Ashiana Housing Ltd — Nov 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** A pivotal quarter where the record-breaking Gurugram launch (Ashiana Amarah) and significant realization growth (+33% YoY) validate the management's strategic shift toward high-margin premiumization and geographic diversification.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Presales value hit □240.19 Cr (up 58% QoQ); Gurugram Phase 1 sold out at launch.	□
Earnings Quality	Moderate (Lumpy)	Accounting loss (□1.81 Cr) is misleading due to project completion method; presales and realizations are the real story.	□
Guidance Confidence	Strong	FY23 presales target of □1,100 Cr is on track; 1.5 Mn sq. ft. of additional launches planned for H2.	□
Management Credibility	Strong	Exceptional transparency regarding low-margin legacy projects vs. high-margin new launches.	□
Business Quality Signal	Improving	Pivot to higher realization markets (Gurugram/Pune) is successfully expanding the margin floor.	□
Key Q&A Exchange	Q2 - Pune vs Ggn	Management explained the competitive supply in Pune vs. the supply-constrained Gurugram market.	□
The Street's Primary Anxiety	Land Prices	Management admits land is "frothy" and is avoiding bidding wars to protect the 30% GP benchmark.	□
Capital Cycle Stage	Growth / Expansion	Aggressive launch cycle (Amarah, Advik, Malhar) supported by IFC partnership for land.	□
Margin / Return Ratio Trajectory	Improving (Economic)	Economic ROE is trending toward double digits; realization hit a record □4,904/sq. ft.	□
Pricing Power	Expanding	Able to command □6,000+/sq. ft. in Gurugram, well above the historical company average.	□
FCF Conversion & Quality	Distorted (Temporary)	Pre-tax OCF turned negative (-□1.05 Cr) due to high marketing/ construction spend for new launches.	□
Competitive Moat Signals	Stable	#1 Senior Living brand status remains a key differentiator for land-owner JV negotiations.	□
Balance Sheet Strength	Adequate	D/E at 0.21 is manageable; focus remains on capital-efficient revenue-share JVs.	□
Working Capital Efficiency	Stable	Construction moving in tandem with sales; Equivalent Area Constructed increased 14% QoQ.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on launch timelines and realization targets.	□
Key Vulnerability / Red Flag	Regional Concentration	Heavy reliance on Jaipur (42% of ongoing) and Jamshedpur (20%) for near-term revenue recognition.	□
Management Tone	Candid & Prudent	Focused on "margin expansion over volume" and avoiding overpriced land deals.	□

Key Takeaways: Positives: * **Realization Breakthrough:** Average realizations reached □4,904/sq. ft., a 33% YoY increase, driven by a structural shift to higher-priced markets like Gurugram. * **Launch Momentum:** The sell-out of Ashiana Amarah Phase 1 (224 units) at launch proves brand pull in the premium "Kid-Centric" segment. * **Strategic Prudence:** Management is prioritizing Economic ROE and margins over headline volumes, signaling a move away from the low-margin "Affordable" tag of the past. * **Pipeline Visibility:** With 104 Lakhs sq. ft. in future projects and a target to launch 1.5 Mn sq. ft. in H2FY23, the growth runway is secure for 4-5 years.

Negatives: * **Accounting/Cash Flow Volatility:** Reported PAT and Pre-tax OCF are lumpy; the negative OCF this quarter was a result of front-loaded marketing/site costs for Pune and Gurugram launches. * **Pune Competition:** The Pune market (Ashiana Malhar) is showing slower absorption compared to Gurugram due to higher local competition and lower brand recall. * **Land Inflation:** High land prices are making new acquisitions difficult, potentially slowing the transition to a 3-4 year inventory cycle.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Note: Real Estate accounting (AS-7/Ind AS 115) causes revenue/profit to be recognized only on project completion, making Presales and Realization the primary lead indicators.*

Metric	Current Qtr (Q2FY23)	YoY Change (vs Q2FY22)	QoQ Change (vs Q1FY23)	Trend	Mgmt Commentary
Presales (Value - □ Cr)	240.19	↑ 44.9%	↑ 57.8%	↑	Driven by Gurugram (Amarah) and Pune (Malhar) launches.
Area Booked (Lakh sq. ft.)	4.90	↑ 8.6%	↑ 46.7%	↑	Significant bounce back from Q1 dip.
Eq. Area Constructed (Lakh sq. ft.)	4.38	↓ 2.7%	↑ 13.8%	→	Construction pace aligning with sales.
Realization/sq. ft. (□)	4,904	↑ 33.3%	↑ 7.6%	↑	**Record high.** Structural shift to Ggn/Pune.
Revenue (□Cr)	91.72	↑ 51.1%	↑ 12.9%	↑	Completion of Shubham Ph-3 (Chennai).
PAT (□Cr)	(1.81)	Turnaround	↓ 117.6%	↓	Accounting loss due to lack of major completions.
Pre-tax Operating CF (□Cr)	(1.05)	↓ 101.8%	↓ 103.8%	↓	Temporary dip due to launch costs/timing.
Land Bank (Future - Lakh sq. ft.)	104.34	First entry	First entry	→	Covers 5-6 years of execution.
D/E Ratio	0.21	→	→	→	Stable; using IFC platform for land buys.

2B. SEGMENT BREAKDOWN (By Area Booked - Q2FY23) | Geography | % of Area Booked | Realization Context | Trend | vs Company Avg | Key Development | | :--- | :--- | :--- | :--- | :--- | | Gurugram | 37% | >□6,000/sq. ft. | ↑ | Premium | Amarah Ph-1 sold out at launch. | | Jaipur | 23% | >□4,000/sq. ft. | → | Average | Steady demand across Umang/Daksh. | | Pune | 19% | >□5,000/sq. ft. | ↑ | High | Ashiana Malhar launch; 80 units sold. | | Bhiwadi | 13% | <□4,000/sq. ft. | → | Low | Legacy hub; margin-constrained. | | Others (Chennai/ Jamshedpur/Jodhpur) | 8% | Mixed | → | Average | Jamshedpur completions expected in FY23. |

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Presales Value	□1,100 Cr for FY23.	Needs □708 Cr in H2 (vs □392 Cr H1). Feasible with 1.5M sq. ft. launches.	Consistent	Moderate
Guidance	Completions	Handover Jamshedpur (Aditya Ph-1 & Sehar) in FY23.	Construction at 86-98%; hinges on Govt approvals (OC/CC).	Reliable	Low
Guidance	ROE	Target 10% (Economic Basis) for FY23.	Higher realization in new bookings supports this.	Improving	Low
Strategy	Land Acquisition	Maintain 5-7x execution inventory.	Current 104L sq. ft. is ~4.5x target annual sales of 2.2-2.5M.	On track	Low
Strategy	Pricing	Focus on margin expansion over volume.	Achieved □4,904 realization vs □3,883 FY22 avg.	Delivered	Low
Macro	Costs	Realizations to cover commodity inflation.	New projects underwritten at 30% GP benchmark.	On track	Moderate
Balance	Capital Efficiency	Shift to Revenue Share JVs.	4 of last 7 deals were Rev-share; others use IFC debt/equity.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Himanshu Upadhyay, O3 Capital	Launch Strategy	Management Commentary and Outlook	What is the plan for future phases of Ashiana Amarah after the sold-out Phase 1?	Management is evaluating the timing but typically prefers a 6-9 month gap between phases to manage execution and price appreciation. This prudence prevents over-exposure to a single point in the cost cycle and allows for price hikes in subsequent phases.	None	5.0	Prudent growth signal
2	4.0	Himanshu Upadhyay, O3 Capital	Geography Performance	Business Overview	Why is the Pune (Malhar) launch slower (1/3rd sold) compared to the Gurugram success?	Management noted Pune is significantly more competitive with more supply, whereas Gurugram is supply-constrained in group housing. Pune sales are considered "satisfactory" as long as inventory clears before construction ends; high competition in Pune may cap realization growth.	None	4.5	Market context provided

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
3	4.5	Himanshu Upadhyay, O3 Capital	Growth Focus	Management Commentary and Outlook	Are you satisfied with 1 million sq. ft. under construction and what is the sustainable target?	The focus has shifted from volume to Return on Equity (ROE) and margin expansion through higher realizations (e.g., □6,000+ in Gurugram). Volume growth will be a byproduct of launching the 1.5 million sq. ft. pipeline in H2FY23, with a steady run-rate of 2-2.5 million sq. ft. targeted.	None	4.0	Strategy shift clear
4	4.0	Rohit, Marshmallow Capital	Margin Protection	Financials	How are you protecting margins against commodity inflation given today's fixed sales prices?	Projects launched post-2015 have sufficient margin buffers (underwritten at lower prices than current sales) to absorb inflation. Only legacy projects (Malhar/ Anmol/ Tarang) face margin pressure, while the overall portfolio is in a "margin expansion zone."	None	4.0	Portfolio bifurcated

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
5	3.5	Rohit, Marshmallow Capital	Culture & Scaling	Management Commentary and Outlook	What is the focus for the next 3-5 years as the organization scales?	The priority is preserving and perpetuating the organization's ethical and customer-centric culture as it expands to new locations. Scaling "human capital" and culture is seen as the primary bottleneck/ focus rather than just land or capital.	None	3.0	Qualitative focus
6	4.5	Rohit, Marshmallow Capital	Capital Allocation	Management Commentary and Outlook	Does a buyback make sense as a tool to improve ROE?	Management is "racking their brain" around buybacks but finds the tax/ transaction costs high and currently prefers deploying capital into business growth. They noted buybacks are most accretive when shares are below book value, showing they are evaluating the math but are not yet convinced.	None	4.0	Candid / Evaluating
7	4.0	Harsh Beria			Why sell out an entire	Management clarified that	None	4.0	

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
			Inventory Risk	Management Commentary and Outlook	phase at launch instead of keeping stock for higher prices later?	while selling out is good, the priority is to start construction immediately to avoid cost-inflation exposure. They believe future phases/stock will naturally capture price appreciation, leading to overall margin expansion.			Execution priority
8	3.5	Ankur Jain	Strategy Pivot	Management Commentary and Outlook	What happened to the Noida Senior Living project and are you looking at other cities?	The Noida term sheet fell through due to "frothy" land prices and regulatory challenges. Future senior living expansion will focus on Mumbai, Bengaluru, and Hyderabad, but no deals are imminent before FY24.	None	4.0	Prudence over growth
9	4.0	VP Rajesh, Banyan Capital	Cash Flow	Financials	Why was pre-tax operating cash flow negative this quarter?	Higher construction execution commitments and front-loaded marketing/ sales office costs for new launches (Pune/ Gurugram) offset collections.	None	4.5	Timing issue

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						This is viewed as a "quarterly aberration" as sales were back-ended in the quarter.			
10	4.0	VP Rajesh, Banyan Capital	ROE Guidance	Management Commentary and Outlook	Is the 10% ROE target for FY23 on track?	On an "economic basis" (internal MIS accounting for sales/ construction), they expect to cross the double-digit threshold. Reported ROE remains vulnerable to the timing of completion certificates and occupancy permits.	None	4.5	Metric distinction
11	3.5	Anuj Sharma, M3 Investments	Land Strategy	Capex and Allocation	What is the thumb rule for land prices in a bull market?	They avoid aggressive underwriting based on "future price increases" and instead look for 30% Gross Profit margins based on current market prices. Arbitrage is found in locations where competitors are hesitant to go or where Ashiana's niche brand can	None	4.0	Discipline signal

Q#	Relevance	Analyst	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						command a premium.			
12	4.0	Rohan Advant, Multi-Act	Internal Metrics	Management Commentary and Outlook	How do you calculate "Economic ROE"?	The numerator uses "Economic Profit" (Value of area sold + Value of equivalent area constructed) vs. Book Net Worth. This fuses sales and execution performance into a single metric, avoiding the distortions of completion-based accounting.	None	5.0	High transparency

PATTERN FLAGS & SENTIMENT * **The "Margin over Volume" Pivot:** Analysts repeatedly probed for volume targets, but management consistently steered the conversation back to **Realization** and **Economic ROE**. This indicates a high-conviction shift to protect the bottom line even if it means walking away from "frothy" land deals or highly competitive low-margin segments. * **Gurugram vs. Pune:** There is clear analyst excitement about Gurugram (Amarah) and slight skepticism about Pune (Malhar). Management's response—admitting Pune is tougher but maintaining discipline—demonstrates a lack of "growth-at-any-price" desperation. * **Capital Allocation Maturity:** The discussion on buybacks and "Economic Profit" shows a management team that thinks like investors. They are moving away from simple P&L reporting toward capital efficiency metrics, which is a significant positive for long-term equity holders.

Analyst Sentiment Verdict: Highly Optimistic. Analysts were visibly impressed by the Gurugram sell-out and the 33% YoY realization jump. Friction only exists around the timing of revenue recognition and the frothy land environment, but management's transparent and disciplined posture has strengthened their credibility.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY23)	This Quarter (Q2FY23)	Direction
Area Booked	3.34 Lakh sq. ft.	4.90 Lakh sq. ft.	↑ 46.7%
Presales Value	₹152.14 Cr	₹240.19 Cr	↑ 57.8%
Avg. Realization	₹4,557 / sq. ft.	₹4,904 / sq. ft.	↑ 7.6%
Pre-tax OCF	₹27.72 Cr	(₹1.05 Cr)	↓ 103.8% (Timing)
New Market Success	Early Prep	Validation (Amarah sell-out)	↑ High Confidence
Reported PAT	₹10.26 Cr	(₹1.81 Cr)	↓ (Lumpy completions)
Land Pipeline	Evaluatory	Active Execution (Malhar/Amarah)	↑ Momentum

STOP HERE.