

Ashiana Housing Ltd

Momentum to continue; Lavasa approval a positive

Fundamental Grade 3/5 (Good fundamentals)
Valuation Grade 4/5 (CMP has upside)

Industry Real Estate Management & Development

Ashiana Housing Ltd's (Ashiana's) Q2FY12 results exceeded CRISIL Research's expectations. Revenues were above expectations due to higher-than-expected bookings in Rangoli Gardens and Ashiana Aangan projects. EBITDA margin, however, was below expectations due to higher labour and raw material costs. The environment ministry has given a conditional clearance to the Lavasa project, which is a positive; we expect construction to commence within a month. We remain positive on Ashiana given its distinct business model, low gearing and its strong brand in the affordable housing segment. We raise our earnings estimates and maintain the fundamental grade of **3/5**.

Q2FY12 result analysis

- Revenues almost doubled on a y-o-y basis (up 41% q-o-q) to Rs 567 mn driven by faster execution and healthy bookings in the launched projects. Revenues from wholly-owned projects grew 121.8% y-o-y to Rs 565 mn.
- EBITDA margins remained flat on a y-o-y basis though it declined by ~390 bps sequentially to 31.1% due to higher labour and raw material costs.
- PAT grew 83.5% y-o-y (11.9% q-o-q) to Rs 146 mn driven by robust growth in revenues. EPS was reported at Rs 7.8 vs. Rs 4.3 in Q2FY11.

Key developments: Environment ministry clears Lavasa project

- Construction at Lavasa Utsav was halted in November 2010. Recently, on November 6, 2011, the environment ministry gave clearance to this project subject to certain pre-conditions. This is a positive development for the company as its Utsav project (saleable area of 0.7 mn sq.ft), stuck since a year, is expected to commence construction in a month.
- Ashiana acquired 10 acres of land in Uttarpara (West Bengal) where it plans to develop Utsav (for active senior living), a project with a saleable area of 0.6 mn sq.ft. In addition to ongoing projects of ~7 mn sq.ft., its project pipeline has increased to 6.8 mn sq.ft following this acquisition.

Earnings estimates – revised upwards

Given the higher bookings in Ashiana Aangan and Rangoli Gardens and expectations of a strong momentum, we have raised revenue estimates by 7% and 6% for FY12 and FY13, respectively. EBITDA margins are lowered by ~250 bps on higher labour and raw material costs. Change in these estimates led to revision of EPS by 3% to Rs 28 in FY12 and 2% to Rs 29 in FY13.

Valuations: Current market price has upside

We continue to use the net asset value method for Ashiana and retain our fair value of Rs 195 per share. Given the current market price, this translates to a valuation grade of **4/5**. Though Lavasa has cleared its first hurdle, given the conditional clearance, we do not rule out future hurdles for the project. We are closely monitoring the progress on the Utsav project and would lower discount of 50% to its NAV, once there is further clarity on the project.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	918	1,139	1,396	1,915	2,120
EBITDA	222	398	441	650	744
Adj PAT	286	363	429	513	538
Adj EPS-Rs	15.8	20.1	23.1	27.6	28.9
EPS growth (%)	(26.1)	26.8	15.0	19.4	4.9
Dividend yield (%)	-	1.1	1.2	1.2	1.3
RoCE (%)	24.7	32.6	26.8	30.7	28.0
RoE (%)	34.9	32.1	28.2	25.8	21.8
PE (x)	10.4	8.2	7.1	5.9	5.7
P/BV (x)	3.1	2.3	1.7	1.4	1.1
EV/EBITDA (x)	12.8	7.2	5.9	3.8	2.7

NM: Not meaningful; CMP: Current market price

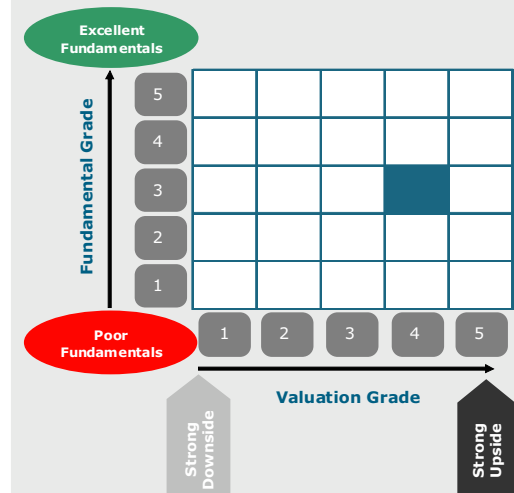
Source: Company, CRISIL Research estimate

November 15, 2011

Fair Value Rs 195

CMP Rs 164

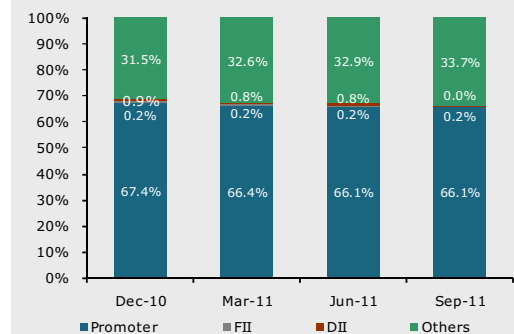
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5069/16883
NSE / BSE ticker	ASHIANA/ ASHIHOU
Face value (Rs per share)	10
Shares outstanding (mn)	18.6
Market cap (Rs mn)/(US\$ mn)	3,049/60
Enterprise value (Rs mn)/(US\$ mn)	2,655/53
52-week range (Rs) (H/L)	185/112
Beta	1.0
Free float (%)	33.9%
Avg daily volumes (30-days)	6,958
Avg daily value (30-days) (Rs mn)	1.1

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
ASHIANA	13%	8%	42%	-3%
NIFTY	-1%	0%	-9%	-17%

ANALYTICAL CONTACT

Chetan Majithia (Head) chetanmajithia@crsil.com
Ravi Dodhia rdodhia@crsil.com
Bhaskar Bukrediwala bsbukrediwala@crsil.com

Client servicing desk

+91 22 3342 3561

clientservicing@crsil.com