



“Ashiana Housing Ltd. Q1 FY22 Earnings Conference
Call”

MANAGEMENT: MR. VARUN GUPTA – WHOLE TIME DIRECTOR

MR. VIKASH DUGAR – CFO

Binay Sarada:

Welcome to the Q1 FY22 earnings call of Ashiana Housing Limited. Please note that this webinar is being recorded and the transcript of the webinar will be made available in a week's time to the call. The results and investor presentation have been mailed to you, and it is also available on the stock exchange. In case anyone does not have a copy of the same please do write to us and we will be happy to send it over to you. Before we begin, I would like to remind you that our discussion today might contain forward looking statements, while these forward looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward looking statements which reflect our opinion only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise a publicly release the results of any revision to these forward looking statements in light of new information or future events. To take us through the results of this quarter and answer your questions we have today with us, Mr. Varun Gupta, Whole Time Director of the company and Mr. Vikash Dugar, the CFO. Mr. Vikash will make his opening remarks and then we will move on to the Q&A. During the course of the discussion all investors will be in the listen only mode and there will be an opportunity to ask questions once the initial comments conclude. With that said, I will hand over the call to Mr. Vikash Dugar. Over to you Sir.

Vikash Dugar:

Thank you Binay. Good afternoon everyone, hope you all are safe and in good health. Thank you for joining us to discuss performance of the first quarter of FY 22 of Ashiana Housing, I extend a warm welcome to all of you. Area book recorded in Q1 FY22 was 1.51 lakhs sq. ft, as compared to 0.81 lakh sq. ft in Q1 FY21. The Q1 FY22 witnessed launch of phase-3 in Ashiana Tarang in Bhiwadi and phase-4 of Ashiana Dwarka, Jodhpur. The sales were at 8.3 lakhs sq. ft in the previous quarter, the higher sales in Q4 FY21 were attributable to launch of Ashiana Aditya phase 2 in Jamshedpur and Ashiana Umang phase 5 in Jaipur. We handed over 0.81 lakhs sq. ft in Q1 FY22 out of which 0.16 lakhs sq. ft was delivered in partnerships. This was against a delivery of 0.85 lakhs sq. ft in Q1 FY21. Revenue recognized from completed projects in Q1 FY22 was at Rs.24.47 crores vis-a-vis Rs.25.19 crores in Q1 FY21. Total comprehensive income in Q1 FY22 was negative at rupees Rs.6.14 crores vis-a-vis negative Rs.2.3 crores in Q1 FY21. Total comprehensive income was negative, Rs 5.13 crores in Q4 FY21. Pre tax operating cashflow continue to be positive Rs.29.60 crores in Q1 FY22 versus positive Rs.67.16 crores in the previous quarter. Equivalent area constructed was a 2.89 lakhs sq ft in Q1 FY22 versus 3.90 lakhs sq ft in previous quarter, the same was 1.21 lakhs sq ft in Q1 FY21. Our construction commitments were in line with delivery scheduled, on this note I would like to conclude my remarks. Now will be happy to discuss any questions or suggestions that you may have.

Binay Sarada:

Thank you. Anyone wishing to ask the question, request you to press the raise hand button. We have the first question from Himanshu Upadhyay. Please go ahead.

Himanshu Upadhyay: So, my first question is on the fraud what we have announced, 2.4 crores at one of our sites. Can you elaborate on that what is the nature of it and what was the weak spot, which led to it?

Varun Gupta: Hi Himanshu. So, the nature of the fraud, it was an accounting fraud in the payments function within one of our locations. Weaknesses have been identified, right now, but we continue to investigate and review if the weaknesses identified were the only ones and to review processes that were there. And we are taking a thorough review of the internal controls just to understand if there have been other gaps, any at all, and to take corrective action accordingly.

Himanshu Upadhyay: So, Varun this is on the receivable side happened at our end or it was on the cost side.

Varun Gupta: It was on the payable side. It was on the cost side and payables.

Himanshu Upadhyay: Okay. And there is no chance of more than this 2.4 crores what we are expecting.

Varun Gupta: It's too early to confirm that Himanshu, we think we have caught the majority and the bulk of the issue. If there are some numbers, we'll update you., We would like to not conclude the matter, as if that there isn't any and not do further investigations. We would like to be internally a little bit more thorough before we commit that and that situation is continuous at this point of time where we are thoroughly investigating the matter, a little bit more in depth, but our view is that the chances of material increase on this number is low, as of the information we have.

Himanshu Upadhyay: Sorry to continue on this point. But is it a localized site, so it happened on the project side where the cost some issues while they are not at the HO level.

Varun Gupta: It is, it is not at the head office level, our view is that it is localized to one particular branch and our first investigations and reviews of processes at other branches give a sense that there are not been slippages in these processes at those branches, and therefore are correct view is that, it is a localized problem at one particular branch.

Himanshu Upadhyay: Okay. Two further questions, not on this. Some of the players in NCR market have spoken about strong traction in the residential market in NCR market. What are our plans for launches on Anmol next phases in Gurgaon and what is a progress of Amarah in Gurgaon. This is the land recently which we bought, am I correct.

Varun Gupta: Yes, Himanshu now just correct the name is Ashiana Amarah. Ashiana Anmol phase-2 launch has been applied for with the RERA regulator. We cannot launch the project without getting a RERA registration. Unfortunately the process in Haryana is more cumbersome than we thought and we are awaiting RERA certification before we go ahead and launch phase-2 in Ashiana Anmol and Ashiana Amarah project is currently in the process of

getting approvals. We are looking to launch the project in the next, let's say nine odd months.

Himanshu Upadhyay: Okay. And we have nearly a million square feet of delivery in FY22 and Vrinda Gardens phase-4 and phase-5 is quite a high inventory. What are our plans there and the completion is around the festival season Q4 FY22. So, what is your ground level feeling of Jaipur market where we have quite a significant completion?

Varun Gupta: I will take those two questions Mr. Himanshu, after that I would request you to get back in the queue if you have more questions, please, but I'll take these two up. On Vrinda Gardens our overall velocity of sales seems to be improving significantly in the month of July, and we hope to continue the month in momentum now into the quarter and thereafter we think that as Vrinda Gardens is nearing completion sales should pick up over there, in that particular project, the way things sort of seem right now. Due to certain other reasons we also constructed the project faster than we ideally would have, so therefore some built in inventories is coming in that project. It's been significantly ahead of schedule as per our expectations. So therefore, we will have some inventory, but it's not a project that worries me in any way that we will get saddled with inventory which will move very slowly, as has happened in other projects before, given the pace of sales that you're now seeing in July and what we saw last year. In terms of Jaipur inventory is coming down we are in the process of signing up more projects we are giving more offers. Hopefully we will have a couple of projects signed soon. That said, the land prices in Jaipur, one of the reasons not to have done projects over the last 2-3 years in Jaipur after signing of Daksh we found the land prices in Jaipur, are tad bit expensive and we are in the search for value transactions which make fundamental sense. We hope to be able to find that, we are getting a lot more offers of land and there we are looking for pockets where we can create value.

Himanshu Upadhyay: Okay, thank you from my side. I will join back in queue. Thank you much.

Binay Sarada: Thank you. Request the participants to state your name and your institution name before beginning to ask the question. We have the next question from the line of Avadhoot Joshi, please go ahead.

Avadhoot Joshi: Hi, good afternoon. Thanks for the opportunity this is Avadhoot Joshi from Newbery Capitals. So about the Ashiana Amarah the new land parcel which we have bought, are we going to launch kids centric homes over there.

Varun Gupta: Yes, that's correct. We are going to launch kids centric homes.

Avadhoot Joshi: But considering our past experience in the Gurgaon kids centric homes were difficult to sell for us and we are holding inventory also. So what's the strategy around that to avoid this in Amarah case.

Varun Gupta: So the two differences in existing project Ashiana Anmol, Ashiana Anmol was actually launched as a regular comfort homes project where we changed track because sales were slow in the first place to experiment with

Kids centric homes. So therefore, the project was slow as a comfort homes project in the first place. In Ashiana Amarah we've gotten a lot more time. This transaction took over more than three years on the day when we started looking at the projects, so we've been able to design a kid centric projects from a clean slate thinking rather than retrofitting it into an already launched project. All three other projects Umang, Town and Ashiana Anmol where comfort homes project which we change to kid centric homes project during difficult times and we were not able to apply clean slate design thinking to it. So here the thinking is different we got a master planner who has done a PhD in child friendly housing from the US. Lot of learning that we've had from the three projects have been applied for. So the entire thinking around the project is significantly different from our earlier projects where it was retrofitted into existing comfort homes projects, and I think that will make a huge difference in the way this is positioned in and the project comes out overall when it's developed and delivered.

Avadhoot Joshi: Understood. If I can just add in another question.

Varun Gupta: Yes, please.

Avadhoot Joshi: Yeah, just a general comment on the demand and supply situation that you have been seeing especially post the lockdown lifting, and more specifically on the pricing trend, have you seen any increase in the prices as such with the commodity inflation coming in and all that and what your general comment.

Varun Gupta: Two things. Since the lifting of lockdown sales have been good. We expect the July, August, September quarter to be significantly better than the first quarter and sales that I would say back to as if things were normal as of today. And a second on the point of pricing, again clarification, are you talking about cost input pressures or output price to the customer itself.

Avadhoot Joshi: Output price to the customers.

Varun Gupta: Yes, there has been a general increase in sales price on July. We increase the prices across project in varying degrees, and in the way the first indication that we have bought in is that the price is gotten established and we've been able to do sales at higher prices across projects and as I said earlier, my view is that real estate is in a good five year bull run, and we should see regular price increases going forward.

Avadhoot Joshi: When you say price increases, this will be commensurate with the competition. Any comments on the supply side.

Varun Gupta: To know competitive price increases in real estate is very difficult to get, you know, how do you know what others have increased on a very commensurate basis, exactly market is fragmented, it's not like three other developers who are raising prices right there are 20-40 of us in any given market. So, hard to comment on that on the same, but I think again on the supply side one thing is clear that the increase in prices to me has a lot to do with the decrease in supply that has happened over the last five years, and

overall decrease in inventory and markets that have happened and the lack of new launches in various micro markets that is driving up prices.

- Avadhoot Joshi:** Okay, thank you, that helps.
- Binay Sarda:** Thank you. We have the next question from the line of Rohit Balakrishnan. Please go ahead.
- Rohit Balakrishnan:** Yeah, thank you for the opportunity. Sir, I had just a couple of questions so I just wanted to understand in terms of your launch pipeline, how do you see that for the rest of the year. Do you see any major launches happening for us in the coming quarters that was my first question.
- Varun Gupta:** Vikashji, do you have anything on this. We had prepared something last quarter and shared but I don't remember exactly.
- Vikash Dugar:** So I think in the previous call we had given some kind of a sense that taking all the planned launches during there, somewhere in the vicinity of 1.5 million is the kind of number that we're looking at for the entire year.
- Rohit Balakrishnan:** Okay. And this will be more back ended to Q3, Q4 or more into Q2, in this quarter or more towards the backend.
- Vikash Dugar:** One of the most significant launches is regarding the project Ashiana Amarah in Gurgaon. So we are like we planning to do it in the last quarter of current year, might be a little bit challenging, it might spill over to the next quarter, which is Q1 of next year. So that is one of the prominent launches apart from that we are going to launch in Pune as well. That in all probability should happen this year only, so those are the two prominent launches. Anything from your side Varunji.
- Varun Gupta:** I would just like to add Rohit on the front of phase launches, I think there are more evenly spread across the year. We have launched two phases in the first quarter, already one in Ashiana Tarang, one in Ashiana Dwarka. In the second quarter Ashiana Nirmay launch happens, and in Ashiana Dwarka we re-launch the phase, because the phase got stuck as half the launch happened pre lockdown and lockdown got stuck, so we launched it again. The second lockdown three launches have happened already in the H1 of this year and hopefully we should get two more phase launches in H2. And then the rest are dependent on new projects, getting approvals as Vikashji had enumerated.
- Rohit Balakrishnan:** Got it, thank you. This Amarah is how big in terms of square foot, and this is the sector 93 Gurgaon.
- Varun Gupta:** Yes, it is this is 21 lakh square foot of saleable area, give or take few.
- Rohit Balakrishnan:** Okay, and the second question was on your ongoing projects, where there is some inventory. There are 2-3, which sort of are sort of for the lack of a better word is slowing moving, one is Amantran and then there is Vrinda

one. So if you can just talk a bit about that and also wanted to understand Shubham phase-4, how's that going?

Vikash Dugar: Slow moving in terms of sales you mean to say Rohit.

Rohit Balakrishnan: No, actually I would correct, I would not say slow moving, I would say inventory is more, I mean, as compared to saleable area. I just wanted to understand the salience in these two projects and also Shubham. I didn't mean slow moving as such, I just meant that as a percentage of your saleable area versus your area book, is what I wanted to.

Varun Gupta: So, given the stage of construction in Ashiana Amantran, which is about a year ago we started work and we have guess another, let's say, two years to go for construction here. We're looking at Q3 FY24 for delivery. You know we sold about 60% of the stock, and I'm happy with that, that pace is that when we have a basic thumb rule at completion of the project, we should not have any stock really left to sell. That's a good project, I think Ashiana Amantran is checking those boxes, and as of now the information that we have tells me that we will not have any stock left, as in when those phases are complete. Similarly in Ashiana Shubham phase-4, I am satisfied with the sales velocity that we have reached over there, at about 33% odd there and the pace that it continues to move at. My senses is again, we have very limited stock left there, or no stock left there at the time of completion. And those are two projects which are not bothersome in any manner. That's also correct thing to say, let me say, if you take up a project as per our expectations, the pace of sale in Amantran and Shubham both are satisfy, and we will make decent returns from that perspective. In Vrinda Gardens, that project has always been the slowest moving projects in Jaipur, and therefore, we've always had some units at the time of completion of whichever phase we completed and then we had to sell that off and for due to some other reasons we also needed to complete the remaining phases, by a certain timeline, to meet that we expedited those that construction. But that said, as of today, the month of July is gone, and the way last financial year also when that is financial year 2021, I'm overall happy with how Vrinda Gardens is fairing and the kind of stress that I was expecting that project to have, I don't think it will have, it will obviously have stock ready at the time of completion, but not something that will bother us in any manner or stress our balance sheet. So, we are quite okay with how Vrinda is also going at this moment.

Rohit Balakrishnan: Thank you. I just want one more question. You mentioned like your view sector per se is on an uptrend for the next four to five years. So just from our perspective, I mean we've been last to last year, FY20 was a decent year peak in the sense of about 2.2 million sq ft. So I mean how do you see us and do you think next 3-4 years can we sort of break, let's say, can you get into 4.5 million sq ft. Are we prepared as an organization, because, I mean it will require buying land, or doing deals as an organization can we sort of gear up for that. What are your views, what I mean if you could just give some broad direction.

Varun Gupta: Rohit, after financial year 20 our plans was to take up a lot more land. COVID happened and then we became a little bit more cautious as to what to do after the first lockdown. As of this time we are actively looking at multiple transactions. We have four live term sheets, at this moment of time and we hope to conclude some of those. We did two transactions already in June, which were large one in Pune and senior living in sector 93 in square footage. So, the great part of FY20 sales was that it threw us a lot of cash last year, and we are liquid at this point of time. And we are, therefore, have a view that we should do a lot of transactions. And the first piece is to get to 3-4 million sq ft to get there in square footage, but more than that also I think from a sector uptake we need to become profitable which we will become in FY23 very well substantially. And after that we need to hit return on equity in teams. I think that that's the first view of the company is to how do we get there, and put ourselves in gears in that and launching projects would be key for that. Fortunately we have now a lot of inventory already which I think about 50-60 lakhs sq ft of inventory which can be launched if you get approvals across 4 project senior living in Ashiana Town Gama, Ashiana Malhar, the Varale Land in Pune and Ashiana Amarah in Gurgaon, which can, provide the first thrust in terms of launches. They are not going to be enough, so therefore we are in lots of active discussions for land, at this point.

Rohit Balakrishnan: Thanks and sorry if I can ask one more follow up.

Varun Gupta: Yes, last one, please.

Rohit Balakrishnan: Sure. So, in terms of as you sort of move ahead, just wanted to understand from gross profit per square feet, point of view we've done 1000 odd and as we sort of get into Pune and as more of our square footage will be from areas like Gurgaon, Pune which are slightly higher in terms of realisation, how do you see gross profit in terms of both your realization and your profit, how do you see that evolving in the next 3-4 years if you can just also give some colour there.

Varun Gupta: A little bit will depend on how prices and costs behave at this moment in time the transactions we have done, the four transactions that we spoke about right now launches. There I expect gross profit margins to be good, because land prices have already been locked in and sale prices seem to be going up at this movement of time my view is that future sale prices should increase. On some new projects, I think we are looking for value transactions, question is how land prices will behave in context of the sale value that will drive things. But, you know we've gone through five years of either margin stagnation or margin compression, so GP per square foot levels margin stagnation, net profit margin compression down to negative numbers. I think we are hitting a period of margin expansion over the next five years.

Rohit Balakrishnan: Thank you sir, very helpful. All the very best.

Binay Sarda: Next question from Parag Jhavar. Please go ahead.

- Parag Jhawar:** Hi Varun. I have a question or rather a clarification on the pricing environment, comment that you made. So wanted to understand which markets are you seeing improved pricing environment and is that across the board or are there stronger markets right now. And secondly, from your side also are you less aggressive and taking price hike in some of the projects or markets where you have more inventory to sell, like Ashiana town for example. So if you could comment on these two.
- Varun Gupta:** I will go first Vikashji, if you want to add anything if it comes to mind because it's a larger thing. To me I think price increases or across the board, excluding the kids centric homes, comfort homes market in Bhiwadi, so Ashiana Town, Tarang, Surbhi where we are not getting capacity to increase prices across locations in the senior living projects, we have been able to increase prices quite consistently is the first thing that comes to mind for me. And so we see a general increase across the board. Vikashji if you want to add anything on this with.
- Vikash Dugar:** Absolutely with continued focus on the senior living piece where in we see in relative terms better pricing power. I think as the mix increases in future years I think the pricing will be a stronger side of us and that is the reason we have been confidently saying that even in the scenario of rising commodity prices, we will be able to negate possibly the adverse impact on margin by increasing the prices also. So, should see the positive side going forward.
- Parag Jhawar:** And the price increases that you have taken right now is it just the counter the RM price hike that has happened over the last six months or is it adding to the gross margin also.
- Varun Gupta:** As of now, the price increases that we have done, would probably just take care of the margins, the cost input. But I don't see them being interlinked.
- Vikash Dugar:** I think the basis of the price increase has not been exactly based on the commodity price hike which has happened, that two are definitely not linked and the price stagnation, which is there, looking at the opportunity we saw after a long lull period to increase prices is the reason why we actually started increasing prices, gradually.
- Parag Jhawar:** Understood. That was helpful, thank you.
- Binay Sarda:** Thank you. The next question is from Avadhoot Joshi, it's a follow up. Please go ahead.
- Avadhoot Joshi:** Thanks. What's the quantum of the price increase that we're talking about? And the second question is what is the status of Ashiana Malhar, the Pune project?
- Varun Gupta:** I think price increases in general across the board have been in the range of about 3%, between let's say first April and now price would be 3%, somewhere 2%, somewhere 4% in that range, I would say, what we've increased so far. And in Ashiana Malhar we have received all building plan

permissions, the environmental clearance permissions are ongoing. Our application is in we have part of the processes through, and part of the process is ongoing. We hope that within the next three months, we should have the environment clearance received post that we can apply for RERA and launch of projects.

Avadhoot Joshi: Ok, thank you.

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

Himanshu Upadhyay: My question was, we said there are four land deals, which we are working on currently, are these for outright sales or the GD, GV only we are thinking. And we had this IFC some agreement, so what is the progress on that, on that platform are we seeing anything or any progress happening for new projects evaluation.

Varun Gupta: So the Ashiana Amarah project is substantially funded through that platform Himanshu and so we had funded Ashiana Daksh, Ashiana Amarah and we are evaluating one more project on Chennai through the IFC platform. So the IFC platform comes in, only in outright purchase so we are evaluating projects in Chennai, one on an outright basis with IFC, other projects in Jaipur and Jamshedpur where we have term sheets file with RM on a joint venture basis. And we are also talking to a developer for another sort of acquisition on a joint venture basis, like we jointly acquired with another developer, a project that we're looking at. So it's a mix of things that will be looking at.

Himanshu Upadhyay: One small question or a comment also or whatever you take it, the Jamshedpur which has been a very interesting market for us, we have seen a lot of success in that market. Are we finally getting any traction or land deals in that market?

Varun Gupta: We have one term sheets signed Himanshu in Jamshedpur at this movement of time. It's a difficult place to find land transaction because of the status of land in Jharkhand, they say all of 10% land in Jharkhand is only tradable and they become even more complex in urban areas in its tradability, so it's difficult to find pockets there. So we are we are searching for land there one term sheet signed and we are evaluating.

Himanshu Upadhyay: And one last thing, this is on Kolkata land where we have seen issues and we have said, we'll see what happens in future but is there some way we can move out of this land transaction or are we thinking of anything on that or we're just thinking let us keep it on the back burner, as time comes we'll evaluate it and we'll progress on other projects or other sides. So what is happening on it.

Varun Gupta: We are evaluating options to make that progress faster and what can we do, is there some different thinking required, but I would say it's more on the backburner where our larger thoughts are being put into getting new

projects, bigger projects of the ground in other markets where we are more comfortable.

Himanshu Upadhyay: Okay, thank you Varun from my side.

Binay Sarada: Thank you. There are no further questions. So we'll hand over the call to the management for closing comments.

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