



“Ashiana Housing Limited Q4 and Full Year FY20 Earnings
Conference Call”

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**MANAGEMENT: MR. VISHAL GUPTA, MANAGING DIRECTOR, ASHIANA
HOUSING LIMITED
MR. VARUN GUPTA, WHOLE-TIME DIRECTOR,
ASHIANA HOUSING LIMITED
MR. VIKASH DUGAR, CFO, ASHIANA HOUSING
LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Ashiana Housing Limited Q4 and full year FY20 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. Gaurav Sud from Kanav Capital. Thank you and over to you, sir.

Gaurav Sud: Thanks, Aman. Welcome everyone and thanks for joining this full year and Q4 FY20 earnings call for Ashiana Housing Limited. The results and investor update have been mailed to you and it is also available on the stock exchange. In case anyone does not have a copy of the press release, please do write to us, we will be happy to send it over to you. We will not be holding the annual analyst meet for the company this year due to COVID-19 related travel restrictions, so we are organizing this Q4 call in lieu of that. To take us through the results of this quarter and answer your questions, we have today with us Mr. Vishal Gupta, Managing Director; Mr. Varun Gupta, Whole-Time Director of the company; and Mr. Vikash Dugar, CFO of the company. We will be starting the call with a brief overview of the company’s performance and then we will have a Q&A session. I would like to remind you all that everything said on this call that reflects any outlook for the future which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks that they face. These uncertainties and risk are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports, which you will find on our website. With that said, I now turn over the call to Mr. Vikash Dugar. Over to you, Vikash.

Vikash Dugar: Good afternoon everyone. Thank you for joining us to discuss performance of the year and fourth quarter of FY20 of Ashiana Housing. I extend a warm welcome to all of you.

Area Booked recorded in FY20 was 19.82 lakh square feet as compared to 10.79 lakh square feet in FY19 due to successful launches of green field projects, Ashiana Daksh Ph-1 & 2, Ashiana Amantran Ph-1 & 2 in Jaipur, Ashiana Sehar Ph-1 and Ashiana Aditya Ph-1 in Jamshedpur

Area Booked recorded in Q4FY20 was 4.14 lakh square feet as compared to 2.83 lakh square feet in Q4FY19 due to launch of Ashiana Amantran Ph-1 & 2 in Jaipur. The sales were at 9.78 lakh square feet in the previous quarter.

We handed over 8.76 lakhs square feet in FY20 out of which 1.78 lakhs square feet was delivered in Partnerships. This was against a delivery of 11.78 lakh square feet in FY19. Revenue recognized from completed projects in FY20 was Rs. 249.15 Crores versus Rs. 281.38 Crores in FY19. Total comprehensive income that is TCI in FY20 was negative at Rs 28.95 Crores vis-à-vis positive Rs. 19.10 Crores in FY19. Losses reported during the year due to lower deliveries and also due to some exceptional/one-off items like impairment of Unaccrued Selling Expenses of Rs. 17.39 Crs, loss of Rs. 5 Crs on account of write-off due to discontinuation of project in Halol (Gujarat). These items have already been explained in detail in our investor’s presentation.

And area delivered in Q4 was 4.06 lakhs square feet out of which 2.69 lakh square feet was delivered in Ashiana Housing and 1.36 lakh square feet was delivered in the Partnerships. This was against a delivery of 2.31 lakh square feet in Q4 of FY19. Revenue recognized from completed projects was Rs. 80.37 crores for Q4FY20 versus Rs. 59.73 crores in the Q3FY20.

Revenue recognized from completed projects was at Rs. 52.79 crores in Q4FY19. Total comprehensive income that is TCI was negative at Rs 8.63 crores vis-à-vis negative Rs. 6.39 crores in Q3FY20.

Pre-tax operating cash flows was positive at Rs. 34.22 crores in FY20 versus positive Rs. 16.41 crores in FY19 due to healthy collections received from newly launched projects during the year. Equivalent area constructed was at 9.85 lakh square feet in FY20 versus 7.68 lakh square feet in FY19.

Pre-tax operating cash flows was positive at Rs. 5.14 crores versus positive Rs. 21.35 crores in the previous quarter largely due to collections received from newly launched projects in the third quarter. Equivalent area constructed was at 3.27 lakh square feet versus 2.39 lakh square feet in the previous quarter and the same was 2.46 lakhs square feet in Q4FY19.

Our construction has been generally in line with our commitments.

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. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Umang Shah from Asian Market Securities. Please go ahead.

Umang Shah: Sir, I had one question, we have taken a lot of time to sell off the inventory which is in the Anmol project at Gurgaon, so what is the thought process of putting up 7.33 million square feet of Phase 2 and 3 going forward? I think it is the third-largest project in your upcoming projects and I also think this is one of your first project in which you took over the land along with construction, so what have been your learning from this project?

Varun Gupta: Good Afternoon Umang. First clarification - We did take up a project which was with construction and land, we had entered into a Greenfield joint development of this land and it is 7.33 lakh square feet and not 7.33 million square feet of Phase 2 and 3. Right now, the whole idea on Phase 2 and 3 is dependent on us on first clearing whatever inventory we have in Phase 1, we have good amount of inventory in Phase 1 itself. Based on the sales there, we will look to launch Phase 2 and 3, we do not want to commit more capital into land without having more confidence of selling Phase 2 and 3 quickly.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from HIM. Please go ahead.

Himanshu Upadhyay: My first question is that in this market where the people are not able to move that much, what is your strategy to get consumers or sales and marketing strategy currently, and how do you plan to get more EOIs in the markets where they are present means or getting the person to your or getting him interested in your project, any views or thoughts on that, and secondly out of 124 EOIs what we had in Amantran, how many would have been converted to bookings by now?

Varun Gupta: Himanshu, I will take up the second question first, we actually had substantially more than 124 expression of interest in Ashiana Amantran. We converted to booking 124 out of the expression of interest that we had received. Unfortunately, the conversion of the booking happened before lockdown and some actually during lockdown in terms of documentation and since then some people have changed their mind and do not want to continue with their bookings and we have received about 30 to 35 cancellations, we expect about 45 cancellations from those 124 bookings at this point of time, and on the second question of yours that you had asked around what strategies are we employing in getting people at site or conducting visits, I would like to say two things, one, there is a virtual site visit process that we have kicked off in the company. So, people can visit the project virtually where our executives take them through the project over a video conference and walk them through the project. Secondly, physical visits have started across projects, there is proper SOPs put in place for the safety and security of the customer and our executives who are following COVID related SOP. And people have also started coming for site visits, some sites more and some sites less. There are also slight issues like cross-border travel issues particularly in the NCR related sites and those are emerging, but as the lockdown has been eased off, we have been periodically seeing increase in physical site visits. They are substantially lower than the pre-lockdown levels, but they are moving up, and hopefully, they should become normal.

Vishal Gupta: I think the team has reinvented itself on the virtual site visit. In fact, this is actually a hit, so going forward we are going to have both physical site visits and virtual site visits. We are going to be able to allow larger number of the family members who are other decision-makers to come onto the virtual site visit which will actually help us to reach to a logical conclusion faster for the customer. It will shorten his buying journey according to me. Second, I think, Varun has talked about the cancellation. I think we have had reasonably good number of bookings also that has happened in the last one-and-a-half months since we kind of started to relook at the sales momentum. So I think the present status is not just about site visit but in the current scenario, we have been able to take the entire journey to a logical end as well.

Himanshu Upadhyay: What would be the success rate in these virtual tour, let us say once the customer comes and gets EOI or let us say to EOI stage any success rate in virtual versus or this, how are you seeing the customer feedback or success in that, is it increased better do you think?

Varun Gupta: It is too early to comment on the process, Himanshu, I think what to me is the big learning here is even after COVID and after lockdown which goes in, a virtual site visit probably will become a part of the sales process in between the enquiry and the physical visit and/or maybe both physical visit for other decision-makers to be able to conduct visits and for outstation sales. I would say that this is a little early to tell, we are also refining the processes and learning as we go along, I think it will take us another quarter maybe before we can give a sense of how the processes are.

Himanshu Upadhyay: One question on Chennai market, it has been a significant or a good new launch market entry for us and we have one project there, what are your thoughts on growing that market because as

an outsider if I see, it looks like we are able to really grow that market. It can be half a million square feet market for us in three to four years, and this one project last year itself gave us one lakh square feet. What are your thoughts on that market, what would be your strategy to grow in that market and how are you looking, means when we entered that market are we more confident on that market from the day when we entered or we think it is mixed bag, so any thoughts on that and your strategy with what your thoughts are?

Varun Gupta:

It is doing well for us sure, Himanshu, but from where we entered I would say that Chennai has done well for us in our sort of expectations, it is a market we are aggressively looking for one more project to do. We are of the view that in Chennai, we should continue to do more senior living. It is the differentiated product that we have, we have strong capabilities in designing, delivery, and maintenance of that project, which is in demand in Chennai and where we will also have an edge over local competition and not be competing for the same customers that other developers sort of compete for, so we are looking for one more project of senior living at this moment as we speak.

Himanshu Upadhyay:

Can you give some light on the markets where you are present, especially the economic activity in consumer segments and because we are not so familiar with Jaipur and Bhiwadi and those markets and related to that, we have seen many thought leaders giving general statements that prices need to be dropped by builders and we have seen a lot of limelight which is coming into the media, so what impact is it having on the consumer mindset and how are they reacting when he is coming to purchase or looking at the projects? Is his behavior drastically different than what he was talking, let us say six months back and any views on that?

Varun Gupta:

One, we do not have data to substantiate any views on how good these markets in the locations we are doing and how they are doing, it would be sort of incorrect for us to comment on the same without substantial evidence of what is going on and again the lockdown is just sort of been released in more parts and economic activity is coming back on. I think another quarter is probably required for us to be able to gauge economic activity in any place. I think it is too early to say how economic activity even in Delhi or Mumbai are doing in the larger cities. We need another quarter to judge, that is our opinion and let more data come, what you see with the eye can be sort of not correct because we might just confirm what you want to confirm and believe what you want to believe. On consumer behavior, there are very different kinds of consumer behavior that is happening. There are people who are buying, so as we said we have had sales, people who bought after doing virtual site visit and not doing physical visits, there have been people who are a little worried about their jobs, so they want to buy but they are worried about taking a loan and a liability in case they have a salary cut or a job cut. There are people who are actually thinking that maybe what some of the influencers are saying is correct and it might be a good time to go deal hunting and they are looking for discounts to buy. There are people who are thinking it might be a good time to buy ready-to-move-in, there are people who think it is probably a better time to invest in property over the stock markets where returns have been negative and most savings have been financialized over the last four-five years and they might move to real assets. There has been thinking around affordability, I know two stories in our

projects that people who had come to rent ended up buying because of decline in interest rates whereby the gap in the EMI and the rent is lower, so all I would like to say is it is hard to generalize consumer behavior in a generic specific way, different consumers at this point of time are behaving very, very differently and everybody is reacting to whatever is going on in many different manners.

Vishal Gupta:

I think also these are things that will need some time to stabilize, cannot paint the entire consumer base, the entire country in one single brush and say that, even in our own markets within senior living, within regular housing, within Jaipur, within Bhiwadi, there are going to be different markets which have been behaving differently for us as well, so I would just think very, very similar to you Varun and give it three more months before we can really say which way are we heading.

Moderator:

Thank you. The next question is from the line of Priyank Sanghvi from 5Y. Please go ahead.

Priyank Sanghvi:

My question is for Town and Surbhi in Bhiwadi, the bookings have really dropped, was it like bookings were done and then some were cancelled or like what happened there?

Varun Gupta:

They were just slow, last quarter in Bhiwadi in particularly Ashiana Town, Tarang and Surbhi were extremely slow in Q4, I do not know what happened and if any project which has been doing better than everyone else in the lockdown or this quarter where things have been very slow overall has actually been Ashiana Town, so it is hard to comment as to what happened in one quarter to another, we do not know that.

Priyank Sanghvi:

Similar question for Anmol in Gurgaon and Vrinda Gardens in Jaipur.

Varun Gupta:

Vrinda Gardens in Jaipur is an issue of also stock being reduced in Phase 3B. Phase 4 has only a particular kind of units in Vrinda Gardens which are three bedrooms-three toilets units. We do not have two-bedroom or three-bedroom or two toilets units in that phase at all and Phase 3B we have very limited stock now. I think the Vrinda Gardens when we launch another new phase, which should be reasonably soon, I think COVID delayed the launch of Phase 5, we should be launching soon, I expect Vrinda Gardens sales to pick-up. Ashiana Anmol, we are not exactly again sure of what has happened in Anmol in the sales, we are also working on that to figure out what has been happening there, it has been again for more than one quarter it has actually happened for couple of quarters, we are trying to figure out what has happened over there and what we need to do to fix it going forward.

Priyank Sanghvi:

My other question was the expected completion time that we show in the Ongoing Project Summary, those are RERA dates, right?

Varun Gupta:

Yes, they are RERA dates, so we should complete substantially ahead of that. I will stick to the given timelines, we might start giving two timelines one as per RERA and when we actually expect to finish, so that can give a better sense of where we are, so we might start doing that, we will provide that as well.

Priyank Sanghvi: There is some extra data that we give in the analyst meet that we have in Mumbai in the presentation, so will those be available sometime later?

Varun Gupta: Yes, all of that data is published in the Annual Report, so when the Annual Report is published that information will come in or/and we might do an updated presentation of those same pages that provides the data you are asking, we will provide the data that you would be looking for in general, we will review it once and share that with the community at large.

Priyank Sanghvi: I was particularly looking for those Gross Profit Margin, Indirect Expenses kind of data that is available once in the analyst meet presentation only?

Varun Gupta: It is in the Annual Reports in the Management Discussion & Analysis section, Priyank, and we will publish it again in this annual report as well.

Priyank Sanghvi: In that case, when is the annual report is to be sent?

Varun Gupta: I would not have the date on me, we will come back to you.

Moderator: Thank you. The next question is from the line of Puneet from MRG Capital. Please go ahead.

Puneet: Sir, my name is Puneet, I am representing Mr. Manu Rishi Guptha from MRG Capital. I have three questions, first one is if you can let us know the absolute numbers like, what is the sale from April till date for the Q1?

Varun Gupta: We would publish that soon. As of today, net bookings to us stand in the single digits because we have had significant cancellations in Ashiana Amantran, so we would have had about 50 odd bookings for the quarter and 50 odd cancellations. Of that majority of the cancellations, 35 odd cancellations happening in Ashiana Amantran, as of today the net score is in single digits.

Puneet: Sir, any new strategies in the post-COVID era, as everything is changing, will your strategy remain the same or are you going to have a new strategy in place, how is that?

Varun Gupta: Puneet, we are also just reading the situation, again I do not think enough information has emerged for us to take a decision here or there, but as I reiterated in the call that we had in early April, that we will act on information and not on forecast and predictions that are floating around. At this point of time, I do not think we have enough information to say our strategy should pivot this way or that way and there might be lot of tactical decisions that will be taken in individual projects according to the situation which is very local to that extent, so that is what it is. We are reexamining our strategy, we are discussing it at the Board and you know continuously evaluating what we should do. I would say that there is not enough concrete information to share what is to be done with the decision at this point of time.

Vishal Gupta: In my view, I see great opportunity here, I think the reliable developers, developers with good track records with very strong delivery capabilities, on-time delivery capability should benefit

more because I think people will get little bit more worried about the safety of their investment versus the return expectation, so I think there should be further consolidation towards the more reliable developers going forward.

Puneet: Any pricing pressure you guys are facing and if so will there be any change in the pricing strategy going forward or what is the pricing strategy going forward?

Varun Gupta: As I said it is very project-to-project and market-to-market dependent, I would say in Jamshedpur and Jaipur, we are not feeling pricing pressures. In Bhiwadi and like Anmol in Gurgaon, we have felt pricing pressure but we felt pricing pressures even pre-COVID and there is pricing pressures there, some of it has already been recognized over the last three to four years and we are coming out with schemes in those projects to pass on some sort of benefits to the customers and which overall reduces the pricing that we realize in projects. In terms of Senior Living, I think again we do not see pricing pressure there and we continue to see that is a place where we can probably enjoy more pricing power in the future and COVID probably has accentuated the need for lot of seniors to be in a place where care and services can be provided particularly if they have been living alone in the city and have felt the pain of taking care of themselves, so that is what we sort of overall feel right now.

Puneet: I mean the cost per square feet of construction will it remain same or will it come down since there are like deflationary pressures in the market, how is that?

Varun Gupta: Again, it is very difficult to comment on this, as there is this WPI inflation figure that people have quoted, then there is this whole piece which is going on that labor will not migrate back and therefore labor supply will be decreased and labor cost might go up. Cement prices have actually increased in a few markets. Our view is that again that probably construction costs are remaining stable as of now, we have not felt either upward pressures or some cost benefits in the short term, but again this quarter whereby supply chains for our suppliers normalize and the labor markets also normalize will be important and giving a sense of where things would go and if supply of construction reduces, what a lot of people are saying is that the real estate industry will further feel pressure and there is overall lesser construction, there would be overall lesser demand for construction that is one, but that is also dependent on the infrastructure. All I am saying is there is a lot of things going on right now, probably we need one more quarter to be able to give you information which is more substantiated.

Puneet: My next question was about the labor strength and how are you guys getting the labor, everyone in the real estate industry is struggling to find the labor, are your projects are like sufficiently staffed in order to complete the project or what is the shortage of labor you are facing?

Varun Gupta: Overall, we have not experienced the labor shortages that is being publicized in media, a lot of our labor at our construction sites. Particularly the Rajasthan projects have done quite good in that and we do not see any worry. In Ashiana Shubham in Chennai, lot of labor left back for their hometown, so there is a little bit of a labor supply crunch that we are seeing and we are looking to solutions what we could do in terms of managing our construction speed and how do

we find labor and for long term efficiency what could be done. In Jamshedpur, we have also had some labor shortages, but fortunately Jharkhand has a lot of local labor as well, so we have been able to recruit some local labors there and got construction feet movement overall going on. Our view is that we would have done better than most real estate developers in our ability to retain labor and employ labor and even kick start construction.

Moderator: Thank you. The next question is from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: My first question is on Anmol, Gurgaon, I believe in one of your conference calls, you mentioned for that project you are planning to partner with local groups to help strengthen the project, so is it too soon and is it too short a time that has passed for you to get a sense of how that has panned out so far?

Varun Gupta: We have partnered, it is too soon a time to figure out where that is going and probably the uncertainty of COVID also came in, we had really started working with partners in middle of January and then this again slowed it down in the situation. I would say it would take probably 6 to 12 months for us to able to really comment on that because more than anything else we will also need to learn how to work with channel partners and distributors. We do not have the skill set and do not know what is the temperament that is required to work with them, so there is a learning curve for the organization and I would say even one or two quarters might be a little less for us to comment on that.

Rohith Potti: The next question is on the Kid Centric Homes, so in the past you mentioned that Senior Living and Kid Centric can be relatively higher margin products for us because we are differentiated, so while we see the margins playing out quite well in Senior Living, in Kids Centric we have three flagship projects I believe, one is Anmol, the other one is Ashiana Town in Bhiwadi, and the other one in Jaipur, so I understand the Jaipur one is doing well, but ones in Bhiwadi and Anmol maybe for other reasons are not doing that well, so my question is more on broadly the Kid Centric product strategy, do you think it is differentiated enough to earn better margins even today or do you think there is more change that needs to be done and it is a segment that will continue to be a long term segment for Ashiana?

Varun Gupta: As of now, we are looking at it as a long term segment and working on Kid Centric Homes to be able to create value and charge higher pricing and get margins by delivering better value to the customers. I would just say in Senior Living it roughly took us about 12-13 years maybe 14 years before we got to a stage where we could start enjoying pricing power, that is a very, very long time and I hope we do not have to repeat that in Kid Centric Homes, but we are figuring out what is that we need to be able to command better margins in that product in construct. As of now, we have not seen anything in that direction and it continues to be a work in progress, but we continue to be committed to be finding a way there and are looking for ways right now.

Moderator: Thank you. The next question is from the line of V.P. Rajesh from Banyan Capital. Please go ahead.

V.P. Rajesh: Just a question on the Ashiana Aditya, Jamshedpur, are you seeing any cancellations there also and in general aside from Ashiana Amantran are you seeing any other major bookings being cancelled by the customers?

Varun Gupta: In Ashiana Aditya, we probably have had four-five cancellations in the year, but they have been booked immediately, so the cancellation happened today, we were able to sell it to someone else either today or tomorrow. That is the kind of a direction in Aditya, because we probably have a pool of people who are probably awaiting Phase 2 as well. So, in Ashiana Aditya, in particular, that is the thing. In general, outside of Ashiana Amantran, we are not seeing the cancellation in any manner out of the ordinary. In normal course of business, we do have a few cancellations every year. Something or the other happens which do take place and that is what is happening right now, we feel comfortable across. I think in Ashiana Amantran, it was a timing of the booking and the lockdown more than anything else which has had an impact because it will adjust people's mind, they were committing to the booking when the lockdown sort of happened and then it kept people in two minds there.

V.P. Rajesh: So are you seeing the demand now come back for it meaning some people who cancelled are coming back or folks who have looked at it virtually are starting to come back, just if you could give some color on that?

Varun Gupta: Some sense is coming on that, there are a few bookings flowing in and I believe it is going to start coming back as we go forward, again some of those are predictions, slight green shoots is the right way to put it that we are seeing in Ashiana Amantran at this moment of time.

V.P. Rajesh: You were talking earlier about the supply side, so broadly at your company levels if you think about the supply are you back to 60%, 50% across different projects, I know you said Chennai is giving, Chennai's labor problem is still there, but I am just trying to get a overall system view with respect to your different markets?

Varun Gupta: It will be hard to comment on a percentage, VP, all I can say is that we have made a revised construction schedule across the projects post-COVID and in my understanding is that all site except for Ashiana Shubham Chennai and Ashiana Sehar in Jamshedpur, all projects are meeting that revised construction schedule that we have made, so we are basically on track to achieve, some of these factor-in a little slower speed in June as compared to what we would have achieved not only for labor, but also for materials and just building momentum, but we are on track as per the construction schedule.

Vishal Gupta: Reduction would be approximately 20% of what we had planned earlier for the month also and I think Chennai is hurting a little bit, but most of the other sites are on track. Jamshedpur and Chennai, you mentioned that already and Jamshedpur because of the local labor, we should get back on track sooner. In Chennai, we still are struggling to find a way out, we were just about to hit the solution, but the second lockdown came about in Chennai, so I think that is going to delay the process a little bit further.

- V.P. Rajesh:** Vishal, when you said 20% is it to pre-COVID plan or the revised plan?
- Vishal Gupta:** To the pre-COVID plan, so what we were expecting to happen this month in pre-COVID, we are 20% lower.
- Varun Gupta:** We are overall adhering to post-COVID plan except for the two projects I mentioned, Sehar in Jamshedpur and Shubham in Chennai.
- V.P. Rajesh:** On the demand side, it is clear to say that you sort of want to come back on that after a quarter, that is the way to characterize that?
- Varun Gupta:** Yes, the July-August-September quarter would probably the most important quarter in terms of giving a sense of that picture.
- Moderator:** Thank you. The next question is from the line of Siddarth Agarwal from Prudent Value Partners. Please go ahead.
- Siddarth Agarwal:** The first question Varun is that our operating cash flows have declined from roughly 22 crores in Q3 to 5 crores now, so what is the status of our cash flows now and are we seeing any arrears received from our customers?
- Varun Gupta:** One thing that happened in Q4 was that majority of our collections happened in the last 10 days of the month because we take up demand in the beginning of the month and people end up paying at the end of the month closer to the due date. That visibly in March got completely stalled because lockdown came around on 22nd March and then we lost about 10-11 days of collections there. Secondly, in April and May we collected but it has not been substantial enough to comment. In June again the last 10 days are still left where it will be important to see how June collections are. We expect June collections to be substantially better. In April-May the other problem came in with also the disbursements at end of March and April-May was basically the home loan department or financial institutions were effectively not working, if they were working they were poorly staffed and they were not able to sort of visit the project site, confirm what is the status of construction before they release or the paperwork, so some of that had gotten sort of stalled. We will get more information I would say in the next 13-14 days as to how things are looking. Our view overall that is as I said cancellations are not substantial in nature and the full-year collection should be good and our operating cash flows should become healthier as we go forward during this year.
- Siddarth Agarwal:** Varun, you also mentioned that we had some losses in Ashiana Anmol project because of the lower gross margins, so if possible could you please share what are roughly the gross margins in that project and if Sohna market continues to be sluggish, is it expected to impact our coming results also?
- Varun Gupta:** Two-three things Siddarth, the Sohna market in terms of further revenue contribution will be lower, the big chunky area delivery in Phase 1 has already happened and now whatever will

happen is whatever inventory we sell and the proportion of revenues it will make moving forward will generally be much lower than otherwise, so that is one aspect that would like to give. I would not like to share exact gross margins in Ashiana Anmol, but it is closer to half of what we would make on a consolidated basis otherwise that is the kind of discrepancy that was there in that margin. So whenever Ashiana Anmol does come in a larger chunk or when we do Phase 2 and Phase 3, unless and until there is significant upward movement and price in Phase 2 and 3 as compared to day, in those times whenever those deliveries you should expect gross profit margin compared, unfortunately that is the case in that project.

Siddarth Agarwal: Varun, we also have a comfortable cash balance on our balance sheet, roughly 150 crores so do we plan for debt repayment or given the practice drop prices does the buyback make sense for us?

Varun Gupta: A buyback is not something that we have considered internally at all and looking to do a buyback, I think there are various things like we are looking at. One, we as a temperament are inherently a little paranoid management that is to push it on in terms of cash, so we are little bit always worried in terms of whether what else could go wrong, the current situation does not seem to be but since one never knows the future, so we like to hold our cash a little bit in excess as a management team, which probably has been in good light given the external shock that has happened right now and this liquidity does give a lot of comfort to us today. Second, we are looking to prepay some debt, we have prepaid 10 Crores of ICICI Non-Convertible Debentures in the month of June, we have another 17 crores of debentures to be repaid in July anyways which are coming up, so we are looking to overall reduce the leverage in the organization and reduce some of that interest cost. Thirdly, the land markets are also becoming very interesting at this point of time and very interesting transactions are available, so there is some confusion in the management as to which way to go and a little bit more information over the next quarter in terms of operational performance will sort of guide our decisions and also the larger strategy which we have and then take calls accordingly over there.

Siddarth Agarwal: So basically we are also evaluating some land deals given the attractive prices that may have come now?

Varun Gupta: Correct.

Siddarth Agarwal: Are they in the same cities or anything newer market?

Varun Gupta: No, the only newer market that we are really evaluating is the Noida-Greater Noida market for Senior Living and from my construct, it is a new market in terms of approval in construction, but from a Senior Living sale perspective it is probably a newer product in the same larger NCR market where we are able to capture some customers who are unwilling to go to Bhiwadi as micro-location if that is the way to put it, so that is the only other really sort of newer markets we are considering.

Siddarth Agarwal: One last question, Varun, is around our Halol project, so basically this quarter I think we charged 5 Crores to the P&L, what is the reason for that and we are also planning to exit the Halol market, so can you please share your thoughts on these two things?

Varun Gupta: Typically what happens is when we build a project in phases, some costs which are basically allocable to the entire phase, we have to build it upfront because you cannot modulate it, like say the example of a clubhouse, which we build to a capacity as planned to for the entire project. So if we have 500 units we will plan a clubhouse which will cater to the 500 families and not 250 families in the first go, so we plan the project and we proportionately allocate those expenses to Phase 1 and 2 and carry the proportionate expenses of future phases as inventory as per accounting policies, so the clubhouse is one example, boundary wall is another, power spaces are another, sewage treatment plants could be another, guard rooms could be another, so basically what I would say external development or common area works. For that, we had effectively built out for the entire project most of this, very little had to come into the future, so that led to charging of the stock that we were really carrying substantially and since we have decided to exit the market, there is no value to that stock to us anymore.

Moderator: Thank you. The next question is from the line of Ankit Ranka from Kovil Investments. Please go ahead.

Ankit Ranka: I had a couple of questions, one was in collection, you alluded to it in the last part as well, but if I may just extend, I am just trying to gauge if our capital required for the project is going to go up wherein let us say we have construction-linked milestones, right, in terms of collections. We collected 350 crores last year, given the circumstances, do you think we would have to like tweak those milestones wherein collections comes a bit later while we may have to spend the money on the construction as is planned, so thereby our IRRs that we expect from the projects will take time, of course this will not just apply to us but broadly structurally for the industry, so I wanted to understand it from your vantage point, how do you see that shaping up?

Varun Gupta: Again, it would be hard to comment fully on that, again a few more months of information might be more correct on it. My first information that we are getting because we have been tracking who will pay, what is going on, why have not they paid, what is the status of this, the issue seemed more procedural, some of the places that we had to collect money and then we had to send runners to and go ahead and collect the cheques as someone was not willing to do online transfers, in some places the banks had to process the disbursement and the banks need a physical signature from the customer for them to disburse, that procedure got stuck. So, issues seemed more procedural and less of, let's say, a concern of people unwilling to pay or looking to delay payment in general on a larger context. There will be cases of people who are uncomfortable paying at this moment of time, absolutely but they are not large enough numbers for us to worry about.

Ankit Ranka: One way to think about is last two years we have had 300 plus crores collections every year, looking at things as they are today you are not alarmed about not crossing that figure this year

as well, is that a fair way to put it as things stand now, of course nobody is going to question you if it is not?

Varun Gupta:

As of now, I would not be alarmed of crossing that figure.

Ankit Ranka:

Okay, that helps. The second question I had is of course, so P&L is something we do not necessarily look to understand our business and what we are trying to do except that we follow project completion, so it gives this kind of a report card of what we did say two years, three years, four years ago, and if you look at it this year, possibly in 10 plus years first time we are seeing EBITDA is negative. Generally it used to be 25% plus EBITDA margins, so of course this is past, but as you look at our ongoing projects today, especially the projects which you have launched in the last say 12 to 24 months, say P&L four years out, do you for any reasons see that it will be difficult to go back to those 25% plus margin levels as things stand today or do you think structurally 15% is more realistic or how should one think about this and at least we should have a range to think about as to when project are underwritten what is the kind of profit that it can generate over the next cycle say five years, seven years?

Varun Gupta:

Let me put it this way, we think less on the EBITDA front because some of the overhead costs are little bit more jumped up. I would say two to three things that have happened like deals which we did, land transaction which we did in 2013 and 2016 so the Ashiana Anmol, Ashiana Tarang in Bhiwadi, Ashiana Umang Extension part, some of the projects that we have done Ashiana Aditya, Ashiana Amantran, these projects typically have little lower gross profit margin now than what we would have underwritten at because typically construction costs have gone up since that vintage land prices either on outright basis locked in or as a percentage has been locked in of the revenues and revenues have not really increased, so there has been a gross profit margin compression in these four-five projects. Ashiana Umang Extension, I would not worry so much, we were hoping for more than super normal margins given that what we enjoyed in Umang, we may not do that but typically we look at a 30% gross profit margin across projects. Of this, Ashiana Anmol is of a different order of thing, part of revenue recognition has gone there and part of it will come during the year.

Outside of this, the other four projects, I would say are typically would say the 25%-26% kind of average gross profit margin in these three-four projects, rest of the projects I would say will continue to deliver 30% or more, gross profit margins in the future. My view is that we should be on an average and Senior Living will deliver even better gross profit margins and Senior Living has started contributing a little bit higher as a percentage of the revenue then it used to do earlier and that will also help overall gross profit margins, so I would say on average I think three years from now we can assume that 30% gross profit margin, we will be able to maintain going forward and that would translate to about thousand bucks a foot let us say plus or minus hundred depending on the mix of the project and how thing works. I am also assuming that we do not face significant construction cost pressures over the next two-three years, so there is any significant movement of labor or material cost, of course that will impact on the margins particularly if we are not able to pass through that further to the customers in terms of pricing.

So that is on the gross profit margin bit, so I think and the newer projects that we have done, things are improving and I would expect that the margin compression that we had felt over the years that period to me at this point of time is over and we are going to see margin expansion overall as we go forward. That was the view pre-COVID particularly that sale prices should go up and we should enjoy margins, how COVID impacts that I really do not have to say right now as we go forward. The other thing that happened on the EBITDA margin, our overhead started ballooning significantly higher and a lot of marketing cost had to be charged off this year, I think that is also coming under control as we go forward and overall our marketing expenses we expect also be controlled in the future, so that is what I would like to articulate overall here.

Moderator: Thank you. Ladies and Gentlemen, that would be the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.

Varun Gupta: Thank you everyone for joining us to this analyst call. Unfortunately, we are not able to have the Analyst Day this year, some of the information that we present on Analyst Day which we would not have shared already, we would publish that onto our website and onto the stock exchanges hopefully soon. Thank you for all your questions. If you have any further questions, please feel free to write to us or contact us directly. Thank you so much for joining us on this call.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Ashiana Housing Limited, that concludes the conference. Thank you for joining us and you may now disconnect your lines.