Ashiana Housing Ltd — Jun 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Operations / Miss on Reported Earnings (Accounting-led) **One-line:** Operating momentum is hitting an inflection point with realizations >□4,000/sq. ft. and a massive FY23 sales target of □1,100 Cr, but persistent internal control lapses (misappropriation) remain the primary valuation overhang.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Q	Beat (Sales Value)	Q4 Sales of □185.57 Cr vs □169.76 Cr in Q3; Realizations hit record □4,093/sq. ft.	□
Earnings Quality	High (OCF driven)	Reported FY22 loss of □7.04 Cr is an accounting artifact; Pre-tax OCF of □165.05 Cr shows robust cash health.	□
Guidance Confidence	Strong	Management explicitly guided for □1,100 Cr sales in FY23, nearly doubling FY22 levels.	□
Management Credibility	Neutral	Operational transparency is high, but the □4.26 Cr misappropriation provision for FY22 signals lingering control risks.	□
Business Quality Signal	Improving	Shift to high-margin Senior Living and Kid-Centric homes in NCR/ Chennai is decoupling AHL from generic housing.	□
Key Q&A Exchange	Q#1 - FY23 Targets	Mgmt guided for □1,100 Cr presales; implies 2.5-3.0 mn sq. ft. run-rate is the new baseline.	□
The Street's Primary Anxiety	RM Inflation / Margins	Mgmt expects 3-5 year margin expansion as price hikes (~10%+) outpace construction inflation.	□
Capital Cycle Stage	Investment	Aggressive land acquisition (6 parcels, 61L sq. ft. potential) funded by IFC and internal accruals.	□
Margin / Return Trajectory	Improving	Aiming for 15% "Economic ROE" in FY23; realizations up 14.6% YoY.	□
Pricing Power	Expanding	Achieving price premiums in Senior Living (Chennai/Bhiwadi) and Kid-Centric (Gurgaon) segments.	□
FCF Conversion & Quality	Strong	CFO-to-PAT is highly divergent due to advance collections; OCF covers construction costs of booked area.	□
Competitive Moat Signals	Widening	Ranked #1 Senior Living brand for 5th year; expansion in Pune and Chennai solidifies niche leadership.	□
Balance Sheet Strength	Strong	D/E at 0.21 (Consolidated) / 0.07 (Standalone); massive liquidity to fund 200 Cr+ land buys.	□
Working Capital Efficiency	Stable	Inventory liquidation in "underperforming" assets like Gurgaon (Anmol) and Bhiwadi is releasing capital.	□
Mgmt Guidance Track Record	Reliable (Ops)	High accuracy in sales/launch timelines; weak on preventing internal financial leakages.	□
Key Vulnerability / Red Flag	Governance	Recurring "misappropriation of funds" incident discovered during the year (□4.26 Cr impact).	□
Management Tone	Confident/ Ambitious	Varun Gupta was notably more bullish on volume scaling and ROE targets than in previous quarters.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** The business has successfully transitioned from a "recovery" phase to a "scaling" phase. Realizations crossing □4,000/sq. ft. in Q4 (up 14.6% YoY) combined with the target to double sales to □1,100 Cr in FY23 indicates a fundamental rerating of the sales machine. The acquisition of 61 Lakh sq. ft. of potential area in a single year provides a 4-5 year growth runway. Senior Living is now a structural moat, providing higher margins and counter-cyclicality. * **Negatives:** Reported PAT remains meaningless due to the Project Completion Method (reporting losses despite □165 Cr OCF), which masks true profitability for casual investors. The recurring issue of fund misappropriation (□4.26 Cr) is a "Thesis-Killer" for institutional investors seeking clean governance; management's excuse of "decentralized laxity" is becoming tiresome. * **The Street's Concern:** Analysts are worried that rising interest rates (8.5% threshold) and land price inflation (doubling in Chennai) will squeeze the 15% ROE target. Management's response is that product differentiation (Senior Living) allows for price hikes that more than cover these costs. * **Watchpoint:** Launch execution of *Ashiana Amarah* (Gurgaon) and *Ashiana Malhar* (Pune) in H1FY23. These two projects are critical to meeting the □1,100 Cr sales guidance.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT primary source; Concall used for commentary and misappropriation details.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (Value - □Cr)	185.57	↓ 38%	↑ 9.3%	□	Q4FY21 was an outlier (□299 Cr); Q4FY22 growth is driven by price hikes and Gurgaon demand.
Area Booked (Lakh sq. ft.)	4.53	↓ 45.4%	↑ 7.6%	□	Driven by Amantran Ph-III (Jaipur) launch and strong sales in Gurgaon (Anmol).
Equivalent Area Const. (Lakh sq. ft.)	5.07	↑ 30%	↑ 35.9%	↑	Construction pace accelerated in Q4 to meet delivery timelines.
Pre-tax Operating Cash Flow (□Cr)	27.48	↓ 59.1%	↓ 45.4%	↓	FY22 total remains strong at □165 Cr; Q4 dip due to land acquisition payments.
Realization/sq. ft. (□)	4,093	↑ 13.4%	↑ 1.6%	↑	**Record High.** Driven by Gurgaon mix and price hikes across all projects.
Revenue Potential Locked (□Cr)	1,162.22	-	-	↑	Value of area booked in ongoing projects (41.46 Lakh sq. ft. total).
Revenue (□Cr)	78.28	↓ 3.8%	↑ 44.4%	↑	Revenue recognition remains lumpy; Q4 saw higher handovers (3.55 Lakh sq. ft.).
PAT (□Cr)	8.87	↑ 259%	↑ 331%	↑	Positive quarter; however, FY22 ended in a loss due to project timing.
Land Bank (New Pot. - Lakh sq. ft.)	61.00	-	-	↑	6 new land parcels acquired in FY22 (Gurgaon, Pune, Jaipur, Jamshedpur, Chennai).
D/E Ratio (Consolidated)	0.21	↑ 200%	↑ 16.7%	□	Leverage increased to fund aggressive land acquisitions via IFC facility.

2B. SEGMENT BREAKDOWN

Segment	Area Booked (Lakh sq. ft.)	FY22 Mix %	Realization Trend	Trend	vs Company Avg	Key Development
Comfort Homes	6.55	44%	Rising	→	Below Avg	Jaipur (Amantran) and Jamshedpur (Aditya) are core volume drivers.
Senior Living	4.25	29%	High	↑	Above Avg	Chennai (Shubham) and Bhiwadi (Nirmay) enjoying pricing power.
Kid-Centric Homes	3.96	27%	Very High	↑	Well Above	Gurgaon (Anmol) turnaround is the major surprise of FY22.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Presales Value	□1,100 Crores for FY23.	Needs □275 Cr/quarter; FY22 avg was □143 Cr. High growth required.	Met FY22 internal targets.	High: Dependent on new launches.
Guidance	Return on Equity	15% ROE on "Economic Basis."	Requires ~□120 Cr PAT equivalent; current reported PAT is negative.	Missed (Reported basis).	Accounting timing risk.
Guidance	Land Acquisition	Spend ~□200 Cr on land in FY23.	Achievable given IFC line and □165 Cr OCF.	Strong: Acquired 60L sq. ft. in FY22.	Land price inflation.
Strategy	Capital Allocation	Focus on JVs to keep balance sheet light.	Targets 2.5-3.0 mn sq. ft. sales run-rate via JVs/Rev Share.	Good: Recent deals are Rev Share.	Margin compression in JVs.
Strategy	Governance	Fix "laxity" in internal controls.	Provision of □4.26 Cr taken; auditor focus increasing.	**Failed:** Recurring misappropriation.	Systemic control risk.
Macro	Interest Rates	Demand agnostic up to 8.5% home loan rates.	Current rates ~7.0-7.5%; 100-150 bps cushion exists.	N/A	Rate cycle peaking.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Rohit Balakrishnan / iThought	Management Outlook	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?	Management guided for a record □1,100 Cr pre-sales target in FY23, driven by 25-30 Lakh sq. ft. of launches (half Greenfield, half existing phases). This implies a doubling of sales value and a massive shift in the company's growth trajectory.	None	5.0	Clear and quantified
2	4.5	Rohit Prakash / Marshmallow	Financials	How is the commodity cost affecting us? Are we able to maintain our spreads in margins with the rising cost?	Management admitted potential slight gross margin compression for sold units but expects overall margin expansion due to higher realizations and higher-margin Senior Living mix. This indicates the "brand premium" is protecting AHL from the worst of the RM inflation cycle.	None	4.0	Directional with evidence
3	4.0	Rohit Prakash / Marshmallow	Business Overview	Do you see reduced competition when you are looking out and counting for land parcels right now?	Management noted land prices have "doubled" in some areas like Chennai, driven by plotted layout demand, making new acquisitions more	None	4.0	Specific risk flagged

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					challenging. Future growth may be limited by land pricing rather than capital availability.			
4	4.0	Pritesh Sheth / Motilal Oswal	Capex and Allocation	How do we look to sustain it or grow on it [□1,100 Cr target] and what sort of capital investment we would need?	Management believes they have □5,000 Cr of total inventory value to sell and do not require external capital, planning to spend □200 Cr on acquisitions in FY23. This suggests the business is now self-funding its growth through project churn.	None	4.0	Specific timeline given
5	3.5	Harsh Dedhia	Financials	Indirect expenses... what would this number be in FY'22 and what you expect in FY'23?	SG&A (excluding selling costs) was ~□48 Cr in FY22, expected to grow 15-20% in FY23, while finance costs are expected to "come down significantly." Significant operating leverage is expected as revenue recognition catches up to the higher sales base.	None	4.0	Specific data point
6	4.5	VP Rajesh / Banyan	Business Overview	Any update on Milakpur or is there status quo?	Status quo on Milakpur litigation, but the company is	None	3.5	Strategy update

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					launching "Ashiana Advik" (Senior Living) in Bhiwadi to bypass the litigation-stalled areas. Management is pivoting to release capital from Bhiwadi through niche products rather than waiting for court resolutions.			
7	3.0	Vivek Chaturvedi	Management Outlook	At what level do you think there could be a slight slowdown in the interest in real estate market?	Management identifies 8.5% home loan interest rates as the "threshold" where demand might slow down. This provides a 100-150 bps buffer from current market rates, suggesting a safe demand runway for FY23.	None	4.0	Specific threshold set

PATTERN FLAGS & SENTIMENT

- **Aggressive Growth Pivot:** Analysts were surprised and focused on the ₹1,100 Cr sales guidance, which is nearly double the FY22 performance. Management's confidence stems from a rejuvenated land bank and the turnaround of the Gurgaon market. The sentiment here was one of "cautious optimism"—analysts want to see the H1FY23 launches before fully baking this into models.
- **Margin Resilience:** Questions repeatedly touched on inflation and land costs. Management's posture was confident, asserting that their "fast construction" model (locking costs early) and pricing power in Senior Living mitigate these risks.
- **Governance Undercurrent:** While not the focus of every question, the concall opening admitted a ₹4.26 Cr misappropriation. Management's tone was apologetic, but the fact that this is a recurring issue (see prior context) remains a silent drag on the valuation multiple.

Analyst Sentiment Verdict: Skeptical on reported earnings but bullish on operational targets. The friction point remains the gap between "Economic ROE" and "Reported PAT." Management's credibility on operations is at a multi-year high, but governance remains the Achilles' heel.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
ROE Target	Aiming for 15% ROE in FY23.	Reported ROE will be "double digits" but teens are "further away."	Walk-back on reported ROE timing; shifting focus to "economic basis."	Reported earnings may continue to disappoint in the short term.
Sales Mix	In-house sales is the core model.	Using Channel Partners in Gurgaon/Pune.	Shift from traditional full-stack model to scale faster in competitive cities.	Potential increase in selling costs and lower brand control.

---

5. WHAT CHANGED vs PRIOR QUARTER

Reference: Compared to Q3FY22 Summary.

What Changed	Prior Quarter	This Quarter	Direction
Sales Guidance	Implicit growth.	Explicit ₹1,100 Cr target for FY23.	↑ Strong Growth
Realizations	₹4,028/sq. ft.	₹4,093/sq. ft. (Record High).	↑ Improving
Land Bank	117 Lakh sq. ft.	~145 Lakh sq. ft. (Incl. new acquisitions).	↑ Massive Expansion
Governance	Initial fraud discovery.	₹4.26 Cr final provision/admission of "laxity."	↓ Deteriorating
ROE Outlook	15% target (reported).	"Double digit" (reported); 15% (economic).	□Lowered Expectation
Gurgaon Market	Improving sales.	Now a core driver (25% of sales value).	↑ Strengthening
Debt Profile	Standalone D/E 0.07.	Consolidated D/E 0.21 (Higher land debt).	□Increasing Leverage

INVESTOR NOTES: * **The Working Capital Lever:** CFO (₹165 Cr) vs PAT (-₹7 Cr). The divergence is driven by massive advance collections from the 14.76 Lakh sq. ft. booked area. This cash is already in the bank, even though accounting rules don't permit it to hit the P&L until handover. * **Governance Red Flag:** This is the *second* instance of fund misappropriation. While ₹4.26 Cr is small (0.8% of sales), it indicates a failure of the decentralized "branch" model that management has yet to fix with the new ERP (Farvision). * **Thesis Verdict:** The quarter reinforces the "Growth" thesis. The transition to a ₹1,000 Cr+ sales company is real, backed by land and realizations. The "Governance" risk prevents a full rerating, but the operational floor is very high. **STAY INVESTED.**