousing.com. In case anyone does not have the copy of the investor update, please do write to us and we will be happy to share it with you. To take you through the results of this quarter and answer your questions today, we have Varun Gupta – Whole Time Director and Vikash Dugar – the CFO of the company. We will be starting the call with the overview of the company’s performance which will then be followed by Q&A session. I would like to remind you that everything that is 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 uncertainties and the risks that they face. These uncertainties and risks are included but not limited to what we have mentioned in letter of offer filed with SEBI in early February 2015 with respect to the QIP and subsequent annual report which you can find on the website. With that side, I now hand the call over to Mr. Varun Gupta. Over to you sir.

Varun Gupta: Good afternoon everyone. Thank you for joining us to discuss the first quarter performance of Ashiana Housing in financial year 2016. I extend a warm welcome to all of you. With sluggishness in the market, pressure on booking continued and we clocked 1.65 lakhs square feet of booking this qtr. versus 3.52 lakhs square feet in fourth quarter of FY2015 versus 4.5 lakhs square feet in the first quarter of FY2015. This is the published report of equity we have seen decline in the industry in both our strong markets of Bhiwadi and Jaipur in financial year 2014-2015, however our decline has been lower than the decline in the industry. We expect the sluggishness to continue and expect demand to revive only after job creation and the economy picks up, however we expect a better second half especially post festive season and more so with the launch of our new projects in Chennai and Bhiwadi.

On the construction front, we did equivalent area constructed of 5.33 lakhs square feet in the first quarter versus 5.16 lakhs square feet in the first quarter of FY2015. Sustainable momentum in area constructed on the year-on-year basis reflects that the company is generally on scheduled for project deliveries as we grow. You will appreciate that in these sluggish markets we have maintained our construction pace as per plan which will be advantageous to us when the overall economic cycle turns around as per realty sector which in turn would also revive the cash flow from operations.

Profit after tax increased to Rs. 6.71 crores in first quarter of FY2016 versus a loss of Rs. 2.18 Cr in the first quarter of FY2015. Profit after tax in fourth quarter of FY2015 was higher at INR 29.58 Cr due to higher topline owing to delivery in Ashiana Anantara, Jamshedpur.

Current year in terms of profit recognition will improve as company expects more deliveries in Ashiana Town Beta, Rangoli Gardens, Ashiana Anantara, Ashiana Navrang, Ashiana Utsav Lavasa, and Gulmohar Gardens. Pre-tax operating cash flows in the first quarter of FY2016 decreased to negative INR 1.11 Cr from INR 19.29 Cr in the fourth quarter of FY2015 while last quarter show a cash inflow from partnership projects to the tune of INR. 8 Cr for the current quarter. The cash generated has been locked in FDs to cater to the future tax liabilities in those partnership firms. The inflows otherwise from partnership projects would have been around INR 6 Cr. Moreover with phases in couple of projects nearing completion, advances to vendors were made in cases of direct project expenses which further reduced the cash flows.

Having said that this year generally will be challenging in terms of cash flows, however given the receivable from total booked units, we do not see execution challenges. We entered into a joint development agreement with Bengal Shriram for development of senior living and regular housing project of land measuring 19.72 acres. The entire project will have a saleable area of approximately 18 lakhs square feet. We will be applying for approvals within the next 3-6 months. We continue to win accolades and got felicitated with Bhamashah Award by Government of Rajasthan, prize 3rd year in a row for contribution in the field of education. On this note, I would like to conclude my 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. Our first question is from the line of Abhitesh Agarwal from India Nivesh. Please go ahead.

Abhitesh Agarwal: My question is, I wanted to ask, Mr. Varun has guided last year us about the Ashiana Utsav Lavasa Phase-II. It was supposed to get completed by Q4 of financial year 2015 or Q1 of this financial year. I think it has not reflected in any of these quarters and what is the status and what is the concern of delay for the occupancy certificate?

Varun Gupta: We had delays because we were not able to receive occupancy certificates for some regulatory issues, at the end with the occupancy certificate has been received in this quarter and we will start recognizing revenues for Ashiana Utsav Lavasa from this quarter onwards.

Abhitesh Agarwal: Basically such spillovers, can we expect for all of the project like as the regulatory environment is not going to change any soon or some of such delays have been expected in other projects also earlier and this project like also as guided. So similarly other projects also have been guided like Gulmohar Gardens and Vrinda Gardens are guided for Q2 and similarly other projects are guided for Q3-Q4. So similar thing happens or what can we assume for project completion schedules?

- Vikash Dugar:** Lavasa in this case was slightly different for the simple reason that there was a change of guard due to the authority which was supposed to get us the occupancy certificate and due to the new person coming in, he needed sometime to understand the intricacies and it got slightly delayed and generally what we do is that unless and until we have that approval in place, we do not issue intimation of possession to our customers. So it was a delay only due to that reason which is a very unique case in case of Lavasa. Otherwise in general about all other projects, we do not foresee any kind of regulatory uncertainty at this juncture.
- Abhitesh Agarwal:** Earlier this year Mr. Vishal has guided that we are targeting sales of 1,800 units in financial year 2016. So I would like to ask how many sale of units was achieved in this quarter and are we on the right track or not?
- Varun Gupta:** We booked 1.65 lacs square feet this quarter, Abhitesh we are not on track to achieve sales figures for this year.
- Abhitesh Agarwal:** No, I asked for the number of units.
- Varun Gupta:** I do not have an exact number of units but they would be around 130 units for the quarter probably, because the average size of unit for us is about 1,300 odd square feet
- Abhitesh Agarwal:** What is meant by the target of sale of 1,800 units, is it area booking or recognition?
- Varun Gupta:** We are targeting 1,800 units for delivery in this year. So I think he meant 1,800 units of deliveries which we have also spoken about in our annual reports. The delivery is just what we are looking at in FY 16 is 1,800 units.
- Abhitesh Agarwal:** Earlier in FY2015, you were given a guidance of area bookings of 2.4 million square feet which was then revised to 2.05 million square feet and after the year, we achieved 1.8 million square feet. This year you have given a guidance of 2.2 million square feet. So?
- Varun Gupta:** I think on the guidance front, it will be very difficult to guide what the future looks like because the kind of things that we were expecting is not playing out. The markets have not been behaving as per our expectations. Also, we have been caught a little off-guard by the change in the market that we were not expecting overall. So giving up a number on further guidance would be very difficult. Currently getting to the 2.2 million square feet seems incredibly difficult, would say very difficult and it does not seem like a possible number.
- Abhitesh Agarwal:** I Assume, this area booking guidance is for the medium term to long term and the equivalent area construction is also from the near term to medium term like long term but why do not you give the guidance for revenue recognition like as we follow completed contract method and the numbers which will be coming in FY2016-2017 will be not the number of area bookings. Right? It will be the number of handed over projects. So why don't we get any guidance like what guidance can we get for that, like what area are we looking to recognize revenue like what area are your looking for recognition in FY2016 or 2017?

- Varun Gupta:** We have not provided a guidance on that Abhitesh. We will look into it if they can provide a guidance on that. I think that figure would be also easier to guide on because it again takes care of bookings that have been mostly done historically and execution on which we are generally on track for, we will put that guidance if we are able to put those numbers together in a reasonably short period of time.
- Abhitesh Agarwal:** One last thing like what are the projects we are looking for revenue recognition in next quarter Q2 FY2016?
- Varun Gupta:** I will not be able to comment.
- Abhitesh Agarwal:** Tentatively I am asking.
- Varun Gupta:** We would be looking at Ashiana Utsav Lavasa Phase-II. We should also be looking at Gulmohar Gardens Phase-I and Ashiana Anantara one tower in Gemini. So these three can be recognized, part of the phase-II might spillover. I do not have that exact numbers on a quarterly basis but these are 3 places where handing over has started.
- Abhitesh Agarwal:** But as you are talking about the spillovers that happened for Ashiana Utsav, Lavasa Phase-II also this time, and Gulmohar also as you are telling, so can we expect such spillovers for the entire year?
- Varun Gupta:** So spillovers from one quarter to the other is very difficult to control Abhitesh. They will spill over from quarter to quarter and we are probably not worried and as management team we are not focused on a quarterly basis for handing over as long as we are meeting the handing over schedule to customers and keeping that timeline deliveries in mind. A month delay here or there can happen. Something that was expected to be delivered in September if it gets to October, it will be a quarterly change. As a management team, we will not be focusing our energies on that thought.
- Abhitesh Agarwal:** Earlier in last year, we had a growth plan for 600-700 crores worth of CAPEX like out of that 200 crores QIP was raised and earlier we had a projection to get pretax operating cash flows of around 200 crores but that was also not achievable. So now also we have that growth plans and if we have like what are the arrangement for the cash we are looking for?
- Varun Gupta:** So right now, we are curtailing the amount of capital that will be deployed in the near term and we are looking to utilize the funds that are already available with us and as and when things change over the next 3-6 months, we will recalibrate our plans and come back but for now we have recalibrated our plans keeping on mind view that we it will be reduced significantly from that plan overall. So right now, first plan is to deploy the funds that we already have.
- Moderator:** Thank you. The next question is from the line of Rishabh Nahar from Girik Capital. Please go ahead.

Rishabh Nahar: Just had a question only purely from the cash flow point of view. So since we have been seeing this delay in sluggish sales so will we deliver projects late now because we will not have any cash flow so then, will the difference between area constructed and area delivered is getting wider right and the area booked?

Varun Gupta: Yes, it is getting wider.

Rishabh Nahar: So are we going to see any delay in delivery?

Varun Gupta: We are not expecting any delay in deliveries, Rishabh. Now spilling over from one quarter to the other quarter is not something that I would call a delay in deliveries like of the nature that we are talking about here. The thing is most of our construction can be financed from receivable of already booked unit. So the challenge on execution from a cash flow perspective is not that large. We are also very well-funded overall in terms of our cash reserves today and given that we do not see any delay in our delivery schedule.

Moderator: Thank you. Our next question is from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

Sachin Kasera: If we see in the last 4 quarters from the peak of 6.5 lakhs square feet of area booking, we come to a low of around 1.65 in the current quarter. You did mention that the market is not supportive but can you elaborate some specific steps that you are taking to be able to get closer to the target because if we look at this quarter number and then if we just look at that, then you are looking at like missing our guidance by almost 40%-50%?

Varun Gupta: Couple of steps. One we are looking to launch projects in Chennai and Bhiwadi which will increase the breadth of product that we have overall available. The second, we did some thought process on how to get more sales and our focus is going to be on our existing customers and to utilize them for references and look for customers through them and utilize the overall happiness quotient that we have and third was on improving our customer happiness index by delivering our projects on time and making them happy and utilizing their word of mouth to generate more sales and we are taking specific steps around that what we call meet and greet and there are other steps which are being taken to improve sales at this moment.

Sachin Kasera: Follow up to this, the decline that we have seen in terms of area bookings, there are two parts to it, one what is the percentage decrease in the enquiries that we have seen and secondly is it that the number of enquiries have not reduced but the conversion is reduced?

Varun Gupta: There are three numbers we talk about. We talk about enquiries, site visits, and bookings. Enquiries have dipped by about 20%-25% but the site visits have declined by about 5%-7%, nothing material decline in site visit numbers. So the decline in bookings is primarily due to reduction in conversion ratios.

Sachin Kasera: Based on the feedback that you are getting from your marketing team who are interacting with the perspective clients, what is the reason for this significant drop that customers are saying why they are not converting their visits to actual bookings?

Varun Gupta: We just said that customers are in a wait and watch mode. They are waiting for schemes, they are waiting for something else and they are just delaying a decision. The biggest issue that comes in real estate is, it is not a urgent purchase, if you do not purchase it today, you purchase it 3 months later, there is no loss actually incur or any reason that you need to purchase it today itself. So I think people can find it easy to defer decisions and therefore they are deferring decisions.

Sachin Kasera: Is it specifically in terms of, one of the key factor is the affordability that customers are looking at, may be getting certain discounts or lowering of price and they are finding it unaffordable right now, is that one of the key?

Varun Gupta: We spoke to financial institutions as well and understood and deliberated on this in our internal team. We do not think affordability is so much of a challenge whether people can pay for that unit or not. What I think is people are looking for discounts or schemes or some sort of a deal to get in the sense they often think that everybody is saying real estate prices will correct. So why not wait and watch? Why do not we get a better deal? I think that is mood. Affordability does not seem to be that big of a challengeable.

Sachin Kasera: But sir my question was, is there a sense that you are getting some feedback from the customers that if we were to say give them offer a discount of “x” percentage that could be anything 5, 10 whatever it is. Then they would go ahead and book the units and which in turns comes back to the question if that will be the case, should we look in terms of reducing the prices than rather look for getting volumes?

Varun Gupta: Sachin, the sales team always says that we should give more discounts. Where there is a good market, bad market, if my sales team could give away the unit for free, they would give away a unit for free. That is the nature of the sales team. So whether they are saying discounts will help or not and whether really discounts will help or not are 2 different set of questions. Our belief is that discounts will not help because there are two things. One is if you look at between we do not have the first quarter data but if you look at FY2013-2014 and FY2014-2015 data in sales for the market and for us, our market share is actually improved wherein we are not offering discounts but other players in the markets are offering discounts. If discounts were so important, then our market shares should have declined but we have not seen a decline in our market share. We have actually seen an increase in the market share over those two periods of time. So the inference you draw is that it is not discount what is really mattering and there is something else that we need to figure out to gain even more market share if we need to do.

Sachin Kasera: Is there any improvement that is visible in July and August?

Varun Gupta: There is no improvement visible in July and August.

Sachin Kasera: So according to you it is more a question of the market itself is not doing well and company's specific measure may not yield us significant benefits. They would probably help somehow but the bigger improvement in area booking will only start to happen once the market sentiments turn around, is that a fair understanding of the current situation?

Varun Gupta: I would say yes, that side we are trying to do things where we can do things that can allow us to beat the market. There would be companies, would be doing significantly better than markets are and we are trying to learn and understand what can we do to improve things but yes, the view is that market is going to improve further for our numbers to improve significantly.

Moderator: Thank you. Our next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda: I had three specific questions. Well your presentation gives the operational details but on your initial comments you mentioned like the improvement will come only with job improvement and you have not put a timeframe to it. So what I wanted to understand is the markets you are currently operating in a project like Bhiwadi and Neemrana and all these are the markets like what is going wrong there, for like job improvement not happening. So we can understand markets like Gurgaon, there might be over supply and pricing issues; Bangalore, there are oversupply issues but in these markets, these are not huge markets and you are a very premium developer in these markets. So what really from a timeframe perspective has the company thought about something?

Varun Gupta: First, the timeframe is very hard to give a call on. We have not thought about exactly what timelines that are going to be there for revival. That said, even Bhiwadi also has an oversupply concern like the other markets and that is there. The job creation index is seem to be improving in certain large cities where the office supply off-take seems to be improving and office absorption has improved which gives an indicator of job creation. So there is some hope there on the job creation whereas the bigger cities lead the job creation and it spills and goes to the smaller cities where we are participating. That said our view is that instead of taking a call when the market improve and how it will improve, it is to be prepared for when markets improve and for that preparation, we are focusing on execution on two things, one delivering on time and keeping our delivery schedules in place and second ensuring the possession process to our customer is very good and if that happens, we get more and more customers who promote our product, talk about it, and give more references. So that is the strategy the company is taking on as that when the markets improve, we will gain and improve faster than the markets itself because we have taken these steps. So that is the basis thought right now.

Samar Sarda: Varun like if I just take you a little back between say 1997-2003 when most of us were young, 2008 and 2010 were again you were in the business and now if I see these 3 cycles, how difficult or like relative comfortable are we versus the last two slowdowns which real estate have seen in the past, say 2 decades or 1-1/2 decade?

- Varun Gupta:** So with our comfort comes from 2 things Samar, one our balance sheet is healthy and we are cash rich which allows us to weather the slowdown better than other times. That said, my brother who has been in the business for far longer he says this is the worse slowdown that he has seen in his career. So the overall slowdown that we have seen is quite tremendous but then again earlier on we were not that large, we were not present in that many cities. So the feeling of slowdown was also not as much. The bigger you become the more the slowdown starts impacting you and more visible it becomes.
- Samar Sarda:** Last question is in all your markets, how many organized developers would you see as competition in those markets for you?
- Varun Gupta:** Overall the development industry is fragmented right but every city would have wherever we are excluding Halol and Lavasa, there would be around 15-20 organized developers of scale that I would call competition mostly. Now Gurgaon there would be far more and Chennai and all, again there would be far more when we enter but Jaipur and Bhiwadi, they would be 15-20 of developers.
- Samar Sarda:** Developers probably having like 0.5 million square feet plus projects.
- Varun Gupta:** Yes, correct
- Moderator:** Thank you. The next question is from the line of Rajat Budhiraja from Banyan Capital Advisors.
- Rajat Budhiraja:** This is Rajat Budhiraja from Banyan Capital. My first question is related to Gurgaon. When did we launch the project and the total booking was only 2,000 square feet in the last quarter, so what is the reason behind it, low booking?
- Varun Gupta:** I think we launched it in the beginning of March and we got a chunk of the bookings. This quarter has been slow but it is improving with the July, August, and September quarter. I think one of the key reasons was we did not have anything to showcase, our sales team was new it was getting trained about the market, we were also learning, it is a new market that we have entered. So a lot of learning has happened. I think that will now start translating into better numbers as we go forward.
- Rajat Budhiraja:** So in terms of the location of the project as we can see in the newspapers, it is the new area coming from New Gurgaon so which I think it is a competitor of the area in which you are operating. So how do you think about the situation and why people would go in that area rather than New Gurgaon where the rates may not be very different?
- Varun Gupta:** One thing is it depends on what you want to be in proximity too. So according to me Gurgaon city is sort of a circle which starting at Cyber City going to Rajiv Chowk or NH-8 coming down to Vatika Chowk with Sohna Road and Golf Course Extension Road and going all the way where Golf Course Extension and Golf Course Road meet and then going back to

Sikanderpur and Cyber City neighborhood. That is to me the Gurgaon City. According to us the office belt of Sohna Road, Golf Course Extension Road, and Golf Course Road where there is a lot of office are planned, a lot of occupation that has happened, for them Ashiana Anmol and Sohna are far better located than living in New Gurgaon. So for these people, this is better than New Gurgaon and it is also at about a 20% discount to even the resale prices in New Gurgaon. So that is the other advantage and Sohna itself it has access to soft infrastructure already. Schools are around, Sohna Road Schools are a lot more accessible. So it has access to soft infrastructure already. It is not banking upon infrastructure to come in the future. It is already there.

Rajat Budhiraja: How much of the total booking which we have done in Gurgaon is out of the references from the previous projects?

Varun Gupta: I think probably 90% of our bookings would be through references, it is not more. So I think in our view overall in the market is also to get more and more bookings through references and from our existing customers.

Rajat Budhiraja: How many do you think out of these are investors rather than end users?

Varun Gupta: I would say about 50% would be end users, about 20%-30% would be people who would put it on rent, and about 15-20% will be investors. Overall in the market right now even through existing customers, the ratio of investors in the market has actually significantly reduced across the board. So for us also the impact is a little lesser because we have always had more end users in nature but the reduction in investors is definitely there across the market.

Rajat Budhiraja: My next question is on Halol. There we have been in the territory for more than a year and so first question is what is the proportion of the references out of the total booking and second thing is what are the learning out of the territory which is new for us and is there any change in strategy in marketing from that learning?

Varun Gupta: First I will not have numbers or references on Ashiana Navrang. I knew Ashiana Anmol reference numbers because we just discussed this in the morning. So I was up-to-date on it. Navrang numbers, I am not aware of to keep you posted but one learning is that Gujarat is overall a little lower margin market than most other markets that are there. Second learning is that there is a lot of space if you do quality development and our view is that when quality comes in, things will change as and when we went into this market also, the more and most we see, the quality of housing that is available and that can be done there is a gap. So filling that gap can create an opportunity and third, new markets do take a certain amount of time. You have to put in a lot of hard work and effort to make them work.

Rajat Budhiraja: So are we going to launch any other project in Halol or around that area?

- Varun Gupta:** We are scouting for the opportunities around other markets in Gujarat around other industrial areas and around other cities there. We have not finalized anything but we continue to scout for opportunities.
- Rajat Budhiraja:** My next question is basically in Kolkata we are again doing a JV and on the investor day you were indicating that most of the projects in the new directory could be in JV. So my question is if the JVs are going to happen more, then how are you going to utilize your cash which is sitting on the book?
- Varun Gupta:** JDA now also require a significant capital deployment because of the deposit that has become increasingly important. Land owners are looking for developers to have more skill in the game and put in more deposit if they want to part with the land because in a lot of cases, the land owners have had problems where they are given a very little deposit and the land is being locked for multiyear periods in developments and they are not able to monetize it in the timeframe they were looking to do and therefore the overall cash requirements have significantly increased and secondly we are also looking to do some outright purchases. We had signed off a project in Bhiwadi which was an outright purchase in September 2013 where payments were approval linked which is coming in. So then funds are getting deployed there. We are looking at outright opportunities in Jaipur as well. So there the funds will get deployed. Even in Calcutta, Chennai, and the Ashiana Anmol in Gurgaon, these were all very high capital intensity joint developments.
- Rajat Budhiraja:** Last question is when do you decide the project to move from future projects to ongoing projects?
- Varun Gupta:** So the exact definition is provided in the QIP documents Rajat but its construction having commenced is when we put it as ongoing project.
- Moderator:** Thank you. The next question is from the line of Abhitesh Agarwal from India Nivesh. Please go ahead.
- Abhitesh Agarwal:** Yes regarding the joint ventures that you told like you have to deploy cash increasingly in the coming years, so with the Kolkata land have you deposited any sort of money or there is exchange of any sort for the deal conversion or only a joint agreement is signed?
- Varun Gupta:** Not at the joint development agreement we have to put in. We have put in significant sums already.
- Abhitesh Agarwal:** Mr. Vishal was interviewed and he had told there is no sort of exchange till that date when the announcement was made. So that is why wanted to check.
- Varun Gupta:** Yes but it was waiting for possession which was a week on sort of a thought. So we have to get possession on line which we have received and after that significant payment would be made.

Abhitesh Agarwal: Regarding the revenues in the last annual meeting, you had defined the metric in which the cost were from internal calculated but there were revenues like around Rs. 950 approximately for self-made projects and around 450 approximately for partnership projects. So such gross margins are expected from other projects also in the coming financial year and next year?

Varun Gupta: Yes, the margins will continue to be good on the reported revenue front because some of the projects are high margins that we have and we will expect margins to continue to be robust. We will report per square foot margins again every year and you can get a sense. We will see if we can report it on a quarterly basis but we will definitely report it every year, so we will get a track of and we are reporting the amount of square footage that has been delivered in the year. This year we also reported those numbers.

Abhitesh Agarwal: One last when this Chennai and Kolkata projects estimated to be launched?

Varun Gupta: Kolkata I would suggest first half of next financial year, we are just getting ready to file for approvals which I think filing will take another 2-3 months for the approval. On Chennai, we are on quite a late stages of approval. So I think another maybe 2-3 months is when I would expect the Chennai project to be launched.

Moderator: Thank you. The next question is from the line of Pratik Bora. Please go ahead.

Pratik Bora: A quick question as I understand from the call that we do not see any challenges on the execution side, we are on track. To perk up the demand are we taking any specific measures over and above the ongoing operations? Are we taking any specific measures to perk up the demand side?

Varun Gupta: I already spoke on it Pratik that we are looking to use reference schemes and build on our customer satisfaction further. So we can get more and more reference bookings and the strategy is around that and see how we can build upon that.

Moderator: Thank you. Our next question is from the line of Abhitesh Agarwal from India Nivesh. Please go ahead.

Abhitesh Agarwal: In last financial year in the land bank that we showed the Kolkata land was shown for approximately 1 million square feet estimated land area and now the deal was finalized and it was revised to 1.92. So I did not understand like how the thing works and what we consider as actually a land bank? Do we own it or what sort of agreement do we consider before showing it on our guidance?

Varun Gupta: So the land bank is on a very early stage overall Abhitesh. We have sort of signed a definitive agreement with the landowner, only then do we put it up on the land bank. So in Calcutta, we had signed off an agreement for about 10 acres of parcel with 6.5 lakhs square feet of saleable area which got stuck in approvals within their larger township approvals. It is in a township, the township approvals have gotten stuck. Once they received the township approvals about 9-

10 months ago, we went back and when we wanted to do the transaction, we upsized the land from 10 acres to 19.72 acres and the saleable area also got revised to 18 lakhs square feet and the fresh definitive agreement was signed around these two parcels and now also it will move to future projects from land bank. Once we are finalized and crystallized the plans that we have and we file for sanction.

Abhitesh Agarwal: So similarly is the case for Milakpur land and ICD land in Bhiwadi?

Varun Gupta: Yes, Milakpur land is being land bank because there has been some issues with the title in terms of government wanting to acquire this parcel and therefore we do not have visibility on it. On the land here ICD Bhiwadi, it was waiting for approvals and I would expect that it will move to future projects and ongoing projects both within this financial year. So it should move to ongoing projects within this financial year because the approval processes are moving ahead.

Abhitesh Agarwal: So basically in considering if we want to assume any cash flows or considering from that land, it is very much difficult like there is a no sort of definitive contract that project will be there or not like?

Varun Gupta: On which land?

Abhitesh Agarwal: On any of the land bank that you see as there is no definitive cash flow exchange.

Management: That has been definite cash exchange in all 3 parcels.

Abhitesh Agarwal: In Kolkata land if I can know the exact amount, what is the definitive amount that is?

Varun Gupta: We will not be able to disclose the exact amount but significant sums of money have been exchanged. We have possession of all 3 parcels here which are in land bank. I would expect that the land near ICD Bhiwadi which was going to launch a project within this financial year, I would be very positive and the Calcutta land should get launched within the next financial year. The only place where we do not have visibility is the Milakpur land in Bhiwadi. Milakpur land in Bhiwadi is fully paid for its possession but the government wants to acquire the parcel and therefore we cannot launch a project on it because it is within the government's acquisition proceedings.

Abhitesh Agarwal: Thanks, that is all for land bank, and one last suggestion I would expect from you like that I told earlier also that as we follow completed contract method, we should like instead of total saleable area and area booking we should also talk about the revenue recognition area like this quarter you have talked about that should be a little consistent and for historical so that we can have an actual figure estimates and it is very difficult for us as the gestation period of the projects are also too long, so it is very difficult to estimate. So if you talk something about the area which is to be recognized in the near term and the long term like that would be very much beneficial.

- Varun Gupta:** We will see what we can put together over there Abhitesh.
- Abhitesh Agarwal:** Also as you make any project in phase wise but all the details that you mentioned is like project wise. So it should be mentioned like phase wise so that like we can have ballpark figures for phase wise projects.
- Varun Gupta:** We will see what we can do around that as well.
- Moderator:** Thank you. Our next question is from the line of Ravi Purohit from Security Investment Management Private Limited. Please go ahead.
- Ravi Purohit:** Most of the questions have been answered in the last half an hour or so. Just one quick question, the QIP money that we have raised apart from that some of it might get utilized in working capital requirements as we continue with our construction phase, are we still looking at any newer geographies, any land parcels in the existing geographies and how close are we to basically do some deals there because I think this is probably a time where a lot of land is available at significant discounts. So in some sense would that kind of excite you guys for you to be able to build pipeline for the future or how do you are really looking at it now?
- Varun Gupta:** Ravi first we are looking at it this way that we are lucky to have cash right now in the environment and we are looking at more acquisitions and parcels. We are actively I think probably 70% of my personal time is being spend in looking at more and more acquisitions as we go ahead. We are not looking at more cities. We are just looking at creating more depth in the cities that we are already in and we are in very advanced stages in 2 parcels and some of the funds where the QIP money will also get significantly employed in the Calcutta land and the land near ICD Bhiwadi because there were some unfunded liabilities around that and as the Calcutta land is being up sized, the liabilities have also increased and they will be paid out over a period of time. So some sums are getting utilized over there but the majority of the funds will be utilized for fresh parcels and we also hope that we are able to get them at a discount and value that are viable and doable on. As I had spoken before land prices have soften from what they were earlier. We are still working on it and looking because again the QIP sums were also limited, so how to best utilize it and most judicious way of utilizing that money.
- Ravi Purohit:** Basically what we keep reading in the newspapers because real estate is in distress across the country not just in specific geographies, we keep reading about projects which have been kind of they are midway but the builder is unable to fund them. They are good projects, feasible projects, or there are land deals which have been done but now no further progress is being done or the third is raw land deal. So what are you looking at all kind of options in terms of stepping into some existing projects, buying out existing projects, or how are you really looking at this market?
- Varun Gupta:** So Ravi one thing we are clear is that we want clean parcels. What we do not want is that a situation where we have to do diligence on how much has been constructed; how much has been sold; how much money has been received; how much is to received; what are the

liabilities that need to be paid out; how much money will be spend on construction because that bandwidth and skill set that we do not have and even if you are able to do the diligence, the question is later on will it occupy management time in negative ways and we will be spending energy in the wrong side these are very large concern that we have. So I would say more than capital is the management time bandwidths which are more limited and that we have to work and utilize that properly. So our view will be to look at clean parcels. There can be clean parcels in ongoing projects. So there could be an ongoing project of 40 acres and let us say work is started on 10 acres. We can ask the developer to carve out a 20 acre parcel for us; we will fund this; you can use this money to fund your construction and the remaining 20 acres that you have and go ahead and deliver as per schedule. Those are some things that we are obviously looking at but getting into an existing project and taking those kind of liabilities is not something that we are looking to do.

Ravi Purohit: But you will still not go out and develop jointly with any existing developer right just because the developer is short of cash or anything of that sort or take up the project although it is clean, branding issue?

Varun Gupta: How do we know it is clean, it is too easy to say it is clean. The question is then should we spend that time figuring up whether it is clean or not and will we go ahead and join hands with other developers. Yes Calcutta, Chennai, Jaipur, Halol and Lavasa, all are with other developers. We love to join hands with other developers overall as long as we feel comfortable with them, we want to go ahead and do more and more deals and again we are not someone who are very hungry for very discounted deals but the question is will we get fair value deals today which were also very difficult to find over the last 3 years.

Moderator: Thank you. The next question is from the line of Arun Prakash Singh from NTS Communications. Please go ahead.

Arun Prakash Singh: Varun as you said that your clients are in wait and watch mode. So you can just sail through this period because you have a strong balance sheet, you do not have much of a debt sitting on your balance sheet but my question is if you have competitors if the other builders operating in the area where your projects are going through, if they start giving in and if they start releasing the inventories at your cost, will it further affect the market dynamics and will it further impact your ability to just write out this period. I understand it is a hypothetical question but I just?

Varun Gupta: I do not know if it will affect our capabilities to write out the period. Right now the capability to write out the period is overall very good. So it depends on how long the period lasts like our capabilities will also start getting extinguish if this lasts another 10-12 months. We are in a different situation, if it last for another 6 months, it is a different situation but that said the good part that has happened is that the number of launches have reduced significantly, so there is no more additional supply that is coming into the market. So even if other developers will start offloading stock at a very deep discounts, I think the supply will start getting exhausted in the market and then the market should revive again on the oversupply and cyclical nature of situation. So the good part is the overall reduction in launches which is going to keep a tab on

supply for the near term at least and we will take it as it when it comes. I think the discounts in the markets have already started. A lot of developers are offering deep discounts in various markets. We just start to write that out.

Arun Prakash Singh: So if I understood you correctly what you are saying is the supply of fresh units coming into the market has decreased. So even if this discount still happens even if this scenario plays out you mean to say the market dynamic should take care of itself within 1-2 years.

Varun Gupta: That is what we are hopeful for. Again as I said timelines are very difficult to call but that is what you are hopeful for and the good sign is that the launches have not reduced significantly. I think that is up by 75% across major markets.

Arun Prakash Singh: You are not reducing your fresh launches, are you also reducing it or you intent to maintain your project launches at normal speed?

Varun Gupta: We intend to maintain project launches as we are going to be launching in locations where we do not have stock mostly like Chennai and in Calcutta, these are fresh cities, fresh launches, hopefully Aangan Neemrana Phase-II where we have no stock. The only place where we have a stock that we will launch is Bhiwadi and again we expect to have a different product in different portfolio in our market price that we do not product right now. In Bhiwadi basically our product ranges between 25 to 32 or 33 lakhs and we are a product within 37 to about 60 lakhs. We are looking to launch product within the 30-40 lakhs range over there and so that is the next step that we are going to do.

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

VP Rajesh: Just a few follow up questions, are you seeing any cost coming down with the cement prices, etc., being reported down. So if I was just wondering if your cost of construction is going down?

Varun Gupta: So steel is helping but we see regulatory cost increasing overall and so therefore covering the cost. So I think the regulatory cost will hopefully get covered by the commodity prices coming off and helping over there. So steel has seen a significant decline. I would hope that other prices also come down but right now that is just a hope.

VP Rajesh: Right, then the second question is after tax cash flow is negative I think for the first time in a long time, do you see more quarters like this, just given the sluggishness that is out there?

Varun Gupta: I would expect the next 3 quarters to be very difficult overall. This financial year will be very challenging.

VP Rajesh: Just following up on the previous questions that were being asked let us assume that if the ongoing projects we still have about 20 lakhs square foot that has to be sold. So if we assume

that historically if we have sold, let us say 18 lakhs or so per year let us assume if we sell half of that this year. How does that change our balance sheet? Given the promises that we have made in the company to deliver on time what does it do to our balance sheet?

Varun Gupta: There would be capital let us say all the 6 million square feet gets completed and we have only sold 5 million square feet. A million square feet worth of stock will lie on unsold completed construction you can do the math on that to get a sense of how it will impact the balance sheet. So question really remains is in how much period of time we will be able to sell this and when it gets constructed and if we are able to take this inventory out in the next 18-24 months, I would not be too concerned longer than that some challenges will start coming in on the balance sheet front.

Moderator: Thank you very much. Ladies and gentlemen that was our last question. I now hand the floor back to Mr. Varun Gupta for closing comments. Over to you sir.

Varun Gupta: Thank you everyone for joining this call of Ashiana Housing's First Quarter performance. We appreciate your questions. It was a tough quarter this year. Please do come back for the next quarterly call as well and we hope to provide you with more and more information to keep you up to date. Thank you everyone.

Moderator: Thank you very much members of the management. On behalf of Ashiana Housing that concludes this conference call. Thank you for joining us and you may now disconnect your lines.