"Ashiana Housing Limited Q3 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Ashiana Housing Q3 FY21 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Sood. Thank you and over to you sir.

Gaurav Sood: Thanks Anand. Welcome, everyone and thanks for joining this Q3 FY21 Earnings Call for Ashiana Housing Limited, the results and investor update have been mailed to you and it is also available on the stock exchange. In case anyone does not have a copy of the press release. Please do write to us and we will be happy to send it over to you. To take us through the results for this quarter and answer your questions, we have today with us Mr. Varun Gupta – Whole Time Director of the company and Mr. Vikash Dugar who is the CFO.

We will be starting the call with a brief overview of the company's performance for this quarter and then we will follow it up with the Q&A session. I would like to remind you all that everything said on this call that reflects any outlook for the future, which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and risks that they face. These uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and subsequent annual reports which you will find on our website. With that said, I now turn over the call to Mr. Vikash Dugar. Over to you Vikash.

Vikash Dugar: Good afternoon everyone. Thank you for joining us to discuss performance of the third quarter of FY21 of Ashiana Housing Limited. I extend a warm welcome to all of you. Area book recorded in Q3 FY21 was 3.57 lakh square foot as compared to 2.29 lakh square foot in Q2 FY21. The bookings in this quarter were higher due to launch of Phase 3 of Ashiana Daksh in Jaipur and launch of Phase 4 of Ashiana Shubham Chennai. Area booked a well as are constructed has improved in this quarter as compared to the previous quarter. Area booked is lower as compared to corresponding quarter of previous year on account of Q3 FY20 witnessing some newly launched projects. We handed over 3.94 lakh square foot in Q3 of FY21 out of which 2.14 lakh square foot was delivered in partnerships. The area delivered in Q3 FY21 was higher at 1.80 lakh square foot as compared to area delivered in Q2 FY21 at 1.06 lakh square foot.

Revenue recognized from completed projects was Rs.62.42 crores vis-a-vis Rs.36.22 crores in Q2 FY21. Total comprehensive income was positive at 13.26 crores via-a-vis negative Rs.1.74 crores in the previous quarter. Pre-tax operating cash flows were positive at 63.9 crores increasing significantly from positive Rs.30.04 crores in the previous quarter due to increase in collections. Equivalent area constructed was at 3.54 lakh square foot versus 3.01 lakh square foot in the previous quarter and was 2.39 lakh square foot in the Q3 FY20. The quarter also witnessed healthy cash flows owing to higher collections aided by new phases launched in Ashiana Shubham, Chennai and Ashiana Daksh, Jaipur. On this note, I would like to conclude my remarks, we will now be happy to discuss any questions or suggestions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Himanshu Upadhyay from PGIM. Please go ahead.

Himanshu Upadhyay: I have few questions. What we are seeing is more sales contribution happening from projects launched one or two years back and nearly nine projects are going to get completed in next eight to nine quarters. Should we expect that the cash flows will be much higher, especially operating in next two years in comparison to what they were in last three years, so cash positions will become much better. So, that was my first question.

Varun Gupta: Thank you. Himanshu, cash positions are already improving, as you can see, we had a very good quarter in operating cash flows. The basic reason was the sales in FY 19-20 was very good and that started reflecting into cash flows this year. I expect our cash position to continue to improve or sustain. This quarter was a little higher on the pre-tax operating cash flow side than normal, but let's say for the year what we have gotten to now nine months, hopefully these kinds of numbers will continue on the operating cash flow side on a year-on-year basis right now going forward.

Himanshu Upadhyay: So, why this question was because some of the contribution from projects like Anmol or Tarang, which are contributing still, which were launched two years or more back, so, there we would be getting more than 50%- 60% of sales value immediately, or within one month, because of two years they passed and construction has been good and they have reached more than 50-60%, so that is why the question was there.

Varun Gupta: The connection seems to be good like what we represent also is something in the amount of cash flows that are yet to be received from under construction projects, which is amount of Rs. 300 crores at this point of time just for Ashiana Housing, Rs. 330 crores partnership with another nearly 40 crores. So, we have a significant amount of cash flows already locked in from sales done up till December. So, when we sell more units within these ongoing projects, a lot of that directly flow to net cash flows, because the current cash flows are, in my opinion sufficient to cover the construction costs to be incurred in these projects already. So therefore, I expect cash flows to remain strong going forward.

Himanshu Upadhyay: Okay. And we have said in last many quarters that NCR, Chennai, and Pune are the focus areas for us. We have said that we are working on business development here, even pre COVID when we went down, we had four deals which we were working on. But we are not seeing much and what we are hearing from competitors is that terms of deal have become better, even in Joint Development (JD) with landowners. What is concerning us or hindering us from doing new deals in these markets, and what are the challenges you are seeing, can you elaborate on that?

Varun Gupta: We are just temperamentally a little more conservative than others, deal terms have become better and what you have heard is correct. Though over the last two months, I would say land market has started hardening again in some markets and there is liquidity flowing into the land market, again in different pockets. So, it depends on where you are. That said, we are in the midst of closing; we are just taking a little longer to close. A couple of transactions that are through, in Pune particularly for us, the Ashiana Malhar project which is there in the future projects is the first thing that we wanted to dig through fully it was an MOU done project where zone conversions and all were received in August and it fully locked in the development agreement and close the transaction fully. And right now, building plans and environmental clearance are under approval and progressing. On the building plan front, we have adequate progress and for environmental clearance we will get more knowledge in the next couple of months. We are hoping that we should launch the Pune project sooner than later as the first step. And in NCR also, there are two very active transactions at this moment of time, and we are hoping that maybe by the next call, we will have closures on doors in making those moves. So, we are active, we are a little slower than others because we tend to be a little bit conservative when our deal terms is competitive.

Himanshu Upadhyay: And one last question. In the last call, somebody asked, and we stated that we expect the land prices to remain low, and it will take time for the prices to recover, because the balance sheets of many developers are not so strong. And that was a scenario which we painted in the last quarter. So, is it a negative surprise to us that what you are saying is, the land prices are starting to hardening up?

Varun Gupta: It is a negative surprise that prices have started hardening up. It was not something that I expected.

Moderator: Thank you. The next question is from the line of Rohit Potti from Marshmallow Capital. Please go ahead.

Rohit Potti: It was quite interesting to see the realization that we got this quarter, probably the highest level in history and it is more than 10% up I believe, from an average of Rs.3,200. So, what brought this increase?

Varun Gupta: Hi, Rohit. A large part of this is being driven by increased contribution of Ashiana Anmol in this quarter and sometime two other quarters, Ashiana Anmol is priced close to Rs.4,800 - Rs.4,900 square foot. So, when it contributes close to 20%-25% or close to 10%-15% of sales in a quarter. Even that, Rs.1600 or Rs.1700 can have a Rs. 200 delta on the entire volumes. We have not seen price increases yet in projects, so there is no increased pricing. But that said, we are seeing upward trajectory, the other contribution of higher prices was also from our Chennai project, Ashiana Shubham in Chennai is also now in Rs. 4,200 per square foot pricing and that also had a good contribution this quarter again. So, both of those effectively ended up increasing the average realization. In Chennai, we have been able to increase prices, it is not that it has been stable. But now the sense that we are getting is that we should have upward price movements going forward. And that is the first sign we are getting, very little and tiny increments, but we are increasing prices.

Rohit Potti: That is very interesting. So, you are saying that as early as probably in the next couple of quarters, we might start increasing prices across other geographies and projects as well?

Varun Gupta: Yes, we should. Just in the last question, Himanshu asked did I get a negative surprise, and I was surprised negatively in some of my forecasts. So that said, my view is that we should be increasing prices.

Rohit Potti: Okay, that is wonderful. The next question I have is, so I have come for your analyst meet couple of times and one of the times, you probably had said that one mistake we made in the last time/last cycle was that we went a little aggressive on land purchase, particularly in Bhiwadi. Now, just curious to know the management thought process of the current land inventory we have, to me it seems like we are a little too conservative now because at least half of our future projects are in Bhiwadi and given the aspiration and ambition that we have to grow, it does not seem like we have enough property after, let's say, next two, three years. So, I would like to know more of your thoughts on this topic, please.

Varun Gupta: So, as I said we are looking to grow a few locations where we need lands. So in every market we are in, we are actively scouting for transactions. That said, the mistake that we made in Bhiwadi, we do not want to repeat in any other location where we get saddled with too much capital, excess capital deployment in any location and struggl with that. Maybe that keeps us conservative. But that said, in terms of aggression, or land transactions that we have in the organization today, I do not think we have had that in the last maybe six, seven years at all. Probably this kind of aggression in terms of scouting transactions was back in 2012 and 2013.

Rohit Potti: That is helpful to know and lastly you mentioned that we have something in advanced stages in NCR to the previous participants, so just curious to know the progress on let us say, Kolkata and even in Chennai what is happening, because as you mentioned we have increased prices. Are there any further land parcels that we are expecting to land in Chennai as well?

Varun Gupta: So, in Chennai and Pune we are in active conversations. Pune is in very advance stages of conversations, by advanced stages mean we have a term sheet signed, we are doing diligence on the title and discussing on documents, but we know we have a hit ratio of 1:3 for every term sheet signed, every three-term sheet signed ,only one goes through. But we are in that stage in Pune and in Chennai, we are in advanced discussions, and basically in NCR also, we are on these term sheet kinds of stage transactions or diligence is done and progressing toward closing transactions. In Chennai, we are actively discussing a lot of transactions. Kolkata, we have no outlook to do any more new transactions.

Rohit Potti: So, in Kolkata, what about the current existing Bengal Shriram deals that we have?

Varun Gupta: Again, we do not have any visibility there. But it is a place where we get visibility, we go back. So, it has been a frustrating place to do work.

Rohit Potti: Understood. So, we will continue focusing on NCR, Pune, Chennai for now I believe then?

Varun Gupta: Yes, correct. Jaipur, NCR, Pune, Chennai.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

VP Rajesh: So, first question, congrats on the transactions in Ashiana Anmol. So, if you can just elaborate what works so that it suddenly started moving, and do you foresee at this current speed, we will clear the inventory in the let say next three, four quarters?

Varun Gupta: The market in NCR has changed on a positive note, overall, there the market has become a lot more buoyant than before. But within that market, also we changed the way we work, and we got a third party, strategic partner in the form of Anarock. Also, with them we were able to open the channel partner/ broker community in Gurgaon that we were trying to experiment with to work in that market. And that become successful the way we have operated there and been able to sort of control the sales process at the same time to ensure that no mis-selling happens. That is what it seems like it is important to, I would expect that we should be able to clear out Ashiana Anmol ready inventory by the first quarter of next year to a very large extent. We might be left with a few units here or there. That is what will probably remain with the current pace. January has gone very well in Anmol.

VP Rajesh: There is a question on the Ashiana Town, what are we doing on that, because that is still very slow moving so it may take up to two years at current pace?

Varun Gupta: There we continue to rack our brains like we racked our brains in Anmol till we tried different things, and something works here also, we are in the process of trying different things and hoping something will work. A lot of this is trial and error, unfortunately, so we are hoping something will work in Ashiana Town.

VP Rajesh: Okay. And then on the land, I am just wondering if you are seeing the pricing hardening now. And since real estate is a long cycle, does it not make sense to get a little more aggressive, and I know you said the activity levels have gone up, but I am just trying to understand, beyond just let us say one or two deals' because our hit ratio is 1:3. So given that we have only three term sheets right in NCR, Q1 would only make one. So why not be a little bit more aggressive out there.

Varun Gupta: We are looking at, we are quoting more aggressively, we are looking at transactions more aggressively. Unfortunately, I have nothing to show for it right now. So, till I do not have anything to show for it in the call, it is just really talk. So hopefully, we will have something to show for it in the next call, like we would have. But we are aggressively looking in it.

VP Rajesh: Okay, that is encouraging. And then my last question is, what is sort of the general guidance you have for the next year in terms of lakhs square footage, and thoughts, any reflections from that front?

Varun Gupta: No, it will be hard to guide on that, we are doing our annual planning and we have not got in around to that. But it is difficult to give a guidance on that. Little bit of it will depend now on getting approvals in a couple of projects in getting them out of the door. So, maybe again, next call we will have a better sense. But one thing that is there though is, clearly cash flows are improving and if I do not have a next year guidance, but I have a three-year view that we will be more aggressive on getting more projects, signing up more deals and looking at sales. Because one of the big things that has changed in this quarter as compared to earlier, and which is enabling us to be more aggressive, is that our view on cash flows and visibility on cash flows is far higher today than we have ever had before and that is making a very large impact.

VP Rajesh: And lastly, given the success that you had, in changing your sales model at Anmol. Are you planning to do that as a general principle, or you are still going to be general sales for this part?

Varun Gupta: See again. We have had to do that in Gurgaon and personally to me it is a very expensive model, I would much rather sell through word of mouth, which we already do and in Gurgaon also hopefully once we build scale, then hopefully more and more sales will come through our existing customers. I am not talking about selling online, advertising or hoarding. Those were also very expensive; channel partners are also expensive. So, one of the views is that, in markets where we need them, and there is not much choice, we factor the cost in our financial models and go ahead and work with that. But where we can sell with a much smaller, lower cost of sales like in Jaipur or Jamshedpur, I do not see any reason to get them on board at this point of time. The primary concern are there on cost, the second is the amount of effort and exercise you have to do to build the network, it does consume energy, and then making sure that sales processes are with Ashiana's brand and ethos and standards that mis-selling does not happen and there is customer centricity, and less transaction centric, this is our sales process. I am not someone of the view that we will repeat this across the board unless and until we have a handle on those both. If you are able to keep our costs in check and mis-selling in check without too much effort, then this is something we can roll out to other places. But the costs that are involved in Gurgaon is not sustainable as a business model for us for other locations.

VP Rajesh: Okay, and lastly any update on Noida because you had mentioned that you are consuming that area as well. So, some land deals or any thoughts on that?

Varun Gupta: We have a term sheet in Noida, not Noida but the Greater Noida area for a senior living project. We are hoping that term sheet consumates into a transaction.

Moderator: Thank you. Next question is a follow up question from the line of Himanshu Upadhyay from PGIM. Please go ahead.

Himanshu Upadhyay: My question was on the Pune market. We have a project which we are going to launch, or we are preparing to launch. The government has reduced some of the duties, not duties but taxes and conversion charges and all those things. Would we benefit and how much benefit in terms of cost of the overall project you think you will be getting, because of those benefits?

Varun Gupta: I do not think the benefit will really accrue to the kind of project that we are looking to do, the benefit is more in civil centric projects where EBITDA consumption is very high and where you pay for a lot of premiums to do that. We are not in a city center environment. So, I do not think we will get any benefits that is material to the project. If anything comes, it will be insignificant. That said, what has happened in Maharashtra in terms of the stamp duties, the reduction in terms of all this that the government has done. The biggest benefit would be that the sentiment of the market towards real estate has become very positive. And that should enable sales.

Himanshu Upadhyay: Okay. And for us the launch would be next calendar year, or we think we can launch in this financial year in FY22?

Varun Gupta: We should launch in FY22.

Himanshu Upadhyay: Okay. And we had an agreement with IFC, so what is the thing, when we are seeing these increased land dealing or we are thinking about more projects, is IFC also there or?

Varun Gupta: Yes, we are still there. We are in discussions. Hopefully one of these projects that we will sign up is going to be is partly financed by them.

Himanshu Upadhyay: And one more thing, last question Varun. Do we need to increase the bandwidth or even the funnel, the funnel of projects because the success rate here is low, or you think what can we do over a longer period to increase the newer projects, because as the company grows, let's say a 4 million square feet is what we have as an investors' aspirations from the company in next three to five years, you should do it, you should be able, so what can or what would you need to do to increase the number of land transactions and the size of the company. In some of your thoughts, obviously one question I had was, do we need to increase the funnel size of projects we are evaluating?

Varun Gupta: Sheer size of the project as to how big they are in the project size itself or the number of projects, we are evaluating Himanshu.

Himanshu Upadhyay: No, I am saying number of projects we are evaluating in or let say land transactions, do we need to increase because funnel size, number of projects because obviously we want to do one or two projects?

Varun Gupta: Again, these conversions are coming back to because we do not have anything to report, I would request you guys to hold on a little bit and wait. A lot of this is less execution capabilities, a lot of this is also patience at our end as to when to buy and when to do a transaction. See again the biggest and the one thing that is fundamental to determining our returns is our entry costs. And if you look at not only us, but most real estate companies even if they have had very good sales reported but have had poor return on equity numbers. And a large part of that is driven by a very high land cost payment that is there. So little of the reasons we are picky and choosy is not, we are not evaluating number of transactions. It is also a little bit of wanting a certain return on the table for us to do a transaction. And aggression with which we did transactions in 2012-13 in terms of pricing was that some of them went counterproductive and hurt us over the last four or five years. Ashiana Anmol is a project where we had sales and we might get sales price and revenues is very, very poor on return ratios and gross profit margins, just because we got the land pricing and the deals wrong, and we cannot do anything about it. So again, I would just like to clarify on that, that is the nature of the management team here as to what it is. And we believe that, that is the right way to go, over aggression here would be a cause of concern, and not just an issue. So, I would request that you hold on for a quarter or two, we are working on transactions. But a lot of it that has to do with the caution that we have or the number that we use as assumptions.

Himanshu Upadhyay: Okay, sir we will see and wait for more time.

Moderator: Thank you. The next question is from the line of Darshan Shah from White Equity. Please go ahead.

Darshan Shah: I just have one question. So, we have seen much higher bookings at the time of launch in Jaipur and Jamshedpur since last year. But we have not seen the similar thing panning out in the Ashiana Shubham in the latest phase launched. Can you just please share some reason behind it?

Varun Gupta: A couple of reasons is that Ashiana Shubham is, not a fresh project launch in general, but largely because it is a senior living projects, which are very end user driven sales and not sort of investor driven sales. So, in senior living, we do not expect that kind of launch momentum in the first place itself. It is the nature of the projects, which differentiate. That said, we see senior living as having great return ratios now going forward because they provide better margins and better pricing overall. We have been able to figure that out in senior living.

Moderator: Thank you. Next question is a follow up question from the line of Rohit Potti from Marshmallow Capital. Please go ahead.

Rohit Potti: Thank you for taking my questions again. So, Varun I saw Ashiana's name linked with a merger developer 3C homes. So, any clarification, do you have anything to share on this?

Varun Gupta: So, there was some land that was coming through the bankruptcy code over there. So, we have put in a basically a bid so we can evaluate the project, we had not even put in a financial bid we have just put in, we are interested to evaluate the parcel with another investor. We evaluated the parcel and did not find it suitable for the kind of development we want to do and we are not evaluating.

Rohit Potti: Okay, that was helpful. And the second question I have was, except for let say the blip in the COVID quarter, we have generally seen very strong momentum over the last couple of years, have you seen that continuing over the next few quarters as well as, we had seen good numbers being reported across the board, and do we see this interest in purchase of houses continuing going forward as well?

Varun Gupta: My opinion is, we are at the beginning of the long upturn in real estate so we were probably in a five, six years bear cycle probably. And we are at the bottom of the cycle or just moved up from the bottom of the cycle. My view is that we are entering into the next five-six year bull cycle within real estate, but again, I put word of caution as I have been horrible at forecasting earlier. And I can be horrible now, but that said, that is fine.

Rohit Potti: Sir, that was helpful and the last question from my end is within these three segments that we have. So is there a preference order that we have, like Senior Living, Kids Centric and Comfort Homes. We have Senior Living and I believe that post pandemic, there has been increase interest in the speed have been in general, so any thoughts here?

Varun Gupta: Irrespective of the pandemic, our interest in senior living was becoming larger and larger and I think it is one of the stages that we would like to nurture, going forward to do a larger contribution to this. A) because it is just less cyclical in nature, and B) it is less competitive in nature.

Rohit Potti: Am I not right in thinking that a lot of, quite a few organized developers are entering the space right now. So that would increase competition, but it would serve to increase awareness and the size of the market as well?

Varun Gupta: Yes, at this point of time, I do not think enough developers have entered where competitive intensity is a worry.

Rohit Potti: Sure. So, would I be right in saying that senior living will be taking the lead in terms of the management bandwidth or what we want to do going forward because of the repetition and the experience we have over the last couple of decades here?

Varun Gupta: Yes, so it will take more-and-more, more-and-more management bandwidth.

Rohit Potti: Perfect. And could you speak a little more about Kid Centric Homes, we were very excited about this when we launched this new year, back. Is it still a work in progress or have you figured out a project like senior living which you can replicate in multi geographies?

Varun Gupta: It is still a work in progress. One thing that was there missing in Kid Centric Homes were somehow all the three Kid Centric Homes we have done have been retrofitted into existing projects or existing thinking. We are evaluating one project right now, in NCR where we are in very advanced stages for a transaction from a clean slate design thinking into Kid Centric Home. I think that project with its design, with its execution, with its sales, with its marketing positioning, will have a large bearing and defining our way forward on kid centric, that is what I am really waiting for. On the three projects namely Ashiana Umang, Ashiana Town and Ashiana Anmol, the one in Jaipur Ashiana Umang, is something I would consider successful as a Kid Centric Homes and probably outside of the new clean slate thinking provides the model of how we want to think about Kid Centric Homes in the future. So, it is still a work in progress and a lot of learning involved.

Rohit Potti: But as I said, so you expect the margin profile and the pricing here to be better because of the differences you intend to bring, and that is why you are doing it obviously, and I guess right?

Varun Gupta: Yes, correct. So, we are looking for more than anything else, reducing competitive intensity. That will get better pricing that gives better margins, more stability to the business. What we are really, really looking for is to differentiate ourselves from the competition in order to reduce competitive intensity.

Moderator: Thank you. Next question is from the line of Ankur Jain from Fayyaz Capital. Please go ahead.

Ankur Jain: I have one question on more senior living space. So, if the kind of escalation that we have in the next, let us say four to five years, the company wants to scale up to 4 to 5 million square feet a year, so, in that context, what percentage or what portion of the sales do you think can come from the senior living space? Can 50% of our sales come from senior living space. And if yes, given that we are focusing on four or five geographies, can they individually contribute 4 to 5 lakh square feet, each for the senior living space. Thanks.

Varun Gupta: Instead of thinking of revenue share of the company or the square footage share of the company, we would also look at senior living to contribute a certain kind of profit share mix in the organization. And then our view is that senior living should contribute about 40% of the overall profitability of the organization going forward. And in that there are three key markets, Chennai, NCR and Pune and Mumbai right now, we must enter Pune and Mumbai for senior living there is no choice. These are the three key senior living markets that are there in the country. And all these three will need to contribute to meet a decent par, I do not think they will contribute maybe 4 to 5 lakhs square foot a year. But that said I would expect them to contribute better profit on a per square foot basis, as well. And so, like one decision that the company has taken in this intent, there was a land in Bhiwadi called Ashiana Town Gama, which we were not sure whether to do Senior Living, whether to do Kids Centric Homes, regular housing, the first intent has been to move entire Ashiana Town Gamma to senior living, and we started planning from that perspective. So, the thinking is to sort of from a profit share perspective, return on capital employed perspective more and less from a square footage share or a revenue share of the company.

Ankur Jain: Right, got it. Just further on that, let us say your aspiration is to have 40% of the profits share coming from senior living. So just a general ballpark number would it like, let us say 25% of or if we have 25% of our sales are coming from senior living would that attribute to 40% of profits?

Varun Gupta: It should according to me it should, maybe if not 25%, 30% number should contribute 40% of profits.

Moderator: Thank you. The next question is a follow up question from the line of VP Rajesh from Banyan Capital. Please go ahead.

VP Rajesh: Varun, couple of more questions, one organizationally how these are set up, because in the past, we were geared up for a very large development target and then we obviously did not let anyone go. So, what is the organization set up like where can it go to in terms of millions of square foot over the next few years as the cycle turns?

Varun Gupta: From a managerial bandwidth we are comfortably set up for 2.5 - 3 million square foot which we were. After that we will need to add people and look at the organization setup, so we have also in the last three year made a significant headway in the way we think about people and organization setup and developing them, hiring them, retaining them, organizing them. We have made lots of progress on that front overall as an organization. And that has been very important in key. Though there is our executive team, and our senior team is going through a little bit of change with certain retirements happening and certain newer posts coming in and that transition is also an important transition for us to manage from a setup position.

VP Rajesh: If one looks at your average selling price, it must be in the Rs.3,000 to 3,500 range per square foot for a while, which means if you take inflation into account, we have essentially shifted down. So how do you think about that, does it make you more attractive to an incremental buyer, or I am just trying to think whether we are consciously coming down on the price?

Varun Gupta: Cyclically the market has been performing below inflation, on the bull cycle it was cyclically performing above inflation, and my view on the price hardening is from that perspective that, overall, as an industry the home buyer has never had it better from an annual income to price of the property and from an annual income to EMI for that price of the property, the ratios are even better with reduced interest rate. That is the most right, but that has been like that for maybe 18 months not just the last 12 months, or six months. In my view, the cycle should start turning from that side of the demand perspective and basically overall unsold inventory has been reducing in the market over the last four to eight quarters, maybe even more, maybe 12 quarters, inventory has been reducing. So, those things will start happening and therefore I see a price increase room going forward.

VP Rajesh: Right. I know you are right that the affordability has gone up, I am just asking more from the perspective that what does it do to your market position and number two, given that steel and cement prices have not actually gone down over the last five years, it has clipped our profit margins. So, in that sense, we foresee that in the next two, three years you will start to recover some of that?

Varun Gupta: Yes, so from a market positioning perspective, our market positioning remains the same and has not changed and on the cost side yes, margins have been under pressure and I am hoping for margin expansion now going forward.

VP Rajesh: Okay. And lastly on the land sales and we have talked a lot about it, and I have a lot of respect for you guys. But my only comment is that you were closing Anmol transaction that was probably closer to the top of the cycle. And as you yourself said that we are getting out of the bottom here. So again, I would encourage you guys to be as aggressive to get the land for the next growth space of next five to six years**,** that is all thank you.

Varun Gupta: Thank You for your advice.

Moderator: Thank you. The next question is on the line of Harsh as an Individual Investor. Please go ahead.

Harsh: A couple of questions you had mentioned that out of the higher IE compared to other deals, perhaps are currently at project level Internal Rate of Return (IRR) or that you are kind of positively make a ballpark range to maintain reasonable ROEs for Ashiana?

Varun Gupta: We do not underwrite IRR so, but we underwrite investment, multiple on that investment, GP margin and a velocity cycle. That translates into our pre-tax underwriting IRR at the time of filing of closer to mid-20. Okay, about 25% odd percent on a pre-tax basis but if we look at our reported ROE, over the last four years, it is not reflecting any of that, correct. So more than what we are targeting is IRR. What is more critical, is how conservative or reasonable our assumptions are that is driving that IRR. And honestly that could be our leaning is more that we are able to find conservative reasonable assumptions when we look at 25% IRR target, I would say is what you could probably hear. It may be a little lower in some place and higher in some places.

Moderator: We will move to the next question that is from the line of Raj Shekhar as an Individual Investor. Please go ahead, Raj.

Raj Shekhar: Most of the questions are answered. I am particularly interested in the Pune market with a competitive intensity there and we have all good clients, and I do not doubt that. The question is, what parts of Pune are we targeting and what do we see the prospect of that market in particular, because Chennai and NCR, I understand it fully, but just curious to understand a little bit more about Pune?

Varun Gupta: So, in Pune we are looking at two things, the current land is for a comfort homes project in Hinjewadi which has high competitive intensity. We have entered the market just to see what we can do and is there a room for us to play, we believe that with the kind of quality of work we do, the way we design our projects, and the way we service our customers with care, there might be a room for us to differentiate from a very, very in an otherwise a cluttered market. The other thing we are looking to do in Pune, is mostly near Pune and on the access from Mumbai is to look at senior living projects whereby we can service both the Mumbai and the Pune customers. So, it is basically being on the highways, either the expressway or the old highway. And within those accessories connecting Mumbai and Pune and to senior living, to differentiate ourselves. So, that is the thinking over there. Pune, otherwise, as a market is a very fast-moving/ low margin, whole lot of developers market where a lot of developers are there, lot of buyers are there, speed of sales is very good. But margins are in general constraint overall. It is not somewhere where developers make a very high margins, but we get high velocity also.

Moderator: Thank you. The next question is from the line of Ritika Agarwal from Valuequest. Please go ahead.

Ritika Agarwal: Sir, I just wanted to know in terms of launch pipeline, what was your launches in FY20 versus year to date (YTD) and how do you see launches scaling up going ahead?

Varun Gupta: I do not have exact numbers, we will start calculating this because a lot of people ask this, but in FY20 we launched new projects, we launched four absolutely new projects - two in Jamshedpur and two in Jaipur. In FY21 we have not launched new project at all and we do not intend to. All projects launched in this financial year have been phases of existing projects. I do not have an exact number of what we have launched in this financial year or the last financial year.

Varun Gupta: We will collate that information as to what we have launched every year. And just share that. And for the next year again, most of the projects that we are looking to launch are existing projects, new phases of existing projects. And I would hope that we launch another senior living project in Bhiwadi, the project in Pune two for sure and maybe look for the pipelines that we are trying to build in projects today maybe launch a project out of that. So that is what we are looking for next year.

Ritika Agarwal: Sure sir. Sir what I see from the numbers is, we doubled our sales volume and value in FY20 to 2 million square feet, so going forward do we expect that run rate to continue and increase going ahead?

Varun Gupta: Yes, so this financial we will not hit 2 million square foot in FY21, that is certain given the kind of sales we have had over the last nine months. It is the number we want to continue and grow as you go forward. Again, difficult to comment for the FY 21-22 but FY 22-23 onwards will definitely be more than 2 million square foot. The idea of working on pipe of land and opening new projects and selling things, the whole exercise that is happening right now is with that perspective that we can grow that number going forward and as I said we have good cash flow visibility, we are active in transactions and we have a view that the cycle of real estate is turning for the positive. Those three are giving me a sense that we should be growing that 2 million square number going forward.

Moderator: Thank you. Next question is from the line of Manan Patel as an Individual Investor. Please go ahead.

Manan Patel: Sir my first question is regarding the kind of transactions that we are looking at in new deals. So, I wanted to understand the kind of capital outflow, are we also looking to purchase land outright, or it is just JDA or if you can throw some light on that?

Varun Gupta: We are actively looking at both. Any land purchase that we will be purchasing outright will be on the IFC platform. So therefore, capital deployed to that extent will be that there will come in capital from IFC in the platform and so our internal accruals will not be utilized fully to fund that and we are looking to do JDA as well.

Manan Patel: Understood. And sir, if I look at that philosophy of having a land five to seven times our execution, so where in that number we are currently, obviously the numbers are lower. But given our aspiration, we would have to build up a substantial pipeline. So, do you think the number of deals or the ticket size per deal is going to increase substantially year or two down the line?

Varun Gupta: Yes, we are looking at more deal sizes and the deal pipelines, both will continue to increase right now as we go forward, we will be signing up more projects. But looking to keep capital intensity low either through doing it on IFC platform or doing joint development.

Manan Patel: Understood, and sir apart from as you mentioned, paying up for the land. So, what other hindrances, like do you also consider time to bring that deal to market, like what kind of number that would be in terms of number of months or years?

Varun Gupta: From any deals done to getting it to market, I would say 12 months would be probably the appropriate time to do.

Manan Patel: And so according to you the major hindrance right now is our willingness to pay up for the land. Is that understanding right?

Varun Gupta: Yes and finding those pockets where we think we have the ability to create differential returns than other developers. There are pockets of land where we cannot but there are pockets where we believe we will bring value to the table and improve returns that are possible on any particular land parcel and finding those land parcels and paying for those and looking for those and our willingness to pay. Those are some of the hindrances.

Moderator: Thank you. Next question is a follow up question from the line of Harsh as an Individual Investor. Please go ahead.

Harsh: I had another question about longer term plan. So in this down cycle what we saw was, the earnings in the cash flow were very volatile after like the peak of FY14-15 earnings, do you have plans to trying to create an annuity income stream for example commercial real estate leasing or provide contract manufacturing like a company like Shobha Developers does or also doing like the maintenance activities that you guys do but on a profitable basis. How do you look at that creating a stream of annuity income?

Varun Gupta: Harsh, we are not looking to create the scheme of annuity income, we don't have the capability to do commercial real estate or contract manufacturing or the temperament to do the same. We are a home builder, we will build home, building homes have lumpiness in cash flows. That's the nature of the business. So, I do not see a change. In essence that this whole annuity income and wanting an annuity income is a mirage for an organization like ours and we do not want to go after it.

Moderator: Thank you. Next question is from line of Raj Shekhar as Individual Investor. Please go ahead.

Raj Shekhar: Just a quick one before I ask my question on the follow up of the previous question, so while you maybe a neutral observer to the commercial estate market, because we are not there, my question is more specifically on our own company, because you have given good or you sound very promising in terms of prospects. So how do you see the return on equity curve over the next couple three, four or five years, because that's something which we have been quite inconsistent. So how do we see that going, these are two questions, thanks.

Varun Gupta: What is your question on commercial real estate?

Raj Shekhar: So, generally as a distant observer what do you think, where do you see that market moving in terms of commercial real estate, do you see promise while we may not be there. Do you see or just the news all around gloom and doom**?**

Varun Gupta: As I do not believe in a gloom and doom so much and I do not believe in things going, really booming also so much. Again, I am not the right person to comment on it completely. The only thing is, I do not think this whole aspect that people, companies will shut offices and people will start working from home permanently and there will be no office spaces needed. That gloom and doom story I do not believe, but that said, real estate is a business, whether it is office, whether it is retail, whether it is residential, one commonality of these businesses are. All three of these are cyclically, and they are cyclical not driven by demand and they are cyclical driven by supply. And lots of times capital starts chasing a particular kind of product and overbuilding happens in that. To me, what I understand is over the last five to six years since commercial real estate was doing better, it was attracting more capital than residential real estate. I do not know if it was enough to lead to overbuilding and what nature of the cycle we are there over that, that I do not have enough to comment. My only suggestion would be if you are evaluating commercial real estate, you want to understand the supply side cycle and has there been overbuilding, or is overbuilding in progress, which can create a problem, that is the thing. My understanding on these show the reason I am also a little bit more bullish on residential real estate. As, I said the unsold inventory in residential real estate has been declining with reduced launches, reduce building and supply side economics, starts favoring the bull cycle going forward in residential, that is my limited view on that. On return on equity, I do not think as an organization we will get to having stable return on it, so there are two things - will return on equity improve from here – yes and we hope to get to mid-teens in a three-year window. The first target is to get to mid-teens, but that said still the industry is cyclical, ROEs will be cyclical, our attempt would be therefore to create a floor on return on equity and down cycles where it should not fall below that line. Again, we do not have a number on that yet. Right now, as I said, we do not keep the cycle coming down. So, the thinking is not what the floor should be. But the thinking is to start going above it at mid-teens and then hope to improve ROEs going forward even more. So that is my longish answer on that and there is intense focus on improving ROE in the company, that I can tell. And it is not just in the finance function or with the directors, as the entire senior management team is thinking around what is to be done to improve ROE.

Moderator: Thank you. Ladies and gentlemen, that would be the last question for today. I now hand the conference over to the management for their closing comments. Thank you and over to you.

Vikash Dugar: We would like to thank all of you for being on this call 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 put the call. 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 call.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Ashiana Housing Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.