# "Ashiana Housing Limited Q2 FY 2019 Earnings Conference Call"

**November 16, 2018**

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| **MANAGEMENT:** | **MR. VARUN GUPTA -- WHOLE TIME DIRECTOR, ASHIANA HOUSING LIMITED**<br>**MR. VIKASH DUGAR -- CHIEF FINANCIAL OFFICER, ASHIANA HOUSING LIMITED** |
| **MODERATOR:** | **MR. GAURAV SUD -- KANAV CAPITAL ADVISORS PRIVATE LIMITED** |

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Ashiana Housing Limited Q2 FY 2019 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 "*" then "0" on your Touchtone Telephone. 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, Karuna. Welcome everyone and thanks for joining this Q2 FY 2019 Earnings Call for Ashiana Housing Limited. The Results and Investor Update have been e-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 and we will be happy to send to over to you.

To take us through the results of this quarter answer your questions, we have today with us, Mr. Varun Gupta -- Whole Time Director of the Company; and Mr. Vikash Dugar -- who is the CFO.

We will be starting the call with a brief overview of the Company's performance and then we will follow-up with 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 may face. These uncertainties and risks are included but not limited to what we have mentioned in the Prospectus filed with the SEBI and subsequent Annual Reports, which you will find on our Website.

With that said, I will 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 the performance of the second quarter of FY 2019 of Ashiana Housing. I extend a warm welcome to all of you.

Sales continued to show improvement wherein we clocked 2.62 lakhs square feet in the present quarter. The sales were at 2.8 lakh square feet in the previous quarter. We handed over 2.13 lakh square foot in Q2, out of which, 1.98 lakh square foot was delivered in Ashiana Housing and 0.16 lakh square feet was delivered in the partnerships. This was against a delivery of 4.75 lakh square foot in Q2 of FY 2018.

Revenue recognized from completed projects was at Rs. 55.34 crore for Q2 FY 2019 vis-à-vis Rs. 124.59 crores in Q1 FY 2019. Revenue recognized from completed projects was at Rs. 113.39 crores in Q2 FY 2018.

Total comprehensive income was Rs. 2.68 crores vis-à-vis Rs. 16.82 crores in Q1 FY 2019. Lower deliveries in the present quarter vis-à-vis in the previous quarter led to lower revenue and TCI.

Pre-tax operating cash flows were positive at Rs. 4.5 crores vis-à-vis negative Rs. 1.98 crores in the previous quarter. Improvement in cash flow largely due to favorable working capital movement. Equivalent area constructed was higher at 1.97 lakh square feet versus 1.68 lakh square feet in the previous quarter, and 1.87 lakh square feet in Q2 of FY 2018.

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. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Rohit P. from Marshmellow Capital. Please go ahead.

**Rohit P.:** I was wondering if you could speak about how the competitive intensity revolving in your core market?

**Varun Gupta:** Hi, Rohit. Well, for the core markets I would briefly touch upon basically Bhiwadi and Jaipur. In both those markets, I would say competitive intensity is reducing because of the exit of players or decreasing size of players or reduced launches. It is particularly visible on the land market side where our ability to acquire land or price of the land is reduced significantly. And also would be visible in the unsold inventory in the market, I do not have the numbers off-hand with me. But, we have shown the unsold inventory across markets, and shown a consistent decline which is basically driven by a very-very reduced number of launches. So the competitive intensity is definitely reducing.

**Rohit P.:** So does this mean that an aggressive purchase of land parcel is possible going forward, given the prices have come down and the intensity is lower?

**Varun Gupta:** We will not be very aggressive but if you see over the last year and a half we have done sort of transaction every 6 months. We would probably look to do another about 2 to 4 transactions in the next 12 to 18 months, that is where our sort of focus and energy will be.

**Rohit P.:** So in the previous conference call, you had mentioned that you are actively looking for parcels particularly in Chennai, Gurugram (Gurgaon) and Pune ideally.

**Varun Gupta:** Correct.

**Rohit P.:** So that is the area that you are looking at even right now, right?

**Varun Gupta:** Correct. So when I say 2 to 4 transactions that is exactly where I mean that we will do something.

**Rohit P.:** Okay, that is helpful. The next question I had was, so while the competitive intensity is coming down which is nice to know, how is the customer demand scenario at this moment? I mean has the recent NBFC crises again taken them back to a wait and watch mode whereby they are waiting to see if the prices fall down further or anything of that sort?

**Varun Gupta:** No, this whole NBFC crisis, I would say the financially literate world only understands or the world of finance really understands. Whereas, most people who are buying homes particularly where we cater to have very little understanding of what the NBFC crises means and what implications there are. And the primary home loan lenders that our customers deal with is HDFC, SBI, and LIC Housing Finance. Between these three players, there has been no curtailment of disbursements or concerns of sanctioning that we have seen at least, so seem to be fine. To me the NBFC crises will be actually good for companies like us because it will again reduce the competitive intensity further.

**Rohit P.:** Yes. That is helpful, again. Could you speak a little more on Ashiana Town Bhiwadi because after a couple of quarters of a very strong performance, after the Kid Centric Homes, the last quarter was a little muted I believe.

**Varun Gupta:** Yes. The last quarter was muted. We had some sort of unforeseen challenges on our sales team front as well. There were some cancellations of bookings from previous quarters as well which were the challenges. This quarter seems to be picking-up again. It probably may not be like the first 2 quarters, the first quarter of this year the Q4 of last year but Ashiana Town sales in the third quarter should definitely be better than quarter two substantially. I do not have exact figures. But I believe we have crossed the Q2 numbers already in Q3 in Ashiana Town.

**Rohit P.:** Okay, that is nice to know. And one further question on this, if you could, I mean if you cannot that is fine but on the sales challenges are they one-off? It is not something to be worried about over the next 2 years - 3 years, I hope.

**Varun Gupta:** Can you repeat that question, please?

**Rohit P.:** So yes, as you mentioned there were sales challenges were the one-off challenges?

**Varun Gupta:** It seems like it yes, I will see this quarter recovering that is what it seems like that it was a one-off challenge. And overall, the numbers in Bhiwadi seem to be doing decently compared to last year. If you look at the Q1 and Q2 Bhiwadi numbers and now look at Bhiwadi number, things seem to be improving in general in Bhiwadi. So it seems like more of a one-off challenge right now in Ashiana Town in Q2.

**Rohit P.:** Okay. So the last question at this point from my end. Could you speak a little more about Jamshedpur, Kolkata, and Pune? Jamshedpur, I believe, you said second-half of this financial year, are we on track for that?

**Varun Gupta:** So in Jamshedpur, in one project in Ashiana Sehar, we are one approval away from getting it and to apply for RERA. So I would say the next quarter is a definite possible launch in Jamshedpur. Pune and Kolkata will go to the next financial year. The movement on project launches in this year has been a lot slower than we expected. The approval process has been far slower than we expected it to be across the cities, yes.

**Rohit P.:** So Ashiana Aditya as well will go into the next year, is it?

**Varun Gupta:** Ashiana Aditya will also go into the next year, we would say. Ashiana Aditya is also pending one clearance, the environmental clearance. But I think, it will definitely go into the next year.

**Moderator:** Thank you. The next question is from the line of Nisha K. from Unifi Capital. Please go ahead.

**Nisha K.:** My question first is that we have launched Ashiana Umang this quarter, so what will be equivalent area for this?

**Varun Gupta:** Constructed area or the sellable area, Nisha? Total saleable are or the…

**Nisha K.:** Saleable area.

**Varun Gupta:** Total?

**Nisha K.:** Yes.

**Varun Gupta:** A total saleable area for Ashiana Umang Phase-IV is 2.56 lakhs square feet.

**Nisha K.:** Okay. And how much will be construction area, sir?

**Varun Gupta:** That is the construction area. Our saleable area and construction area is the same. We have not constructed much in the quarter. We just launched it. So it will take about for us 24 months to complete construction in Umang from now, right. That is all I was saying. Go ahead, Nisha.

**Nisha K.:** Okay. And sir, how is the pipeline for the next 2 quarters, H2 for launch?

**Varun Gupta:** Well, we might launch phases of existing projects like we have done in the first 2 quarters, we launched Vrinda Gardens Phase-IIIB in the first quarter; Phase-IV of Umang in the second quarter. In quarter three, I do not think we will have anything but quarter four, we should have new phase launches as well. But new project launches as Rohit had also asked, it seems like only Ashiana Sehar in Jamshedpur is the only new project we can launch in the quarter four.

**Nisha K.:** And sir, how much area are we expecting there in Jamshedpur?

**Varun Gupta:** In Jamshedpur, the project is about 3.5 lakhs square foot. We should launch probably a lakh and a half to 2 lakh square feet in Phase-I whenever we launch it.

**Nisha K.:** Okay. And sir, how much we will be launching from the existing project? The new phases?

**Varun Gupta:** It is hard to comment right now but I would say somewhere between 4 lakh square feet plus-minus a few is in the plans.

**Nisha K.:** That is okay, sir. And sir, some bit on the delivery we are expecting in the H2 because the pipeline which shows there is only 1 project which is Utsav Lavasa which is showing to be delivered in Q2. So is that correct?

**Varun Gupta:** Yes, ma'am, we are not expecting more delivery. Jaipur, there is 1 project which has gone off. Vrinda Gardens Phase-IIIA, which is again very small though, 80,000 square feet a total sale size; 75,000 square feet sold, we should get delivered in this financial year. And one phase of Gulmohar Gardens which is Phase-VII of Gulmohar Gardens, about 1 lakh square feet should also get delivered this year. The expected completion time which is showed in the report is based as per the timeline committed in RERA which have a little bit of buffer room built-in.

**Nisha K.:** Okay. So 2.4 lakh extra we will be delivering around in this year?

**Varun Gupta:** 1.8 Lakhs square feet approximately we will be delivering. As, Lavasa, we have not sold anything in Lavasa, we plan to complete and sell. The strategy in Lavasa would be to complete and sell.

**Nisha K.:** Okay. So it will not be coming in this year's P&L. So 1.8 is what we can expect?

**Varun Gupta:** Yes, exactly, correct.

**Nisha K.:** Okay. And sir, also as you said that the competition is declining because of the NBFC issue. So are we also seeing some level of price cutting because of it?

**Varun Gupta:** Right now there has not been any decline in prices on the sales side and I would expect now, my view is that the selling price should start firming up instead of actually down because the overall stock is reducing and that is going to help increase prices. There is a flip set to it that people if they do not get financing, they might have to do fire sales to sell off and liquidate themselves. For some reason I do not see that happening as of today basically that if people are not able to finance the projects, it will be very difficult for them to sell if people do not see the certainty of completion and fire sales in that situation would really help according to me. So you have risks of actually projects going off the market more than prices reducing according to me. Because this situation is becoming quite buyer friendly overall.

**Moderator:** Thank you. The next question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

**Ravi Purohit:** Sorry, I got in a little late. So if my question is repetitive and if you have already answered it, maybe I can listen to the call later on. So a couple of things, one is, we had new launches and we had earlier guided that we are looking at new launch either from a new project or from existing phases. I mean phases from existing projects. And it looks like we will end up doing 1 million square foot of new bookings this year. Are you on course to doing that, one is that and second is on this entire NBFC issue, are you also kind of facing significant slowdown or your projects are okay, and plus what we have also read is that there is increasing preference for ready to move in projects rather than under construction projects, so if you could just share some of your thoughts in experiences based on that?

**Varun Gupta:** Okay. In the first bit, it seems like we are on track for a million square feet plus of sales this year. Half way about we are ahead of the required run rate to get to a million square feet which is like 5,38,000 sort of square feet sold somewhere around that. I might be in off my math a couple of thousand square feet. But we are on track to cross 1 million square feet. On the second bid this business of people saying that only ready to move in is selling, you know if you look at my sale this year has been triggered from new phase launches, right. First quarter was Vrinda Garden, second quarter was Ashiana Umang, it was so much that ready to move in stock was actually selling then our problem of having a lot of ready build inventory on the one side and new launches driving sales on the other side and we need new launches to sales. Both of those things existing with this hypothesis is that ready to move in will sell is hard to sort of explain. I do not know how to put it. So, my view is always been that it is the right price, product, location, developer combination that sells, okay. Somewhere for some people is the wrong developer doing the right product, as I give the example, if Ashiana started doing 10 crores in the right location, price very well, has a specification product, we probably may not be able to sell because we are not the right developers for it. So, what I think to me the answers of sales are driven by these 4 combinations, with this 4 combination on track, sales have started picking-up and that is what we continue. However, an important quotient on the developer front is the certainty of delivery rather than actual being delivered itself. So Ashiana's brand where delivery is certain does help make it move in this market. And the NBFC crises, yes we have not had too much of issue. We do not have any funding requirements on our own balance sheet from the NBFCs which might create a problem, so that is okay. And the second bit on the NBFC side has been some people have also shown concern of the home loans not getting disbursed. I think these 2 things being in the sort of the right sort of price segment, we are not too low in the affordable housing side or very high up on the middle-income side, upper middle-income side whereby the self-employed come in. Most of our customers are salaried so that reduces challenge on the home loan side. And the second bid which as I said, most of our borrowers, borrow from HDFC Limited, SBI and LIC Housing Finance. And those 3 institutions have not had any trouble.

**Ravi Purohit:** Yes, they are overworked right now.

**Varun Gupta:** Yes. Fair enough. So we are not having challenges on that front.

**Ravi Purohit:** Okay. And I think, you have also mentioned in your Presentation about the first tranche that you have drawn from your association with the IFC guys, so you have any visibility on further deployment of that money during the year and this is essentially for land acquisition, right, the entire money.

**Varun Gupta:** So the tranche that was drawn down is deployed effectively, right. So it was deployed for a project in Ashiana Daksh for the acquisition of Ashiana Daksh. It came in as the amount of reimbursement, they are okay with the project, we have deployed the money from our balance sheet. We were waiting for paperwork to get completed their end for them to deploy. So it came in, they deployed and sort of we have reimbursed the capital we had put into Ashiana Daksh and that is a way to sort of put in correctly. So that is deployed. And we are also working with them, we are working on a few projects as I mentioned, looking to acquire to do four projects in the next 12 months and probably get them to participate in those projects and also in the Kolkata project there is something that we will converse with them for them to deploy the existing Kolkata project if they can.

**Ravi Purohit:** Can get some of your capital back?

**Varun Gupta:** No, at the Kolkata project the deployment is actually linked to approvals and everything, right.

**Ravi Purohit:** Ashiana Maitri in Kolkata, right?

**Varun Gupta:** Yes. So we have not funded it right in terms of commitments to the land owners are dependent on some infrastructure works and approvals and everything. So, as and when that project sort of gets through, getting IFC to deploy capital would be something that we would consider. We have not yet firmed up plans on that.

**Ravi Purohit:** The Kolkata (Calcutta) project is on, right? Because about a year back there is a question mark whether that project will cease to exist?

**Varun Gupta:** Yes. So, between then and now they have received environmental clearance for their entire project, we have been able to submit building plans for sanction for our project which they were not accepting at the authorities and they are scrutinizing our plans. The plans have not yet been approved. But there is a significant improvement and it seems. In approval, I never like to give a surety, but I would give a very high probability of the project getting launched in the next financial year.

**Ravi Purohit:** Okay, first-half of next financial year?

**Varun Gupta:** These things are hard to comment, that is what we are targeting, let me put it this way.

**Ravi Purohit:** Okay. And what about Pune?

**Varun Gupta:** Pune would be next financial year as well. There again, the approvals had gotten stuck and something called zone conversion. Now, the file is moving, so hopefully we should be able to launch Pune in the next financial year as well.

**Ravi Purohit:** Okay. So you will have Pune and Kolkata, these will be the 2 fairly largish projects which you should be able to launch next year?

**Varun Gupta:** Correct and hopefully some projects in Jaipur as well.

**Ravi Purohit:** Okay. And so the other land banks that you are working with IFC are in what geographies in the sense where you are kind of closure to making a deal or acquiring land parcels or these are all like general inquiries that you are working.

**Varun Gupta:** Generally, the strategy is going to be NCR, Jaipur, Pune, and Chennai. So Jaipur, we have closed one and we are looking at NCR, Pune, and Chennai with them.

**Ravi Purohit:** Okay. And how is the experience in Chennai that the Phase-I is handed over, Phase-II has already been launched and you have seen some traction in sales and Chennai senior living so what step 2 for you in Chennai?

**Varun Gupta:** One more project.

**Ravi Purohit:** Senior Living, Comfort, or combination of both or how does it look?

**Varun Gupta:** It could be either or, Senior Living preferred. But it could be either or.

**Ravi Purohit:** Okay, sure.

**Varun Gupta:** It is a market we believe we can do well.

**Ravi Purohit:** Okay. Has this seen any improvement in that market. I mean of course, your numbers have been decent but as generally speaking in that market.

**Varun Gupta:** Yes, what I hear from the market is that the things have improved in Chennai.

**Ravi Purohit:** They have improved in Chennai, is it?

**Varun Gupta:** Yes, that is what I said.

**Moderator:** Thank you. The next question is from the line of Shruti Patel, an Individual Investor. Please go ahead.

**Shruti Patel:** My first question is on pricing. So I just wanted to ask that this quarter we have launched a new Phase of Umang which is a Kid Centric Project and it is also in Jaipur, right? In spite of that our overall average pricing has actually gone down. It has been almost one of the lowest in the last few quarters. So I just wanted to understand why is that? And what is your outlook for pricing going forward?

**Varun Gupta:** So, it has come down, Ashiana Umang itself is a lower priced project as compared to let us say Vrinda Garden which was launched in the last quarter. So there is a mix effect also. Ashiana Umang was also launched at a price a little lower than we would have actually liked to launched probably Rs. 100 a square foot - Rs. 150 a square foot lower than we would have liked to, so that has been an impact as well. But my view now is that overall prices are going to start hardening going forward. It is visible that sales are picking up and volumes going up and that should lead to sort of better pricing going forward. And also, the supply side reducing basically, unsold inventory in markets are reducing and therefore, it should lead to sort of increased pricing.

**Shruti Patel:** Sure. My other question is on EBITDA margin, so this quarter the margin is about 11% which in the last 2 quarters it was pretty decent, right? So what will be the impact on EBITDA margin because there were lower gross margins, so basically lower EBITDA margin is a function of the higher project cost of higher overhead?

**Varun Gupta:** Okay. So it is more a because of reduced delivery. So overheads are fixed. So what you would call operating leverage in terms of accounting, so there was operating leverage at play where actually since there was a lower sort of delivery and lower revenue recognition, lower gross profit in absolute terms. And therefore, when those fixed overheads sort of get allocated to those lower gross profits it leads to lower profits and lower EBITDA margins.

**Shruti Patel:** Got it. So you are saying that once our deliveries improve and we are on a steady state, then the EBITDA margin will be more or less inline, what we were doing the last 2 quarters.

**Varun Gupta:** Yes. So I do not like to comment on a quarterly basis miss and we would hardly be able to comment on a percentage margin, I would reiterate to look at a little bit more annual margins for a company like ours because the deliveries on a quarterly basis will definitely be volatile and less on a percentage margin but on a per square foot gross margin figure and then to work with that. So and those are disclosed annually in the Annual Report, you can have a look at that, that is how we would like to view the business.

**Shruti Patel:** Sure, that is helpful. And one thing on Lavasa, so the Phase-IV is nearly complete, right? But we have not launched it for sale. So there was negative news in the press in between, so is that why we are sort of delaying the launch or how?

**Varun Gupta:** That has actually led to a lot of cancellations in our earlier phases. I think, so if you look at Lavasa sales area booked this quarter is actually negative because that negative news led to a lot of cancelations but that has not been the reason to delay the launch of Phase-IV. Hence, we would have launched Phase-IV for sales a long time ago, right? Phase-IV is near completion, it is not near completion, as we speak it is actually complete in all respects. We are just waiting for getting regulatory OC and CC and getting all those permissions. And the strategy in Lavasa has been to launch ready to move in and ready to occupy projects given the uncertainty in the market around there and customers unwilling to take a little bit more risk in that environment.

**Shruti Patel:** Got it. So you mentioned there was negative, I mean there was a cancellation. So do we expect more cancellation because your number was negative, right this time?

**Varun Gupta:** So, it would be hard to comment for the quarter because I do not remember the October numbers but as of now the cancelations are all sort of done.

**Shruti Patel:** Okay, got it.

**Moderator:** Thank you. The next question is from the line of Rohit P. from Marshmellow Capital. Please go ahead.

**Rohit P.:** I mean I just wanted to get your sense on the current real estate environment in general, I know you spoke about it here and there. So basically you have been in this space in real estate for last 2 - 2.5 decades right now. So in your experience how would you reference the current situation as compared to the other difficult real estate markets in the past?

**Varun Gupta:** Myself, I personally have been in this for only 10 years. I have not got in the experience to speak for that. But I can tell you what I heard from my father who was there and my brothers who have been a little longer in the business that probably this down cycle was the most difficult down cycle that they have seen in their career. My eldest brother would have been in the business for about 23 years. But that said, I think we remember pain lesser as a high insight. I can remember at least a couple of years in the 1990's when my father was extremely tensed with the negative cycle that was happening in the business, probably in the mid-1990's. Then the only down cycle I saw was during the great financial crises. That pain lasted all of 12 months and we sort of picked-up pace again. So I would say this has been a lot longer in terms of the down cycle like we have seen. But it was also preceded by the biggest bull run that was also ever seen. So sort of both went hand-in-hand. Our opinion though now, the cycle is turning or turned in the positive direction, sort of the bottoms-up.

**Rohit P.:** Understood. I mean, I really appreciate the detail or the cadence with which you give an answer. So first I want to give you that feedback. Just following-up on this, so specifically what I was also trying to understand was with the regulatory churn in addition to the demand downturn, we see a lot of players as you said going out of business for those reasons. This kind of reduction in supply, has this been witnessed I mean in your memory or in your brother's memory?

**Varun Gupta:** I would say no but this kind of supply was also not visible before as well. So the reduction in supply is also, we never had this kind of building boom and this kind of supply in the business itself. But a lot of that supply also came. We went through a series of deregulation, right. ULC was taken out, capital became easier, home loans became easier, some of those things in the Indian economy probably happened from the mid-1990's that have built the boom that happened. And therefore, probably would not have happened in the cycles in India anyway. We would probably have to look abroad to get similar cycles if that happened anywhere else.

**Rohit P.:** Sure, that was helpful. One last question from my end. Similar to the initial competitive intensity and demand questions that you answered for Bhiwadi and Jaipur, could you see the same for Gurugram (Gurgaon) and Chennai as well? Because I read one report which said that Gurugram (Gurgaon) sales, I mean while your supply is coming down, the sales is also coming down in the Gurugram (Gurgaon) market. So if you could help explain that, that will be helpful.

**Varun Gupta:** Yes, in Gurugram (Gurgaon), we are a marginal player, we have one project in Sohna but I would say Bhiwadi and Gurugram (Gurgaon) markets and the NCR market are sort of tied to the hip together. Our sales in Gurugram (Gurgaon) has actually improved. They are still not good but they have definitely improved from last year. Like in Ashiana Anmol we have sold in 2 quarters more than what we have sold in entire last financial year. So I would say the Gurugram (Gurgaon) sales number are actually probably improving, supply reducing and constructed stock getting occupied. If you see most of Greater Gurugram (Gurgaon) areas, the new Gurugram (Gurgaon) area and of course, extension or developments those are very well sort of occupied these days. I think, it augurs well for the Gurugram (Gurgaon) market overall going forward. Gurugram (Gurgaon) continues to create tonnes of jobs and remains as the heart of the economic ecosystem of NCR and just continues to do well accordingly. Chennai is hard to say because we are very specialist senior living player. What I hear from the market, the sales have picked-up and supply has reduced is what I hear from other developers. I have not explored the market to comment a lot.

**Moderator:** Thank you. The next question is from the line of Anand Patel from Equirus Portfolio Management Services. Please go ahead.

**Anand Patel:** Just continuing from the previous question in Gurugram (Gurgaon), we have seen a structural increase in the sales that you do in Gurugram (Gurgaon). So do you see that momentum continuing in this quarter and going forward or was it the result of specific marketing push or something like that?

**Varun Gupta:** For Gurugram (Gurgaon)?

**Anand Patel:** Yes.

**Varun Gupta:** I would expect sales momentum to continue to do well out there. Continue to be better or well I would not say they are good at this point of time but we will continue to do better than last year and hopefully, things should even improve going forward from there. I am positive of the Gurugram (Gurgaon) market overall.

**Anand Patel:** Right. Should increase in the mix for Gurugram (Gurgaon) resulting in better average realizations for you going forward?

**Varun Gupta:** Yes. So it depends on whether Gurugram (Gurgaon) is able to outperform the rest of the company, right? Its percentage mix will increase the average realization. I don't know if it will actually increase its share of sales for Ashiana as a whole as of now.

**Anand Patel:** Okay, understood. Sir, my second question was again on the IFC reimbursement that we got. So I had an understanding that IFC funding would be ROE linked for you. So does this reimbursement have a similar deal structure, can you throw some light on that?

**Varun Gupta:** Yes. So, they invested in a particular project called Ashiana Daksh. Their returns are linked to the project returns of Ashiana Daksh. They had agreed to finance the Ashiana Daksh but paper work, dispensable of first investment that they were doing, a lot of the paper work which is standardized took longer than we expected and we had to close with the land owner earlier. So we sort of up-fronted the financing at that point of time and the moment the paper work got done, they reimbursed us. It is the same exact deal structure that we have agreed upon for all deals.

**Anand Patel:** Okay. And this NCD of Rs. 18.7 crores would be sitting as borrowings on your balance sheet, right?

**Varun Gupta:** Correct, it will be sitting as borrowing on our balance sheet, yes.

**Anand Patel:** Okay. But some fixed interest plus variable interest was based on ROE.

**Varun Gupta:** Yes, I would urge you to read that. It is listed debenture you can read the debentures, a little hard to explain the entire financial framework, it is a little complex.

**Anand Patel:** Sure, I will do that. And does this have a specific timeline also mentioned for you to launch the project or complete project?

**Varun Gupta:** No, there is no specific timeline, there are expected timelines for the project but there is no define that we have to launch it by this or we have to complete it by these. None of those are there.

**Anand Patel:** Okay. And the last question is, in this context, so we still have a lot of cash sitting on our balance sheet which we were planning to use for acquiring land. So do you see that getting used up in next 2 - 3 years especially with now IFC funding coming in?

**Varun Gupta:** Yes, I think we should deploy most of our capital in the next 12 months to 18 months.

**Moderator:** Thank you. The next question is from the line of Vaibhav Kacholia from BK Capital. Please go ahead.

**Vaibhav Kacholia:** I wanted to check when we are scouting for these new land parcels over the next 12 months to 18 months, what is the kind of target, IRR, return rates which we target or aspire to get?

**Varun Gupta:** See, pre-tax returns are in the early-20's to mid-20's that we are sort of building into the project IRRs and now we are able to comment on this because we have to do this modeling for IFC and I am not able to comment on it but otherwise, internally what we look for is a sort of a margin threshold, investment threshold in a project that are on timeframe.

**Vaibhav Kacholia:** Okay. So if we get something which is like below 20%, like closer to 15% then normally we will not take up such projects?

**Varun Gupta:** Normally, we would not.

**Vaibhav Kacholia:** Okay, fantastic. And over the last 10 years in your experience, what is the kind of IRR that might have been generated on all the projects that we have done?

**Varun Gupta:** As you can see our ROEs oscillating between sort of 6% to 40% at different points on time. Some of it has counting issues as well. But project returns are varied in low single digits to close to 40% as well. But you know having IRRs in the mid-20's is generally very satisfactory, yes. Pre-tax IRR is a mid-20 is what would be very satisfactory. Otherwise, the industry has not generated very high rates of return overall, right.

**Vaibhav Kacholia:** Actually, sir, this return on equity would year-by-year would depend on what we have sold in that year and what is our book value. I am saying over the life of a particular project, do you think we would have done closer to this 20% kind of-tax return?

**Varun Gupta:** So the accounting ROEs have a little bit of profit recognition elements.

**Vaibhav Kacholia:** Exactly, so I am not going into that.

**Varun Gupta:** They have a delay built into it, so the project IRR would be a little bit higher than the reported ROEs. But the reported ROEs are summation of the project ROEs, right?

**Vaibhav Kacholia:** Right, so over the last 10 years like whatever projects we have done, we would have done this 20% kind of pre-tax returns?

**Varun Gupta:** Yes, I would say in my 10-year career, more than half the projects that probably the company has taken up has done more than 20% pre-tax returns, more than half the project.

**Vaibhav Kacholia:** The others would have suffered because of delays and stuff like that, right?

**Varun Gupta:** Yes, delay in approvals and delay in sales are the two largest concerns.

**Vaibhav Kacholia:** Okay, great. So going forward, we think that over the next 5 years - 10 years, we might be able to do this 20% kind of thing.

**Varun Gupta:** I hope so, that the entire business model on the company is premised on that. We are underwriting projects with that belief. We are in my opinion, a conservative underwriter in terms of projects. We are slow in taking the projects probably at a snail space at acquiring projects because we like to have comfort than the projects will deliver the returns. And in my opinion, the next 3 - 4 years seem better than the last 3 - 4 years at this point of time.

**Vaibhav Kacholia:** Okay, fantastic. And one more question, sir, over the next 5 years - 10 years, as an organization, what kind of size of projects are we equipped to do like totally on a total basis, do we aspire to do 2 million - 3 million?

**Varun Gupta:** We have to do 2 million. 2 million is not an aspiration, 2 million is what we have done before, it is a requirement. Medium-term to short-term aspiration is about 4 million square feet to 5 million square feet a year.

**Vaibhav Kacholia:** A year?

**Varun Gupta:** Medium-term aspiration is 2 million square feet to 4 million square feet a year.

**Vaibhav Kacholia:** So like in the next 5 years or so, is it? 3 years to 5 years?

**Varun Gupta:** Yes, next 5 years that is the aspiration.

**Moderator:** Thank you. Ladies and Gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments. Over to you, sir.

**Varun Gupta:** I would like to thank all of you for being on this call and being so patient with all the questions. If I was unable to take any questions please, feel free to write to me directly or reach out to me directly. Unfortunate to close the questions a little early today because I have to catch a flight. And with that, I would like to conclude the call. A lot of the material we have spoken about is posted on our Website and you can also e-mail your queries for any further clarification. Thank you once again for taking the time to join us on this call.

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