Ashiana Housing Ltd — Jun 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (on full-year performance and realization trajectory) **One-line:** Ashiana has successfully transitioned to a higher-margin, premium-niche player (Gurugram/Senior Living), ending FY23 with record presales and a clear roadmap to 15% ROE despite cautious land acquisition.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	FY23 presales (□1,313.43 Cr) exceeded all historical records; realizations hit □5,080/sqft avg.	□
Earnings Quality	High (Core driven)	FY23 Pre-tax OCF of □84.85 Cr is 3.0x reported PAT; revenue is trailing sales due to delivery-based accounting.	□
Guidance Confidence	Strong	Management gave a specific FY24 presales target of □1,500 Cr (14% growth on a record base).	□
Management Credibility	Strong	Full sell-out of Amarah Ph 1 & 2 (Gurugram) validates the aggressive pivot to Kid-Centric homes.	□
Business Quality Signal	Improving	Pivot from Bhiwadi-heavy to Gurugram-heavy (40% of sales value) is structurally lifting ASPs and margins.	□
Key Q&A Exchange	Q7 & Q35 — Scale & ROE	Management defined "New Normal" base scale at 15L sqft and targeting 15% ROE.	□
The Street's Primary Anxiety	Land Overheating	Analysts concerned about high land prices; mgmt is being disciplined, choosing "replacement stock" over aggressive bidding.	□
Capital Cycle Stage	Growth / Scaling	Launching 29.46L sqft in FY23; targeting □1,500 Cr sales run-rate for FY24.	□
Margin / Return Ratio Trajectory	Improving	GP margins on new projects (Amarah, Prakriti, Advik) targeting >30% vs legacy mid-20s.	□
Pricing Power	Expanding	Amarah Ph 2 pricing (□7,700/sqft) was 26% higher than Ph 1 (□6,100/sqft) in just 6 months.	□
FCF Conversion & Quality	Strong	Consistent OCF generation (□85 Cr in FY23) despite heavy construction outlays.	□
Competitive Moat Signals	Widening	Track2Realty #1 Senior Living brand; Amarah sell-outs show Kid-Centric moat is portable to tier-1 cities.	□
Balance Sheet Strength	Adequate	D/E at 0.22; management intends to maintain low leverage during the scaling phase.	□
Working Capital Efficiency	Stable	Inventory in completed projects is minimal (3.15L sqft); focus remains on fast churn.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on launch timelines (except RERA/pollution-led delays in NCR).	□
Key Vulnerability / Red Flag	Land Depletion	Discipline in land buying could lead to inventory gaps if land prices don't plateau as management expects.	□
Management Tone	Confident/Prudent	Focused on "not overpaying for land" while excited about Gurugram demand.	□

Key Takeaways (Positives & Negatives): * **Positives:** FY23 was a breakout year with ₹1,313 Cr in presales, a 129% jump YoY. The Gurugram "Amarah" project has redefined the company's valuation floor, with Phase 2 realizations jumping to ₹7,700/sqft. Management's focus on "Economic ROE" (tracking double digits) and targeting 15% ROE shows a shift toward shareholder return metrics rather than just volume. * **Negatives:** Real estate remains vulnerable to regional shocks; land prices in Jaipur and NCR have doubled since FY20, compressing the window for high-yield acquisitions. General housing in Bhiwadi and Jodhpur remains under pressure with lower realizations and slower volume. * **The Street's Concern:** Analysts are wary of "peaking cycles" and expensive land. Management's response—waiting for land prices to plateau due to a slowdown in the "plotted development" market—suggests a tactical pause that may sacrifice short-term inventory growth for long-term margin protection. * **Watchpoint:** The HSIIDC Gurugram land development (10.3L sqft) launch in FY25 will be the next major litmus test for Ashiana's ability to sustain ₹7,500/sqft+ pricing.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	435.82	↑ 134.9%	↓ 10.2%	↑	Record FY23 (₹1,313 Cr) driven by Gurugram and Senior Living launches.
Equivalent Area Const. (lakh sqft)	5.08	↑ 0.2%	↑ 48.5%	↑	Rebound from Q3 construction bans; FY23 total 16.73L sqft.
Pre-tax Operating Cash Flow (₹Cr)	22.59	↓ 17.8%	↓ 36.5%	→	Strong full-year OCF of ₹84.85 Cr; Q4 saw higher construction spend.
Realization/sqft (₹)	5,075	↑ 24.0%	↓ 5.5%	↑	Mix shift toward Jaipur/Jamshedpur in Q4 vs Gurugram peak in Q3.
Revenue Potential Locked (₹Cr)	1,075.2	First entry	↑ 29.2%	↑	Amount to be received from booked area (backlog).
Revenue (₹Cr)	116.94	↑ 49.4%	↓ 13.6%	↑	Revenue follows handovers (10.51L sqft in FY23).
PAT (₹Cr)	10.38	↑ 17.0%	↑ 14.7%	↑	FY23 PAT turnaround to ₹27.88 Cr vs loss in FY22.
Land Bank (Lakh sqft)	150.47	First entry	↑ 0.9%	→	Total of Future Projects (94.29) + Land Available (56.18).
D/E Ratio	0.22	↑ 0.01	→	→	Management aims to stay below 0.25 during expansion.

2B. SEGMENT BREAKDOWN

Segment (Geography)	Area Booked (Lakh sqft)	YoY Growth (Area)	Realization (Avg ₹/sqft)	Trend	vs Company Avg	Key Development
Gurugram	0.69	↓ 75.8%	~7,700	↑	High	Amarah Ph 2 sold out instantly in April (post Q4).
Jaipur	3.16	↑ 90.3%	~4,000-6,000	↑	In-line	Ekansh and Amantran driving volumes.
Jamshedpur	2.63	↑ 721%	>5,000	↑	High	Prakriti Ph 1 sold out at launch.
Bhiwadi	0.65	↓ 23.5%	~4,500	→	Lower	Focus shifting to Senior Living (Advik).
Pune	0.38	First entry	>5,000	↑	In-line	Malhar Ph 1 performing well; Amodh pre-launch.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Presales	₹1,500 Cr target for FY24.	Needs ₹375 Cr/quarter; well within current run-rate (FY23 avg ₹328 Cr).	Historically conservative; beat FY23 internal goals.	Low
Guidance	Volume	Launch ~30L sqft in FY24 (phases + greenfield).	Requires ~7.5L sqft of launches per quarter.	Consistently hitting launch targets.	Low
Guidance	Margins	30% Gross Margin on portfolio level.	Achievable on new launches (Gurugram/Jamshedpur); legacy projects drag.	Improving trajectory.	Low
Strategy	ROE	15% Economic ROE target.	Currently "double-digit"; requires scaling realizations to ₹6,000 avg.	Management tracking economic ROE internally.	Moderate
Strategy	BD	Focusing on "Replacement Stock" for now.	Adding 20L sqft land p.a. to maintain 5-7 years of inventory.	Added 21L sqft in FY23 (Jaipur/Manesar).	Low
Macro	Industry	Land prices doubled since 2020 in NCR/ Jaipur.	Management waiting for "plotted development" hype to cool.	Accurately identified plotting bubble in NCR.	Moderate
Balance	Liquidity	Paid 25% for HSIIDC land; 75% due in 12 months.	Requires ~₹200 Cr+ outflow in FY24 for land.	OCF and backlog receipts support this.	Low

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	3.5	Vivek Joshi / BP Capital	Accounting	Financials	"Could you explain how the expenses are booked? ... is it related to the deliveries made?"	Management clarified that revenue and matching costs are only booked at the time of possession/ handover. This confirms a "lumpy" P&L that will lag record presales by 2-3 years, making presales the lead indicator for valuation.	None	5.0	Specific/ Verifiabl
2	4.0	Vivek Joshi / BP Capital	Revenue Guidance	Financials	"Is it reasonable to assume that given the realization rate, our booked revenue will be around over □ 1,000 crores for FY '24?"	Management noted that while 26L sqft is scheduled for delivery, realization varies wildly (□3,000 to □7,700/sqft), so simple averaging is misleading. FY24 revenue will likely surge as high-value Jaipur/Chennai phases hit handover.	None	4.0	Direction with evidence
3	4.5	Vivek Joshi / BP Capital	Presales Run-rate	Management Commentary and Outlook	"Is this [□1,300 Cr] the run rate we are looking to do... Is this a new normal?"	Management raised the target to □1,500 Cr for FY24, while noting that quarterly variations will persist based on launch timing. This establishes a structural step-up in the company's	None	4.0	Specific target

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						annual sales capacity.			
4	4.5	Himanshu Upadhyay / O3 PMS	Land Acquisition	Capex and Allocation	"Has it [HSIIDC land deal] been consummated? ... launch project in FY '25 or '26?"	Management has paid 25% and will launch in FY25 after 12-18 months of design and environmental approvals. The delay is intentional to optimize product design, ensuring high realizations in the lucrative Manesar/ Gurgaon pocket.	None	5.0	Specific timeline
5	4.0	Himanshu Upadhyay / O3 PMS	Growth Drivers	Business Overview	"Do you think that we'll be focusing more on the sales or remains the area wise?"	Growth will be a combination of volume push in Jaipur and realization push in Gurugram/ Amarah. This balanced approach protects margins while scaling the total topline.	None	4.0	Direction with evidence
6	4.5	Himanshu Upadhyay / O3 PMS	Margin Profile	Financials	"Are we back to the peak margins what we used to do... 30% gross margin?"	Management expects 30%+ GP margins for all projects signed post-2015, including the 5 launched last year. This signals an impending expansion in blended margins as legacy Bhiwadi projects are liquidated.	None	4.0	Direction with evidence
7	5.0			Financials			None	3.5	

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
		Praveen Agarwal	ROE Targets		"At what point in going forward, do we think that we'll start doing those 15% ROE?"	Management expect "Economic ROE" to cross the 15% threshold starting FY24, having already hit double digits in FY23. This is the critical re-rating trigger for buy-side analysts looking for capital efficiency.			Vague b consiste
11	4.5	Ankit Gupta / Bamboo Capital	Pricing Power	Business Overview	"In our Amarah project... what is driving this increase in realization?"	Realization jumped from □6,100 to □7,700 due to improved brand establishment and a severe lack of group housing supply in Gurgaon. This confirms Ashiana's ability to command a "scarcity premium" in Tier-1 markets.	None	4.5	Clear/ Quantifie
12	4.0	Ankit Gupta / Bamboo Capital	Land Prices	Management Commentary and Outlook	"Land prices have gone up quite a bit... what is the reason for such a thing?"	Land inflation was driven by "plotted development" which is now plateauing; management is waiting for prices to cool. This tactical patience prevents "peak-of-cycle" land buying, protecting future ROEs.	None	4.0	Direction with evidence
16	3.5						None	3.5	

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
		V.P. Rajesh / Banyan Capital	Realization Strategy	Business Overview	"Our increase in realization has been much lower than the general inflation over the last 10 years. Are you consciously trying to push the realization up?"	Management agreed there is significant "catching up" to do and are now pushing prices in Gurgaon, Jaipur, and Senior Living. A structural repricing of the portfolio is underway to offset historical stagnation.			Vague b consiste
21	3.0	Rahul Jain	Capital Allocation	Capex and Allocation	"Any color on buyback or something?"	Management is "contemplating" and "understanding" it but has nothing firm. No immediate capital return planned; cash likely prioritized for HSIIDC land payments.	Deflected — key signal	2.0	Deflecte Hedged
23	3.5	Rishi Singhal	Bhiwadi Risk	Management Commentary and Outlook	"Bhiwadi has been named as most polluted city. Does this create some issue in our long term strategy?"	Management dismissed the pollution concern, noting projects are far from industrial meters, and focus is shifting to Chennai/ Pune for growth. This downplays the Bhiwadi concentration risk in favor of geographical diversification.	None	3.0	Vague b consiste
26	3.0	Rishi Singhal	Controls	Governance	"Is our system bulletproof that there will be no financial fraud now?"	Management admitted systems aren't "bulletproof" but have strengthened controls via	None	3.0	Vague b consiste

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
						Grant Thornton (internal audit) and ERP implementation. This addresses past governance lapses but remains a monitoring point.			
35	4.5	Shrey	Scale	Management Commentary and Outlook	"Are you targeting a certain base scale of the company?"	Management aims to double the "base scale" to 25-30L sqft of sales in a 5-year threshold. This provides a long-term volume growth trajectory for the thesis.	None	3.5	Vague b consiste

PATTERN FLAGS & SENTIMENT

- **The Scaling Pivot:** Analysts repeatedly probed the sustainability of the □1,300 Cr+ sales run-rate. Management was exceptionally confident, raising the FY24 bar to □1,500 Cr and defining a long-term goal to double their "base case" scale. The anxiety regarding "fluke" performance has been replaced by a focus on "scaling efficiency."
- **Land Discipline vs Growth:** A significant friction point emerged between analyst desires for aggressive land banking and management's caution regarding "frothy" land prices. Management's defensive posture on land buying (waiting for plotted development to cool) was consistent, signaling they prioritize ROE over market share.
- **ROE as the North Star:** The shift in management language toward "Economic ROE" and a 15% target is a positive governance/strategy signal. Analysts are now treating AHL as a capital-efficiency story rather than just a low-cost housing play.

Analyst Sentiment Verdict: Analysts were highly encouraged by the realization jumps and sell-out velocity in Gurugram. Skepticism remains around land replenishment and legacy Bhiwadi baggage, but management's credibility has significantly improved following the FY23 record beat. The primary unresolved risk is the potential for land prices to stay high, forcing management to choose between lower growth or lower margins.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY23)	This Quarter (Q4FY23)	Direction
FY Presales	N/A	□1,313.43 Cr (All-time high)	↑ Improving
Gurugram Pricing	□6,100 (Amarah Ph 1)	□7,700 (Amarah Ph 2)	↑ Improving
Sales Guidance	Record Year Expected	□1,500 Cr target for FY24	↑ Improving
EAC (Construction)	3.42 Lakh sqft (down due to bans)	5.08 Lakh sqft	↑ Improving
ROE Target	Qualitatively stated	Quantified: Targeting 15% starting FY24	↑ Improving
Land Strategy	Seeking opportunities	Cautious / Waiting for plateau	□Neutral
PAT Status	□9.05 Cr	□10.38 Cr (FY23 total □27.88 Cr)	↑ Improving

STOP HERE.