“Ashiana Housing Limited Q4 FY-21 Earnings Conference Call”

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MANAGEMENT: MR. VARUN GUPTA – WHOLE TIME DIRECTOR

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Binay Sarda: Welcome to the Q4 and full year FY21 earnings call of Ashiana Housing Limited. Please note that this webinar is being recorded and the transcript of the webinar will be made available in a week's time from the call. The results and investor presentation have been mailed to you, and it is also available on the stock exchange. In case anyone does not have a copy of the same please do write to us and we will be happy to send it over to you. Before we begin, I would like to remind you that our discussion today might contain forward looking statements. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward looking statements which reflect our opinion only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise and publicly release the results of any revision to these forward looking statements in light of new information or future events. To take us through the results of this quarter and answer your questions we have today with us, Mr. Varun Gupta, Whole Time Director of the company and Mr. Vikash Dugar, the CFO. Mr. Vikash will make his opening remarks and then we will move on to the Q&A. During the course of the discussion and presentation all investors will be in the listen only mode and there will be an opportunity to ask questions once the initial comments conclude. With that said, I will hand over the call to Mr. Vikash Dugar. Over to you.

Vikash Dugar: Thank you Binay. Good afternoon everyone. We sincerely hope that you and your near and dear ones are safe, and in good health in these difficult times, due to the ongoing pandemic. Thank you for joining us to discuss performance of the year and the fourth quarter of FY21, of our Ashiana Housing Limited. I extend a warm welcome to all of you. Area booked recorded in FY21 was 14.97 lakhs Sq. ft as compared to 19.82 lakhs Sq. ft in FY20. Area booked recorded a healthy 8.30 lakhs Sq. ft in Q4FY21, as compared to 4.14 lakh Sq. ft for Q4FY20, aided by the launch of Ashiana Aditya Phase II in Jamshedpur and Phase V of Ashiana Umang Jaipur. The sales were at 3.57 lakh Sq. ft in the previous quarter. We handed over 8.55 lakhs per foot in FY21, out of which 2.93 lakh Sq. ft was delivered in partnerships. This was against a delivery of 8.76 lakh Sq. ft in FY20. Revenue recognized from completed projects in FY21 was Rs.188.74 crores vs Rs.249.15 crores in FY20. Total comprehensive income in FY20 was positive at Rs.4.08 crores vis-a-vis negative Rs.28.95 crores in FY20. Margins at a TCI level last year were impacted due to a mix of projects and one-time exceptional items like impairment of unaccrued selling expenses of Rs.17.39 crores and write off of Rs.5 crores due to discontinuation of our Gujarat operations in Halol. Margins in the current year favorably impacted by saving in marketing and selling expenses and overheads. We have become more judicious in incurring marketing expenses and reduced overheads through saving in travelling costs over office overheads, and other costs. Area delivered in Q4 FY21 was 2.67 lakhs Sq. ft out of which 1.94 lakh Sq. ft was delivered in Ashiana Housing and 0.73 lakh Sq. ft was delivered in the partnerships. This was against the delivery of 4.06 lakhs per Sq. ft in Q4 FY20. Revenue recognized from completed projects was Rs.64.90 crores for

Q4FY21 versus Rs.62.42 crores in Q3FY21. Revenue recognized from completed projects was at Rs.80.37 crores in Q4FY20. TCI was negative at 5.13 crores in Q4 FY21 vis-a-vis positive Rs.13.26 crores in Q3 FY21. Pre tax operating cash flows was positive at Rs.171.65 crores in FY21 vis-à-vis positive Rs.34.22 crores in FY20, due to higher collections across projects during the year. Equivalent area constructed was at 11.66 lakh Sq. ft in FY21 vis-à-vis 9.85 lakh Sq. ft in FY20. Pre tax operating cash flows was positive at Rs.67.16 crores into for FY21 versus positive Rs.63.9 crores in the previous quarter. Equivalent area constructed was at 3.9 lakhs Sq. ft in Q4 FY21 versus 3.54 lakh Sq. ft in the previous quarter and the same was 3.27 lakh Sq. ft Q4 FY20. Our construction commitments were in line with the delivery scheduled. 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.

Binay Sarda: Thank you. The first question is from Harsh Beria. Please go ahead.

Harsh Beria: Hi, I had a question about your projects in Jamshedpur. Also previously you said like markets like Jamshedpur do not have adequate absorption capacity for new projects. However, if you look at like the Aditya project you have two quarters of sales of like 3.5 lakh and 2.7 lakh Sq. ft in the last two years. On the contrary, in bigger markets like Gurgaon it has not even seen absorption of one lakh Sq. ft in any quarter. So why is the company not focusing on more projects in smaller cities like Jamshedpur as they have better margins, due to low ad costs and probably better value for invested capital?

Varun Gupta: Hi Harsh, see to generalize across locations basis on one project, I wouldn't say it's true of the location. Jamshedpur is very specific context with us because we have been present there for a very long period of time and have a great brand name, I think that makes a huge difference. In Jamshedpur, the peculiar problems are lesser around selling but more in access to good title clear lands, which are very hard to come by in that particular city. So Ashiana Aditya had launched after two year gap where we had zero sales because we were not able to get access to a project in the first place. So in Jamshedpur we are constantly looking for a parcel. But, again, that's not true of Jamshedpur that's true of Ashiana in Jamshedpur with our branding that exists. So I think more than anything else for us to get sales, we have to establish our brand presence in whichever micro market we participate in and as earlier we continue to be bullish on Jaipur, Jamshedpur and things are improving in Bhiwadi as well. Outside of Gurgaon where we are again, sort of Sohna and Gurgaon, and now Bhiwadi which is now more core NCR market, generally the play the company in the larger cities will continue to focus more on senior living like in Chennai, like the new transaction we have done in Pune. We have one regular housing project we are planning in Pune but outside of that we are going be more focused on senior living in the larger cities.

Harsh Beria: So is the Wazirpur project also going to be a Senior Living Project?

Varun Gupta: So the Wazirpur is the Gurgaon - in Gurgaon we will do regular housing. Again, we believe we have now got in to a stage based on the Sohna project where our brand name is starting making a difference and we will do regular housing.

Harsh Beria: One data keeping questions. How many units were booked in this year, like last year it was 1,500 flats. What were the number of flats that were sold this year?

Varun Gupta: That would be 1,131 units.

Harsh Beria: Okay, so the average realizations per flat has really increased from like 44 lakhs last year to 47 lakhs. Does this number have some kind of predictive power or is it just a reflection on the markets where you are selling?

Varun Gupta: It is more a reflection of the market where we are selling but we have seen typically, what we are getting a sense of now in the company is that sales prices on a per Sq. ft basis should go up and there is a tendency for the unit sizes to increase as well on an average basis. I think both of those are also coming together, very small early signs of it but we see that happening in the future. That is what we think.

Harsh Beria: And this is like if you sell like bigger flats, is it better on a gross margin basis. Does it have any differentiation on that aspect?

Varun Gupta: Not really Harsh so much. It's very similar on the gross margin basis, slightly bigger flats are slightly cheaper to construct. So, there will be slight impact on the per Sq. ft on the gross margin but very minimal.

Harsh Beria: And the kind of gross margins you are still making is about 1,000-1,200 per Sq. ft for your ongoing projects. Is that right?

Varun Gupta: So ongoing and upcoming projects around Rs.1,000 per Sq. ft. We will release what the margin we made on the delivered units like we do every year that will come out and you can take a cue from that. But a Rs.1,000 per Sq. ft of gross margins seems very reasonable.

Harsh Beria: And one last question is, are they going to be new project launches in FY22 or is it going to be like the previous things, like extension of ongoing projects?

Varun Gupta: We are working on four project launches, either it will happen at the end of this financial year or the beginning of the next financial year. COVID had some impact on our ability to get approvals over the last three months, so we are working on four projects to be launched within the last quarter of this financial year or the first quarter of next financial year, but other than that there are a slew of phases of existing projects planned to be launched.

Harsh Beria: What are the markets in which these new launches will take place?

Varun Gupta: The new launches are planned in Pune, Gurgaon, Bhiwadi and Jaipur.

Harsh Beria: And I guess the Pune would be a senior project.

Varun Gupta: The plan project in Pune is the regular comfort homes project. The Senior Living Project is just signed up, it will definitely go to the next financial year.

Harsh Beria: That's it from my side thank you.

Binay Sarda: Thank you. So we have the next question from Raghav Singh. Please go ahead.

Raghav Singh: So my question is related with the project completion date. Let's say we have Jaipur Daksh or Jamshedpur Aditya where we had large booking in FY20. They are expected to complete by FY24 and or earlier FY25. So, does that mean all the projects, all the flats will be delivered and 100% revenue will be recognized within this time frame or you start handing over after your project is completed, therefore the revenue will be recognized maybe next three to four months. How that does actually happens?

Varun Gupta: So, at the time of completion once the project is completed, we typically would be recognizing revenues in that quarter itself because we will start issuing intimation of possession letters right away but it does take, you know it's not at any given point of time. Issuing official intimation of possession letters do take, I would say 30 to 60 days across various projects to do. Secondly, the thing I wanted to say the expected completion time that we have mentioned in our project summary in the presentation, those are the dates that we have given to RERA. We would expect to substantially complete the project earlier than this. I think I mentioned it last time but we forgot to issue it. We will issue that, we will put two columns. Vikashji if you can do this quickly, expected completion time as per RERA and when do we actually expect to complete it, I would probably only think we have a in general a 12 month buffer in these timelines that are provided in that chart.

Raghav Singh: Okay, understood. So that means the revenue recognition will happen after actual completion date not before.

Varun Gupta: It would happen after actually completion.

Raghav Singh: Cool. My second question is related with the run rate of booking that we are making so we rebounded sharply from somewhere 9 lakh Sq. ft to 19 and now to 40. So, do you expect that we are going to increase it or you see some kind of stagnation going forward in future?

Varun Gupta: No. At earlier that challenge was sales and we sort of resolved that got to 19 and 40 now. The biggest challenge in front of the company is actually launching new projects and creating more inventory that is saleable, we are at it. As I said, we have four new projects planned for launches and we are working on 2-3 more to sign up and get those launches going. So as and when those launches keep coming this annual run rate should start increasing.

Raghav Singh: Thanks Varun. I don't have any further questions, just from the Jamshedpur I can tell, you have a very good brand equity build up over there. So if you launch any project, it will sell like hotcakes. This is on the ground feedback I am giving you.

Varun Gupta: Thank you Raghav. Much appreciate.

Binay Sarda: Thank you. We have a next question from Rohit Potty. Please go ahead Sir.

Rohit Potty: Thank you for the opportunity. Congrats on excellent performance. My question is on the commodity prices, so I think historically we have had this breakup that around 15-20% of our total sales value will be the land cost and then around 40-50% would be the construction cost. So just curious to know what is the commodity price - How much does that contribute to, let's say a percentage of the total sales value that you are seeing today and do you see that compressing our margins?

Varun Gupta: Material costs would be 50% of our sales value, total material cost. Vikashji would you have any different thought on that number.

Vikash Dugar: It is approximately 60-65% of the construction cost. So, it will be in the region of that 30-35% of the sales, you are right.

Varun Gupta: So, about 30 to 35% of sales value, so that is what is happening. At this moment in time, our view is that sales prices in real estates are going to increase. There is, overall the conditions for that rise and in our opinion, again we don't know the future. In our opinion, the increase in apartment sales prices will be more than the increase in input costs.

Rohit Potty: Thank you that was helpful. So, the average realization inching up - Is it a function of the product mix that larger cities and senior living we are selling more?

Varun Gupta: I would say over the last year, pre predominantly it was a mixed thing, very slight price increases that were happening. But, like this financial year we have already increased prices across the board and I would say now an increase in price might be visible going forward in actual realisation.

Rohit Potty: So, what is the price increase that you have taken this financial year and last question is you have done a couple of large land transaction which is heartening to see. Do you intend to continue, or do you intend to focus on launches this year?

Varun Gupta: So, sale price right now I think would have gone up by a 1.5% points on average, across the board. I have a view that annual price increases of between 5-10% annually is something we should see for the next few years. We have a lot of catching up to do. I was just thinking about it, in the 14 years I have been at work, real estate prices overall of those 14 years have been below CPI inflation in the country. So I think overall, that there is a little bit of catching up to do so that's one. Second, we are focusing on launching new projects for the next three years. In that, launching the projects that we've taken up and taking up new projects at the same time will continue. So, we will continue to be scouting for more transactions and working at launching the transactions that we have already done.

Rohith Putty: Thank you. That's it from me.

Binay Sarda: Thank you. We have the next question from VP Rajesh. Please go ahead.

VP Rajesh: Thanks Binay. So, what is the guidance for this year's launches.

Varun Gupta: Hi VP, I think we should look to launch about 1.5 million Sq. ft of projects this year.

VP Rajesh: Okay and can we expect an acceleration in the following year from that because last year was bad because of COVID, this year again we have last couple of months. So, what would be the thought process on fiscal year 23?

Varun Gupta: We should accelerate the next financial year in terms of launches for sure. I am hoping that we should start hitting about 2.5-3 million Sq. ft of launches a year hopefully.

VP Rajesh: Okay. And my second question is regarding Noida, I think you had mentioned that you were in discussions with some parties to acquire something. So, any update on that.

Varun Gupta: It will take some time. We are in discussions, commercials and all have been agreed but Noida has its own peculiar regulatory issues. So, we are still doing diligence on the regulatory risks before we announce anything or take it to a really advanced stage. So I think maybe another 2-3 months for us to evaluate regulatory issues.

VP Rajesh: Okay. And lastly, on the time gap between the time you acquire the land and launch. What's your current delta, and how are you looking to reduce that.

Varun Gupta: 12 months - I don't think we are able to reduce it, frankly. Given the regulation, I would be happy if we are able to maintain 12 months.

VP Rajesh: Alright, thanks. I will get back in the queue.

Binay Sarda: Thank you. We have next question from Himanshu Upadhyay. Please go ahead.

Himanshu Upadhyay: Congrats and especially on the two land deals what we have done. Very heartening to see that thing happening. You said that you want to continue to look for newer opportunities in the market. Can you give some light on what is happening on the ground? Are the land prices remaining there or you see the launch opportunities very strong? How are you seeing the things?

Varun Gupta: Land prices have inched up Himanshu over the last 12 months I would say, particularly the last six months of the past financial year land prices have gone up. So we continue to focus on more JVs, therefore where the impact is lesser. We also are evaluating a little bit more outskirts and places where the impact on land prices are lesser and still finding looking and trying to find value opportunities in the current market.

Himanshu Upadhyay: And the markets where we would be focusing would be, means Pune, Gurgaon only.

Varun Gupta: For new transactions right now the focus of the company would be Jaipur, Jamshedpur and Chennai.

Himanshu Upadhyay: Okay. See we have been in the Chennai market for quite some period, but we have not got any other opportunity. Are there any other particular issues in that market also?

Varun Gupta: This project size was good in itself and we were also trying to create scale, brand and some pricing before we start scouting. We have now been actively scouting for about 18 odd months, but of that 12 months went substantially in Covid. I am hopefully we should be able to close a couple of transactions.

Himanshu Upadhyay: Okay, and one last question. We said that we are raising prices or blended it or across the project which is 1.5% up. Are we seeing the customer sentiment being also strong because one of the things last cycle what we saw was market had a just a thought that prices will increase and a lot of inquiries will keep on coming because of the fear that prices will increase very soon? Have we reached that stage where, if some news is out that the prices are going to move up the inquiry levels suddenly start shooting or customer level interest increases, are we seeing that level of enthusiasm or you think it is just the plain raw material price rises there and we need to raise the prices?

Varun Gupta: No, I think overall prices are ready for an upswing overall within the industry itself across the board. That said, so for us also the price increases came in June itself and it's not been there throughout the quarter. And there has been a Covid impact but now, over the last let's say two weeks when the markets are clearly opened up, things seem to be coming back to normal. It's not as if that there is any fear and slowness in visits and inquiries. Visits and inquiries are up and to me if sales prices are going to go up for 2-3 clear reasons, one as I said if you take a 14 year CPI and you take house prices in the market we are in, most places house prices would be trending below inflation for those 14 years. Decades interest rates are at the lowest ever in the country that it is that I know of and third, in that same period salary growth has been there over the last 5-6 years. Interest rates have come down, house prices have been flat and salaries have increased, barring you know the impact of Covid and for supply side dynamics are very favourable on the real estate side. We have had very few launches over the last 3-4 years, lot of developers that exited the business. Capital for developers remain a constraint. It all provides to me, a long term bull market in real estate for the next 5-6 years. That's the view I have, again as I said, I generally don't like to make predictions and forecasts to anybody who is attending the call over a period of time would like to know, particularly those who forecast but for us my view is this is a longer range price increase that we see over a period of time.

Himanshu Upadhyay: And one last question. In, FY15 to FY18 what we saw was the area constructed was generally ahead of area booked and in last three years the area bookings have been ahead of equivalent area constructed. From here on do we think that both can move in tandem or at least area constructed has to start improving in FY22 and onwards.

Ankit Kanodia: **In** FY22 we would see a significant jump up in area constructed more than a 50% rise, they should start moving in tandem more or less.

Himanshu Upadhyay: Okay and one last thing. So, what we also saw the sales or area booking bottomed in FY17-18 when we did 6.9 and 7 lakh Sq. ft what we were selling and after that we have been continuously moving up. So do we see that the P&L would also start improving from FY22 onwards because the low area booking or getting constructed is now behind and now the improvement should start seeing on the P&L side also.

Varun Gupta: I would expect that the movement on the P&L side would start improving FY23 onwards. One more year because that is when our deliveries will start kicking in.

Himanshu Upadhyay: Okay. Thank you.

Binay Sarda: Thank you. We have the next question from Anish Jobalia. Please go.

Anish Jobalia: Hi Varun and Vikash. Thank you for the opportunity. This is Anish from Banyan Capital. So, I just want to understand on the Bhiwadi market, like you in your initial comments you did mention that, we are seeing expectation of new launches. So, if you could comment on the Bhiwadi market, given that you know we have quite a bit of land over there as well as forthcoming projects. So, I mean how to think in terms of scale and numbers like if we are doing today x like how are we expecting that to ramp up, going forward.

Varun Gupta: So in Bhiwadi I think one thing Anish which is happening largely is we are shifting strategically towards more and more senior living. So, our one large project there which is Ashiana Town Gamma, we will rename the project now. We have shifted that to senior living going forward. It will reduce some saleable area but overall our understanding in Bhiwadi has become that senior living is getting great traction, good pricing, the right kind of customer base who can really afford to pay increased prices if you give them a good product. So, what they are really asking for is, give me a better product, give me better services we are willing to pay more for as compared to being someone who's price conscious. So, strategically we are shifting more and more focus towards senior living in Bhiwadi. So, I think more than the volume play in the Bhiwadi is going to be a margin play and that's what we should look to do.

Anish Jobalia: Okay. So thanks for the clarification. Secondly, you mentioned that you know the kind of gross profit per Sq. ft that we are booking is around 1000 going forward if my interpretation is correct. So, now given that you know you just mentioned about your comments on sales per Sq. ft increasing and that grow faster than the inflation and our commodity over construction costs, would you not kind of, let's say with the cycle pick up over the next 5-6 years kind of expect that gross profit per Sq. ft to keep inching up like in the past, we have been always doing 1100-1200 but now you are talking about 1000. So just wanted to get your sense of why we are expecting this kind of numbers are we being more conservative, etc.

Varun Gupta: So, we have come down to Rs.1000 a Sq. ft, which has been not reflected in the P&L so much now, some of those projects will get delivered and so the some of the deliveries which are happening now or planned in the FY23, there I think the margins will be a little constrained and we will be closer to this but new launches the projects which will be launched now and which will sell going forward or new phases that we are going to launch, we do see an improvement in gross margins and I would expect more than Rs.1000 per Sq. ft to come in and hopefully increase further as we increase sales measure.

Anish Jobalia: Okay, all the best. Thank you.

Binay Sarda: Thank you. We have the next question from Ankit Kanodia, please go ahead.

Ankit Kanodia: Hello. So, historically we have maintained that land is like a raw material for us and we do not like to invest in land beyond a point but currently when we are seeing, as in our assessments says that 3-5 years or maybe 6 years as you mentioned of bull market in real estate, what is our assessment here, so would we like to change our stance and build up inventory, maybe even leverage our book a little bit more aggressively now and build up the inventory when we see the prices rising in the next 4-5 years or will continue to be.

Varun Gupta: No Ankit. We will treat land as a raw material and we will not look to land bank and our view on land will be that we are acquiring the land for a project to be launched and not for to lend.

Ankit Kanodia: I'm not talking about having a land bank without having the project but it may happen that if we get a land right now, say if the region in which we are already there and we have the projects, so if we can be a little aggressive in acquiring land today we might get a better margin going forward. Right.

Varun Gupta: But it will be with the intent of launching as soon as possible. We will not intend to buy land that we will launch three years hence, we intend to buy a land or acquire a land either in a JV or through outright purchases, where we intend to launch as of today, you know get approval to launch as soon as you can and that intent will not change and within that we are hunting for value transactions.

Ankit Kanodia: Okay. Thank you.

Binay Sarda: Thank you. We have the next question from Raghav Singh, please go ahead.

Raghav Singh: I am back with two more questions actually. So, basically the way I see Ashiana - our companies that we are kind of kings in tier II cities, especially I can talk of Jamshedpur where I have more experience. The way Ashiana is seen and there are the number of competition we have in these cities is actually driving our next project success and some somewhere I think it's reflective in the way you say that in Bhiwadi, senior citizen projects are picking up because we have been selling senior citizen projects over there. So, probably these kinds of projects being picked up by the market is probably because of the brand building or the kind of work we have done in the past. Same thing if replicated is easier for us to sell. Now, my question is we have a stronghold in tier II cities, but we are still venturing out to a bigger market let's say Pune, Gurgaon or Noida where there are bigger players or all the players are there, so the competition is definitely high. So do you think breaking more into a bigger city is a more strategically a better way rather than expanding ourselves where we have done a lot of groundwork, and we can easily sell projects. That's my first question.

Varun Gupta: I don't think it's an either or question, right now we need to maximize sales in places where we are already present. So that's to us Jaipur, Jamshedpur, Bhiwadi where our brand name is already strong. Jodhpur where we have a very strong presence and brand and in that we continue to look for land and projects. These are also markets where it's harder to find projects, given the nature but we continue to that and at the same time we need to find newer opportunities to grow the business. And in that we are looking for pockets where markets are bigger, but we think we can have a competitive edge, whether it's in Gurgaon where we can take a rub off of our brand, in Bhiwadi and now in Sohna and look at that, or it's in Pune, in Chennai, in senior living or it's in Pune in markets where we believe that the kind of work we do and customer centricity we bring is not as available within that micro market pocket and we believe that we can compete in those places with our strengths. That's the sort of thought we have, it's not an either or choice that you continue to expand in current markets or just look at newer market you have to do both, otherwise we will not be able to grow at the pace you have to grow.

Raghav Singh: Okay, fair enough. So, my next question is related with the pace of growth of Indian economic clustered in major cities. So, in my own assessment I think a lot of growth was IT led, where the IT sector employed lot of people and they bought lots of flats. The other one where we were present in tier II was largely PSU, which are getting money after pay commission hike and all these things. Now, as people are saying that probably next cluster of growth can be from chemical segment not necessarily so much in IT segment. So there are certain economic zones or cities, which may potentially see many people having good salaries because that overall sector is blossoming and that again will be tier II because most of the manufacturing plants are not in the tier I cities. I think you attempted that in a way by going into Halol, a few years back but do you think that is a viable strategy as another branch out apart from making move in the bigger cities.

Varun Gupta: Those are hard things to comment on Raghav. Halol as a strategy failed, Jodhpur as the city has not done the required bit in a tier II city. We are not economists; we can't have a play on that. The way to do is, you place a few bets and some of them work very well and you ramp them up. So, we have place a similar bet in Jodhpur and similar in Jaipur. It's easy to say Jaipur is a much larger city in the first place but you could have also said that Jodhpur has lesser competition. Jaipur worked, Jodhpur did not and we ended up doing a lot more projects in scaling up Jaipur. We are doing this with senior living, we are looking at newer market, we have gone to Pune and Gurgaon which are very different clustered market and very different economic activities. Idea is to place some of these bets and see which does well and try and scale them up in a location where we do well and start doing more projects and get as much for our brand name. We have no ability to predict where jobs will get created. We will only get to know that we are there once the jobs are created. So that's the way that is going to be.

Raghav Singh: Thanks. So, I believe in bigger markets if we are venturing in probably the model which has worked wonderfully well for us where our own guys are selling and our own guys are doing the maintenance. Do you think we have to probably go to the distributors to break into these markets?

Varun Gupta: For non-senior living projects we will have to go to distributors in these markets, but maintenance will be carried out by our own guys and even the sales process we will carry through in-house team. The distributors will be more to bring in the customers to the project but showcasing of the project, briefing of the project, talking about the brand we will try and control that more by our sales.

Raghav Singh: Alright thanks. That's all from my side.

Binay Sarda: Thank you. We have the next question from Harsh Beria. Please go ahead.

Harsh Beria: Hi, thanks for the follow up. Can you give like a broad split between investor and end user demand for your current selling projects?

Varun Gupta: I wouldn't have that data. Vikashji would you want to take that up, would you have a certain some data of that.

Vikash Dugar: I would not have the latest data because some bit of change in recent years. I won't have right now.

Varun Gupta: 50-50 would be approximate, but changes project to project. Would be hard to give you any hard coded information.

Harsh Beria: Is there some kind of investor demand that's coming back which you see in the market or is it still mostly led by end users?

Varun Gupta: The demand over the last 2-3 years for long term investors continues. People who are investing to rent or keep, there is investment demand and it's been there for the last 2-3 years. The demand of the guys who are investing to trade out at possession has not come back.

Vikash Dugar: That number has significantly diminished over the years, but then the long term investors, some bit of demand is of course there.

Harsh Beria: Okay. The next question is that I have seen a lot of Ashiana banners in Ranchi and I think there's some kind of brand equity there. Do you guys have plans in the Ranchi market?

Varun Gupta: We are exploring a couple of transactions but it's not something like we have plans to enter it, it's more like on the softly we are just understanding the market a little bit. Eastern India is just a difficult place to operate and do a lot of projection, as I said is selling is easier, supply side is more difficult.

Harsh Beria: Okay. Do you have any updates in the Kolkata line, is that still stuck.

Varun Gupta: Kolkata project is still stuck

Harsh Beria: I have one suggestion for Ashiana and that is like your investors section, this can be substantially improved. The investor section of the website.

Varun Gupta: Okay. Can I request you to write in specific improvements we could do Harsh. We would be happy to take those up if you can write in specific things we could do, as you might see elsewhere.

Harsh Beria: Yeah, I will definitely do that and also you only have like the snapshot results until FY19. It needs some kind of revamp for sure. I will write down in specific.

Varun Gupta: This is with respect to the website, right.

Harsh Beria: Yeah this is with respect to the website, Ashiana Housing website.

Varun Gupta: If you can write to us we would highly appreciate.

Harsh Beria: Will do.

Varun Gupta: Thanks.

Harsh Beria: That's all from my side.

Binay Sarda: Thank you. We have the next question from Rohit Shimpi. Please go ahead.

Rohit Shimpi: Hi Varun and Vikash, congrats on good numbers. So just two questions. So one is, considering we have seen large jump in the OCF performance in Q3 and Q4, and also you mentioned that construction commitments would increase in FY22. You see this even more broadly at FY21 OCF as being sustainable or do you think that there are extraordinary which are pulling that up in this year.

Vikash Dugar: So cash flow from operations number were healthy due to higher collections in FY21, we hope that the healthy situation of Cash Flows should continue in FY22. That again is a leading indicator in line with the improvement in off takes. So we expect the cash flows to continue to be healthy in current year.

Varun Gupta: Yeah, but I would just say that the numbers in FY21, in terms of 170 crores are just abnormal. At this moment in time if you're able to sustain 100 crores of OCF for a couple of years we will be happy with that because construction commitments will jump.

Rohit Shimpi: Okay so to understand that better this year, FY21 would have seen lower construction relative to your earlier estimate and hence the OCF is higher right.

Varun Gupta: Yes, so a little bit lesser than our estimate. We also saw collections a little earlier and stronger than we expected as well. So both of those things have come in. This year again, construction commitments are lined up and I don't think we are going to waver from that. On the sales side we are also a little worried things will behave, because one thing that happens whenever a Covid wave hits even if sentiment is high, ours is a business which is very difficult to transact and it's not an urgent purchase. So the sales slows down significantly for those three months, it can be easily deferred. So I think that that's also something that might be also a little bit vary. But after that, CFO of 150-160 crores a year is something we hope to sustain year on year after. But right now, in this financial year 23 if we see north of 100 crores is what we had forecast and we would be happy with that. That's what we had also forecasted a year ago for the next two years, this year just became significantly better than what we expect.

Rohit Shimpi: Okay, thanks. And last question is on the momentum that we are seeing in the completed inventory sales. So, notably their project like Anmol in last two quarters has done really well verses the Bhiwadi the non senior living projects have been, you know broadly in a similar range. I mean what's the colour you are seeing on the ground and the reason for this difference that you are noting here is a type of customers is that something else.

Varun Gupta: So, Ashiana Anmol particularly the one is Sohna was very severe at sales and marketing effort. We got our strategic partner in ad hoc which would made a huge difference in learning about new market and executing a lot of sales strategies and there are other things, there was very serious intervention by the management team to change a lot of the sales and marketing functions within that micro market. So that's what happened in Anmol, is what I would say largely. Other places, we are slowly and slowly reducing completed stock. I am hoping that will not add much in Vrinda Gardens, I think inventory of another maybe four quarters will get added when it gets completed we have to complete that faster than we wanted to due to some regulatory issues. But that said, I don't think we will add a lot more inventory, so that is also helping in overall reduction.

Rohit Shimpi: But to that extent you are not seeing a lot of excitement in completed inventory in certain cities getting sold quickly right and maybe I am still thinking from a Mumbai, Bangalore perspective. Are you seeing that in your markets and particularly Bhiwadi because that's where we have got the large completed inventory?

Varun Gupta: Yeah, I don't see tremendous excitement or sudden change in excitement over.

Vikash Dugar: There isn't any kind of lopsided demand I would say, generally we sell around 25% ballpark is the kind of sales you get. From out of the total sales 25% approximately is attributable to completed inventory.

Rohit Shimpi: Correct. Okay, thank you so much. All the best.

Binay Sarda: The next question from the live Ankur Jain. Please go ahead.

Ankur Jain: So it's not a question on the operations of the company but it's a dilemma I am facing and maybe you can help us resolve it. So me and my wife we visited the flat, one of our projects in Bhiwadi and my wife really liked the flat. So she said that we should buy one for our old age and my view is that the company is good and the stock is cheap, so we should buy the stock for our old age. So this is the dilemma that we have, can you please provide some inputs.

Varun Gupta: I would say buy both. I wouldn't be able to say one way or the other Ankur thank you for your trust. I would suggest to buy both if you are looking to do either of those. In my opinion, in these questions I generally listen to my wife on a lighter note. She's the right opinion maker on that front.

Ankur Jain: Thank you for the input. I will try to keep that in mind.

Binay Sarda: Thank you. We have next question from VP Rajesh. Please go ahead.

VP Rajesh: Hi. So I was just looking at the presentation. So, from the current projects you have around saleable area of 13 lakhs and then in one of your slides, you mentioned around 54 lakhs of projects that you have planned. So if I put that together that's about 67 lakhs or so. But the catch is that around 20-25 is coming from the Bhiwadi, which is I would categorize it as a slow moving market or correct me if I am wrong in that assumption. So the question is that if I back out that 25 out of 67, I am left with 42. So what is the time period over which you think this will get sold. So two questions really if my assumption on Bhiwadi is correct and then if you ex-Bhiwadi, what is the timeline in which you can get Sold.

Vikash Dugar: One is input over there, that in case of Bhiwadi also we need to segregate between senior living and comfort homes because you know, the focus and the kind of run rate in sales is different. There is a lot better traction in senior living, so we need to demarcate the two and then look at the numbers.

VP Rajesh: That's a fair point Vikash and if you can just guide me like you know, ex-Bhiwadi what is the time period and then for Bhiwadi what is the time period.

Varun Gupta: It depends. There are some other, Neemrana is also slow, Pune is also slow, Chennai is relatively quick, Lavasa is also little slow in this thing, Jaipur is very quick. It's hard to say how things will move one way or the other, there is a larger portion in Bhiwadi then you suggested. The thing is now we have taken a 2 million Sq. ft project in Gurgaon, we have 2 million now in Pune that will also bring to the table. My view overall, as a company is that we want to get to about 2.5-3 million Sq. ft in the short term right now, let's say in 3 year time. And that's the churn that we will have, it's hard to say overall when the entire portfolio will churn depending on where we are but overall seems ok. As Vikashji pointed even in Bhiwadi one of the thing we have taken, the largest chunk of the square foot that you see which is in Gamma there 18.45, we have moved that to senior living and it is going to come down from 18.45 to may be closer to 13 or 14 because we might do some Villas, we might make the project more upscale where we think by reducing square footage, making the project nicer. We will be more than making the pricing that we will be able to achieve. There my expectation is that the senior level living should start hitting about 2 lakhs Sq. ft a year in Bhiwadi, we did about a 1.5 lakh last year in Ashiana Nirmay, if I am correct.

Vikash Dugar: That's right. 40-50 thousand is the rate per quarter in Bhiwadi senior living.

Varun Gupta: So if you start hitting about 2 lakh Sq. ft in Bhiwadi senior living than that's a 7 year churn. So it's difficult to say sort of exactly how long this portfolio will take to churn in, but I have a view that we can start hitting 2.5- 3 million Sq. ft a year, once we are able to get the Gurgaon and Pune projects, live and kicking in.

VP Rajesh: Both of them will get launched in fiscal year 22.

Varun Gupta: So, in the Pune project and the Gurgaon project we are looking at, in fiscal year 22 or Q1 of fiscal year 23. The new senior living project in Pune which we have just signed up, maybe three months after that, maybe Q2 of fiscal year 23, but again those are early to say, approvals can always be funny in our business, and you don't know where it gets stuck. In Pune Ashiana Malhar project, all but one approval is in and we need environment clearance and all the other approvals, the fire NOC and the building plan all of that have got in but one doesn't know where one might get stuck. But we are looking to launch those as well and get them off.

VP Rajesh: And you have paid the seller completely in Pune or is it a JDA.

Varun Gupta: Pune it's a revenue share joint venture. Predominantly revenue share part area shares.

VP Rajesh: Okay. And my second question was for Vikash, you know, I was just trying to calculate our operating overheads. So, for this year, if you can just give some guidance, what is the operating costs below gross profit on a run rate basis.

Vikash Dugar: You mean, finance cost, depreciation and other expenses, is it.

VP Rajesh: Yeah well I am looking at below gross profit, your selling cost and corporate overheads or any other. Basically, before EBITDA. So between gross profit and EBITDA, what are the costs you have on run rate basis for this year and maybe Q4 is a probably a better number.

Vikash Dugar: So, as far as marketing cost is concerned there are two components to it. One is that it is in line with the sales that we do. So that again will be proportionate to the kind of deliveries that we do and book revenues, which are lower visibly FY21 and then then there is a fixed cost element which any which ways we are judiciously spending, and the current year some bit of it will also increase because of the new launches in Gurgaon and Pune. But that will not exactly feature in the P&L this year. So, overall there should be reduction in costs because of the variable component to it and as far as finance cost is concerned it is directionally reducing because we are repaying the debt, and other costs more or less will remain in line. And as far as other office overheads are concerned, we did some kind of cost reduction this year and some impact of Covid was also there, like we negotiated certain costs office rentals and all. We think 60 to 70% of that is sustainable. So we see the other overhead to be more or less in line and in control.

Varun Gupta: Just to add to Vikashji I would say, operating costs excluding depreciation, amortization, finance and selling cost that is that we spoke of outside of that, our annual run rate now should be somewhere between 45 to 50 crores in the financial year 22.

VP Rajesh: Okay, so 40-50 crores plus your selling cost is the number that gets one to EBITDA.

Varun Gupta: Yeah 45 to 50, plus our selling costs and then finance costs and depreciation, amortisation is the total cost.

VP Rajesh: Okay. All right, thank you.

Binay Sarda: The next question from first Harsh Beria. Please go ahead.

Harsh Beria: So I have a comment on your 20 year like the NCD issue do IFC. So, is this percent fixed interest or is there some variable interest component for this NCD.

Varun Gupta: They are all variable return debentures, they are project linked variable return debenture. So, therefore they are unsecured long term, long tenure with no defined repayment or interest specified interest payments. The interest vary as per project performance.

Harsh Beria: So this is kind of a quasi equity, kind of bond. Is that interpretation correct?

Varun Gupta: Yes, it is quasi equity in structure, if that's the way to put it but it is project performance linked capital.

Vikash Dugar: It doesn't have fixed obligation like the conventional NCD are there. The obligation is in line with the returns made on the cash flows generated in the project.

Varun Gupta: They are project linked. So they are not equity in the nature that is not permanent capital that's come into the company, even the capital will have to be returned back not just returns and they are link to project.

Binay Sarda: Thank you. We have the last question from Raghav Singh. Please go ahead.

Raghav Singh: So it's actually not a question just a suggestion or feedback on the investor presentation slide 17, where we have this ongoing project summary, giving this sellable area in lacks per Sq. ft versus the expected completion time. I will request if you can just add the potential value in terms of rupees as well. So for investor point of view, it becomes very easy to visualize how much money is falling after which quarter right otherwise I have to manually calculate. Just a feedback if we can.

Varun Gupta: All right, we will see what we can do to point taken. We won't commit anything we will understand.

Raghav Singh: Thank you.

Binay Sarda: That was the last question. I now hand over to the management of closing comments.

Vikash Dugar: We would like to thank all of you for being on this webinar and being so patient with all our questions and answers. If we are unable to take any questions please feel free to write to us directly or reach out to us directly. And with that, we would like to conclude the webinar and lot material we have spoken about is posted on our website and you can also email your queries for any further clarification. Thank you once again for taking the time to join us on webinar.