

Ashiana Housing Ltd — Sep 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Operations / Beat on Realizations **One-line:** The scaling thesis is on track as Ashiana transitions from a "land acquisition" phase to an "execution and launch" phase, with record realizations (₹4,557 psf) providing a significant buffer against stubborn construction inflation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Q	Inline	Q1 Presales of ₹152.14 Cr is on run-rate for the ₹1,100 Cr FY23 target, assuming H2-heavy launches.	☐
Earnings Quality	High (OCF driven)	Pre-tax OCF of ₹27.72 Cr vs TCI of ₹10.29 Cr; cash flow remains robust due to advance collections.	☐
Guidance Confidence	Strong	Management re-iterated the ₹1,100 Cr sales target despite a slow Q1, banking on 2.5 mn sq. ft. of launches.	☐
Management Credibility	Strong	Transparent about project delays (8 projects) and the exhausted IFC line; high granularity on launch phases.	☐
Business Quality Signal	Improving	Shift to high-margin Senior Living (Advik) and Kid-Centric (Amarah) projects is driving record realizations.	☐
Key Q&A Exchange	Q#1 - Amarah Success	Management's pivot to using channel partners in Gurgaon marks a major shift in sales strategy to match market norms.	☐
The Street's Primary Anxiety	RM Inflation / Margins	Mgmt expects gross margins of 25-30% on current projects; price hikes are currently outpacing cost increases.	☐
Capital Cycle Stage	Investment	Moving into a "Launch Heavy" year; IFC line is exhausted, focusing now on JV-led capital-light growth.	☐
Margin / Return Trajectory	Stable	Current gross margins at 25-30%; long-term 15% ROE target remains the North Star.	☐
Pricing Power	Expanding	Average realization up 31.7% YoY to ₹4,557 psf, driven by mix and aggressive price hikes.	☐
FCF Conversion & Quality	Strong	Continued positive operating cash flows despite lower deliveries; model is self-funding its land bank.	☐
Competitive Moat Signals	Widening	Niche leadership in Senior Living remains unchallenged by large developers; expansion into Pune adds a new leg.	☐
Balance Sheet Strength	Strong	Net Cash positive (excluding IFC debt); 0.08 Standalone D/E ratio provides massive liquidity.	☐
Working Capital Efficiency	Stable	Inventory as a multiple of annual sales is at 11.6x; focus is now on liquidating older inventory in Jaipur/Bhiwadi.	☐
Mgmt Guidance Track Record	Reliable	Consistent on operational metrics; the ₹1,100 Cr target is bold but backed by RERA approvals in hand.	☐
Key Vulnerability / Red Flag	Project Delays	Handover delays in 8 projects due to labor/construction bottlenecks; requires monitoring for RERA compliance costs.	☐
Management Tone	Confident	Varun Gupta was notably self-critical regarding past Gurgaon strategy while bullish on the new Amarah launch.	☐

Sentiment: ☐Positive

Key Takeaways: * Positives: The fundamental scaling story is intact. Realizations hitting ₹4,557/sq. ft. (a 11% jump from Q4FY22) is the standout metric, proving that Ashiana's niche branding allows it to pass on inflation to customers. The Gurgaon "Anmol" project has turned the corner, selling 1 Lakh sq. ft. in the quarter, validating the "Kid-Centric" thesis in a competitive market. *** Negatives:** Construction inflation remains a "friend" only as long as realizations climb faster; labor and finishing cost increases are now replacing steel as the primary margin threat. Handover delays in 8 projects suggest execution bandwidth is being tested as the company tries to double its sales volume. *** The Street's Concern:** Analysts are skeptical about achieving the ₹1,100 Cr sales target given the ₹152 Cr Q1 start. Management's response is that the target is "launch-dependent," with 2.5 million sq. ft. of inventory (Amarah, Malhar, Advik) hitting the market in H2. *** Watchpoint:** The reception of *Ashiana Amarah* (Gurgaon) and *Ashiana Malhar* (Pune) in the next 90 days. These projects determine whether AHL can break out of its ₹500-600 Cr sales range permanently.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures are primary. Concall used for realization details and land parcel specifics.

Metric	Current Qtr (Q1FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (Value - ₹Cr)	152.14	↑ 191.5%	↓ 18%	□	YoY growth is off a low COVID-base; QoQ dip is seasonal but realizations improved.
Area Booked (Lakh sq. ft.)	3.34	↑ 121.2%	↓ 26.3%	□	Volume driven by Jaipur (Amantran/Umang) and turnaround in Gurgaon (Anmol).
Equivalent Area Const. (Lakh sq. ft.)	3.85	↑ 33.2%	↓ 24.1%	→	Construction pace slowed vs Q4 but remains higher YoY to meet handover targets.
Pre-tax Operating Cash Flow (₹Cr)	27.72	Not Stated	↑ 0.9%	□	Remained stable despite lower deliveries; indicative of strong customer collections.
Realization/sq. ft. (₹)	4,557	↑ 31.7%	↑ 11.3%	↑	All-time high. Driven by Gurgaon pricing and Senior Living premiums.
Revenue Potential Locked (₹Cr)	Not Stated	-	-	-	Total developable potential of ~70 Lakh sq. ft. planned for launch in FY23.
Revenue (₹Cr)	81.22	↑ 149%	↑ 3.8%	□	Increase due to higher handovers in AHL (1.68 Lakh sq. ft. vs 1.14 Lakh in Q4).
PAT (TCI - ₹Cr)	10.29	↑ (Loss in Q1FY22)	↑ 11.6%	□	Reported profitability improving as older high-margin phases are handed over.
Land Bank (New Pot. - Lakh sq. ft.)	6.85	-	-	↑	Acquired 8.08 acres in Bhankrota, Jaipur during the quarter.
D/E Ratio (Consolidated)	0.21	↑	→	→	Stable; includes ₹97 Cr IFC NCDs. Standalone debt remains negligible at 0.08.

2B. SEGMENT BREAKDOWN (Estimated based on ongoing project mix)

Segment	Mix % (Ongoing)	YoY Growth	Realization	Trend	vs Co. Avg	Key Development
Senior Living	17%	High	High	↑	Premium	Chennai/Bhiwadi core drivers; Pune launch (Advik) upcoming.
Kid Centric	17%	Improving	Very High	↑	Premium	Gurgaon "Anmol" turnaround (1L sq ft sold) is a major catalyst.
Premium Homes	66%	Stable	Moderate	→	Base	Focus on Jaipur (Daksh/Amantran) and Jamshedpur volumes.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Sales Value	₹1,100 Crores for FY23.	Needs ₹16 Cr/quarter for next 3 quarters. High reliance on Amarah launch.	Met FY22 internal targets.	High: Launch timing.
Guidance	ROE	15% Long-term target.	Glide path: Currently ~4-5% (est); needs massive scale to hit 10-11% cost of capital first.	Improving from losses.	Accounting-led lumpy PAT.
Guidance	Launches	~2.5 to 3.0 Million sq. ft. in FY23.	1.2-1.4 mn Greenfield + 1.3-1.4 mn existing phases.	Strong pipeline; RERA in for 3 major projects.	Approval delays.
Strategy	Capital Allocation	JV/Revenue Share over Outright.	Focus on being "Capital Light" to improve ROE.	Recent deals in Pune/Jaipur are Rev Share.	Margin sharing with JVs.
Strategy	Sales Channels	Adopt Channel Partners in Gurgaon.	Pivot from "Direct-only" model to capture NCR scale.	Success seen in Anmol (Q1 sales).	Higher selling costs.
Macro	Interest Rates	Agnostic up to 8.5% home loan rates.	Current rates ~7.5-8.0%; cushion is narrowing.	N/A	Shrinking affordability.
Balance	Debt Position	IFC Line Exhausted.	Will use internal accruals (₹165 Cr FY22 OCF) for new land.	Net cash positive (ex-IFC).	Land price inflation.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Piyush Goyal / India Capital	Management Commentary and Outlook	Can we spend a few minutes on what are some of the learnings from Sohna... to make sure that Amarah is a big success?	Management admitted they failed to use channel partners initially in Sohna but have now adopted them while maintaining control over the customer experience through in-house sales briefings. This pivot is critical for scaling in Gurgaon and reduces the risk of the ₹1,100 Cr target being missed due to low footfalls.	None	5.0	Specific and strategic
2	4.5	Rohit P / Marshmallow	Financials	Are we being penalized for our good projects... because our margins will be compressed going forward?	Management clarified that while RM inflation is high, realizations (price hikes) are currently outpacing construction cost increases, especially for projects launched after 2018. This suggests the brand premium is successfully protecting the 25-30% gross margin threshold.	None	4.0	Directional with evidence
3	4.0	Rohit P / Marshmallow	Business Overview	How does the supply look in all our major markets... is the supply	Management noted that apartment supply remains constrained in Jaipur and	None	4.0	Specific market insight

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
				also increasing materially?	Gurgaon as competitors focus on "plotted layouts." This supply-demand gap in built-up units supports Ashiana's pricing power and reduces the risk of price wars.			
4	4.0	Sourabh Gilda / Motilal Oswal	Management Commentary and Outlook	Do we still stand by the guidance of ₹1,100 crores sales... and how do you see our sales trajectory over 2-3 years?	Management re-iterated the ₹1,100 Cr target, noting it is "timing dependent" but not "velocity dependent" as market momentum is strong. This shifts the investor focus from "macro demand" to "internal execution/ RERA" as the primary risk.	None	4.5	Clear and quantified
5	3.5	Harsh Beria	Financials	What is the kind of margins we are making excluding construction costs?	Management indicated a 25-30% gross margin (Sale value less land, construction, and overheads) for current projects, down from mid-40s in older, low-land-cost phases. Investors must reset valuation models for this "new normal" margin profile as older land bank depletes.	None	4.0	Specific data point

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6	4.0	Harsh Beria	Capex and Allocation	How should we see the debt positioning... do you guys want to take it up as you are doing a lot of land deals?	Management stated the IFC line is exhausted and they are now net cash positive, preferring JVs but having the liquidity for outright deals if needed. This confirms the company is in a "self-funding" growth mode, reducing the risk of equity dilution or high-interest debt.	None	5.0	Specific timeline given

PATTERN FLAGS & SENTIMENT * The Gurgaon Pivot: Analysts were hyper-focused on the Gurgaon market, given the *Amarah* launch. Management's admission of learning from the "mixed bag" of *Sohna* (Anmol) and adopting channel partners was a key sentiment booster. The sentiment was "relief" that the company is no longer being dogmatic about direct sales in markets where brokers dominate. * **Margin Floor Discovery:** Significant questioning around inflation and land costs revealed that the 25-30% gross margin range is the new steady-state. Management successfully argued that price hikes are defending this floor, though the days of 40% "legacy" margins are over. * **Execution Anxiety:** While demand is high, the "8 projects delayed" note in the PPT created minor friction. Analysts are watching to see if AHL can manage construction timelines effectively as they ramp up from 1.6 mn sq. ft. constructed (FY22) to much higher levels.

Analyst Sentiment Verdict: Optimistically Skeptical. Analysts believe in the demand for Senior Living and Kid-Centric homes but are skeptical about the *timing* of the ₹1,100 Cr sales jump. Management's credibility improved this quarter by demonstrating a turnaround in the Gurgaon-Anmol project, which was previously a drag on the thesis.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY22)	This Quarter (Q1FY23)	Direction
Realizations	₹4,093 per sq. ft.	₹4,557 per sq. ft.	↑ Strong Growth
Gurgaon Momentum	Improving recovery.	Core growth driver (1L sq ft sold).	↑ Strengthening
IFC Funding	Actively drawing capital.	Line mostly exhausted.	☐ Transition to internal accrual
Sales Strategy	Hybrid/Testing Brokers.	Fully committed to Channel Partners for NCR/ Pune.	☐ Scaling Strategy
Launch Status	Planning phase.	RERA received for 3 major projects (Amarah/ Malhar/Advik).	↑ De-risking Execution
Construction Cost	High volatility (Steel spikes).	More stable but broad-based (Labor/Finishing).	→ Rangebound
Project Timelines	Mostly on track.	8 projects facing 1-quarter delays.	↓ Deteriorating

INVESTOR NOTES: * **The CFO-to-PAT Divergence:** Q1 TCI was ₹10.29 Cr while Pre-tax OCF was ₹27.72 Cr (ratio of 2.7x). This divergence is driven by the "Advance Collection" lever—Ashiana is collecting cash from new bookings (₹152 Cr) faster than it is recognizing revenue/profit under the project completion method. This is a sign of high-quality, cash-rich growth. * **Governance Check:** No new "misappropriation" incidents were reported this quarter, but management's tone remains cautious regarding internal controls as they scale. The "systemic risk" mentioned in Q4 seems to be under monitoring. * **Thesis Verdict: STAY INVESTED.** The thesis is shifting from "recovery" to "expansion." The ability to hike prices by 11% in a single quarter (QoQ) while increasing sales velocity in Gurgaon proves the niche brand moat is working. The primary risk is now purely execution-related (handover delays).