



WE'RE
DIFFERENT

Ashiana Housing Limited

Annual Report 2011-12

CONTENTS

We're 
Different
Annual Report 2011-12

02	We're Different	ASHIANA HOUSING LTD.
22	Ashiana's Core Values	59 Company Information
24	About Ashiana	60 Notice
26	10 years at a Glance	72 Directors' Report
28	Operational Highlights	76 Corporate Governance
32	Financial Highlights	87 Auditors' Report
34	Letter from Managing Director	90 Financials
36	Q&A with Jt. Managing Director	108 Summary of Subsidiaries
42	Organizational Structure	CONSOLIDATED RESULTS
44	Key Management Team	111 Consolidated Auditors' Report
48	Management Discussion & Analysis	112 Consolidated Financials

LAND & STRATEGY



04

PRODUCT CENTRIC



06

IN - HOUSE
CONSTRUCTION



08

IN - HOUSE SALES



10

FACILITY MANAGEMENT



12

ACCOUNTING
METHODOLOGY



14

ACTIVE SENIOR LIVING
& CARE HOMES



16

LONG TERM
ORIENTATION



20

WE'RE DIFFERENT

The only common factor in our achievements is our uncommon ways of doing business!

We're, different! Our core values are so deeply embedded into our personalities that it makes us do things differently. The achievements listed above are a reflection of the mindset, ambitions and values that have guided Ashiana since its inception.

At Ashiana, we believe in people. They drive our business and form the backbone of all our progress. The culture of integrity and openness has helped our people flourish and bring out the best in them. Our people believe in going the extra mile to create happiness all around and make the buying experience a memorable one for customers. The philosophy of 'Nurturing Smiles' is embedded in our DNA and has helped us become what we are today.

We are in the business of building, selling and maintaining homes. Our uncommon ways of doing business not only makes us different but also helps us withstand & outgrow the cyclical nature of the business. We invite you to witness our way of doing business.....

We have surpassed the Sales target this year... with 17.8 lakhs sq. ft. of bookings...

We have over achieved the Construction target this year....with 14.6 lakhs sq. ft. of construction...

We collected more money than what we aimed...

We entered into two new locations this year Kolkata and Halol

We launched assisted living services by the name 'Utsav Care Homes' this year

What was common in all these achievements... it is 'We'.

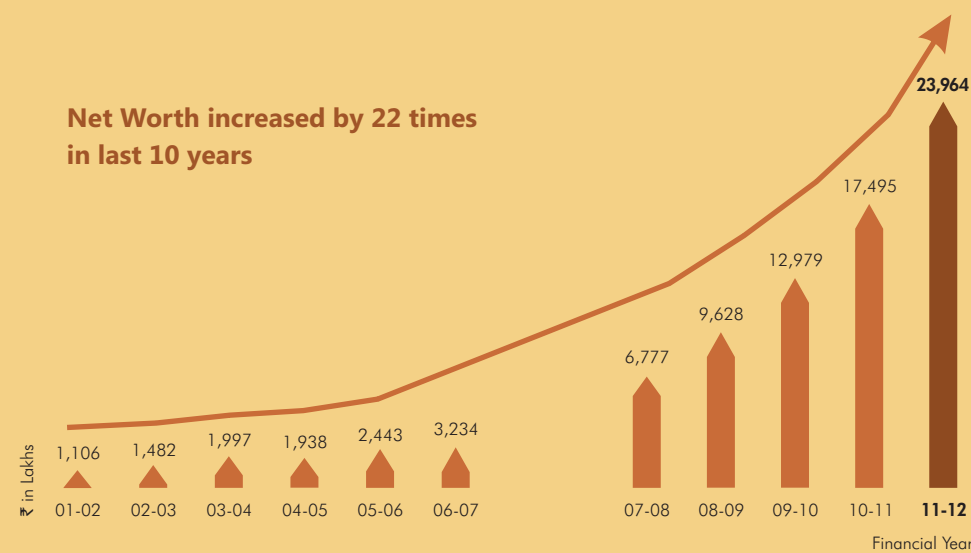


“Our strategy of treating land as a raw material keeps our balance sheet unleveraged, cash flows positive, enhances returns, and makes us flexible in the choice of markets. We are also able to focus on delivering value to our customers than on getting the maximum land.”

Varun Gupta
Director



Net Worth increased by 22 times
in last 10 years



LAND & STRATEGY

Treat land as an inventory to be consumed

“We are glad to be associated with a company that is so transparent and focussed as Ashiana is.”

N.K. Gupta, Chairman
Manglam Build-Developers Ltd.
Land Partner for Ashiana Manglam,
Ashiana Utsav & Rangoli Gardens

To build and sell homes, first step is to acquire a land for development. Ashiana follows the 'development-oriented' approach. Land is treated as an inventory stocked enough for consumption instead of creating large pool of land bank. As a strategy, we first identify the markets to enter, study target customer segments for potential demand, envisage the product and then source land accordingly.

The pre-development stage of any project takes a year on an average and the development period is of around four to six years depending upon the location, type and size of the project. So, maintaining five to seven years of land inventory at every point in time ensures smooth execution of the planned growth while at the same time not blocking too much capital in land bank. Optimum land inventory allows efficient utilization of available capital.

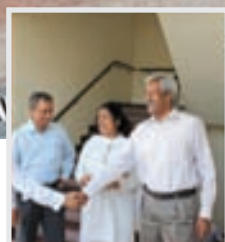
Land is sought in those areas that suit our target segments keeping in view the infrastructure, environmental and regulatory concerns of the location.

We predominantly like to keep capital deployment low in land as compared to the total cost. Therefore, we either purchase land in locations where cost of land as a percentage to total cost is lower or we partner with land

owners by way of area sharing, profit sharing or revenue sharing. Partnering with land owners who have local expertise and know-how of regulatory procedures in the pre-development stages of the project, helps us getting the approvals quickly in new markets, reduces the amount of investment required and also limits the title and developments risks to a large extent.

Our model allows us to do more projects than what we would have done had we invested in land. It also helps us in managing our capital better and in mitigating financial risks due to the diversification over multiple projects given the same capital. If we look at the net worth of the company, it has grown 22 times in last ten years from ₹ 11.06 crores as on March 31, 2002 to ₹ 239.64 crores as on March 31, 2012 without any dilution of equity or leveraging balance sheet.

JV partners who own land also benefit greatly from the company's method of operation – the entire process from planning, engineering, designing and execution – all being integrated. There is a seamless progression from start to finish, and there after too, by way of continuing upkeep and maintenance. This adds not only to the capital value of the project but to the brand value of the partners associated with us.



Large Image - Rangoli Gardens, Jaipur, Small Left Image - Ashiana Team
Small Right Image - Chairman, Manglam-Build Developers Ltd.



“Product centric approach keeps us focussed on how to develop people, system and expertise so that we can become best in the given product.”

Ankur Gupta
Jt. Managing Director

2 PRODUCT CENTRIC

GROUP HOUSING • ACTIVE SENIOR LIVING

“Booking a house at Aangan was a wise decision. It has transformed into a beautiful abode and the garden is a feast to the eyes. I now believe that... you do nurture smiles.”

Suman Verma, Unit owner of Aangan Bhiwadi.

There are two ways in the industry to expand. One is the 'Location-Centric' approach, where the developers base themselves out of a location, study the economics of the location, get familiar with the project approval process and develop products in multiple segments (like residential, commercial, retail, hotels, townships etc) in the given location.

Ashiana, follows the other. We focus on two particular segments of the real estate industry. These are 'Group Housing' for middle income groups and 'Active Senior Living' complexes for senior citizens. We plan to take the company's presence across India to serve this target market. It makes us 'Product-Centric' rather than 'Location-Centric'.

We believe that over last three decades we have well understood the nuances of the product that we sell, the demands/requirements of the target segment we serve. As a strategy we want to leverage that expertise in different locations. For example, as our product caters to the mid-income level households, most of our clientele is salaried and hence prefer getting their homes financed through banks. So, keeping that in mind, we developed

strong networks/relations with financial institutions across all the locations we entered.

As for Active Senior Living, our products are designed keeping the end-user requirements in mind. Therefore, we have specially trained staff to understand and communicate with that specific clientele. We focus not just on selling the product, but also on the experience that people will have as they start living in the homes built by Ashiana.

The challenge for us in following this strategy is in understanding the macro-economic factors of new locations and managing the regulatory environment. Here our Joint Venture model helps in tapping new markets where we enter into agreements with land-owners that have local expertise and know-how of the regulatory procedures in the pre-development stages of the project.

We believe that this functional expertise combined with the local understanding of the markets helps us in offering the value propositions which attract the potential buyer faster than the rest.



BHIWADI
•
JAIPUR
•
JODHPUR
•
JAMSHEDPUR
•
LAVASA
•
HALOL*
•
KOLKATA*

*coming soon



“ At Ashiana, we focus on building our construction, sales, marketing and post handing over capabilities. We strive to create happy communities.”

Vishal Gupta
Managing Director



Biswajit Sengupta,
Alumni of IIT Kharagpur,
is associated with Ashiana
for more than 32 years & has
designed 1.75 crore sq.ft.
of area till date.



Small Left Image - **Biswajit Sengupta - Architect**, Small Centre Image - **Ashiana Engineers at site**,
Small Right Image - **Architectural Team**, Large Image - **Engineering Team**

3 IN-HOUSE CONSTRUCTION

Flexibility at all stages

To build the right kind of homes for the customers targeted is a constant endeavor at our construction sites. Ashiana has an in-house construction team having expertise in building value homes for long. The team ensures these homes are built in accordance with the inputs from land acquisition team and the requirements of the target customers.

In-house construction also helps us maintain a much better control over quality. We aim to use the latest construction technologies as well as the latest materials in our projects. One example is to move to CPVC pipes and fittings for in-house plumbing. This product has come in the Indian market over the last decade, and we have been among the early adopters. Not only does it last longer and is corrosion resistant, but it can be fitted out much faster than normal GI pipes, and costs per running square feet are also lower.

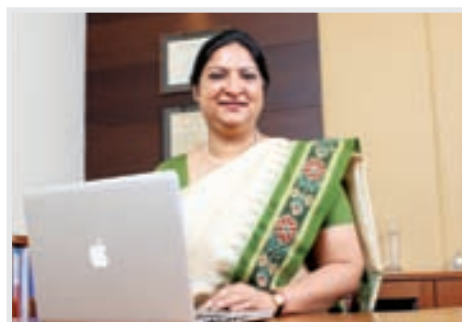
The other big advantage of an in-house, dedicated team of engineers and employees is the substantial control over the time taken for completion of projects. Reduction in total costs due to margins saved which otherwise would

have gone to the third party contractor results in efficiently priced homes and better margins to us as well.

Also, in case of third party contractors, one cannot be flexible for incorporating any change in terms of design, finish, materials etc. The phase-wise construction approach been followed at the company results in constant learning and also allows us to re-design and make changes to the later phases of any project before launches according to the customer expectations.

The continuous interaction between the sales, design and engineering teams ensures the delivery of right products for the customers.





“Having in-house sales team is a win-win situation. It increases customer satisfaction through direct and transparent communication, creates better feedback channel and builds long term relationships.”

Anupama Gulati
GM - Sales & Marketing



Large Image - Ashiana Sales & Marketing Team, Small Left Image - Ashiana Villas, Bhiwadi
Small Centre Image - Ashiana Greenwood, Jaipur Small Right Image - Ashiana Amarbagh, Jodhpur

4 IN-HOUSE SALES

To create direct communication channel

“Kudos to the team of Ashiana Builders, every employee at every level makes it a point to be professional in their individual capacities and transactions.”

Monisha Roy Chowdhury,
Head of Department - Resources/Scottish
High International School, Gurgaon.

With the right product in hand for the prospective buyers, it is imperative for the sales team also to be well versed with the attributes of the project, the requirements of the target audience to cater among other things. Buying a home is a lifetime decision and buyers need to be thoroughly satisfied before purchasing one. Our experience shows that actual users take comparatively longer time in decision making and site-visits play a very important role. So, training the sales executives to cater to all the queries of the customer becomes a necessary condition.

In-house sales team is trained on the entire details of the project starting from hard infrastructure to the soft infrastructure around the project, from technical specifications of materials used in the project to the payment structure of the different categories of units available, from funding/loan options to the legal documentation required in the location. Also, the team is trained on company's ethos to ensure the buying process becomes a smooth, flawless and a memorable experience for the customer.

Direct selling creates a direct communication channel of the company with customers. It is also a great feedback channel for the company as observations and feedback received from sales team is acted upon faster which results in continuous improvement of our products and creation of better value homes.

Leading indicators like enquiries and site visits play a crucial role in generating sales. Direct sales team also helps in keeping a tab on these indicators on a regular basis.

Another big advantage of using in-house sales team is that we end up attracting mostly end users in our projects. This results in our projects getting occupied faster and also ensures that there is no active secondary market of companies units, which are selling at a discount to our rack rates. This greatly helps us in maintaining our sales momentum and in turn regular cash flows from the projects.





“AHL puts the heart and VML completes it by putting the soul... that makes your home a HAPPY HOME.”

Atma Sharan
VP - Facility Management

5 FACILITY MANAGEMENT

To provide quality maintenance to all Ashiana properties



Large Image - Ashiana Suncity, Jamshedpur, Small Left & Right Image - VML Team

“All our needs are immediately taken care of. The maintenance team is very helpful and always goes out of the way to make living at Amarbagh comfortable.”

Mr. Khursheed Alam
Resident of Ashiana Amarbagh, Jodhpur



At Ashiana, we take great pride in providing beautiful, comfortable and secure homes, which is reflected in our motto 'Nurturing Smiles'. Having created homes with care and attention to detail, it is very important to maintain these properties so that they can retain the look and feel of a new home and the

investment made in properties continues to increase with time. Proper maintenance increases the life of homes and enhances their capital values; besides provide comfortable living and peace of mind to current inhabitants.

VML a wholly owned subsidiary of Ashiana is constantly improving and streamlining its operations to provide quality maintenance to all Ashiana properties. VML's facility management maintains over 5000 flats in over 17 complexes, covering an area of 5 million sq. ft.

VML does more than maintaining the buildings with respect to electrical and civil works, or the water supply, security, cleanliness, gardens etc. by organizing sporting and recreational events for residents and encouraging RWA to be active, VML fulfils an important social role. It also provides resale and rental services for its residents which in turn helps Ashiana keeping a tab on the current capital values and occupancies in its projects.

Effective monitoring systems like MIS and follow-up reports ensure timely, economical and efficient maintenance. On-site and off-site training further ensure a pool of skilled manpower that is sensitive to the needs of the residents.

Although, not being a very profitable segment, this business helps in understanding our customers better and completes the entire value chain. This is also a direct feedback channel which helps us in continuously understanding our customer's expectations and

improving our products accordingly. Primary information on markets like resale and rental values, occupancies etc, is also readily available to take further strategic calls.

Providing facility management services also increase the buyer's confidence in us and helps a long way in building the brand. Over time it also creates brand loyalty which helps us in selling subsequent projects to referrals from the current inhabitants of the projects.

We feel that facility management is a strong differentiator for our projects and has over time helped us build a strong reputation.





“Working always with smile and happiness makes the work fun – we enjoy doing it – it motivates us.”

Manojit Sengupta
GM - Accounts & Finance



Large Image - Accounting Team

6 ACCOUNTING METHODOLOGY

Contract completion method



Broadly, real estate companies follow two type of accounting policies—(1) percentage of completion (POC) method, and (2) contract completion method. Within each of these, companies have different thresholds before they start booking revenues.

We shifted from the contract completion to POC method in 2006. Benefits of POC method are that as the construction happens and sales get booked, revenues are recognized and so there is a smoothness in reported revenues over quarters. Under the POC method, revenue gets accounted after a certain minimum cost threshold is reached, which can vary from 5-10% of total budgeted costs to as much as 25%.

However, POC method does not reflect market risks, liabilities and assets accurately. Till the delivery of the unit to the customer, the entire amount received from the customer is a liability for the company and the risk of ownership of the property is only transferred upon delivery of the unit to the customer. For example, the company had recognized revenues from the Utsav, Lavasa project under POC method, and then the project was put on hold by the Ministry of Environment and Forest. Now one must ask what was the liability of the company if that project had not received eventual clearance and had to be discontinued. The liability of the company would have been to refund the entire amount received from the customers of Lavasa and

not the amount reflected in the Balance Sheet, which was reduced by the amount of revenues recognized from Lavasa. The POC method understates both the liabilities and assets of the company. It is also our belief that for a real estate company, the balance sheet is the more important indicator of the financial health of the company as compared to the profit and loss statement because our operating cycles tend to be in multiple accounting periods. Under contract completion, revenues are recognized when the unit is completed and either possession is transferred or deemed to be transferred to the customer. Till that time, whatever cash inflows happen from customers on the projects are recorded in the current liabilities under 'Advance from Customers' and direct expenses incurred are accounted in 'Work in Progress' under inventories in the Balance Sheet. Revenue recognition gets lumpy as units tend to be delivered in batches and not continuously. It also delays revenue recognition till the completion of units.

The next two years will be a transition phase when the projects nearing delivery have had been accounted under POC method and all the projects under contract completion will be in-construction mode, hence creating volatility in revenues reported. Revenues and profits recognized in the next two years will be significantly lower than that recognized in previous years and will not be comparable to the previous years figures. So for the

coming couple of years, it will be difficult to compare the growth of the business through income statement. The best way will be to look at key growth drivers like sales booked, construction done and operating cash flows generated.

However, the long-term benefits of contract completion accounting by far outweigh the short-term transition issues involved. As outlined earlier this conservative method of accounting will more accurately reflect the assets and liabilities of the company. This will make it easy to understand the operating cash flows of the company, which is one of the most important parameter to appreciate the financial health of the company. It will also better reflect the margins of the company, as they will be directly linked to the delivered homes and square footage and not subject to future estimations of project cost.

The other benefit of contract completion accounting to the company is that it will help maintain the financial discipline for the business as a whole. The 'Advance from Customers' in the liabilities side and 'Inventories' in the assets side will let us help in ensuring that the cash inflows from one project are utilized towards the cash outflows of the same project. It will be apparent if advances from a project are utilized to procure land of another project. Lack of discipline around this has been the bane of the industry

and has resulted in project delays and mismatched cash flows for many developers. We at Ashiana clearly want to avoid this mistake.

Also, contract based method is in compliance with IFRS standards and it will be an important aspect in making our financial statements comparable to those of international players. Whenever it is adopted by the industry at large in India it will help in making the companies comparable on key drivers.

The shift to contract completion method of accounting from POC method will bring with it short-term pain in terms of reported revenues and profits for the next two years. It will make our profit and loss statement more volatile and not comparable on a quarterly basis. But, the contract completion method of accounting better reflects assets and liabilities of the company. It will easily reflect the company's financial discipline or the lack of it in utilization of advances from customers. It will create incentives to deliver faster to ensure revenues get reported. Cash flows of the company will be easier to comprehend and margins will not be subject to estimations of future cost. Contract completion method of accounting has its shortcomings but overall it will better capture the financial health of the company.

“We, at Ashiana, believe that life is a gift, to be enjoyed & maximized. That, infact, is the inspiration behind 'Utsav'. Let's live each moment of our life!”

Mrs. & Mr. Bhalla
Resident of Ashiana Utsav, Bhiwadi

“Working at Care Homes is highly challenging and learning experience and I am among the lucky few who get such an opportunity which helps one to grow as a person and gives great personal satisfaction.”

Dr. Muralidhara C.P
Manager - Utsav Care Homes






7 ACTIVE SENIOR LIVING & CARE HOMES

India's largest chain of Senior Living

Bottom Image - Ashiana Utsav, Bhiwadi

