"Ashiana Housing Limited
Q4 FY'22 Earning Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Ashiana Housing Q4 FY'22 Earnings Conference Call hosted by Dolat Capital. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rahul Jain from Dolat Capital. Thank you and over to you, Sir.

Rahul Jain: Thanks. Good afternoon everyone, welcome to Ashiana Housing Q4 FY'22 earnings call hosted by Dolat Capital. We have the senior management of Ashiana Housing with us today. Mr. Varun Gupta, Whole Time Director and Mr. Vikash Dugar, Chief Financial Officer. Now I will hand over the call to Mr. Vikash Dugar for his opening remarks. Thank you and over to you ,Sir.

Vikash Dugar: Thank you Rahul. Good afternoon everyone. Hope all of you and your families are keeping healthy. I welcome you all to discuss the performance of the 4th quarter and the year ended March 2022 for Ashiana Housing. Thank you for joining us today.

The year gone by was exciting in terms of new acquisitions. We saw a healthy momentum in housing demand and hence explored various areas where we can execute further to meet the future demand. Six new land parcels have been acquired in the year, first in Gurgaon where we are planning another Kid Centric Homes in an approximate 22.1 acres of land area, second being in Pune, a Senior Living Project in Varale in 11.93 acres, third in Jaipur with 8.6 acres as Regular Comfort Homes, another in Jamshedpur with 3.96 acres and lastly, two land parcels in Chennai of 15.64 acres and 9.93 acres each, both being Senior Living Projects.

Total potential salable area in these new parcels will be around 61 lakhs sq ft. and with this, we also see senior living share increasing in our portfolio in future years. Area booked recorded in FY'22 was 14.76 lakhs sq ft. as compared to 14.97 lakhs sq ft. in FY'21. In the last quarter, i.e. Q4 FY'22, 4.53 lakhs sq ft. of area was booked as compared to 4.21 lakhs sq ft. in Q3 FY'22.

In Q4 FY'22, bookings were driven by Ashiana Amantran Phase -III which was launched in that quarter, Nirmay Phase- IV in Bhiwadi, Ashiana Anmol Phase- II in Gurgaon and Ashiana Shubham Phase -IV in Chennai. Value of area booked increased to Rs 573.25 Crores this year vis-à-vis Rs 534.68 Crores in FY'21.

Sales price improved to Rs 3,883 per sq ft. in FY'22 versus Rs. 3,571 per sq ft. in FY'21 driven by increasing prices across projects and change in mix towards higher priced projects. We handed over 8.86 lakhs sq ft. in FY'22 as against a delivery of 8.55 lakhs sq ft. in FY'21.

Total revenue declined to Rs. 233.59 Crores in FY'22 versus Rs. 259.31 Crores in FY'21 due to lower deliveries. Total Comprehensive Income (TCI) also declined to negative Rs. 6.56 Crores in FY'22 vis-à-vis positive Rs. 4.08 Crores in FY'21. There was an additional impact of provision of Rs.4.26 Crores for the misappropriation of funds incident discovered during the year.

Quarterly, total revenue increased to Rs. 78.28 Crores in Q4 FY'22 versus Rs. 54.19 Crores in Q3 FY'22 due to higher deliveries. TCI also improved to positive Rs. 9.22 Crores in Q4 FY'22 versus negative 3.28 Crores in Q3 FY'22. Pretax operating cash flows was positive at Rs. 165.05 Crores in FY'22 vis-à-vis positive Rs. 171.65 Crores in FY'21. It remained positive in all the four quarters of the year. Equivalent Area Constructed (EAC) was at 16.2 lakhs sq ft. in FY'22 versus 11.66 lakhs sq ft. in FY'21. On quarterly basis, Equivalent Area Constructed was at 5.07 lakh sq ft. in Q4 FY'22 versus 3.73 lakhs sq ft. in the previous quarter i.e. Q3 FY'22 and the same was 3.90 lakhs sq ft. in Q4 FY'21.

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. Thank you.

Moderator: Thank you. Ladies and gentlemen. We will now begin with the question-and-answer session. The first question is from the line of Rohit Balakrishnan from iThought PMS. Please go ahead.

Rohit Balakrishnan: Thank you for the opportunity. Just wanted to understand in terms of FY'23, what is the outlook in terms of launches like what are we planning and what are we trying to target in terms of presale etc., if you could share some outlook?

Varun Gupta: I think this year is an important year for us, we picked up a lot of projects last year and we had a couple of pending projects to launch this year. So, this year is exciting. We are looking to launch few Greenfield new projects. So, I think overall, phase launches will be about 25 to 30 lakhs sq ft. this year. Of those, half of it, which is about 12 odd lakhs sq ft. would be new phases of existing projects and another 15-20 lakhs sq ft. would be launches of the first phase of new Greenfield projects. We are looking at a large improvement in pre-sales, particularly on the revenue side driven by increasing prices and changing product mix. So, the company is looking at crossing about the Rs. 1,000 Crores mark and we are looking at Rs 1,100 Crores pre-sale number this year as compared to Rs. 573 Crores that we did in FY'22. So, that is the internal target, they are a little stretched, but I think right now the environment is very positive and we have inventory to sell.

Rohit Balakrishnan: Just on this point, as you said that it would be the highest ever that you would have sold. This 1,100 Crores, so this would be largely out of all the launches that you are planning. Would Gurgaon be a significant part of that and would that be a big contributor?

Varun Gupta: The new Gurgaon project would be a large contributor. Even in Ashiana Anmol, the older project in Gurgaon, Sohna will also be a big contributor. We have seen good sales last year in Ashiana Anmol and we expect further improvement in sales value there in this year as well.

Rohit Balakrishnan: The new phase that we have launched there, right?

Varun Gupta: So, the new project has not been launched. The new project will be launched and will be of high contribution in the FY'23. Ashiana Anmol in Gurgaon, the older project will continue to do good value of sales, even better than what we achieved last year. Last year also, we attained a good sales number there. Gurgaon, in our expectations, across those two projects should contribute more than a quarter of their total sales value.

Rohit Balakrishnan: And just one clarification on this point - Ashiana Anmol is basically Phase -II right because Phase -I we have already, I think broadly sold out pretty much, right?

Varun Gupta: Phase-I of Ashiana Anmol, we are sold out. It will be Phase - II and we will launch Phase-III as well in this year.

Rohit Balakrishnan: So, Phase -II has been launched? Sorry, I missed that part, has this been launched in FY'22?

Varun Gupta: Phase-II was launched in third quarter of last year.

Rohit Balakrishnan: And from a reported number point of view, this year is also expected to be good and I think in the last call, you mentioned that we are targeting 15% Return on Equity (ROE) this year. So, do we stand by that? I mean if you could just talk a bit about that as well.

Varun Gupta: So, I had given some clarifications that we are targeting to get 15% ROE, but this is when we look at an economic basis internally in the company. Reported basis is a little bit more deferred. So, this year, I was incorrect in my expectations of reported profits. When we have reworked the numbers, we expect to hit double digit ROE numbers but right now, on a reported basis, teens seem a little further away this year. The economic basis is the way we track. We have seen improving ROEs and I think that will continue this year and hopefully we should get into the teens on an economic basis this year as per our working. But the reported numbers will take some time to flow in.

Rohit Balakrishnan: And just one more thing on these launches. Are these more evenly placed or more towards the back end of the year? How are you guys going about it?

Varun Gupta: So, phase launches I am not completely aware of right now, when we will stagger them, they get timed. But as far the new Greenfield launches are concerned, we should do about three of them in the first half of the year and three of them in the second half of the year. So, three projects we have applied for RERA already, one in Pune, one in Gurgaon and one in Bhiwadi. They might get carried forward to third quarter, but I expect those to get launched in the second quarter the way things are progressing right now.

Rohit Balakrishnan: Fine, Sir. I will get back in the queue. Al the very best and hope that we will be able to reach these numbers. Thanks.

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

Rohit Prakash: Thank you for the opportunity. My question is on the industry in general, so I think a couple of months back, there was a release from CREDAI which mentioned that because of the rising commodity prices, some of the real estate players might not be able to construct because the construction cost has gone up too much. So I just wanted to get your view of how is the commodity cost affecting us? Are we able to maintain our spreads in margins with the rising cost because it is a very weird situation like the project has did extremely well but we are getting penalized because we have to construct it with higher the material cost. So, could you discuss that a little bit., please.

Varun Gupta: Let me take the second part of the question first. I think one of the key things has been that if we are quick to construct, then the commodity prices have not hurt us like we had a very good launch in Ashiana Daksh and Ashiana Aditya. In these projects, we constructed relatively quickly and the time gap between locking in the sale price and the construction cost incurring was not very high. The problem really happens to a lot of players is where you have locked in the sales price early and then your construction timelines are far longer than you would expect, either because of the nature of construction or sometimes, just because of not being able to manage the construction. We are able to run the projects in a tight schedule, so that does not hurt us. One place like in Ashiana Amantran Phase-II which is a smaller piece, but way the phases were structured and when we were seeing demand, we sold Phase-II a year before actually starting full fledged construction on that phase and there we will get hurt because the price was locked in earlier and construction cost happened later. Besides majority of the commodities are actually consumed heavily in the early part of construction like steel, RMC, those consumption is in the early part of the construction. You do consume cement, bricks and all later, but the proportion of consumption of commodities are in the first 15 months of the construction cycle are much heavier than in the later phase. Having said that, if commodity prices flow into finishing costs which they sometimes do, that can be a problem like they have flown in a little bit constantly.

Now coming back to question one on maintaining margins, I see from a long run perspective margin expansion, we might have a slight compression in our gross margins for the next year or two because of this commodity price cycle that you are saying hurting sold units but the expected compression in margins is not very significant. Higher volumes on a similar fixed cost base, I think we will have an expansion of net profit margins, therefore happening in EBITDA margins and expanding because of the same. From a longer-run perspective, I have a very strong view that the overall expansion in sales prices will be higher than the expansion in construction cost and we should have margin expansion over the next 3-5 year basis. I think real estate is also changing into a project. Vikash Ji also just added to me that senior living mix is also improving in the project mix and senior living tends to enjoy a higher gross margin for us, that will also lead to some margin expansion for us as we go along, So I am quite bullish over the next 3-5 years horizon.

Rohit Prakash: So quick question- even in Kid Centric Projects, we should be enjoying better gross margin, right?

Varun Gupta: Across Kids Centric Projects, we should get a better gross margin after some time. I think it is still work in progress in terms of creating the differential value for the customers which Senior

Living also took a bit, but now it does. I think Kids Centric Homes will take a little bit longer before we start enjoying higher margins.

Rohit Prakash: Could you also share as a percentage of sales we have maintained the land cost to 15% or 20%, so what portion of the sales would be construction cost? What is the number that you are comfortable with generally?

Varun Gupta: We typically look at about as 30% gross profit margin. Gross profit margin is sales, less construction cost, less land cost and less what we call project overhead cost. Project overhead cost includes cost of approvals, cost of architects, construction cess, labor cess etc. that we have to pay and project level financing costs are also put into that. So, in our view, all of those things should total about 70% of sale value on an average. In joint venture projects, sometimes they go up to like 72%-73% and our gross margins do come down at the time we are looking at the project. But how the future behold is very different. Sometimes margins expand, sometimes they compress. So typically, my view is that we should look at about 45% of revenues as construction costs, 5% of revenues as project overheads and about 20% of revenues as sale price on a blended basis. We typically give mid 20's revenue share like 22%, 23%, 24% or 25% that is the typical revenue share that we offer in those situations, sometimes the margin compresses and sometimes we believe our construction cost should be a little bit lower, that is the typical perspective.

Rohit Prakash: So, of the 45% construction cost that you said, what would be material and what would be labor?

Varun Gupta: So, Rs.100 of construction is typically Rs.70 for material, Rs. 20 for labor and Rs.10 towards construction overheads and site overheads.

Rohit Prakash: And just curious to know, in general, again going back to what we saw about the CREDAI press release, do you see reduced competition when you are looking out and counting for land parcels right now and do you see an increased consolidation as far as customer preferences are also concerned? Do you see any slowdown in construction by your peers in the locality that you are in?

Varun Gupta: Actually, it is exactly the opposite on the land side. Land prices have really ballooned over the last 12 months. I think we have been fortunate that we closed 6 transactions last year and they will have healthy margins because land prices were locked 6-8 months prior to closing the deals. So, we had good prices on the land side. We are seeing lots of competition and we are right now mostly scouting in Jaipur, Gurgaon, Chennai, Pune and Jamshedpur. Out of these five locations, we are mainly scouting in Jaipur, Gurgaon and Jamshedpur because in Pune and Chennai, we have our hands full with the two new projects to be launched in each of those cities. In all these three cities, i.e. Jaipur, Gurgaon and Jamshedpur, I think the plotted layout market has been on fire and those are the guys really competing for land and less of the guys who really want to do development which is creating a lot of land price increases. So therefore, finding new land opportunities is a little bit of a challenge at this point of time. Having said that, we were able to close one transaction about a week ago in Jaipur and at decent terms as well. On construction volume, I believe, we are a little far away from construction volumes going up across the country on a substantial basis but not too far away. I think new developers are entering the market who will have clean balance sheets, fresh starts and they will be able to up construction. That said, the availability of capital remains a constraint and I think the biggest constraint for new construction supply to me will be availability of capital. If that starts changing significantly, I think a lot of new developers will join the market and increase supply. Right now, capital remains a constraint.

Rohit Prakash: Perfect. That was very helpful and last question from my end. So, would I be right in thinking that with the expectation of higher contribution from Gurgaon and Pune and higher contribution from senior living as well, we should comfortably cross the 4000 mark this year?

Varun Gupta: I think we will cross Rs.4,500 mark for this year. Last year, in the third and fourth quarter, we were comfortably above the Rs. 4,000 per sq ft. In Q4 FY'22, we were at Rs. 4,093 per sq ft.

Vikash Dugar: Rs. 4,000 per sq ft. run rate we have already started to hit since the last two quarters of FY'22.

Rohit Prakash: Perfect, thank you so much. This is very, very helpful. Thank you.

Varun Gupta: Thank you.

Moderator: The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Thanks for taking my question. So firstly, on your Rs. 1,100 Crores presales target, I mean not FY2023 but beyond that, how do we look to sustain it or grow on it and how much does the current pipeline gives us the visibility and let us say if we want to grow on that beyond this, what sort of capital investment we would need to continuously add projects in the pipeline?

Varun Gupta: I think we have got to work on visibility beyond FY'23. FY 23-24 would still be okay because a lot of the projects we launched this year will continue into the next year and they will carry some momentum behind them. I do not know how much we will be able to sustain it. That said, Vikash Ji is telling me that we have picked up 60 lakhs sq ft. last year. We have about 30-40 lakhs sq ft. to sell from the previous year's stock, like I think we have about 10 lakhs sq ft. in ongoing phases about 4.5-5 lakhs sq ft. in completed stock. We have Ashiana Adwik and some new phases to launch, so probably about 40-50 lakhs sq ft. from there as well. So, I think a Crore which is 10 lakh sq ft. is what we have to sell. My view is that what we should average in these projects is Rs. 4,500 a sq ft. So probably around Rs. 5,000 Crores of sale value is what we have to sell at this moment of time. One key in fact about it is to sustain this, is to ensure that the cycle of these projects are on average 5 years and not average 7, 8 or 9 years. This will help in ensuring that we are able to hit pre-sales numbers and second we will need to do more transactions. I do not think we require capital. We have a substantial liquidity right now. We have a line from International Finance Corporation (IFC) which will come in right now, a little bit needs to get disbursed. Additional capital requirements are not required in the short-term. We are, as I said, looking to improve ROE. So, improving ROEs will throw in profits that can fund this. Also, I believe, a lot of our capital was stuck in underperforming projects. At one point of time, Ashiana Anmol had a very large proportion of our balance sheet. We freed a chunk of it now and the way sales are going there, we will free money there. Further, a lot of our capital in what I would call underperforming projects should also get released and that coupled with additional profits and churn in good projects, all of this put together, I think we are okay with the next 12 to 24 months at least in terms of doing acquisitions to provide the projects for growth. The question really is more at the land prices. The land prices in the last 12 months have gone beyond double - they have doubled up in a lot of places and that just makes new projects unviable unless and until we start looking at assumptions which are not reasonable. So, I think navigating that is a much bigger challenge than capital. Let me put it this way- there are challenges, but capital is not the challenge.

Pritesh Sheth: And on the capital related question, my question was lastly on not if you require any external capital or not but internally how much we would need to fund these acquisitions? What are our target? How much we want to spend on these acquisitions on a year-on-year basis?

Varun Gupta: So, the first year FY'23 we are looking to spend about 200 Crores on these acquisitions. And if we are able to do joint venture, then that would be even lower than that. We have some outright things in it structured but we would much rather do joint ventures if we can and keep the balance sheet as capital light as possible.

Pritesh Sheth: How much we did last year? I mean for this 6 million sq ft addition, how much was the spend?

Varun Gupta: I think, our own equity and IFC line everything put together for new acquisitions, about 250-260 odd Crores would have gone, all of that including deposits that we gave to landowners particularly and lands that we have.

Pritesh Sheth: And on the land price increase that you have been highlighting, this is typically, I mean, a location specific like I know Gurgaon probably have we have seen a sharp increase in sizes specifically people looking at border development or independent floors. But is it the case even in Chennai, Pune as well or this is particularly only micro market specific?

Varun Gupta: I know Chennai is the place majorly where prices have gone up 1.5x to 2x. We have gotten offers to sell it also at a much larger value than we bought it at. So, Pune - I am not so well aware of so I cannot comment but in Chennai, land prices have gone up and the driver of land price increase across the board seems layout.

Pritesh Sheth: And now we are doing projects in Pune, Chennai. We already have exposure to location in Rajasthan and Gurgaon. What is the mix overall we are targeting, maybe 2-3 years down the line? How much business we want to do from each of the micro markets?

Varun Gupta: So, we do not have clear view on markets in terms of 2-3 years right now. What we have is we do want Senior Living to start contributing between 6 to 8 lakhs sq ft. a year. More from a percentage mix, I think we are looking at 6 to 8 lakh sq ft. a year. We would also want Chennai, Gurgaon, Pune to start contributing about 40% of our areas and they would probably contribute a little higher on a revenue framework because their price points are a little higher in these markets, maybe 45% on a revenue framework. We want these locations to hit a minimum threshold of profitability and return on capital that we have put in these locations. So in Chennai I think we have hit a minimum profitability target and a minimum return on capital employed target as well Chennai is already qualified for those two now. We have put more money behind Chennai, and we want to take Chennai to the next level in terms of that. Gurgaon also was not doing so well. We have just started opening up in Gurgaon. I think FY'24 onwards, in our internal economic basis, Gurgaon will also start hitting a minimum threshold of profitability and a minimum threshold of return. Pune is where the worry remains. We are not able to get the projects off yet even though we have projects. I am hoping Ashiana Malhar where we have applied for RERA, we will start kicking it off there and more than the revenue targets, what we will look for it how long will it take to get to the minimum ROCE as threshold. I think that is the larger game plan and that is the way we will look at it.

Pritesh Sheth: Thanks, that is it from my side and thank you for very frank answers. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rohit Balakrishnan from ithought PMS. Please go ahead.

Rohit Balakrishnan: Thank you again for the opportunity. Sir my question is also related to what you just answered in the previous questionnaires, I mean, on sustainability of numbers. So, I mean you mentioned you have about 1 Crore worth of square feet in terms of saleability and given what you have said in terms of your presales target this year, I am assuming you probably will do close to 2.5 million kind of number. So is there, I mean, this year obviously we have done many deals and many congratulations for that. So I mean is there a broad framework that you are looking at in terms of let us say, we are looking at 2.5- 3 million run rate of sales every year.? Some may be higher some year may be lower, but broadly you take that as a run rate? These are an amount of like we need to backfill or something like that. Is there some broad framework that we are working on, you can probably share that?

Vikash Dugar: So I think if you look at the stack of the numbers when we talk about a Crore kind of pipeline which is there considering the kind of acquisition we did in FY'22 as well and the kind of pipeline we have in future projects and the saleable price that we are looking at something around 4500 per sq ft., I think with 5000 Cores we can safely look at on an average the run rate of 2 million or 2 million plus kind of a number on a per annum basis. So, you can easily deduce that kind of a number. That is the kind of run rate we should try and hit.

Varun Gupta: So just to add to it, I think that is the minimum threshold that we are looking at now. I think that we will look to expand that to 2.5- 3 million and take that further. I think the thinking in the company has moved around is moved from just thinking top line to thinking we need 15% return on equity. Let us figure out how to get there. I think so a lot of play is also going around and thinking on margin expansion. So that is coming in from a higher sales price, so from a per sq ft. margin will expand on a higher sale price basis to look at senior living projects which have a little bit more less competition therefore and a well differentiated product to provide, better gross margins for us on a percentage basis as well not only just on a per sq ft. basis. So, I think there is some more thinking around what we need to do that we maintain 15% ROE on a threshold basis. So, like if you want to do 2.5- 3 million sq ft., we have enough capital to go ahead and lock in another 50 lakh sq ft. today, if not more. We can lock in probably 60- 70 lakh sq ft. if we go ahead and do joint venture terms. With the joint venture, the problem is not the deposit people are asking for, it is the revenue share ratios that people are looking for, but that will compress margins and ROEs in the future. So, I think the things we are looking to do is how do we navigate a minimum ROE threshold that we want to get to and keep that going. I think that is the critical piece that we are looking at. Otherwise, 2.5-3 million sq ft. of run rate on any other basis right now, I think the organization is geared up to sustain that for sure. We have 2 million visibility anyways today and 4-5 transactions we are looking at this year anyways to feed, so I think that will keep get the momentum higher. So, I think figuring that out is important for us that how do we keep the ROE threshold always intact.

Vikash Dugar: So, I think in nutshell, the focus is on profitable growth rather than only growth.

Rohit Balakrishnan: That is very helpful actually. I think you answered it, but what I was trying to sort of ask was that, I mean that we will probably do this run rate of sales, and that would mean that we are taking away from the overall saleable area. So, we need to keep doing transactions every year or whatever the time frame is. So, I was asking what was the overall thought process? Is it like we want to have like five years worth of sales?

Varun Gupta: We have always looked at five to seven times annual sales number before this, Rohit. We might want to consider if we can work with a little lower threshold and maybe let’s say four time sales and if land prices are heavy so it depends. Yes, last year we did 6 million sq ft. that is a lot more than our annual run rate because we saw a growth potential and we saw the market show price correctly in terms of land. So, we will have some years where we will do a lot of transactions and we will have some years which will be a little bit slower. I think we will be a little bit more flexible around that. Earlier we had a little bit more set thought but we might want to be a little bit more flexible as we go around to ensure that we are able to keep always focused. So I do not think we will come down below 4 and hopefully we will not go up beyond 8.

Rohit Balakrishnan: Again, very helpful. So just one more question specifically let us say on Gurgaon - in the micro market within Gurgaon that we are in, how is the supply situation there? Do you see like supply increasing there or there is still not much supply from quality developers like you?

Varun Gupta: Here on the supply side, it is mostly coming in through a scheme called Deendayal scheme which is a plotted layout scheme. So, most supplies are coming in plotted layouts or they are coming in floors on these plotted layouts. The kind of projects we are looking to do is group housing, it is a rarity right now in launches in Gurgaon, so the kind of product we want to do, which was heavily over supplied about four years ago, I think it is getting into an under supply scenario now.

Rohit Balakrishnan: Got it, okay.

Vikash Dugar: If you look at the data even on the website also, authorities like DTCP in the last 3-4 years, if you try and cull out the data as to what are the total approvals that have been given those are very few. So, the supply has been really constrained in this space.

Rohit Balakrishnan: Thank you Sir. Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Harsh Dedhia, an individual investor. Please go ahead.

Harsh Dedhia: Thanks for the opportunity. I was looking at the booking value per flat that Ashiana has been doing and this has gone up quite a bit like from that in FY2019, I think this was around 40 lakhs. This year you did 54 lakhs, so that is about 30% to 35% increase in selling price per flat. How much would you attribute this to land and construction costs versus improved company profitability?

Varun Gupta: I would attribute a larger part of this to changing mix. 2-3 things have happened. Average flat area that we have been also selling has increased by about 10% over the last few years. So, the average area was around 1200 - 1250 it has gotten closer to 1350 - 1400 sq ft. that we are selling. So, a little bit of this is that. Second bit, some product mix changes that Gurgaon contributing more, which is priced higher per sq ft. So therefore, the change is also in mix. We have also increased prices on a per sq ft. basis. Till now, the increased prices and increased cost and land and construction are more or less covered right now in the older project that we are reporting but as I said, margin expansion phase has started. So now whatever we are selling, I think in this year or this quarter, those projects now have better margins than they would have had a year or two years ago, when we locked in the project of 4-5 years depending on whenever we locked in the project, the margins today would be better than that.

Harsh Dedhia: So now the margins could be like over 30% on across profit margin basis?

Varun Gupta: Not across but the new projects that we will launch except for a couple, that were done in 2015 those deals of 2016-2017 transactions outside of those, I would expect margin expansion to happen, particularly some of the new transactions we have done and I have clarified in joint ventures like revenue shares, we do compromise on margin sometimes because capital employed is lower so, they do come below the 30% threshold anyways sometimes, we clock in that at 24, sometimes at 27. We do compromise there depending on the location saleability of those. In those projects if, we had locked in at 25%, I would expect 27% margin like a couple of percentage points higher than what we had locked in. I am hoping that whatever we sell now, gross margins will hopefully be a little around 30% on a blended basis but those on the reported basis, are still 3 years away.

Harsh Dedhia: Makes sense. Thanks for the classification. Also the indirect expenses, I think this was about 90 Crores in FY'21 what would this number be in FY'22.

Varun Gupta: FY22 or FY23 you mean?

Harsh Dedhia: FY22. What would this number be in FY'22 and then also, what you expect in FY'23?

Varun Gupta: If you look at other expenses, there are 3-4 components to the other expenses. One is general what I would call employee expenses, then general administrative expenses. On a standalone basis, I think we had spent about Rs.66 Crores in this other expenses. Of that Rs.66 Crore, I think about Rs.17-18 Crores is selling expenses. Selling expenses for us are timed to revenue recognition. 90% of selling costs are recognized when the revenue is recognized, and it gets carried forward as an accrued selling expense. So that will vary year-on-year but outside of that, which is roughly, about Rs.48 Crores that I would expect to grow about 15% - 20% over the next year as a cost and finance costs should be closer to about Rs.60 - 65 Crores. Selling expenses, I think we can look at about 4.5% of revenues that we will do generally, and the finance cost should come down actually. It has come down this year and it should come down significantly, you can see quarterly, the numbers are decreasing quarter-on-quarter and finance cost should come down significantly. That is pretty much the components of the expenses.

Harsh Dedhia: Just one clarification so you said like Rs.56 Crores of employees plus SG&A like general administrator.

Varun Gupta: Rs.66 Crores is SG&A - employee benefit expenses and other expenses are put together on a standalone basis. Of that Rs.66 Crore about Rs.18 - 20 Crores is selling expenses.

Harsh Dedhia: Perfect that makes sense. Thanks for the clarification and that is all from my side.

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

VP Rajesh: Thanks for the opportunity and I apologize in advance because, I joined late. Varun, I was wondering if you could give guidance for this saleable area for this year.

Varun Gupta: We gave the area book guidance. We are looking at doing a sale value of Rs.1100 Crores this year.

VP Rajesh: So not in terms of sq ft. but more in terms of value right.

Varun Gupta: Yes, internally we are also shifting on a value basis a lot because the mix of the projects are changing substantially, and we also do not want to drive up prices a little bit. We see price opportunity increases. So we are focusing more on increasing and the Rs.1100 Crore is an aspirational figure internally to get to, but I think we will get there, we will definitely cross the 1000 Crores number and hoping to hit 1100 also this year.

VP Rajesh: And what was the number corresponding number this year - fiscal year 2022?

Varun Gupta: 573 Crores.

VP Rajesh: So, I was looking to double it and then on your slide 24 future projects, we will run out of projects in Jaipur and Chennai fairly quickly from what I can tell and here. So are you scouting for more land in Jaipur because of course in Chennai you have acquired two land parcels? I guess you expect there if, you can just comment on the Jaipur side?

Varun Gupta: In Jaipur also, we have two projects that are coming up, One we had acquired which is Ashiana Ekaansh, which is in the land bank already, as mentioned in future projects section. We announced acquisition of another project, about ten days ago in Jaipur around 6.5 lakh sq ft. that we just concluded in the month of May and we are scouting for between one or two more transactions in Jaipur right now. As I articulated earlier, we need to find pockets where land prices are making sense. The plotted market in Jaipur is behaving irrationally according to me and very frothy, so land prices in some pockets are very frothy at this point of time.

VP Rajesh: So aside from Jaipur, is there any area where you feel you are low on the land inventory?

Varun Gupta: Not right now. Jamshedpur and Gurgaon are also where we are scouting for more transactions.

VP Rajesh: That is interesting because in Gurgaon you already have this Amarah coming up right, so you want to add more pipeline after this or in parallel with this.

Varun Gupta: In parallel with this we want to add more pipe. In Gurgaon, we have a view that our brand is now getting further stronger, sales momentum behind us over there and we should try and make the most of that sales momentum.

VP Rajesh: And then Jodhpur and Jamshedpur, is it correct to assume that these are sort of satellite market and not core to us. Is that a fair understanding or is something changing in those field of market as well?

Varun Gupta: Yes, they will be on the fringes they are in terms of scale and opportunities, I do not see them becoming extremely large in terms of it.

Vikash Dugar: So, Jodhpur as a market any which ways for us lacks depth but in terms of continuously doing some volume Jamshedpur is in that space we will consistently attempt to get some volume. Although the volume is not to the extent in markets like Jaipur for sure but then consistently, we look out for parcels. Finding parcels in that part of India is a little difficult but then they remain old and somewhat consistently, some bit of volume generating kind of markets at Jamshedpur specifically not Jodhpur.

VP Rajesh: So, our core market will remain Gurgaon, Chennai, Pune which is sort of developing and obviously Jaipur?

Varun Gupta: And Bhiwadi, In Bhiwadi, Senior Living opportunity is becoming very large for us.

VP Rajesh: Talking about Bhiwadi, any update on Milakpur or is there status quo?

Varun Gupta: Status quo on Milakpur right now. We have filed for RERA for phase-1 of Ashiana Advik which is the new senior living project there. I think that is the exciting part.

VP Rajesh: Thank you, that is all I had. Appreciated. All the best.

Moderator: Thank you. The next question is from the line of Harsh Dedhia, an individual investor. Please go ahead.

Harsh Dedhia: Thanks for the follow-up. Just the Milakpur land also reminds me of Kolkata. Are there any updates on the Ashiana Milakpur project over there?

Varun Gupta: No updates there, those difficult stuffs there. We do not know what to do.

Harsh Dedhia: Is it possible to actually free up capital by selling land?

Varun Gupta: We have been trying that, that has also been difficult to execute but that is a possibility. Those transactions do take some time to put together, but we are working to free up the capital.

Harsh Dedhia: And eventually last year you guys also started scouting for some opportunities in Ranchi area and the eastern area, Did you guys find anything over there?

Varun Gupta: Can you say that again?

Harsh Dedhia: Ranchi as a location.

Varun Gupta: We are not considering Ranchi. We were considering it given that Jamshedpur we have worked, and we could do more work in Ranchi. I think we have decided not to explore Ranchi as a market right now.

Harsh Dedhia: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Vivek Chaturvedi, an individual investor. Please go ahead.

Vivek Chaturvedi: Just wanted in terms of potential up move in interest rates in the year ahead, at what level do you think there could be a slight slowdown in the interest in real estate market, another 100 basis points?

Varun Gupta: I saw peak interest rates at home loans had gone closer to 11%, 10.75% - 10.8% was the peak home loan interest rates maybe 5-6 years ago and it came down slowly to about 6.5% levels. In my view in about 8.5% of home loan interest rates, we will be okay and comfortable. That is the threshold, where I think demands will start slowing down.

Vivek Chaturvedi: And do you think that this level is different for say tier one cities versus the tier two, tier three cities and things broadly similar across the country?

Varun Gupta: Vikas ji and I both concur we did not have a view on this but like before, yes.

Vikash Dugar: Yes, I think across tier one or tier two 1.5%-2% even if the rate inches by that extent, the demand would be agnostic to it is what we see.

Varun Gupta: Yes, the same levels 8.5%.

Vivek Chaturvedi: Are you also saying, I heard you speaking an earlier question, that the size of the flats that you are building and delivering now have gone bigger and but do you think this has been what since COVID or it is broadly in that 1300-1400 square feet range now?

Varun Gupta: I do not think it has anything to do with COVID. Those projects were planned earlier. Sales have happened post COVID but they are coincidental, I think, Real estate has cycles of improved affordability where unit prices increase both on a per sq ft. basis and size starts compressing when affordability hits its peak and your ticket size start decreasing. After a bit there is no room left and per sq ft. prices also compressed. That is the cycle that played out over the last 7-8 years. I think, the cycle is just turning the other way around where we are seeing best ever affordability for people to buy homes and the cycle is turning.

Vikash Dugar: And in our case as we mentioned earlier, that it is the mix of project the geographical location like Gurgaon and all which also are contributing in terms of increasing the per sq ft. pricing and the size of the units also.

Vivek Chaturvedi: That is from my side thank you.

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

Varun Gupta: 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 question, please feel free to write to us directly or reach out to us directly and with that we would like to conclude the call. A lot of the 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. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Dolat Capital that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.