"Ashiana Housing Limited Annual Analyst Day"

June 18, 2019

MANAGEMENT: MR. VISHAL GUPTA – MANAGING DIRECTOR
MR. VARUN GUPTA – WHOLE-TIME DIRECTOR
MR. VIKASH DUGAR – CHIEF FINANCIAL OFFICER
MS. SUKRITI ATTRI – INVESTOR RELATIONS

Moderator: Good afternoon, everyone. And on behalf of everyone at Ashiana Housing, I welcome you to our Annual Analyst Day event 2019. My name is Sukriti Attri, and I am part of the Investors Relations team of Ashiana Housing. It is great to see a good turnout, and thank you for being with us today, especially for those where it required some travel.

Throughout this session we would be making forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, and Ashiana Housing will not be responsible for any such action taken based on such statements, and undertaken no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

We would be discussing the performance of the year gone past as well as share some outlook about what the future holds for us. To do this, we have Mr. Vishal Gupta – Managing Director, Mr. Varun Gupta – Whole-Time Director, and Mr. Vikash Dugar – CFO of the company.

Please note that we are running on a tight schedule, and hence there will be an opportunity to ask questions at the end of the presentation in the open house Q&A. We have it planned after the Q&A, you could utilize this time to speak with individual leaders in case you have any follow-on questions. Thank you once again for being with us here, and I hope you do have a very productive day.

We have uploaded the presentation on the website and if you have dropped your business cards, we will mail the presentation on your email ids too. Let me now call upon Mr. Vikash Dugar, our CFO, to walk us through the presentation now.

Vikash Dugar: A very good afternoon to all of you, and a warm welcome on behalf of Ashiana Housing Limited. Thank you for being here with us today.

Before we commence the presentation, there are two key achievements that I would like to highlight about the year gone by. First and foremost, that we clocked 10.79 lakhs square foot of sales in the year gone by, after back-to-back three very tough years. So, in terms of numbers, if you thought about 2015-2016, we had done close to 9 lakhs square foot, and two years after that we had done close to 7 lakhs square foot. Now, this needs to be seen against the backdrop of a market which didn't significantly improve. And also, the fact that we didn't have any fresh launches also in the year gone by. So, that is the kind of context that needs to be seen behind these numbers.

And second big achievement, the operational cash flows turned positive this year, after back-to-back three years of negative cash flows.Cash flows in FY 19 at positive around 16 crores vs. around negative 20crores in FY18, a positive swing of around Rs. 20crores. Improvement in cash flow is aided by an improved collection happening due to better bookings in the year. And also our construction commitments have been in check, since the sales have been slow we have been constructing only what we are able to sell. So, these are the key reasons why the cash flow also turned positive in the year gone by.

Some of the key highlights: 800 plus in terms of total staff strength which includes our maintenance division, which is more like a support line for the main business. We have got a long-term view on our maintenance as we maintain our projects for life. So, that is the kind of strength which is there. The journey started in 1979 and in the process, we have done an overall execution north of 20 million and are fortunate to have created more than 13,500 families. In terms of market capitalization, we have crossed Rs. 1,100 crores.

Our presence pans across 10 locations in five states, which helps us to curtail the concentration risk to a great extent. One of our key strength is, we are low debt company. The boring strategy continues to be counter cyclical, we borrow during down cycles and pay-off during up-cycles, so the debt-equity ratio has been at a manageable level of 0.21. We have healthy pipeline in terms of development potential in future, in excess of 7 millions square foot.

We have a long journey of 40 years, but I would like to highlight the last four to five years for three very important milestones / reasons. First and foremost, these were very significant years in terms of capital raising activity in the company. So, we either raised capital or we signed off capital raise deals in excess of Rs. 500 crores. Equity QIP we did in 2015 for Rs. 200 crores and then we signed an agreement with IFC, an arm of World Bank, for Rs. 150 crores, to co-invest in multiple projects over a period of time. And lastly, we raised Rs. 100 crores of debt from ICICI Prudential Mutual Fund. Second important point, this period also marked our entry into newer geographies of Gurgaon and Chennai. We are bullish on these markets and we have long-term growth aspirations in both these markets. And last but not least, a new product, altogether a new category came into picture in form of Kid Centric Homes. We will talk more about this category in our subsequent slides.

In terms of Management team, we have a blend of executive and non-executive directors, five Independent Directors apart from the three Executive Directors. And between the three Executive Directors, a total cumulative experience of close to 50 years. And among the Independent Directors, Piyul Mukherjee is the latest Independent Director inducted into our Board earlier this year in February. She's a specialist in consumer behavior. And Mr. Anand Narayan, he has been on our Board since 2015 in the capacity of Non-Executive Director. He also got inducted as Independent Director in February 2019.

We have a very good news on the brand recognition front. Track2Realty has recognized Ashiana as number #1 caring brand in North India, not only in care but also in Most Desirable Practices, and also Customer Connect.

In terms of opportunities, we see three key opportunities in this market. One is the potential of market share accretion, considering the consolidation which is prevailing in the industry right now. The NBFC crisis, the liquidity crunch which is there in the market, we see a lot of opportunity to increase market share. And there is a report which says that in a in a sector like real-estate, which is highly fragmented, the share of the organized players is only 10%. And this has got the potential to double-up in a in a span of four to five years. So, we are looking forward to getting a part of that coming to us as well.

And reason we say that is due to a couple of inherent strengths that we have, in terms of very strong execution credentials. We have got in-house construction team, and also in-house sales team. And as I mentioned that we maintain our projects for life, so in-house maintenance team, again, a very, very key strength of ours, apart from a couple of other strengths like very strong balance sheet. The second big opportunity is in the form of the niche product offering that we have in the form of Senior Living, and the newly introduced Kid Centric Homes. So, we see a lot of opportunity in that space as well. It gives us an opportunity to differentiate in the market and provide a niche offering. Last but not least, land deals off-late have become more lucrative, more so post consolidation. It's easier to find better JDA deals as well, JDA partners also are willing to tie-up with organized developers, they are more secured in doing those kinds of tie-ups with organized developers. So, we see a lot of opportunity in this space as well.

A couple of key thrust areas:

These are the areas behind which the entire organization rallies across all levels in the organization. The idea is to create a sustainable long-term impact. First and foremost, we aspire to create the best sales team in the industry in real-estate, and for that a lot of impetus is being placed on training and developing the sales people. For example, we have designed a specialized 23-day induction program. The idea is to make a salesperson productive in the first hundred days of his/ her joining the organization. And there is a lot of performance orientation which is there and the idea is to inculcate lot of behavioral changes, like outcome orientation, internal competition, internal benchmarking. So, those kind of behavioral changes, more evidenced based decision making is what we are trying to inculcate in our sales team. So, that's on the best sales team front.

The second one of course, is the new product category of Kid Centric Home. So, over a period of time when we interacted with our customers, especially in the Delhi NCR region, we identified that there was a concern in the mind of the customers regarding the growth of their children. So, not only the academic, they were looking forward to some kind of overall grooming of their children. And that's where the idea of Kid Centric Homes came into being. And we have tried to leverage our strengths in designing and after sales services, our strong credentials in maintenance, to create the features in our project in terms of better infrastructure, in terms of getting more and more activities on our project, which will help for the overall growth of the children. So, there are live-and-learn activities, we arrange libraries, we arrange lot of fun-filled activities, clubs, eco-clubs and all, which helps for the grooming of children overall. So, this is one thing we are really, really looking forward to, to really scale up.

And presently there are three projects under our Kids Centric category, Ashiana Anmol in Gurgaon, Ashiana Town in Bhiwadi, and Ashiana Umang in Jaipur.

The third key thrust area, extremely important new launches, a couple of launches that got delayed last year will be launched this year, the current year will be every launch-heavy year. We have got a dedicated team for taking care of this piece and we will be sharing more details in the subsequent slide on this front.

Fourth is regarding A players So, we have got a concept called a Key Seats. We are looking to fill the Key Seats with A players. Key Seats meaning those positions which have an outsized impact on the business, which make critical people related decisions. So, the idea is to groom people to man those Key Seats and they have to be A players. So, impetus on performance orientation on this front, a lot of initiatives are being taken in training and developing these Key Seats occupants. For example, we are developing individual development plans, so we are taking care of the bench strength. So, lots and lots happening on that front as well.

Last but not the least, the training and development piece as a whole. I think as an organization, our core strength lies in people. We strongly feel that if an organization has to scale up, the capability of its people also needs to be scaled up. I think a strong training and development culture is imperative to ensure scaling up of the capability, and eventually the overall business as such. So, specialized training and development programs talked about that the sales team, beyond that for other functions also there are specialized programs. Just to give a sense, last year we conducted close to 16,000 hours of training, internal and external combined. So, that is the kind of focus which is there in this particular area.

So, that is as far as the key thrust areas are concerned in the organization. Let's talk about the projects.

So, out of all of the ongoing projects, 16.45 lakhs square feet, we have already sold more than 50% across all locations. Some of our key projects across multiple locations, we will just flip through this, its more for information sake, you can look at the presentation posted on the website for more details. So, Vrinda Gardens and Gulmohar Gardens, our projects in partnership with Manglam Group, both in Jaipur; Ashiana Nirmay, our Senior Living project in Bhiwadi; Ashiana Shubham, our first project, it's a Senior Living project in Chennai; Ashiana Umang, this is wholly owned project of Ashiana which is located in Jaipur and Ashiana Anmol, again a Kid Centric project, our first project in Gurgaon. We are shortly commencing the handover in this project.

Very healthy pipeline in terms of future projects. These are the unlaunched phases of already launched projects. 7 million plus square feet is the kind of pipeline which is there. And as we speak, out of this, four projects we have already launched, totaling up to around 7 lakhs square foot. Gulmohar Garden Phase 4 and Gulmohar Garden Villas in Jaipur, Ashiana Sehar in Jamshedpur, and Ashiana Dwarka in Jodhpur.

New launches, extremely critical as I mentioned. So, we have a fair bit of visibility and couple of projects in this year. Ashiana Daksh and Ashiana Amantran are two projects in Jaipur that we are being lined up. We are optimistic that we will be in a position to launch them in the quarter three of the current year. In Kolkata, we have bought one land parcel in which we plan to launch two projects, a Kid Centric and a Senior Living, Ashiana Maitri and Ashiana Nitya. And Ashiana Sehar, as I mentioned, has already got launched in April this year.

So, that's the story as far as new launches are concerned. I will skip this, because more or less we have covered the various possible Launches.

Talking about a couple of operational metrics, if you look at the construction numbers, they have been tapering, they have been reducing. The idea is always to construct whatever we are able to sell. So, the last two, three years wherein the sales have been slow, we have tried to ensure that our construction commitments also are in check so that we don't end up over building. And this helps us to preserve our cash flows as well. So, if the sales will gradually start improving, we will start executing more. And the construction then will start moving in tandem with sales. So, that's a very important piece.

Realization prices have been under pressure since last 2-3 years for a couple of reasons. First and foremost, the GST benefit under the new regime that we had to pass on to our customers. We came out with a couple of subvention scheme in one of our projects in Bhiwadi, that also put pressure on realization price. And also, for the couple of new phases that got launched, the pricing was at a reduced level as compared to the previous phases of the same project. So, these were a couple of reasons which actually compressed the added realization price, and the same was under pressure.

So, quarter wise performance, these are standard numbers that he share in our quarterly investor presentation as well. Would like to highlight the number here in terms of what we deliver during the year. As compared to the previous year, the deliveries were less overall, although in Ashiana Housing the deliveries increased from 8.91 lakhs square feet to 9.44 lakhs square feet. So, what would deliver ultimately gets reported as revenue since we follow possession-based accounting. So, what we will be delivering in another 12 to 24 months is what basically we have sold in last two, three years. So, you can imagine the cash of challenge which will be there in terms of lower deliveries. So, that's very important thing to be noticed, we will be reporting those lower deliveries in next 12 to 24 months.

Quarterly sales trend, I would like to highlight two points here. One is that we have been consistently clocking 2.5 lakhs square foot on a quarterly basis. And if you look at the numbers of FY19 vis-à-vis the previous year, the growth has been mostly secular across markets. So, look at Bhiwadi, look at Jaipur, the growth has been there on a comparative basis, with the exception of markets like Gujarat and Maharashtra, where also the volume is less. So, that is another highlight wherein the growth has been across markets, which is very, very important to ensure that the growth is inclusive.

To give a sense of what is the geographical mix and also the product mix of our completed and ongoing projects, whatever has been sold. High concentration continues in Bhiwadi and Jaipur, close to 78%, 79%. And in terms of product mix, Kid Centric, the new category, close to 36%. Now, even if you look at the sold pie chart, comfort homes are 26%, Kid Centric is close to 47%. Three of our big projects are under the Kid Centered concept which is actually making the proportion higher, as I mentioned, Ashiana Anmol, Ashiana Town and Ashiana Umang. So, those are three projects which are included in this.

In terms of financial numbers, the slide on margin very very important to understand. The margins have been under pressure. As I mentioned, the number was at Rs. 19 crores, which is the total comprehensive income which is a term one can understand by overall margin, this is a terminology introduced after IndAS. So, this number was Rs. 46 crores in the previous year, so it has come down from Rs. 46 crores to Rs. 19 crores.

So, let us try and understand as to what are the reasons for decline. So, there are three key reasons that we need to understand. First and foremost is that there was a decline in GP in absolute terms. So, although that delivery increased during the year, still on an absolute basis the GP declined. So, the reason being, on a per square foot level the GP reduced from Rs. 1,143 to Rs. 1,049, a dilution of around 8% to 9%. How we work this out? So, this is the absolute GP number which gets divided by what we have delivered during the year which is 9.44 lakhs is Rs. 1,049 per square foot. And decline in GP, primarily due to change in mix of projects.

The second important point here, decline in partnership income as well. Again, purely a function of what we deliver, so deliveries in FY19 was less vis-à-vis deliveries in FY18 in partnership firms, the projects in Jaipur, which also led to a decline in partnership income. And last but not the least, indirect expensive have gone up. So, this includes the components like sales and marketing costs. So, in a slow market we have to incur more selling and marketing costs to sell, plus there has been higher marketing cost at a corporate level due to new initiatives, couple of campaigns that we have run. And also finance cost with operational cash flows under pressure, we have raised debt capital, the borrowing has increased, which also has led to higher finance cost.

How will this margin play out in the long-run? What we need to understand is that in next 12 to 24 months, we would be delivering what we have sold in last two to three years. Now, if the sales start improving, then maybe after 24 months we will start getting higher volumes, higher reported volumes leading to an upside in revenues, which will lead to increase in GP. So, purely operating leverage at play. So, once the sales numbers go up, reported revenues go up, the GP also will start increasing. And in a fixed cost structure kind of scenario and with the operating leverage playing out, the profitability will also eventually start looking up. So, that's very important to understand.

So, as I was mentioning that next 12 to 24 months, there will be severe pressure on deliveries, because deliveries are going to be less, because we had back to back very tough years in terms of sales. 8.63 lakhs square feet in FY16 and close to 7 lakhs square feet in two subsequent years i.e FY17 & FY18. They will start getting delivered in the next 12 to 24 months, you can very well understand as to what is the kind of pressure which is going to be there on deliveries and subsequently the reporting revenues, and hence the margins.

So, the idea of sharing this slide was to give a sense as to what our per square foot level gross margin looks like. You have some kind of sense in terms of our fixed costs, and we also share our pipeline. So, one can take a sense, can take some kind of futuristic outlook as to how the numbers will stack up in subsequent years. So, that was the idea to share these numbers.

The other number that we tracked in our ongoing projects is the situation of the cash flows. So, we see as to what is the balance receivable on the already sold projects. So, out of Rs. 304 crores of the sale value of the sold units, Rs. 181 crores is recovered, Rs. 123 crores need to be recovered. And to what extent is it funding the balance construction on the ongoing projects, which is 6 lakhs plus. So, close to Rs. 100 crores is the kind of cost we are going to incur to fully construct these ongoing projects. So, Rs. 123 crores vis-à-vis Rs. 100 crores. So, that is the kind of number which is stacked up.

Another important piece is the completed inventory across our projects. So, this number used to be a big concern, two years back I remember the number used to be around 11 lakhs square feet, I think we have shared in this room as well. But on a quarter-on-quarter basis this number has been gradually coming down. So, from more than 11 lakhss it is close to 6.75 lakhss. So, the biggest component being Ashiana Town in Bhiwadi, 3.5 lakhs square foot. But just to give you a sense of numbers, we are to clocking a run-rate of 25,000 square feet on a quarterly basis in Ashiana Town. So, that translates into some 12 to 13 quarters of sales, which is approximately 3 to 3.5 years.

Now that if you compare with the prevailing scenario in Bhiwadi as a market, taking completed and ongoing inventory, both, the inventory overhang is to the tune of close to 9 to 10 years. So, the point here is that, our run-rate if you compare with the overall market as a whole, we are doing significantly better in a market like Bhiwadi. And if you look at the overall numbers, like presently out of 2.5 lakhs square feet that we are selling every quarter, roughly 25% we are selling from finished inventory, say 60,000. So, that again translates into some 10 to 12 quarters kind of sales, so roughly three years again, 3 to 3.5 years.

One thing very important to be mentioned here is that, we will be delivering Ashiana Anmol shortly. And that will increase this number, if I let it off from another quarter of sales from here, this number will be somewhere close to 8 lakhs to 8.5 lakhs. So, this member will see a spike in the immediate quarter. So, that's an important point to be noted here.

To conclude, in FY20 we have an aspiration to making it double. And we clocked 1 million plus in FY 19, we have an ambition to clock 2 million plus in the current year. Looks extremely challenging with the prevailing market scenario, looks difficult. So, this is one challenge that we have taken. And we will be heavily hinging on the new launches, which will be very, very critical. And also the key thrust areas on which we are focusing from a long-term point of view. So, that's it. And thanks a lot for a patient hearing. Thank you.

Moderator: So, we will have the Q&A now. So, in case you have a specific question for either Vishal, Varun or Vikash, please state your name and the organization, and please direct the question to them. There will be runners around giving you the mic.

Malini Bhupta: Hi, this is Malini from Value Research Stock Advisor. If you look at the macroeconomic picture with savings down to 17% of GDP, you the growth overall is really sluggish. In that context how do you see real-estate as an asset class? Not to mention the liquidity, pretty much the odds are stacked against real-estate at this point of time. Coupled with that are other issues that with GST and RERA and all of those things, there's not much going for the sector, if you ask me. How much more pain can investors expect and for how long? And what’s in it to show patience at this point of time?

Varun Gupta: So, Malini, of course, we have had a very, very rough period as an industry. But if you look at the pricing, and you saw our price points also, it's been kind of constant over the last four, five years. So, there is now, and the income of course has grown up in the last five years. So, if you look at pricing as compared to income, I think affordability is really at an all-time high. So, there is a lot of potential, if you look at it, from the real-estate market.

The second thought that you talked about was RERA, GST. I think for people like Ashiana and many other developers who follow good practices, there is no better time. We have all been reading consolidation. Not only have we been reading consolidation at Ashiana, we actually experienced consolidation last year, we actually had a 56% increase in area booked, which if you really look at, in most of the markets that we are operating, I don't think those markets have grown in that kind of number. So, I think while there is going to be more pain in the market, this is an opportunity also for people who have been actually doing business and conducting business in a fair manner, to actually make something out of this situation. So, we are we are extremely bullish in the sense that this is an opportunity. And I would say we still need to act with a lot of caution at the same time.

Malini Bhupta: What is the demand, what sense can you give on demand conditions in different markets where you operate?

Varun Gupta: Can I, just share one academic thought, from a perspective. And I think I made this mistake as well, and we all probably made this mistake even after reading the academic theory behind it and sort of disregarded it in India. Real-estate cycles are not driven by demand, okay? They are not demand driven cycles, that demand is moving up or demand is moving down. The driver of the cycle is always either excess supply or less supply. So, the cause of the downturn wasn't a reduction in demand, the cause in the downturn right now has been the sheer excess building that the industry did. We built more than we should have, more builders entered the business than they should have, overestimating the demand that was going to be there. In my view, right now the industry is underestimating the demand that is going to be there. And therefore, the industry is also not just administrating demand that is going to be there, and therefore the industry is also not just underestimating demand, nobody is entering the business. And people who are in the business are gradually exiting the business because of the lower returns, or stretched balance sheets, or no access to capital and all of that.

So, in my perspective, this I read in college, there is an author called Will Wheaton who did 70 years of cyclical analysis of the U.S., came here and sort of jumped thinking that in India it will be demand driven. And then he saw it, it was supply driven. I think the cycle is going to be, now I think we are at the bottom of the cycle because sales have actually started outstripping the new launches, and therefore a total inventory in the industry has been reducing over the last eight quarters. And that would be beneficial for pricing over the long-term, it will be beneficial. And when pricing will go up I think that's when really the demand will start kicking in again, and people will start investing into real-estate a little bit more.

Malini Bhupta: When do you see that happening?

Varun Gupta: I wish I knew that. That is something I don't think we can really tell. But the sense is that it's going in that direction now, at least it's going to start moving in that direction. And I think the whole liquidity crisis over the last six months has probably accelerated that pace towards that by reducing supply further.

Malini Bhupta: And when do you see the profit per square foot going up? I mean, is that possibility, pricing power returning?

Varun Gupta: Okay, sure. So, I would talk about profit per square in two different dimensions, one is the GP per square foot which reduced, and then there is the net profit per square foot. Net profit per square foot is more a function also of operating leverage, because our fixed cost for the company, as Vikashji was explaining, is sort of built-in for 20 lakhs square foot, 25 lakhs square foot. So, as and when volumes will increase, even if our GP per square foot does not increase our profit per square foot will increase; and if the volumes decrease then the profit per square foot will decrease, driven of that function. On the GP per square foot level, we don't see margin expansion at least in the next 12 to 18 months kind of time frame, which is my perspective. And as I said, as volumes will increase pricing will increase, and then margin expansion will happen. Hopefully, we will hit the virtuous cycle soon, but I don't know when we will hit that cycle.

Participant: What are you doing to increase GP per square foot?

Varun Gupta: Yes, good point. The only thing we are looking to do on the GP per square foot, I think one realization came in, our GP per square foot in Senior Living tends to be a little bit higher than in regular housing, we have experienced a little bit of pricing power there. And that's been coming off because the product is differentiated. And I think one attempt to get pricing power, irrespective of the cycle, is to differentiate our products. So, the Kid Centric Homes approach is also a strategy to create a product which is different and even if the real-estate cycle does not change, we can achieve a better GP per square foot by doing a differentiated product.

Vishal: Sir, Vishal from Home Financial Services. My question is, what kind of construction you would focus basically? You would buy a free land from a company or what, you would go for an SRA project or are you focusing more on redevelopment projects, or is a mix of everything?

Varun Gupta: So, we are going mostly in greenfield projects. And we are not in Bombay where you have SRA and redevelopment projects. Most of our locations we are buying land or we are doing joint-ventures on land and then getting the approvals, going to the market to sell, and then subsequently construct and deliver.

Vishal: You have any plans to start in Mumbai?

Varun Gupta: No.

Rohan Advant: This is Rohan Advant from Multiact. I have two location specific questions, first on Jamshedpur. I think we have already launched Sehar, and have we launched all of the 3.5 lakhs square feet?

And if you could share how is the response there? And on Kolkata, when I look at your slide on new launches, I see that you have 435,000 square feet across Maitri and Nitya, so this being a relatively new market for us what gives you the confidence of a large launch size? Thank you.

Varun Gupta: So, for Jamshedpur, we are delighted to have finally crossed a lot of the regulatory hurdles that we unfortunately had to go through. We have got 102 or 103 registrations as of now, and 50 bookings was clocked and today, was the 50th booking. And so, we are expecting out of the 103 - 104 registrations typically to close that at around 75 to 80 bookings. And then the monthly numbers of 8 to 10 booking should clock in. So, a lakhs square foot would get booked from Ashiana Sehar at the time of launch, and the rest over the balance year.

For Kolkata, actually the total project sizes 15 lakhs square foot, we like to launch a project in phases. 2 lakhs square foot each in 2 projects is in each project, which I don't think is a very big size. So, it's not something that we are worried about.

Vishal Gupta: And we do not launch the project simultaneously, we can launch the projects back-to-back. So, let’s say we launch the Kid Centric Homes and we don't get a good response and we want to recalibrate the phase in the Senior Living project, that's always an option available. It's not that we will launch the entire 4.5 lakhs square foot in one go, we will stagger the launch.

Sharad Chandra: My name is Sharad Chandra, Investment Advisor. Two questions. One, in your quarterly sales slide you showed sales for each of the projects, quarter wise. In case of Lavasa on two quarters there was negative sales, so what is negative sales? Does that mean that something which was sold, the person cancelled it?

Vishal Gupta: Yes, exactly that.

Sharad Chandra: So, such high amount of cancellations in two quarters?

Vishal Gupta: Yes. So, we had bookings in one quarter for two, three quarters. And then a lot of negative media coverage happened for Lavasa Corporation. And before those bookings could actually conclude into final sales, actually 95% of those bookings actually fizzled out in the next two quarters after a lot of negative media coverage.

Sharad Chandra: So, when you do the booking, you don't take a token money or something?

Vishal Gupta: We do take token money, but the customers are so scared because of negative media coverage in the news, would rather retain them as tenants, come live here or would you rather be like we will retainer your cancellation charges and we will take a fee and try to enforce a contract, or would you rather try and win some goodwill over there? That's the sort of the question that we dealt with. Our view at that point of time was, let's get some goodwill and let's see how many of them convert. They are just scared because of negative media coverage, can we convert them into tenants today, and if they get convinced in the future and ask them and translate them into bookings later on. And that's the strategy we picked.

Sharad Chandra: But this must be a big cost for Ashiana, because the sales effort which must be put in by sales people for so much of a square feet must have just gone down the drain?

Vishal Gupta: Yes, but enforcing contracts on customers who have paid 10%, let's say they ask for a cancellation fee, all you will really get is the 10% cancellation fee. Is that really worth it is a question that we deal as management team. Okay, I am not going to say there is a right answer or wrong answer, between those two choices that's the choice we picked.

Varun Gupta: On Lavasa I would say that first quarter of Lavasa last year was, we thought we did everything right, we just started getting the sales correct. But then media news kind of really sent -- there was a lot of sensation, it really created a worry to the customer. This year now again we are seeing movement back into Lavasa, and touchwood, we have feeling that pulse of – because 150-odd resident flats are occupied in Lavasa today, and a lot of these people who we cancelled actually we were able to convert into tenants. So, I think that confidence is coming back in to the customers, specifically for the Ashiana Senior Living project in Lavasa. And we are hopeful that we should be able to get some kind of a resurgence. I don't think it's going to be a big number in Lavasa, but at least a positive movement

Sharad Chandra: Okay. 75% of our business is in Jaipur and Bhiwadi, right? And in Bhiwadi you just mentioned there is a 10 year inventory. What is the inventory in Jaipur?

Varun Gupta: Jaipur inventory is around 30 months. Bhiwadi I want to qualify what Vikash has said. While there is a 10 year inventory, I would say there would be four to five years of inventory which is absolutely stuck, those projects are not in a situation to be sold at the moment. So, technically speaking, or practically speaking, you should exclude that. So, I would say it's more like a five-year inventory.

Vishal Gupta: Because there are investors in the stuck projects, so projects which will get completed, actually supply can get created in the secondary market. In stuck projects even there is no secondary supply, nobody is going to be really buying into a stuck project, even in the secondary market. So, in Bhiwadi that has happened significantly where a lot of under construction projects are just, you know, there is nothing happening.

Sharad Chandra: So, it would be safe to assume that in Jaipur pricing power is not going to come from next three years and Bhiwadi for next five years?

Vikash Dugar: Sir, I couldn't comment on timelines again. I don't see pricing power today.

Sharad Chandra: If inventory is there then obviously you cannot increase your prices.

Vishal Gupta: 30 months is not a very large amount of inventory for Jaipur. And again, as I said, pricing power, I don't have view as to when it will come in. But as I said, another attempt we are making to get pricing power is through differentiation, and maybe that will enable pricing power. Like Bhiwadi we are trying to draw commuters from Gurgaon to come live in Bhiwadi and commute to Gurgaon.

If you are able to break open that market, where we are making a few attempts through a differentiated product of Kid Centric Homes, then relative pricing might change, instead of thinking of what it is relative to other developments in Bhiwadi pricing might become what it is in relative to Gurgaon. Again, suddenly you might get a little bit more pricing power. So, I would say just look at that, but when you are doing analysis, you should assume what your view is.

Sangeet Lakkar: Hi, this is Sangeet Lakkar from New Berry Capitals. Just to follow up on the previous question, so what was the unsold inventory like situation in Bhiwadi, Jaipur, Gurgaon, say two years back, and how does it compare presently? I understand that we have reduced our inventory quite a bit, but for the industry as such how does the situation look?

Varun Gupta: I don't remember exactly, but what I remember from a graph that the months to sell, the 30 months of inventory in Jaipur, has actually reduced. So, in Jaipur it has come down to 30 months from 60 months as per PropEquity report. And in Bhiwadi it's been either stable or gone up, it has been in the 100 to 120 months range in general over the last two, three years.

Sangeet Lakkar: A couple of more questions, any specific triggers like a Dedicated Freight Corridor or a secondary airport which was coming close to go Gurgaon that we should look at in nearby to our catchment areas?

Vishal Gupta: So, the three things I think in Bhiwadi that has happened, one, the DFC has taken a lot of pace. There is a Rapid Rail Transport system that is planned, I think that is catching pace and with the government, and specifically I think some of the people who are driving infrastructure, this government’s drive on infrastructure, that we are very, very hopeful for. Third, there has been another drive of removing industry from Delhi. And actually industrial land prices in Bhiwadi have soared in the last three to four months. So, those are the three, I would say, positive external indicators that I could say, but the airport’s not, I don't think is nowhere close to seeing any real work at as yet.

The other number that I thought I would also mention is the occupancy level. So, we had actually a net move-in in our projects, if I include Senior Living, around 550 families have moved into our projects in Bhiwadi in the last one year. At that pace Ashiana will not really have inventory in another 1-1.5 years, including whatever we have scheduled due to deliver. So, there is that other indicator that is available for us, we are monitoring that as well.

Sangeet Lakkar: Okay, my last question would be, out of the total sales that we do, I mean, say last quarter last year, how much would be to the investor community and how much could be to the end consumers?

Varun Gupta: Okay, so Senior Living is I think 80% end user. In regular housing, surprisingly, it is not only an end user driven market, we are still getting a lot of people who are buying, the buy-to-let customer is there. The investor who's actually wanting to, who is a flipper who wants to turn around and sell quickly, we don't see him there. But I would still say that it's a 60:40 ratio, where 60% is actual user and 40% is still people who are buying to let out property.

Sangeet Lakkar: And this ratio you have significantly witnessed to change after RERA or it is of no consequence? Because I believe the stamp duty and all that is…

Vishal Gupta: We have not maintained data in that format to -- I don't think so.

Varun Gupta: What were you saying again on this stamp duty front?

Sangeet Lakkar: No, earlier I understand what used to happen is, investor used to buy the flat on just the allotment letter. And now with RERA I think after a particular time period registration is compulsory.

Varun Gupta: Yes. So, after 10% agreement the sale has to be registered, but the cost of registration in Rajasthan let's say is only 0.5%, it's only Rs. 5000 in Gurgaon, so people can get the agreement to self registered. But that said, what Bhaiya spoke out, the maximum number of investors who are coming are people who want to take possession and keep the property for a 10 - 15 year horizon. They are not looking to buy and sell and make a trading profit, they are looking to create their asset base and rent the property out.

Abhishek: Good evening. Abhishek from JM financial. So, we saw that you talk about consolidation in real-estate market. So, your strategy will be in the existing market to capture share? And some bit of numbers around it, how much will be your market share at present? Because we saw Pune project being added, I think, 1.5 year back, that was a JDA project. What is the status of that? And are you exploring further JDA projects outside Bhiwadi, Jaipur? Any color on that side will be very helpful.

Varun Gupta: On the Pune project, we don't have approvals yet, so we don't know when it will come through. There is a land conversion approval required there, which the landowners are managing and we are awaiting those approvals. And after that we can go for building plan and environmental approvals. So, I think the Pune project is definitely out to at least the next financial year, it is not happening in this financial year for sure. On Bhiwadi, we are not exploring any more land opportunities. In Jaipur we are exploring more land opportunities. It can be outright JV, JDA or we are agnostic. And we are exploring lands in Chennai and Gurgaon, and looking at more parcels in Pune for JV, and maybe even start exploring in Jamshedpur, because again, the approvals are clearing there. We are waiting to get the approvals and get the projects we have to launch and then to look for the new projects. I think that's the status we are in terms of projects exploration.

In terms of market share, we don't calculate percentage market shares because when the data is, I like more the trends in the data, more the fact that 60 months has become 30 months, and whether the quarter to sell is more stable or changing. Its difficult to keep track of that data, we also have sales which can be very bulky at the time of launch and then not there, so quarterly or yearly we don't like to measure market share on a regular basis and have a threshold for that, given that. But the basic view is that market share will accrue, because there are lesser developers in the pipe and there is lesser supply, this is just the only thing.

Abhishek: So, let me put it differently, in next five years does Ashiana wants to be a multi-city developer? So, we are already multi-city, maybe a big developer in Pune for instance, or maybe enter into Bangalore, which might be markets which are closer to your kind of development?

Varun Gupta: I would like to clarify on this, one of the thing is, we have become multi-city, and Pune being aside, when we say Chennai, when we say Calcutta, it really does not mean Chennai and Calcutta to the Calcutta guy or the Chennai guy, it’s like saying Panvel in Bombay. For most people here Panvel is really not Bombay, it's outskirts of Bombay probably. So, it's like our Chennai project from Chennai city is as far as Bhiwadi is from maybe center of Gurgaon, or a 25-minute difference between Delhi to Bhiwadi and Chennai to our projects. So, just one clarification that where we are looking to enter, even in the cities we are entering as a larger, we are wanting to be the exurban, suburban outskirts developer. Our view is that we should concentrate on five, six cities, being Bhiwadi, Gurgaon, Jaupir, Kolkata, Chennai, and hopefully, Pune if we can get things going there, and make these cities large, and hopefully get each of these cities to give us 5 lakhs square foot to 10 lakhs square foot per city. Now, whether we are large in that city's context, I am not so sure, but getting 5 lakhs square foot to 10 lakhs square foot a year over a five year perspective would be like would be sort of the target or the goal in getting really there.

Abhishek: Secondly on Kolkata, we understand that there is a developer in vicinity of your land parcel who has constructed and sold almost everything there. So, how different is our project? And secondly, how far is it ?

Varun Gupta: Which developer are you talking about?

Abhishek: Its Sriram Properties.

Varun Gupta: So, we are in the Sriram township only. What they have done is very different, so they have done much smaller units, and the product is quite differentiated, Senior Living is completely differentiated and Kid Centric Home is also very specialized thought process, we are targeting a particular type of consumer, our apartment size is different, we have much lower density in development. So, our product offering is much more quite different, it would target a very different audience.

Abhishek: And approvals and all are in-place for the project?

Varun Gupta: The last leg of approval is pending. So, we have got environmental clearance, we got fire approvals. I think building plan approvals are pending. So, that's the last of the approvals.

Ankit Shah: Hi, this is Ankit Shah from White Equity. Sir, one very basic question that I have is, sir we have about let's say 8 lakhs square feet of unsold inventory in the ongoing projects, and we have a pipeline of about 12 square feet. So, that's not matching with our aspiration of 2 million square feet for this year. So, can you kind of help us understand that?

Vishal Gupta: You're not considering the new launches.

Varun Gupta: You were just considering the launches which are in the new projects. Vikashji had also spoke about we are launching new phases. So, we have already launched about 7 lakhs square foot, including Sehar, so 3.5 lakhs square foot in new phases in this quarter and 3.5 lakhs square foot as a new project is being launched. We will be launching new phases as in when the year progresses, depending on which project needs a new phase and inventory.

Vishal Gupta: 7 million square foot is the total inventory of the approved projects, 7 million is the total inventory. So, we launch it in phases, just to make sure that our deliveries are in time and our cash flows are in check. So, total inventory of projects with all approvals is 7 million.

Ankit Shah: Okay. It's 7 million square foot?

Vishal Gupta: Yes, 7 million square foot.

Ankit Shah: Okay. Sir, next is on the construction side. Let's say the pace of sales keeps on moving higher, what would we be over peak construction capacity in a year, let's say in equivalent area constructed terms?

Vishal Gupta: So, our, the best we have done is 22 lakhs square foot in a year. I think the team overall has the confidence, obviously, some of the people who left we didn't rehire because we didn't need as many people. But we have been keeping a constant check. In last two years we had stopped one year in between, we did not hire graduate trainee engineers this year we have hired graduate trainee engineers. Now last two years we are building that pipe. So, we do believe that more number of projects and higher construction quantity should come. And as a company we are preparing for that.

Ankit Shah: Okay. Sir, one last question is on the sales side. Sir if you can explain your sales model a bit better, in the sense that we only do direct sales, but in case let's say there is some agent who brings some customer to us, then how do we deal with that situation?

Vishal Gupta: So, Ankur, my brother, when the agent got the booking it was confirmed, he paid him and then requested him not to do any more business for us, and he could take, that's what he did. So, we don't encourage any agent sale really. See, the largest problem that we face with the agents are two, so one of the core, one of the expectations, so like if you go to a McDonald's your expectation is that the food should be quick. One of the expectations from Ashiana from the customers that we have created is, what you see is what you get. As in really most of our customers will tell you that what Ashiana tells it does it. And the largest problem with agents has been that we have not been able to find enough people who are – we are just worried about over promising.

And the second, that the market has been marred with a lot of problems with the sales executives actually having some kind of understanding with these agents. So, as an organization we are not saying we are not open to having agents ever, but presently given those two things, we are not feeling confident to open the agent market, because that problem we have not found in our minds a solution which would plug it well enough.

And the third thing is that we are doing a lot of concept sales, right. So, it's a Kids Centric sale or a Senior Living sale, a concept sale requires a different level of understanding of the project before you go to the consumer. So, that's another thing that a lot of agents don't want to work in that direction. So, I think these three things have kind of left us a little away from the agents. And therefore one of key thrust that the organization has taken is to build the best sales team. And we are really, really serious about it, we have made a lot of effort on hiring, on training and development, and reward and recognition. So, we are creating thoughts around how to create a really, really strong sales team, the best sales team in the real-estate industry is really the endeavor.

Ankit Shah: Sir, one last thing was on this club of customers that we are developing. So, in the annual report I just went through that, we have outsourced that piece. Can you kind of bit of share that with us, in the sense that why are we not doing this in-house?

Varun Gupta: The Ashiana the smiles program?

Ankit Shah: Yes.

Varun Gupta: But it's outsourced to a company we are very, very closely working with. And they are just managing the program for us because of just, like as a consultant would manage and create bandwidth for you. So, they create bandwidth in running the program. But effectively recruiting the customers to the loyalty program, marketing to them, getting them to get involved in doing things, our team is very, very seriously involved in it. So, it’s not outsourced like we have given it to someone else, you do this, we have no involvement in this, they just create bandwidth. And also these guys are experts in customer engagement. So, they started running a program for us called Ashiana Super Moms, which was to engage housewives particularly in a project to do a lot of community building activities. And they are running this program for us also, where we also learn from their expertise in customer engagement. I think that's the other reason to do that.

Nitin: Nitin here. Two variables which determines your success is, one is coming from partnership and other is other income. So, those two factors, can you share some more lights? Whatever has happened last year was comparatively not good for partnership, but other income helped you. So, are the area per square feet or something is increasing under maintenance, other things, can you share some thoughts for next two, three years?

Varun Gupta: So, partnership income is largely driven by the amount of square feet delivered in partnership firms, the reason why it’s a separate line item here because we don't report GP. Otherwise, for us the way operating view is that it's the same as own projects, we manage their project, we sell it, and what is our earnings on it. But because the partnership income in the financial statements flows on a after-tax profit basis and not at a GP level basis and revenue basis, therefore we separate that line item there. Basically, the partnership income decreased because there were lesser deliveries in partnership firms. And we do lesser business in partnership firms and we do more and more of our own projects, partnership income will reduce. And our income in the owned projects or revenue share or area projects will increase, and that's the trade off. And in other income I didn’t see a large divergence, it was I think a reduction of 50 lakhss, other income is mostly interest income and other thing. So, there isn't a very much divergence.

Vikash Dugar: So, the other income comprises of interest income, suppose there is sale of some investments, mutual fund units, plus there are certain avenues, for example the documentation, cancellation charges that we collect from customers, FD interest and all that. So, nothing very, very significant impact on the overall numbers as such.

Ronald: Sir, Ronald from Sharekhan. As you had said that launches had declined so you had constructed less so that conflicts with the timely delivery. So, have you extended your timelines from the projects which had been launched, say two years back?

Vishal Gupta: No. In fact, reducing construction has helped us to deliver in time. So, we are not building what we have not sold, we are building what we have sold. So, our money is going in the right place. So, 100% of our projects have been delivered in time, and are on track to be delivered in time.

Ronald: Sir, how you would be deciding, like how much percentage will be sold for the project to get constructed on time?

Vishal Gupta: So, essentially by phasing. So, we reduced the phase size. So, earlier in a very buoyant market we were launching phases of 5 lakhs square foot, we have reduced the phase size to 2 lakhs square foot. So, we have taken up commitment to only launch a smaller project requiring lesser fund commitment.

Rohit: I am an individual investor. First, thank you for doing this and for so patiently answering all the questions in so much detail. My first question is on Senior Living, I think in one of the recent con-calls Varun you mentioned that one of the problems you face is that you have customers coming in whose wealth is locked in the real-estate asset itself and you are not able to sell it to them because they are not able to unlock the value to buy your property. So, just wondering, why does it not make sense for you to sell it with a scheme where they pay, let's say 10% for first two years and 80% the third year, ensuring that the present value remains value accretive to you? Thereby you are allowing them, I mean, it's not a big burden in their pocket and you are giving them time of let’s say two to three years to sell that project to buy it.

Vishal Gupta: So, the 10:80 scheme we did try, I don't know whether we have put in everything behind it, but yes, we did try it for some time. We didn't find a lot of success. I think there is, you know, youth is a little bit more risk taking I think, that difference remains. I personally feel, like I have reduced my risk taking ability with age, so I don’t know.

Rohit: Okay, thank you. And the second question I have is on the Gurgaon market, I believe that is one of the deeper markets that we want to become a big player and can really sustain our ambition to grow for a long time. So, we had kept mentioning that with the delivery of the Kid Centric Homes, once the concept is seen by the new customers it will sell well. So, how has it been so far, is it meeting your expectations?

Varun Gupta: So, we are still in the last leg of getting the occupation certificate. Once that happens then people will shift in, that's where really the experience. I think a lot in Ashiana is about experiencing our product. We have a very, very strong maintenance department which really engages customers in various, various and many forms. I think once people start living and all this comes alive is when we will really see the difference. I would say another six months.

Rohit: Okay, thank you. And if I may, one last question, for the land parcels like in Kolkata and Pune where you are still waiting for conversions and approvals, I just want to understand how is the payment structure generally that you follow for the acquisition of parcels, are they approval linked and how much do you pay at each leg, if you could a detail that. Thank you.

Varun Gupta: They are negotiated, I wish I could give a template that other counterparties would agree with. But that does not happen. They are generally negotiated to have some approval linkages, particularly in cities where we don't have historical presence. So, a large part of our Calcutta payment is actually approved willing, we have paid only a very small share up-front of our total commitments to them. Similarly, in some JDAs also we even linked the deposits to approvals. But general framework is, wherever the closer it is to home market the more aggressive we are in making payments prior to approvals, because we are more confident of getting approvals. And the farther it is from home market, the more we require approval link payment pledge.

Ramesh Bhojwani: Sir, Ramesh Bhojwani from Mehta & Wakil. Six months back we were in this very hall when CREDAI had a new president in Mr. Nayan Shah of Mayfair Housing appointment. There were three very salient aspects which were brought to the front and notice by the 31 top developers of Mumbai. And there were three chief guests from that occasion, one was the RERA chief who was flown in from Delhi, second was the Mumbai Commissioner, and third one was Mr. Deepak Parikh from HDFC. The three points which CREDAI had and submitted was, land cost is prohibitive to make housing really affordable rather than just making claims and brandishing affordable housing. Second was, one project needs almost 42 clearances from respective departments of the government, municipalities and all. The suggestion was to make this go online or digital so that a lot of time is saved, lot of money saved, and the cost of the project is brought under control. And the third was RERA essentially is one sided in terms of the delay on part of the developer, but RERA doesn't take in consideration the delay in the payments made by the investor or the actual user, as well as the delay in the clearances from the respective bodies. I think these three points are very valid, and would like to have your thoughts on the same. And any update or upgrade author on the issues?

Varun Gupta: So, Satish Magar has now taken over as the President of CREDAI India. And I think all these points and many more which the industry requires to perform better and to the requirement of the customer is being addressed. I don't think on any of these I would be able to give you a pan-India thought process, because whether it's approvals, different states have different timelines, different costs, some have gone online and yet have not improved in speed, and some without being online are fast. But having said all this, I think that's the nature of the beast. I was in Canada recently, even in Canada the building plan approvals and large projects takes anywhere from 12 months to 24 months. So, that is something I think we will have to find ways to resolve at various levels.

Therefore, one way at Ashiana we de-risk ourselves specifically when we are not in-home markets, is partnering with people who have ability to get approvals. It's not our strength, our strength is creating a great product, our strength is constructing a great product, our strength is maintaining a great product.

Dominic: Good evening, sir. Dominic from Oro Wealth, I had two questions. One is that how many months of inventory to start thinking about launching a new project in the particular micro market? And second is, in Bhiwadi we currently have around a land parcel with around 31 lakhs square feet of salable area, how are you planning on developing this, in what period, etc?

Vishal Gupta: So, on the first question of how many months of inventory in a micro market, I don't think we think like that before taking up a new project. I think we look at what is sort of sale rate in existing projects and how long they will take probably. If we have a two year, three year run-rate left in a project, we should have a land sorted by them, because approvals will take 12-18 months from a replacement perspective. So, when we are looking to replace a project.

Another thing is, sometimes you want to add projects to diversify our product portfolio. So, we are launching two projects in Jaipur who also have products in different price brackets, have different locations. So, micro market sometimes -- it's difficult to determine exactly what we mean by micro markets, so when we when we look at a larger macro piece, I think these are the two pieces we are sort of looking at when we try to do things. And on Bhiwadi, it depends on the sales. And I think, as I said, a large part of that strategy is opening the Gurgaon market. If you open the market to commute to Bhiwadi, then sale rates should improve and therefore we should develop it in that sort of perspective. So, I think right now instead of us planning in how much time we will sell this, more of the attempt of the management is to reduce the time that we need to build this out, and do it as fast as possible. And to do that is to improve the sale rate.

Dominic: Any plans of freeing up the capital which is stuck?

Vishal Gupta: In terms of selling off the assets? No, not really. Again, I think perspective there is, we believe that Bhiwadi has a long run success perspective. And we would rather invest our energies and thought processes in creating that market from Gurgaon then looking to exit in sell of the assets.

Viraj: My name is Viraj from Securities Investment Management. I just had one clarification, for new launches which is set apart from the five projects which are going to launch, from existing phases which are going to launch what is the total area which you are looking to launch in FY20?

Vishal Gupta: We don’t know that number, we don't track it as to how many exactly.

Viraj: I mean just a indicator, in terms of how much we are planning this year?

Vishal Gupta: I would be wrong to share on that without thinking on that. We can give you a sense later on in the number of phases.

Varun Gupta: We could give you that. The thing is that, so we have got like Vrinda Gardens, now we have got three more phases there. If say the rate of sale is high, we could launch two more or three more. I think it also depends on how we sell so what we have really done is divided the existing project into smaller phases, and depending on how it's selling, because all we really need to get done to launch a new project from a compliance perspective is to get a RERA registration, which because we have done the earlier phases is not a big challenge, it comes in 15 to 30 days.

Management: Any other questions?

Vishal Gupta: My sincere gratitude to all of you. It's always a very overwhelming experience. And also your questions I really enjoy them, because that also gets us thinking, it sometimes helps questions our own thought process and helps us sometimes come up with even better ideas. So, please keep asking all those fantastic questions that you keep asking us, we really appreciate it. And I look forward to meet you every year. It's something that we really, really enjoy. Thank you so much for being here. Thank you.