



COMPANY NAME	: ASHIANA HOUSING
BSE Code	: 523716
Time Duration	: 1 year
CMP	: ₹222 (as on 18 May, 2017)
Target Price	: ₹310

The Mid Bridge for the month of May 2017 is Ashiana Housing Limited, a real estate company engaged in providing affordable homes and retirement housing projects. It primarily operates in Rajasthan, and especially in Jaipur, and has now expanded its reach to other states in the country. The company's revenue and profit has grown at a CAGR of 30.6% and 23.8% respectively over a period of five years. We see positive trends emanating from its presence in affordable housing and the dole out of interest subsidy by the government.

**Key Growth Drivers**

**Favourable development on affordable housing :** The company's 90% of the portfolio now comes under affordable housing. The government has relaxed and increased the area under affordable housing by 30% which has benefitted the company. Also, affordable housing has been granted infrastructure status which will ease the process of raising finance for the company. Also, higher allocation under the PM Awaas Yojana from Rs 15,000 crore to Rs 23,000 crore is a positive for the company. Additionally, interest subsidy of 4 per cent for loans up to Rs 9 lakh, and subsidy of 3 per cent for loans up to Rs 12 lakh is a great sentiment booster for the sector.

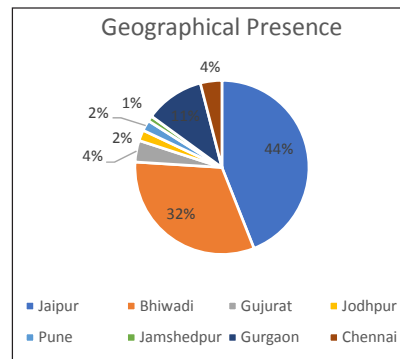
Additionally, imputed rent taxation has been extended for a year which will provide the company some respite on the stressed working capital as the company has some built-up inventory. The tax benefits will also accrue to the builder as under 80-IB the tax will be nil for affordable housing, although MAT need to be calculated. We believe these developments would augur well for the general buyers' sentiments and for the builders who have been facing inventory pile-ups and pricing erosion.

**Unique Business Model :** Ashiana Housing Ltd has a robust business model as against the peers in the real estate industry. The company has focused on affordable housing, in-house construction, facility management and in-house sales providing flexibility at all stages. Its strategy of treating land as a raw material keeps its balance sheet risk free, cash-flows positive, enhances returns and provides flexibility in the choice of market. The company has entered into partnership projects with land owners on profit-sharing basis to make a foray in Tier-II and Tier-III cities. Thus, despite operating in the debt prone real estate sector, the company is net debt-free, with higher return ratios. Due to partnership or joint venture projects, the company saves itself from

land acquisition and approval related issues which makes its business model asset light.

The company has also shifted its focus towards developing projects for senior citizens. Since last few years, due to demographic and social factors, the demand for retirement homes for senior citizens has gone up. Ashiana Housing has created a niche by developing specific houses keeping in mind the special requirements of senior citizens.

**Pan-India presence:** Ashiana Housing has expanded its business in almost all four zones of the country. It currently has ongoing projects majorly in Jaipur, Bhiwadi and Gurgaon followed by Gujarat, Chennai, Jamshedpur and Pune. The demand in tier 2 and tier 3 cities seems to be growing at a hectic pace and Ashiana Housing has cashed in on this opportunity by developing projects at affordable prices in such cities. The ongoing projects in Jaipur and Bhiwadi are expected to be completed by FY19. Projects for senior citizens in Bhiwadi, Chennai and Pune would be completed by end of FY18. The company has lined up many future projects with total saleable area of 95.36 lac sq. feet by reaching out to other areas like Kolkata and Neemrana (NCR).



**Turnaround in real estate sector :** Since last 3-4 years, the real estate industry has gone through a rough phase, especially during the demonetisation drive. But now slowly revival is seen in this sector. Recently, Government of India passed the RERA bill, which could prove to be a turning point for this industry. RERA would stabilize the industry and curb all the rampant malpractices, which would be beneficial for the buyers. RERA would make it difficult for the unorganized segment to do real estate business and this would benefit the organized segment. We expect Ashiana Housing too would benefit from this and continue with robust growth and profitability through more expansion

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plans. RBI has also cut key interest rates which has made availability of homes at more affordable prices possible. We see that the industry is likely to grow on account of various factors, such as revival in the economy, decreasing inflation and bottoming out of residential prices.

**Improvement in realizations :** Average realizations are seen to be improving on YoY basis. In FY16, average realization was Rs 3293 per sq.ft. as against Rs 3022 per sq.ft. in FY15. In Q3FY17, the total area on which construction took place was around 4.64 lac sq.ft., out of which 1.39 lac sq.ft. of area was booked. We see that booked area percentage being less, the company would recover the realizations in the upcoming quarters. Growth in booking was majorly seen in areas like Bhivadi, Jamshedpur and Gujarat in Q3FY17 on QoQ basis.

**Financial Performance :** The company's revenue in Q3FY17 increased by 58.9% to Rs 49.47 crore from Rs 31.13

crore. Other income was lower at Rs 12.9 crore in Q3FY17 from Rs 14.58 crore YoY. Its operating profit margin rose to 30.2% and net profit swelled by 397% to Rs 15.93 crore as against Rs 0.04 cr in Q3FY16. The company is virtually debt-free with low debt-equity ratio of 0.11x. It had healthy interest coverage ratio of 22.43x in FY16.

**Valuation :** The company is trading at TTM P/E of 16.21x with TTM EPS of Rs 13.93. It has TTM ROE and ROCE of 22.17% and 22.99%, which is much healthier as compared to its peers. We see that its revenue may decline in FY17 on YoY basis but expect to see revival from the first quarter of FY18. We expect the company would attract more demand by providing affordable homes to all, including senior citizens. Its expansion plans and new joint venture projects with big entities would boost its revenue growth and profitability. We recommend our investors to **BUY** the scrip with a target price of Rs 310.

Inc/Exp Statement(Consolidated) (Rs in Crore)					
Description	201603	201503	201403	201303	201203
Net Sales	521.23	142.70	110.65	148.66	243.32
Total Income	536.05	164.44	122.80	161.42	248.98
Total Expenditure	381.21	101.81	90.91	113.75	159.30
PBIDT	154.85	62.62	31.88	47.67	89.67
PAT	129.55	46.53	21.86	33.15	69.55
Dividend %	25.00	25.00	25.00	22.50	22.50
Adj. EPS(Rs)	12.64	4.54	2.35	3.56	7.47

Quarter On Quarter (Consolidated) (Rs in Crore)					
Particulars	201612	201609	Q on Q Var%	201512	Y on Y Var%
Net Sales	33.18	115.42	-71.25	29.83	11.23
Total Expenditure	34.53	89.21	-61.29	32.50	6.25
PBIDT (Excl OI)	14.94	27.07	-44.81	-1.37	1190.51
PAT	15.93	20.85	-23.60	0.74	2052.70
PBIDTM% (Excl OI)	30.20	23.28	29.73	-4.40	786.36
PBIDTM%	39.58	30.44	30.03	17.41	127.34
PATM%	32.20	17.93	79.59	2.38	1252.94
Adj. EPS(Rs)	1.56	2.04	-23.53	0.07	2128.57

