

## Arihant Superstructures – Developing a Growth Story

Arihant Superstructures first entered the real estate business in 1994 and is a leading name in the Mumbai-Navi Mumbai region. The company predominantly operates across 11 micro markets in the MMR region and has a few legacy projects in Jodhpur, Rajasthan. It holds one of the highest market shares in Navi Mumbai and is the largest player in the mid-income housing sector in the MMR region.

- Robust Growth and Diverse Portfolio – Key Financial Metrics and Upcoming Projects:** The company's 3-year revenue CAGR stands at 24%, while its EBITDA 3-year CAGR is 30%. The development area grew by 8X in the last decade, reflecting a strong focus on growth in the coming years. The 3-year PAT CAGR is 60%. For FY24, collections stood at Rs 500 Cr, and 15.49 Lc sq ft were sold, amounting to Rs 900 Cr. EBITDA margins stood at 22.37% and PAT margins stood at 13.54%. The forthcoming project order book covers 9.52 Mn sq ft across locations like Panvel, Shilphata, Khopoli, Chowk, Taloja, and Kalyan. The company offers a broad range of products at various price points, providing choices to prospective customers and generating free cash flows efficiently from value-accretive projects.
- Arihant Superstructures – Strong Brand, Integrated Capabilities, and Premium Ventures:** Arihant Superstructures has established a strong brand and fully integrated in-house capabilities for land acquisition and procurement, design and engineering, EPC, and marketing and sales. The company is capable of managing end-to-end project operations while maintaining high standards of quality and robust engineering. It has also engaged in JV/JD asset-light model arrangements, comprising 19% of its total ongoing projects. The company's major project, World Villas, represents its venture into the premium luxury segment, featuring a sports gymkhana on 77 acres of land and a hotel off the old Mumbai-Pune highway.

### Key Takeaways from the Management Visit:

- World Villas:** Arihant Superstructures announces its premium luxury product series, Arihant World Villas, with an outright land purchase of ~77 acres at Chowk, Panvel. This location, surrounded by nature and situated off the old Mumbai-Pune highway, will feature a development area of 1.8 Mn sq ft with a GDV exceeding Rs 1,000 Cr across the development of 362 villas. The project includes a gymkhana, named Club 10 Gymkhana, which will generate revenue from membership fees, and a hotel with 221 keys spread over 9 acres. Both the gymkhana and hotel will require a capex of ~Rs 200 Cr and are expected to generate annuity income with an IRR of 15%.
- Growth Story:** The company is on a growth trajectory with an upcoming launch order book of 1.1 Mn sq ft. in FY25. Management has projected a launch increase of 10%-20% YoY and expects revenue growth of 25% in the coming years. Average realizations saw a 7% increase in FY24, and further appreciation of around 10% in these micro markets is anticipated. Major launches are expected in H2FY25 for projects such as 'World Villas,' 'Arihant Avanti,' 'Arihant Anaika,' and 'Arihant Adarsh.'
- The company may incur additional debt to accelerate growth. It expects collections of Rs 700 Cr for FY25 and plans a land capex of about 300 acres. The company also anticipates becoming cash flow positive by FY26.
- Valuation:** Currently, the stock is trading at a 20.6X EV/EBITDA

### Key Financials (Consolidated)

(Rs Cr)	FY21	FY22	FY23	FY24
Net Sales	270	331	389	504
EBITDA	50	71	80	113
EBITDA %	19%	21%	21%	22%
Underlying Net Profit	16	41	43	63
EPS (Rs) Underlying	1.33	2.71	10.02	7.62

Source: Company, Axis Securities

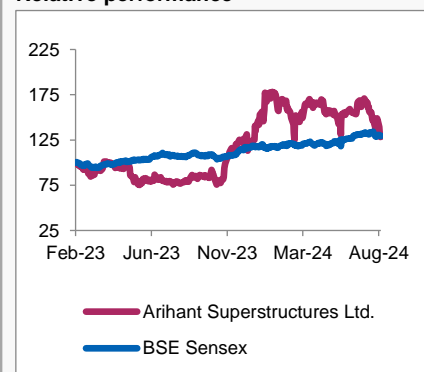
(CMP as of 14<sup>th</sup> Aug 2024)

CMP (Rs)	280
High/Low (Rs)	416/157
Market cap (Cr)	1,168
Avg. daily vol. (6m)Shrs.	60.46
No. of shares (Cr)	4.11

### Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	74.7	74.7	74.7
FI	0.6	0.0	0.0
Mutual Funds / UTI	0.0	0.0	0.0
Financial Institutions	0.0	0.0	0.0
Others	24.7	25.3	25.3

### Relative performance



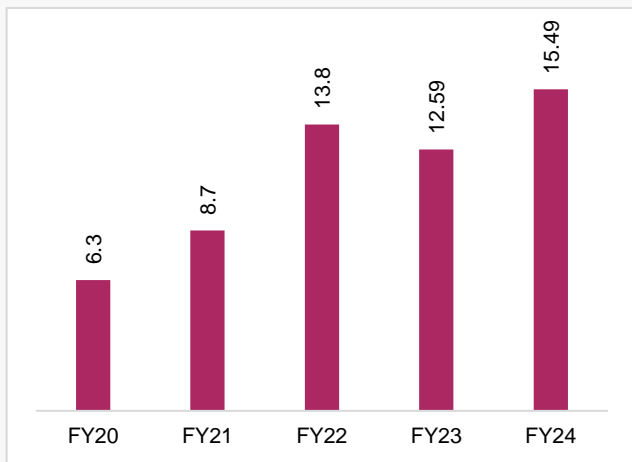
Source: ACE Equity, Axis Securities

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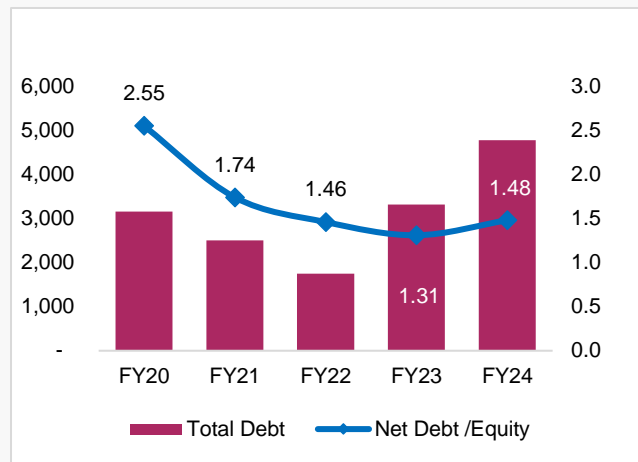
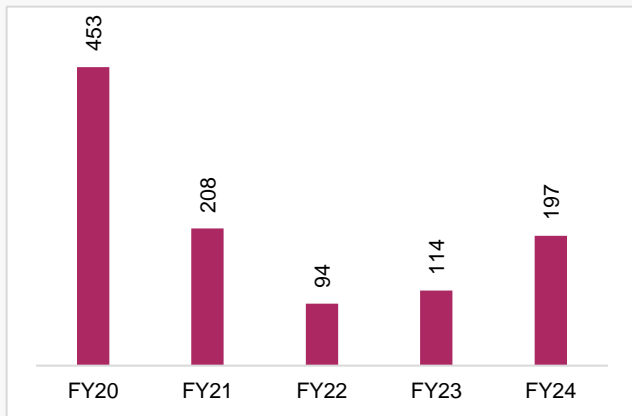
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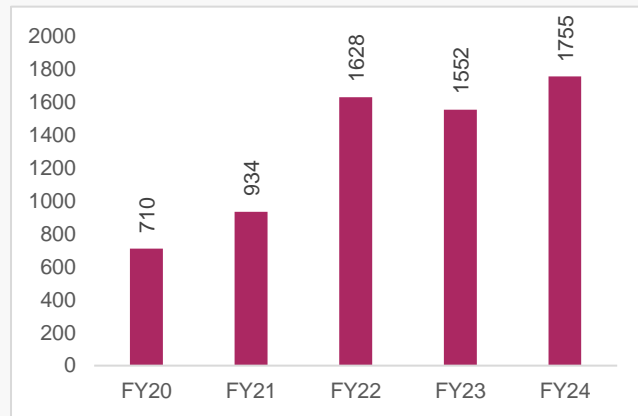
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**Exhibit 1: Increasing trajectory of Area Sold in Lc Sq Ft.**


Source: Company presentation

**Exhibit 2: Net Debt/Equity in line with guidance**

**Exhibit 3: Reducing unsold inventory showing higher real estate housing demand**


Source: Company presentation

**Exhibit 4: Improving demand showcasing increasing number of units sold.**

**Exhibit 5: Arihant Superstructure's Debt Profile**

Gross Debt	474.7
Less: Cash	15
Net Debt	460
Net Eq	323
<b>Net Debt/Equity</b>	<b>1.4</b>


Source: Company presentation

**Exhibit 6: Upcoming Projects Pipeline for FY25**

Project	Location	Category	Timeline	No. of Units	Area (Sq. ft.)	Est. Revenue potential (INR Cr)
World Villas	Chowk	Premium	Q2 - FY25	181	8,68,800	450
Avanti	Shilphata	Mid-Income	Q2 - FY25	321	2,43,000	150
Anaika 7	Taloja	Affordable	Q2 – FY25	294	1,94,401	97
Aloki	Karjat	Affordable	Q3 - FY25	198	1,52,769	52
Anmol	Badlapur	Affordable	Q3 - FY25	178	1,29,084	50
Adarsh	Taloja	Affordable	Q4 - FY25	427	3,04,070	155
<b>Total</b>				<b>1,599</b>	<b>11,10,124</b>	<b>954</b>

Source: Company presentation

**Exhibit 7: Residential Project Arihant Aloki & Aruhant Aayan**

Arihant Aloki	
	
Revenue Potential	INR 1000 Mn
Total Units	392
Total Saleable Area	2.49 lakh Sq.ft.
Completion Status	Phase 3 - 61.3% Phase 4 - 70.1% Phase 5- 8%

Aruhant Aayan	
	
Revenue Potential	INR 1,500 Mn
Total Units	230
Total Saleable Area	1.58 lakh Sq.ft.
Completion Status	38.9%

Source: Company presentation

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Net Sales	188	239	233	270	331	389	504
EXPENDITURE :							
Increase/Decrease in Stock	-16	-52	34	31	-92	-36	-7
Cost of Construction and Development	128	196	121	151	289	280	308
Employee Cost	11	13	12	12	16	19	26
General and Administration Expenses	9	10	9	6	11	13	
Selling and Distribution Expenses	15	16	14	21	35	35	26
Miscellaneous Expenses	3	3	1	1	2	0	
Total Expenditure	151	186	190	222	261	312	399
Operating Profit (Excl OI)	37	53	43	48	70	78	105
Other Income	1	4	5	2	2	2	8
<b>Operating Profit</b>	<b>38</b>	<b>57</b>	<b>48</b>	<b>50</b>	<b>71</b>	<b>80</b>	<b>113</b>
Interest	15	32	30	28	21	26	26
<b>PBDT</b>	<b>23</b>	<b>25</b>	<b>18</b>	<b>22</b>	<b>50</b>	<b>54</b>	<b>107</b>
Depreciation	1	2	2	2	2	2	2
Profit Before Taxation & Exceptional Items	22	23	16	20	48	52	81
Profit Before Tax	22	23	16	20	48	52	81
Provision for Tax	7	4	5	4	7	10	17
<b>Profit After Tax</b>	<b>15</b>	<b>18</b>	<b>11</b>	<b>16</b>	<b>41</b>	<b>43</b>	<b>63</b>

Source: Company, Axis Securities

### Balance Sheet

(Rs Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Share Capital	41	41	41	41	41	41	51
Share Warrants & Outstandings	0	0	0	0	0	0	
Total Reserves	76	80	86	98	137	169	213
Shareholder's Funds	118	121	127	139	178	210	264
Minority Interest	10	15	20	25	25	36	54
Secured Loans	98	170	162	124	136	147	
Unsecured Loans	74	131	153	126	39	170	
Deferred Tax Assets / Liabilities	0	0	0	0	0	0	
<b>Total Non-Current Liabilities</b>	<b>172</b>	<b>301</b>	<b>316</b>	<b>250</b>	<b>175</b>	<b>317</b>	<b>417</b>
<b>Total Current Liabilities</b>	<b>377</b>	<b>289</b>	<b>285</b>	<b>275</b>	<b>476</b>	<b>470</b>	<b>455</b>
Liabilities as Held for Sale and Discontinued Operations							
<b>Total Liabilities &amp; Equity</b>	<b>676</b>	<b>725</b>	<b>748</b>	<b>689</b>	<b>854</b>	<b>1033</b>	<b>1191</b>
ASSETS							
Total Non-Current Assets	61	56	56	52	55	62	65
Total Current Assets			691	636	794	970	1125
<b>Total Assets</b>	<b>676</b>	<b>725</b>	<b>748</b>	<b>689</b>	<b>854</b>	<b>1033</b>	<b>1191</b>

Source: Company, Axis Securities

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