

**CMP: INR 189**

**Rating: BUY**

**Target Price: INR 267**

**Stock Info**

BSE	506194
NSE	ARIHANTSUP
Bloomberg	ARSU:IN
Reuters	ARIS.NS
Sector	Realty
Face Value (INR)	10
Equity Capital (INR cr)	41
Mkt Cap (INR cr)	778
52w H/L (INR)	261 / 100
Avg Yearly Volume (in 000')	129.2

**Shareholding Pattern %**

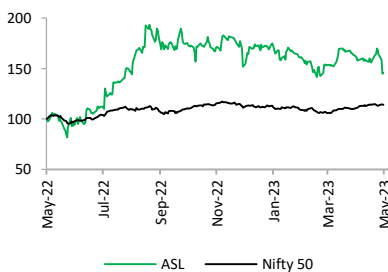
(As on Mar, 2023)

Promoters	74.71
DII	1.39
FII	0.69
Public & Others	23.21

**Stock Performance (%) 3m 6m 12m**

ASL	-9.9	-15.3	45.4
NIFTY	4.7	-1.2	14.1

**ASL Vs Nifty**



**Abhishek Jain**

abhishek.jain@arihantcapital.com  
022-422548871

**Balasubramanian A**

bala@arihantcapital.com

**Arihant Superstructures Ltd (ASL)** reported numbers, Q4FY23 revenue de-grew by 7.3% YoY (-43% QoQ) to INR 65cr vs our estimates of INR 95cr. Gross Profit stood at INR 27cr (-24% YoY/-39.6% QoQ) vs our estimates of INR 37cr, Gross Margin contracted by 919 bps YoY (up by +237 bps QoQ) to 42% vs 52.1% in Q4FY22. Raw material cost in terms of sales stood at 58% vs 48.8% in Q4FY22. The employee cost in terms of sales stood at 8.4% vs 6.9% in Q4FY22. The other expenses in terms of sales stood at 18.4% vs 20.9% in Q4FY22. EBITDA stood at INR 10cr (-39.8% YoY/-66.2% QoQ) vs our estimates of INR 24cr, EBITDA Margin contracted by 821 bps YoY (down by 1042 bps QoQ) to 15.2% vs 23.4% in Q4FY22. PAT stood at INR 0.23cr (-97.6% YoY/-98.8% QoQ) vs our estimates of INR 14cr, PAT Margin contracted by 1363 bps YoY to 0.4% vs 14% in Q4FY22.

The company sold 1,552 units (-4.7% YoY) in FY23 vs 1,628 units in FY22. The volumes stood at 12.6 lakh sq. ft (-8.8% YoY) in FY23 vs 13.8 lakhs sq. ft in FY22. The sales value stood at INR 773cr (+1.2% YoY) in FY23 vs INR 764cr in FY22. The collections stood at INR 483cr (+16.1% YoY) in FY23.

**Key Highlights**

**New launches would improve the margins:** The pipeline launches have 2,500 flats with an estimated revenue potential of INR 1,000cr in Mumbai & Jodhpur. The ongoing projects have unsold 1,600 flats at estimated revenue of INR 1,000cr and the company is focused to sell 60% of inventory in FY24. The new launches contribute higher margins as compared to old projects and blended margins would improve going forward. The new purchase of land for new projects is around 165 acres in FY23 and is expected to cross 200 acres in FY24. The new projects goes for plotted development and villa projects in sales and rental models.

**Galenia is witnessed strong traction on booking:** The company launched a new tower (Galenia) in the existing project Arihant Aspire in Mar-23. The tower comprises of 43 storeys with ~3.74 lakh sq.ft saleable area with modern lifestyle amenities. The tower consists of 366 units and around 64% of units were booked as of FY23.

**Focused on the consistent pace of deliveries:** The company has delivered between 700 to 900 units in past years and most of the projects were under construction stage in FY22 and expected significant deliveries going forward. The company has delivered 867 units as of FY23 and deliveries are expected to improve going forward.

**Outlook & Valuation:** Arihant Akarshan project halt and delay in the Avanti project are expected to impact faster sale growth. However, more than seven new launches are in the pipeline and have a revenue potential of more than INR 900cr. The company has a revenue potential of more than ~ INR 6,000cr which is including upcoming new launches, utilization of funds allocation to new multiplier projects, margin improvement through new launches and appropriate price hikes, easing of commodity prices led to a recovery in margins, gaining market share from micro markets and free cash flows from existing & new projects which are expected to create value going forward. We maintain our "BUY" rating at a Target Price of INR 267 per share based on DCF; an upside of 41.4%.

## Q4FY23 Results

## Income statement summary

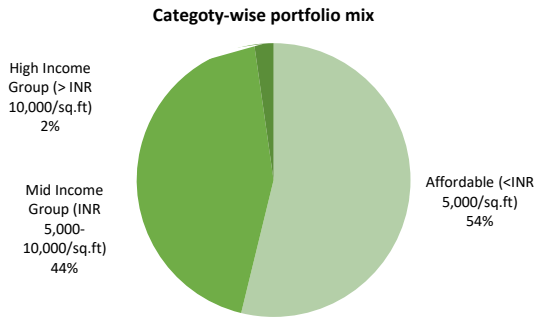
Particular (INR cr)	Q4FY22	Q3FY23	Q4FY23	YoY (%)	QoQ(%)
<b>Revenue</b>	<b>71</b>	<b>115</b>	<b>65</b>	-7.3%	-43.0%
Net Raw Materials	34	69	38	10.1%	-45.2%
Employee Cost	5	5	5	12.7%	4.1%
Other Expenses	15	11	12	-18.3%	11.5%
<b>EBITDA</b>	<b>17</b>	<b>29</b>	<b>10</b>	<b>-39.8%</b>	<b>-66.2%</b>
<b>EBITDA Margin (%)</b>	<b>23.4%</b>	<b>25.7%</b>	<b>15.2%</b>	<b>-821 bps</b>	<b>-1042 bps</b>
Depreciation	0.4	0.5	0.5		
Interest expense	5	8	9		
Other income	0.7	0.5	0.7		
Exceptional Items	-	-	-		
<b>Profit before tax</b>	<b>12</b>	<b>22</b>	<b>2</b>	-86.4%	-92.8%
Taxes	2	2	1		
<b>PAT</b>	<b>10</b>	<b>20</b>	<b>0.23</b>	<b>-97.6%</b>	<b>-98.8%</b>
<b>PAT Margin (%)</b>	<b>14.0%</b>	<b>17.4%</b>	<b>0.4%</b>	<b>-1363 bps</b>	<b>-1704 bps</b>
Minorities and other	1	5	1		
Other Comprehensive income	(0)	-	(0)		
<b>Net profit</b>	<b>9</b>	<b>15</b>	<b>(1)</b>	-111.5%	-107.3%
<b>Net Profit Margin (%)</b>	<b>13.1%</b>	<b>12.7%</b>	<b>-1.6%</b>	<b>-1473 bps</b>	<b>-1433 bps</b>
EPS (INR)	2.4	4.8	0.1		

Source: Company Reports, Arihant Capital Research

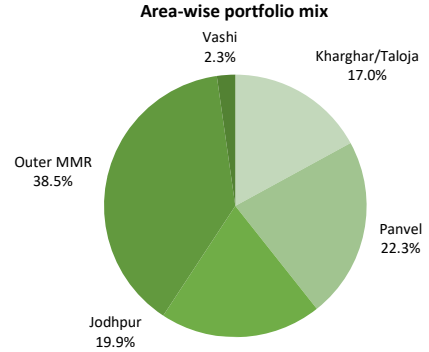
## Concall Highlights

- The company has guided sales CAGR of 35%-40% and revenue growth of 25% YoY, with a similar level of margins. The company has softened its sales guidance as the Arihant Akarshan project has halted and the Avanti project got delayed.
- The company has launched a new tower named “Galania” in the existing project “Arihant Aspire” which has 366 units with 3.74 lakh sq ft of area and the company has already got booking for 234 units. The company has added from 130 acres to 165 acres in FY23, plans to add 45 acres in Q1FY24 and the funds are in place
- The new launches contribute higher margins as compared to old projects which keep getting phased out. So more launches will lead to higher margins.
- Net Debt stood at INR 323cr; INR 175cr debt is from unsecured loans from promoters, and the rest is institutional debt.
- Launch pipeline includes Anmol, Aaradhya, Aspire alki, Avanti, and TBD which accumulates to an area of 1,836,575 sq ft and a value of INR 904cr. In FY23 the company delivered 867 units as against 328 units in FY22.
- Arihant Akarshan has been halted and not shelved off due to DP Plan zoning reservation. The company had informed each and every customer regarding the issue and returned money for 275 units booked and not a single complaint has been cropped up in this regard. The company has forgone revenue of INR 800cr-900cr over a period of 4 years of revenues due to the halting of this project.

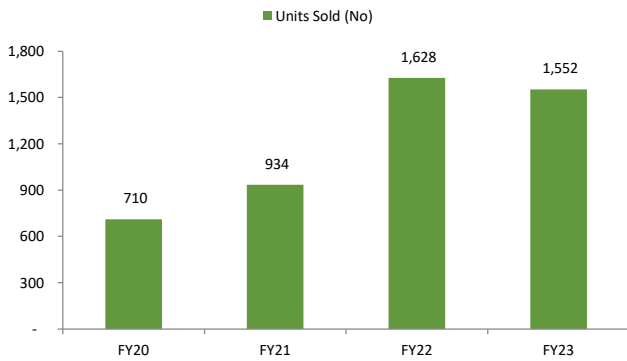
**Exhibit 1: 98% of portfolio consists of affordable and mid income.**



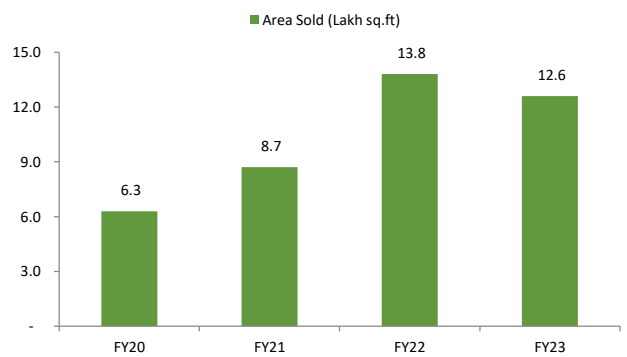
**Exhibit 2: Well diversified in micro markets.**



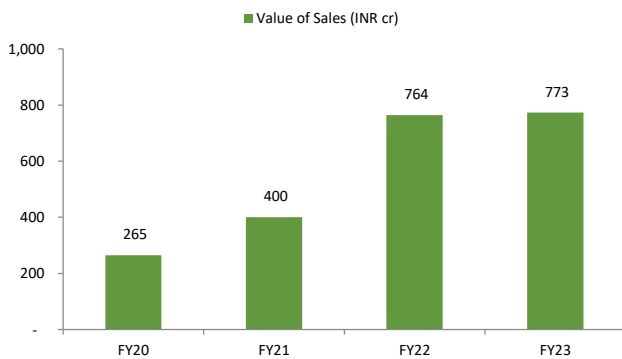
**Exhibit 3: Units sold has been more than 2x in 4 years.**



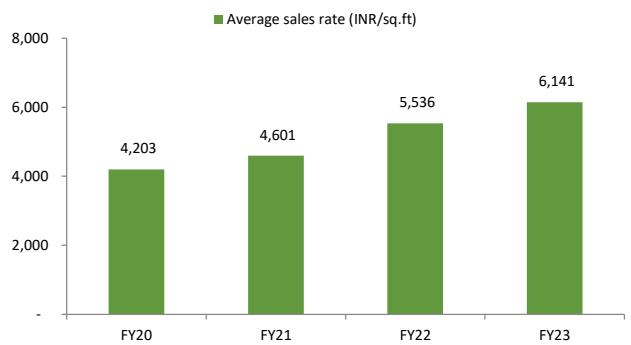
**Exhibit 4: Area sold has been more than 2x in 4 years.**



**Exhibit 5: Sales value is expected to reach above INR 1,000cr by FY24E.**



**Exhibit 6: Continuous improvement on realizations.**



Source: Company Reports, Arihant Capital Research

## Sales Bookings

Sales Booking (INR cr)								
Company	Projects	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	Total
ASL	Anchal	73	98	132	136	137	61	636
	Aarohi	20	-	-	-	-	-	20
	Adita	22	22	-	-	-	-	44
	Arshiya	48	70	74	51	38	18	299
	Akarshan	182	234	184	183	-	-	783
Vatika	5 Anaika	76	29	28	-	-	-	133
	Aalishan	122	138	135	116	98	-	609
	Anmol	28	23	16	12	-	-	80
Aashiyana	Advika	145	185	134	117	83	-	664
	Amisha	38	34	34	-	-	-	106
	Aloki	25	18	12	-	-	-	55
Abode	Aspire	310	441	422	354	315	101	1,943
<b>Total</b>		<b>1,088</b>	<b>1,291</b>	<b>1,171</b>	<b>969</b>	<b>671</b>	<b>181</b>	<b>5,372</b>

Source: Company, Arihant Capital Research

Launches Pipeline						
Project	Location	Category	Tmline	No of Units	Area (sq ft)	Revenue Potential (INR cr)
Anmol	Badlapur	Affordable	Q1- FY24	178	1,29,084	52
Aaradhya	Kalyan	Affordable	Q1 - FY24	192	1,69,008	81
Aspire	Panvel	Mid-Income	Q2 - FY24	320	3,13,600	210
Aakarshan	Taloja	Affordable	Q3 - FY24	439	2,66,378	135
Aloki	Karjat	Affordable	Q3 - FY24	198	1,52,769	52
Aaradhya	Kalyan	Affordable	Q3 - FY24	220	1,65,736	80
Avanti	Shilphata	Mid-Income	Q4 - FY24	425	3,40,000	204
TBD*	Chowk	Mid-Income	Q4 - FY24	150	3,00,000	90
<b>Total</b>				<b>2,122</b>	<b>18,36,575</b>	<b>904</b>

Source: Company reports, Arihant Capital Research

\*Project includes new phase or new towers/wings in existing phase

## DCF Valuation

Valuation Assumptions		Valuation Data		WACC	
g (World Economic Growth)	3.0%	Total Debt (long term borrowings) (2023)	175	We	81.6%
Rf	7.0%	Cash & Cash Equivalents (2023)	15	Wd	18.4%
Rm	15%	Number of Diluted Shares (2023)	4	Ke	18.2%
Beta	1.4	Tax Rate (2024)	18%	Kd	5.6%
CMP	189	Interest Expense Rate (2024)	7%	<b>WACC</b>	<b>15.9%</b>
		MV of Equity	778		
		Total Debt	175		
		<b>Total Capital</b>	<b>953</b>		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase				Terminal Yr	
Particular (INR cr)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT * (1-Tax Rate)	83	103	127	162	180	202	223	243	262	277	290	299
Dep	3	3	3	4	4	4	5	5	6	6	6	6
Purchase of Assets	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
Changes in Working Capital	29	26	5	(91)	49	7	(19)	(20)	(22)	(23)	(24)	(25)
FCFF	113	131	134	73	231	211	207	225	242	257	269	277
Terminal Value											2,145	
<b>Total Cash Flow</b>	<b>113</b>	<b>131</b>	<b>134</b>	<b>73</b>	<b>231</b>	<b>211</b>	<b>207</b>	<b>225</b>	<b>242</b>	<b>257</b>	<b>2,413</b>	

Enterprise Value (INR cr)	1,261
Less: Debt (INR cr)	175
Add: Cash (INR cr)	15
Equity Value (INR cr)	1,100
Equity Value per share (INR)	267

% Returns	41.4%
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Rating	BUY
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## Sensitivity Analysis

		Terminal Growth (%)								
		2.0%	2.3%	2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%
WACC (%)	267									
	15.0%	280	283	287	290	294	298	302	306	310
	15.3%	273	276	279	283	286	290	293	297	301
	15.5%	266	269	272	275	279	282	<b>285</b>	289	293
	15.8%	260	262	265	268	271	<b>275</b>	278	281	285
	16.0%	253	256	259	262	<b>265</b>	268	271	274	277
	16.3%	247	250	252	<b>255</b>	258	261	264	267	270
	16.5%	242	244	<b>246</b>	249	252	254	257	260	263
	16.8%	236	238	241	243	245	248	251	253	256
17.0%	231	233	235	237	240	242	245	247	250	

Source: Company Reports, Arihant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Revenue</b>	<b>233</b>	<b>270</b>	<b>331</b>	<b>389</b>	<b>498</b>	<b>602</b>	<b>735</b>
Net Raw Materials	155	183	197	245	321	380	459
Employee Cost	13	12	16	19	25	31	40
Other Expenses	23	28	48	48	49	63	79
<b>EBITDA</b>	<b>43</b>	<b>48</b>	<b>70</b>	<b>78</b>	<b>104</b>	<b>128</b>	<b>158</b>
<b>EBITDA Margin (%)</b>	<b>18.4%</b>	<b>17.8%</b>	<b>21.1%</b>	<b>19.9%</b>	<b>20.8%</b>	<b>21.3%</b>	<b>21.5%</b>
Depreciation	(2)	(2)	(2)	(2)	(3)	(3)	(3)
Interest expense	(30)	(28)	(21)	(26)	(23)	(26)	(29)
Other income	5	2	2	2	1	1	1
<b>Profit before tax</b>	<b>16</b>	<b>20</b>	<b>48</b>	<b>52</b>	<b>80</b>	<b>101</b>	<b>127</b>
Taxes	(5)	(4)	(7)	(10)	(14)	(26)	(33)
<b>PAT</b>	<b>11</b>	<b>16</b>	<b>41</b>	<b>43</b>	<b>66</b>	<b>75</b>	<b>94</b>
Minorities and other	(6)	(5)	(0)	(11)	-	-	-
<b>Net profit</b>	<b>5</b>	<b>11</b>	<b>41</b>	<b>31</b>	<b>66</b>	<b>75</b>	<b>94</b>
<b>EPS (INR)</b>	<b>1.3</b>	<b>2.7</b>	<b>10.0</b>	<b>7.6</b>	<b>15.9</b>	<b>18.1</b>	<b>22.8</b>

Source: Company reports, Arihant Capital Research

## Balance sheet summary

Y/e 31 Mar (Rs cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	41	41	41	41	41	41	41
Reserves	86	98	137	169	234	309	402
<b>Net worth</b>	<b>127</b>	<b>139</b>	<b>178</b>	<b>210</b>	<b>275</b>	<b>350</b>	<b>444</b>
Minority Interest	-	25	25	36	36	36	36
Provisions	1	1	1	2	0	0	1
Debt	409	299	309	337	322	362	422
<b>Total Liabilities</b>	<b>537</b>	<b>463</b>	<b>512</b>	<b>584</b>	<b>634</b>	<b>748</b>	<b>902</b>
Fixed assets	9	9	9	10	9	8	7
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	42	43	45	52	35	30	37
Other non current assets	0.1	0.2	0.2	0.1	0.5	0.6	0.7
<b>Net working capital</b>	<b>270</b>	<b>197</b>	<b>217</b>	<b>215</b>	<b>187</b>	<b>160</b>	<b>155</b>
Inventories	388	355	447	484	571	625	691
Sundry debtors	35	26	60	85	89	92	97
Loans & Advances	25	5	12	0	10	12	15
Other current assets	33	38	40	95	61	86	77
Sundry creditors	(63)	(53)	(62)	(75)	(86)	(104)	(126)
Advance from Customers	(144)	(170)	(277)	(311)	(448)	(542)	(588)
Other current liabilities & Prov	(3)	(3)	(3)	(62)	(10)	(9)	(10)
Cash	11	12	15	8	41	142	210
Other Financial Assets	10	3	6	6	12	15	15
Land	193	199	219	293	349	392	478
<b>Total Assets</b>	<b>537</b>	<b>463</b>	<b>512</b>	<b>584</b>	<b>634</b>	<b>748</b>	<b>902</b>

Source: Company reports, Arihant Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	16	20	48	52	80	101	127
Depreciation	2	2	2	2	3	3	3
Tax paid	(5)	(4)	(7)	(10)	(14)	(26)	(33)
Working capital Δ	46	74	(20)	2	29	26	5
<b>Operating cashflow</b>	<b>59</b>	<b>91</b>	<b>23</b>	<b>46</b>	<b>97</b>	<b>104</b>	<b>102</b>
Capital expenditure	(1)	(1)	(2)	(3)	(2)	(2)	(2)
<b>Free cash flow</b>	<b>58</b>	<b>90</b>	<b>21</b>	<b>43</b>	<b>95</b>	<b>102</b>	<b>100</b>
Equity raised	(5)	(4)	(2)	(11)	-	-	-
Investments	(2)	(1)	(3)	(6)	17	5	(7)
Others	(47)	1	(24)	(73)	(62)	(46)	(86)
Debt financing/disposal	(0)	(86)	10	40	(15)	40	60
Other items	(7)	0	(0)	1	(1)	0	0
<b>Net Δ in cash</b>	<b>(3)</b>	<b>1</b>	<b>3</b>	<b>(7)</b>	<b>33</b>	<b>101</b>	<b>68</b>
<b>Opening Cash Flow</b>	<b>15</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>8</b>	<b>41</b>	<b>142</b>
<b>Closing Cash Flow</b>	<b>11</b>	<b>12</b>	<b>15</b>	<b>8</b>	<b>41</b>	<b>142</b>	<b>210</b>

Source: Company reports, Arihant Capital Research

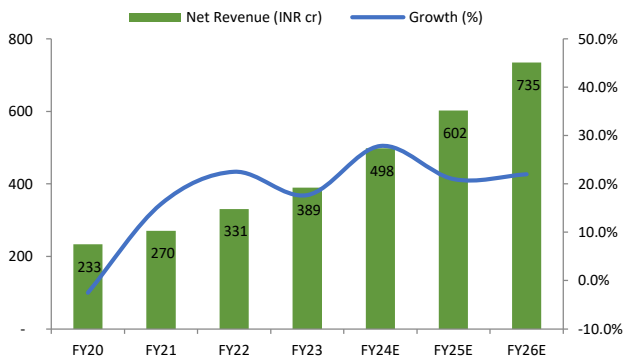
## Ratio analysis

Particular	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Growth matrix (%)</b>							
Revenue growth	-2.5%	15.8%	22.5%	17.7%	27.9%	21.0%	22.0%
Op profit growth	-19.5%	11.7%	45.1%	11.3%	33.6%	23.9%	23.1%
<b>Profitability ratios (%)</b>							
OPM	18.4%	17.8%	21.1%	19.9%	20.8%	21.3%	21.5%
RoCE	6.0%	7.8%	12.8%	12.3%	14.7%	14.3%	14.6%
RoNW	8.9%	11.9%	26.1%	22.0%	27.0%	23.9%	23.6%
RoA	2.0%	3.4%	8.1%	7.3%	10.3%	10.0%	10.4%
<b>Per share ratios (INR)</b>							
EPS	2.7	3.8	10.1	10.4	15.9	18.1	22.8
Cash EPS	3.2	4.3	10.5	10.8	16.6	18.9	23.6
Book value per share	30.8	33.7	43.3	51.0	66.9	85.0	107.8
<b>Valuation ratios (x)</b>							
P/E	70.8	49.4	18.8	18.2	11.9	10.4	8.3
P/CEPS	59.7	43.8	18.0	17.4	11.4	10.0	8.0
P/B	6.1	5.6	4.4	3.7	2.8	2.2	1.8
EV/EBIDTA	26.4	21.3	14.7	13.6	9.9	7.5	6.0
<b>Payout (%)</b>							
Tax payout	29.2%	21.4%	14.7%	18.3%	17.6%	26.0%	26.0%
<b>Liquidity ratios (days)</b>							
Debtor days	50	41	47	68	64	55	47
Inventory days	955	742	743	694	600	574	524
Creditor days	99	95	80	80	75	73	73
<b>Leverage ratios</b>							
Interest coverage	1.4	1.6	3.2	2.9	4.5	4.9	5.3
Net debt / equity	3.14	2.07	1.65	1.57	1.02	0.63	0.48
Net debt / op. profit	9.25	5.97	4.22	4.24	2.71	1.71	1.34

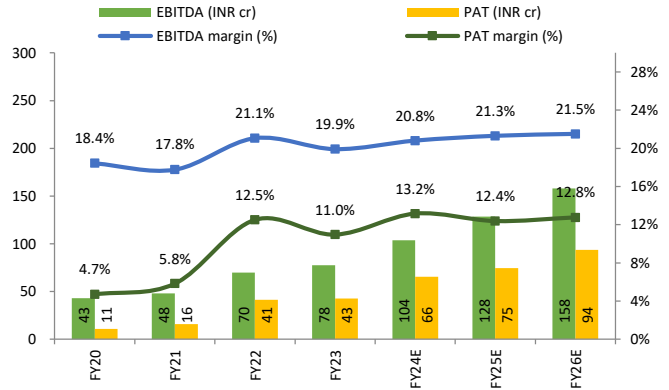
Source: Company reports, Arihant Capital Research

**Story in Charts**

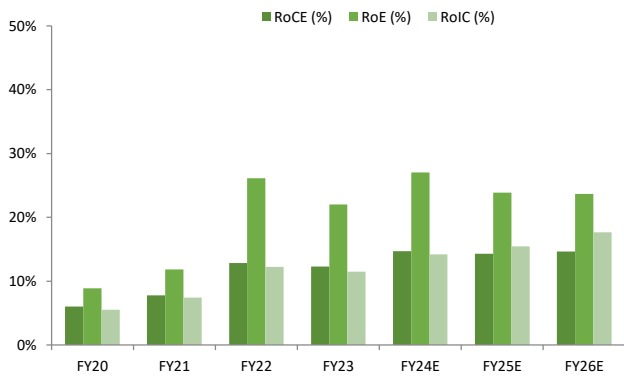
**Exhibit 7: Stronger revenue growth backed by projects executions.**



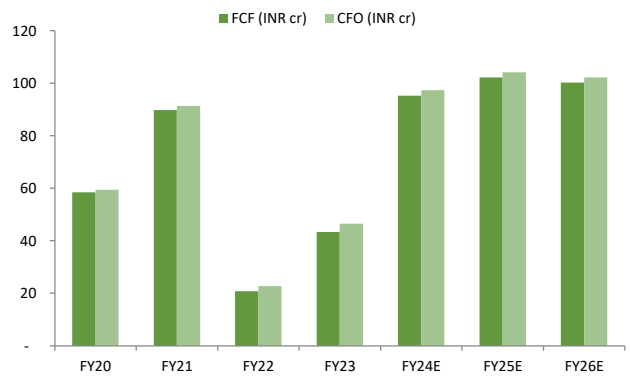
**Exhibit 8: Growth in EBITDA & PAT levels**



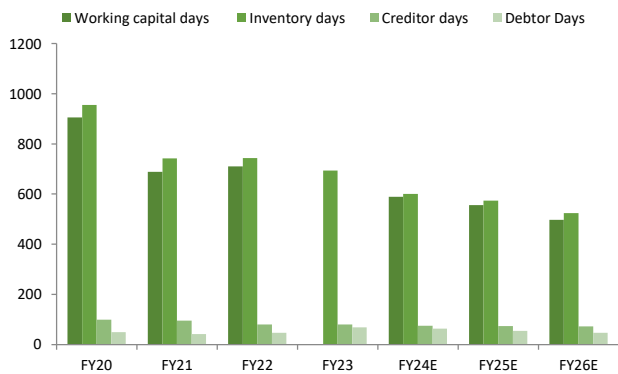
**Exhibit 9: Return ratios to be improve**



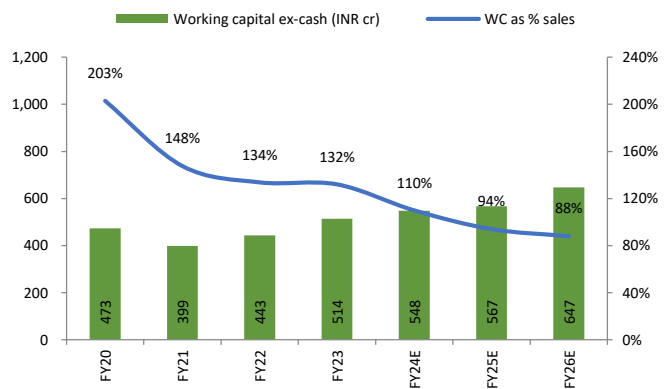
**Exhibit 10: Cash flows to be improve**



**Exhibit 11: Working capital days to be improve**



**Exhibit 12: Working capital management would continue.**



Source: Company Reports, Arihant Capital Research



## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880