Ashiana Housing Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss (P&L) | Beat (Operational/Presales) **One-line:** Q2 confirms the "two-speed" nature of the AHL thesis: accounting losses remain an artifact of delivery timing, while the underlying economic engine is accelerating through Gurugram pricing power and a structural pivot toward higher-margin deliveries in FY26-27.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	Presales of □672.54 Cr; H1 total □907.86 Cr (45% of FY25 target).	□
Earnings Quality	Low (P&L) / High (CF)	PAT Loss of □7.55 Cr vs. Pre-tax OCF of □78.18 Cr; cash flows decoupling from P&L.	□
Guidance Confidence	Strong	□2,000 Cr target maintained; requires □546 Cr/qtr in H2, supported by Amarah Ph 5.	□
Management Credibility	Strong	Refusal to overpay for Gurugram land despite inventory depletion; disciplined capital allocation.	□
Business Quality Signal	Improving	Pricing power expanding in Gurugram (price max over velocity); Bhiwadi turning into a cash engine.	□
Key Q&A Exchange	Q# 7 + Capital Allocation	Mgmt would "rather err on not having stock to sell than overpaying for land."	□
The Street's Primary Anxiety	Land Depletion	Fear of AHL running out of Gurugram stock; Mgmt focused on ROE over vanity pre-sales.	□
Capital Cycle Stage	Harvesting & Reinvesting	Collecting from Amarah Ph 4 while acquiring land in Jaipur/ Bangalore.	□
Margin / Return Ratio Trajectory	Improving (Economic)	FY26 PAT margins guided at 12-13%; FY27 at 20%+ as high-margin Ph-3/4 deliver.	□
Pricing Power	Expanding	Amarah Ph 4 launch discounts removed; pricing decisions delayed until 4-7 days before launch.	□
FCF Conversion & Quality	Strong	Positive OCF despite accounting loss; working capital funded by customer advances.	□
Competitive Moat Signals	Stable	Senior Living brand remains #1; entering Bangalore (Ph-1 in 18 months).	□
Balance Sheet Strength	Strong	Debt/Equity 0.17x; Net Cash positive; □2,055 Cr future collections visibility.	□
Working Capital Efficiency	Stable	Inventory cleanup in Bhiwadi (Ashiana Town) ahead of schedule.	□
Mgmt Guidance Track Record	Reliable	Consistent messaging on delivery-based revenue recognition lumpiness.	□
Key Vulnerability / Red Flag	Regional Timing	Heavy dependence on Gurugram/Jaipur for FY26-27 margin breakout.	□
Management Tone	Disciplined	Conservative, value-oriented, and focused on risk-adjusted returns (ROE lens).	□

Key Takeaways: * **Positives:** Pre-sales momentum returned strongly in Q2 (□672.54 Cr), driven by Amarah Phase 4. Construction velocity (EAC) reached 6.01 lakh sq. ft., indicating a ramp-up toward FY26 deliveries. The Bhiwadi market has structurally improved, with Ashiana Town inventory nearly exhausted (down to 0.53 lakh sq. ft.), which will free up management bandwidth and capital. * **Negatives:** P&L remains in the red (□7.55 Cr loss) due to lack of new project deliveries in H1. The Bangalore entry, while strategic, has a long lead time (12–18 months for launch), meaning it won't contribute to operational metrics until FY27. * **Street Concern:** Analysts are worried AHL is losing its Gurugram "engine" as it refuses to bid for hyper-expensive land. Management reframed this as an ROE-preserving strategy, prioritizing a □2,000 Cr profit pool from current inventory over risky, low-margin growth. * **Forward Watchpoint:** The launch of Amarah Phase 5 in Q4 FY25 is the critical pivot point to hit the □2,000 Cr annual sales target.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT primary source; Concall used for commentary.

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (□Cr)	672.54	↑ 106.5%	↑ 185.8%	↑	**Volume & Price:** Driven by Amarah Ph 4 launch (□421.53 Cr).
Equivalent Area Const. (L-sqft)	6.01	↑ 30.9%	↑ 22.4%	↑	EAC up as construction ramps up across Gurgaon/Jaipur.
Pre-tax Operating CF (□ Cr)	78.18	↑ 3.8%	↑ 4.3%	→	**High Quality:** Healthy collections despite no deliveries.
Realization/sqft (□)	9,223	↑ 67.7%	↑ 73.5%	↑	**Mix Shift:** High contribution from Gurgaon (Amarah).
Revenue Potential Locked (□Cr)	2,055.44	N/A	↑ 20.4%	↑	Amount to be received from already booked area.
Revenue (□Cr)	59.53	↓ 83.0%	↓ 53.7%	↓	Driven by low deliveries (0.81 Lakh sq ft).
PAT (□Cr)	(7.55)	↓ 127.6%	↓ 38.5%	↓	Lumpy deliveries; H1 historically low on handovers.
Land Bank (L-sqft)	108.56	N/A	↑ 1.1%	→	Future + Land available for dev (51.96 + 56.60).
D/E Ratio	0.17	→	→	→	Maintained conservative leverage.

2B. SEGMENT BREAKDOWN

Segment (Geographic)	Presales (□Cr)	Area Booked (L-sqft)	Realization (□psf)	Trend	vs Co. Avg	Key Development
Gurugram	269.01	2.95	14,271 (est)	↑	+54.7%	Amarah Ph 4 launched; pricing discounts removed.
Jaipur	107.60	1.17	9,197	→	-0.3%	One44 and Ekansh maintaining steady velocity.
Bhiwadi	127.78	1.38	9,259*	↑	+0.4%	Advik Ph 1/2 seeing steady Senior Living demand.
Pune	87.43	0.93	9,401	↑	+1.9%	Malhar Ph 3 launched; pricing focused over volume.
Chennai	33.63	0.37	9,089	→	-1.4%	Vatsalya Ph 1 steady; Swarang launch in H2.
Jamshedpur	33.63	0.33	10,190	↑	+10.5%	Prakriti continues to sell at high realizations.
Bhiwadi realizations skewed by Senior Living premium (Advik).						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Presales	□2,000 Cr for FY25	Needs □1,092 Cr in H2 (□546 Cr/qtr). Highly feasible with Amarah Ph 5.	Met FY24 target.	Low
Guidance	Margins (PAT)	12-13% in FY26; 20% in FY27	Delivery schedule shows □1,166 Cr (FY26) and □1,753 Cr (FY27). Feasible via operating leverage.	Historically lumpy.	Moderate
Guidance	Deliveries	□700-750 Cr Revenue in FY25	Needs ~□500 Cr in H2 (H1 is □188 Cr). Dependent on Q4 handovers.	Q4 heavy usually.	Moderate
Strategy	New Markets	Bangalore launch in 12-18 months	Long set-up time; team and show flat pending.	New Geography.	Moderate
Strategy	Inventory	Clear Bhiwadi Ashiana Town in 3-4 qtrs	Current unsold is 0.53 Lakh sq ft. Run-rate supports this.	Strong cleanup.	Low
Macro	Land Prices	Gurgaon land is "overpriced"	Mgmt walking away from auctions where price > 2x their acquisition.	Very disciplined.	Low
Balance	Funding	Utilize □225 Cr IFC platform	Available for land acquisition; avoids equity dilution.	Strong backing.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Shivam Prashar	Gurugram Land	Capex and Allocation	Is there any plan for buying land in Gurgaon as inventory is running out?	Management stated they have no active negotiations in Gurgaon currently as land has become commercially unviable at auction prices. This confirms a "wait-and-watch" stance in NCR, implying AHL will focus on harvesting existing Sec 80 land margins rather than chasing volume at any cost.	None	4.5	Disciplined capital use
2	3.5	Shivam Prashar	Pricing Strategy	Business Overview	What is the pricing on balance Amarah Phase 4 units?	Management confirmed that launch discounts have been removed, making effective pricing higher for sustainance sales. This indicates strong pricing power and a shift toward maximizing project IRR over immediate sales velocity.	None	4.0	Pricing power confirmed
3	4.5				What are the	Management identified a	None	5.0	

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		Himanshu Upadhyay	Jaipur Strategy	Business Overview	learnings from the Elite Homes project (One44) in Jaipur?	specific customer pool for larger, high-end units in Jaipur and expects a 2-4 lakh sq. ft. annual market for this segment. This validates Jaipur as a multi-tier market for AHL, beyond just mass-premium housing, improving overall portfolio realizations.			Specific segment alpha
4	3.0	Himanshu Upadhyay	Competition	Management Outlook	Will the landlord of the leased Jaipur land compete with AHL?	Management noted that even if the landlord or others launch projects, it would benefit the neighborhood development without creating oversupply. They view themselves as micro-market leaders in Jaipur with a differentiated product and superior cost structure.	None	4.0	Confident positioning
5	5.0	Rohit	Profitability	Financials	What kind of profitability/ margins are expected over the	Management guided for a jump to 12-13% PAT margins in FY26 and	None	5.0	Quantified margin guide

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					next few years?	20% in FY27 as high-margin projects like Amarah and Ekansh hit delivery. This provides a clear path to re-rating as the P&L finally aligns with the operational breakout seen in FY23-24.			
6	4.0	Rohit	Land Strategy	Capex and Allocation	How do you view growth with land prices rising and limited surplus land?	Management stated they would rather err on the side of not having stock to sell than overpaying for land that risks liquidity. They are pivoting toward JVs to lower capital employment and smaller, high-velocity projects (like One44) to mitigate land cycle risks.	None	4.5	Risk-first mindset
7	3.5	Saket Shah	Funding	Capex and Allocation	How are you planning to raise funds for expansion?	Management will use internal accruals (robust OCF), the □225 Cr IFC platform, and secured debentures if needed, primarily for land. This non-dilutive approach to	None	4.0	Capital efficiency

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						growth protects long-term EPS as the margin expansion cycle kicks in.			
8	4.5	Rishi Singhal	Cycle Risk	Management Outlook	Is there a crisis in some markets like Ahmedabad or Hyderabad?	Management observed that real estate cycles are now decoupled by city, providing stability to AHL's multi-location portfolio. This suggests AHL's presence in Jaipur and Bhiwadi acts as a hedge against a potential "froth" correction in NCR or South India.	None	4.5	Geographic hedge
9	4.0	Rishi Singhal	Land Value	Financials	If Gurgaon retail prices fall 5-10%, is there still a healthy margin on Sec 80 land?	Management confirmed a very healthy buffer as current land auctions are 2x higher than their acquisition price for Sec 80. This "margin of safety" in land acquisition is a key pillar of the AHL thesis, protecting the balance sheet against a sector downturn.	None	5.0	Forensic margin buffer

PATTERN FLAGS & SENTIMENT * **Theme 1: Land Exuberance vs. AHL Discipline.** Analysts repeatedly probed the lack of new land acquisitions in Gurugram. Management's posture was unwavering: they will not participate in "frothy" auctions. This suggests a transition from a "growth-at-any-cost" phase to a "value-harvesting" phase in NCR. * **Theme 2: P&L vs. Cash Flow Divergence.** Analytical friction persists regarding AHL's quarterly losses. Management is successfully shifting the narrative toward "Economic Profit" and FY26-27 delivery schedules, where the high-margin sales of FY24 will finally be recognized.

Analyst Sentiment Verdict: □Positive. Analysts appear satisfied with the operational bounce-back in Q2. The focus has moved from "Why the loss?" to "How big is the FY27 profit pool?" Management's credibility is high due to their transparency regarding land prices and the 20% margin roadmap.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Bangalore Launch | Strategic Expansion | 18-month lead time | Slower than expected South India entry. | Moderate; delay in geographic diversification. | | Lavasa Inventory | Stuck Goods | No timeline for untangling | Management bandwidth drain; looking for "easier solutions." | Low; □50 Cr exposure is already written down/known. |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY25)	This Quarter (Q2FY25)	Direction
Presales Value	□235.32 Cr	□672.54 Cr	↑
Realization/sqft	□5,315	□9,223	↑
PAT Performance	(□5.45 Cr) Loss	(□7.55 Cr) Loss	↓
Gurugram Outlook	Inventory depletion fear	Sec 80 launch set for Q1/Q2FY26	→
Margin Guidance	Directional expansion	Specific 20% PAT margin for FY27	↑
Land Pipeline	Active BD	Explicitly slow on Gurgaon land	↓
Bhiwadi Cleanup	Ongoing	Ashiana Town inventory near zero	↑

- **CFO-to-PAT Divergence:** PAT is -□7.55 Cr, but OCF is +□78.18 Cr. This 1,135% divergence is driven by **Customer Advances** on Amarah Ph 4 and Advik, which fund construction today but won't be recognized as profit until FY27. This is the definition of high-quality "invisible" earnings.
- **Trajectory Signal:** Operating momentum has shifted from "wait-and-watch" (Q1) to "aggressive execution" (Q2). The thesis has transitioned from "recovery" to "margin-expansion play." The structural cleanup of Bhiwadi legacy inventory is a significant positive for future ROCE.