

May 30, 2011

BUY

HIGH RISK

PRICE Rs.129

TARGET Rs.175

REAL ESTATE

EARLIER RECO

BUY	
Price	Rs.116
Target	Rs.175
Date	Feb. 10, 2011

SHARE HOLDING (%)

Promoters	66.4
FII	0.8
FI	0.8
Body Corporates	7.3
Public & Others	24.8

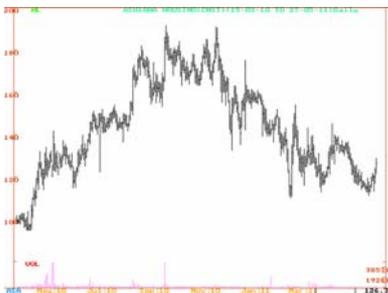
STOCK DATA

Reuters Code	AHFN.BO	
Bloomberg Code	ASFI IN	
BSE Code	523716	
NSE Symbol	-	
Market Capitalization*	Rs.2400.7 mn US\$ 53.3 mn	
Shares Outstanding*	18.6 mn	
52 Weeks (H/L)	Rs.192/110	
Avg. Daily Volume (6m)	12,830 Shares	
Price Performance (%)		
1M	3M	6M
1	3	(9)

200 Days EMA: Rs. 136

*On fully diluted equity shares

Part of  Bonanza



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Ashiana Housing has come out with a good set of numbers for Q4FY11, with Revenue growth of 28.7% YoY and PAT growth of 10.7% YoY. Key points pertaining to results are summarized below:

Key Highlights of Q4FY11

- During the quarter ended Q4FY11, Ashiana Housing's Revenue is up by 28.7% YoY and 109% QoQ to Rs.484.1 Mn.
- Its Area booked increased by 50% YoY to 3.8LSF. Higher booking was mainly contributed by the company's Rangoli Garden project which is at Jaipur. Area booked in Rangoli Gardens has increased by 40% QoQ to 3.5 LSF. For FY11, the area booked has increased by 91% YoY to 13.5 LSF.
- Equivalent Area Constructed during the quarter has increased by 3% YoY to 2.8 LSF. For FY11 the equivalent area constructed has increased by 5% YoY to 10.7 LSF.
- The company's Realization for the quarter has decreased by 7% YoY while increased by 2.6% QoQ to Rs.2005/SF. Quarterly variations are due to varying weights of different projects in different quarters.
- Ashiana's Operating Profit is up by 3.2% YoY to Rs.175.7 Mn. Its Operating Profit Margin is down by 900 bps YoY and up by 1080 bps QoQ to 36.3%. The raw material cost has increased by 52.2% YoY to Rs.238.1 Mn thereby decreasing the margin at operating level.
- Its Net Profit is up by 10.7% YoY to Rs.169.5 Mn in Q4FY11. It's Net Profit Margin decreased by 570 bps YoY to 35%.
- Share of profit from partnership firms has increased by 371% YoY and 75% QoQ to Rs.43.5Mn. For FY11 share of profit from partnership firms has increased by 175% YoY to Rs.114.6 Mn.
- The company's total saleable area stands at 7.1MSF, with area launched at 4.6 MSF and total area booked at 3MSF (65% of launched area).
- For FY11, revenue has increased by 21.8% YoY to Rs.1370.8 Mn. Its Operating profit has increased by 7.9% YoY to Rs.414.6Mn with an OPM of 30.2% vs 34.2% of FY10. Its Net Profit has increased by 19.3% YoY to Rs.438.7Mn with a NPM of 32% vs 32.7% of FY10.
- The company has declared an equity dividend of 17.5% on FV of Rs.10 for FY11 vs 10% in FY10. Dividend payout ratio for FY11 stands at 7.4% vs 4.9% of FY10.
- **Management Guidance:** With huge potential of Retirement Resorts, improved market conditions and larger bandwidth available with Ashiana, its bookings are expected to attain the mark of 16 LSF in FY12 from current 13.5 LSF (FY11). While the EAC is likely to increase to 14 LSF in FY12 from current 10.7 LSF (FY11).

OUTLOOK & VALUATION

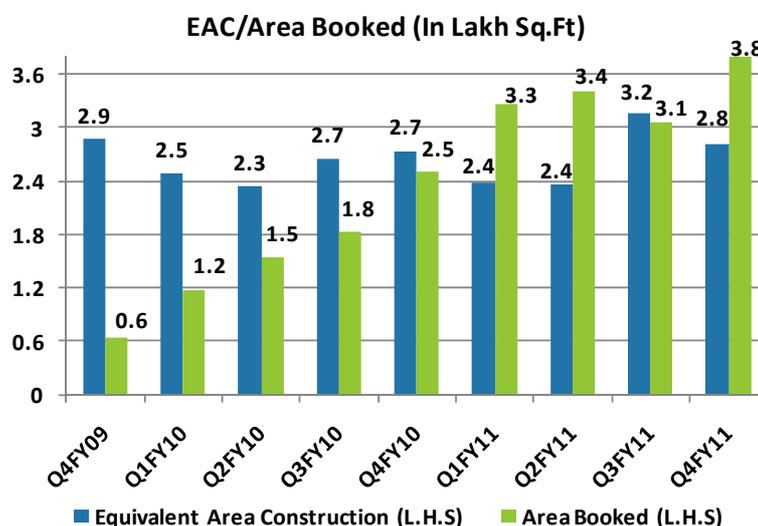
Ashiana Housing has reported good set of numbers for Q4FY11. The company has seen robust rise in area booking during this quarter which is up by 50% YoY to 3.8 LSF. Most of this higher booking comes from Rangoli Gardens for which revenue has been recognized in the current quarter. We believe that the company is likely to see higher share of profits from the partnership firms going ahead. Keeping in mind the ongoing projects saleable area of 7.1MSF, EAC target of 14LSF and area booking target of 16LSF for FY12 coupled with impressive past performance we believe that the company is likely to grow at a CAGR of 21% for the next two years. We therefore maintain our positive stance on the company and recommend BUY with a price target of Rs.175.

KEY FINANCIALS

Y/E Mar.	Revenue (Rs mn)	RPAT (Rs mn)	EPS (Rs)	EPS (% Ch.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY10	1125.5	367.7	20.3	29.5	6.3	31.1	32.5	1.8
FY11E	1370.8	438.7	23.6	15.9	5.5	27.5	28.8	1.4
FY12E	1624.9	519.2	27.9	18.3	4.6	25.8	26.3	1.1
FY13E	1806.9	593.3	31.9	14.3	4.0	23.7	24.0	0.9

KEY HIGHLIGHTS

- Area Booked during the quarter has increased by 50% YoY to 3.8 LSF. While the EAC has increased by 3% YoY to 2.8 SF.



Source: Company

- The company has seen a revenue contribution of 43% from Jaipur followed by 34% from Bhiwadi, 10% from Jamshedpur, 11% from Jodhpur and lastly 2% from Lavasa.
- The company's total saleable area stands at 7.1MSF, with area launched at 4.6 MSF and total area booked at 3 MSF (65% of launched area).

Project Name	Location	Type	Salable Area (Lakh Sq.Ft)	Area Launched (Lakhs Sq.Ft)	Area Booked till date (Lakh Sq. Ft)	Area Booked QoQ (%)
Ashiana Angan	Bhiwadi	Group Housing	20.6	20.5	14.4	10%
Utsav	Jaipur	Retirement Resort	3.9	3.0	1.5	14%
Ashiana Greenwoods	Jaipur	Group Housing	3.6	3.6	3.2	16%
Ashiana Brahmananda	Jamshedpur	Group Housing	4.8	3.6	2.3	20%
Ashiana Amarbagh	Jodhpur	Group Housing	5.3	3.5	3.0	16%
Utsav	Lavasa (Pune)	Retirement Resort	6.9	3.9	2.0	3%
Rangoli Gardens	Jaipur	Group Housing	25.0	7.8	3.5	41%
Total			71.11	45.9	30.0	14%

Source: Company, Sushil Finance

- Group housing accounts for ~92% of the total saleable area followed by Retirement resorts accounting 8%.
- The company is about to launch a new hotel cum retail project in Q1FY12 in Jamshedpur called Marine Plaza, with a saleable area of 1.7 LSF. This project is likely to be completed within next 3 years.
- The company has an estimated additional saleable area of 3.84 MSF including the project above (Marine Plaza-Jamshedpur), thus providing clear revenue visibility beyond the 7.1 MSF of ongoing projects.

Lavasa – project at halt

- Ashiana has a retirement resort project at Lavasa covering an area of 6.87 LSF which is just 9.6% of the company's total project area under construction. MoEF has issued a show cause notice to Lavasa Corporation to stall its construction activity. According to the ministry, the company has a no-objection certificate to construct structures of up to only 960 metres. Ashiana Housing's construction being below the marked level has till date not received any notice from the ministry. However its construction at the Lavasa site is on halt awaiting further guidance from the ministry. The management expects this show cause notice to delay its project by maximum six months.
- The company has till date recognized Rs.18Cr of the revenue from the Lavasa project.
- It has received an amount of ~Rs.30 Crs from the investors and has expended ~Rs.24Crs as direct expenditure and Rs.6Crs as indirect expenses.
- It has approximately constructed an area of 1 LSF out of the total area of 6.87 LSF and has seen a booking of ~2 LSF from the aforesaid project.

Our Assumptions

- Keeping in mind the stoppage of work at Lavasa, we have assumed a 1 year delay on higher side for the company to resume its construction work at the site. The Lavasa project now contributes Rs.25.5 to the NPV of Rs.175 of the company.

QUARTERLY STATEMENT

Rs.mn

Y/E March	Q4FY10	Q3FY11	Q4FY11
Net Sales	376.0	231.2	484.1
(%) Chg. YoY	114.5	-3.9	28.7
Project Expenses	156.4	114.5	238.1
Staff Cost	21.4	22.5	42.3
Other Expenditure	27.8	35.3	28.0
Total Expenditure	205.7	172.3	308.4
PBIDT	170.3	58.9	175.7
(%) Chg. YoY	-	13.6	3.2
(%) Margin	45.3	25.5	36.3
Interest	2.5	1.4	1.0
Depreciation	2.4	5.9	6.0
Other Income	15.7	7.7	27.2
PBT incl OI	181.1	59.3	195.9
Tax	37.1	11.8	69.9
(%) of PBT	20.5	19.9	35.7
Share of Profit in JVs	9.2	24.9	43.5
RPAT	153.2	72.4	169.5
(%) Chg. YoY	-	23.3	10.7
(%) Margin	40.7	31.3	35.0

PROFIT & LOSS STATEMENT

Rs.mn

Y/E March	FY10	FY11	FY12E	FY13E
Net Sales	1125.5	1370.8	1624.9	1806.9
Project Expenses	646.4	847.5	984.4	1087.5
Staff Cost	80.0	117.0	126.7	140.9
Other Exp	105.8	129.6	178.7	193.3
Total Expenditure	741.1	956.2	1143.7	1277.2
PBIDT	384.4	414.6	481.3	529.7
Interest	10.5	6.6	8.1	9.0
Depreciation	15.0	20.1	24.4	27.1
Other Income	84.8	170.4	208.4	257.4
PBT incl OI	443.7	558.4	657.2	751.0
Tax	76.0	119.7	138.0	157.7
RPAT	367.7	438.7	519.2	593.3

BALANCE SHEET STATEMENT

Rs.mn

As on 31 st March	FY10	FY11E	FY12E	FY13E
Share Capital	180.8	186.1	186.1	186.1
Reserves & Surplus	1117.0	1557.4	2022.1	2550.1
Net Worth	1297.9	1743.5	2208.2	2736.2
Secured Loans	77.8	6.8	6.8	6.8
Unsecured Loans	0.6	0.0	0.0	0.0
Total Loan funds	78.4	6.8	6.8	6.8
Deferred Tax	11.5	32.4	28.4	31.6
Capital Employed	1413.0	1809.9	2270.6	2801.8
Net Block	291.0	310.9	356.5	399.4
Cap. WIP	130.5	109.0	122.1	136.7
Investments	498.5	748.2	848.2	998.2
Sundry Debtors	17.3	20.9	48.7	57.8
Cash & Bank Bal	160.6	401.0	437.6	613.8
Loans & Advances	187.5	141.7	198.4	257.9
Inventory	685.5	750.8	991.2	1138.4
Curr Liab & Prov	563.4	676.9	736.5	804.8
Net Current Assets	487.4	637.5	939.5	1263.1
Total Assets	1413.0	1809.9	2270.6	2801.8

FINANCIAL RATIO STATEMENT

Y/E March	FY10	FY11E	FY12E	FY13E
Growth (%)				
Net Sales	24.1	21.8	18.5	11.2
EBITDA	88.4	7.9	16.1	10.1
Adjusted Net Profit	29.5	19.3	18.3	14.3
Profitability (%)				
EBITDA Margin (%)	34.2	30.2	29.6	29.3
Net Profit Margin (%)	32.7	32.0	31.9	32.8
ROCE (%)	31.1	27.5	25.8	23.7
ROE (%)	32.5	28.8	26.3	24.0
Per Share Data (Rs.)				
EPS (Rs.)	20.3	23.6	27.9	31.9
CEPS (Rs.)	21.2	24.7	29.2	33.3
BVPS (Rs)	71.8	93.7	118.7	147.0
Valuation				
PER (x)	6.3	5.5	4.6	4.0
PEG (x)	0.2	0.3	0.3	0.3
P/BV (x)	1.8	1.4	1.1	0.9
EV/EBITDA (x)	5.9	4.8	4.1	3.4
EV/Net Sales (x)	2.0	1.5	1.2	1.0
Turnover				
Debtor Days	5.6	5.6	11.0	11.7
Creditor Days	13.2	14.2	14.6	14.2
Gearing Ratio				
D/E	0.1	0.0	0.0	0.0

Source : Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Equity Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.

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