

**Arihant Superstructures Limited**  
**Q1 FY24 Earning Conference Call**  
**August 14, 2023**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY24 Conference Call of Arihant Superstructures Limited.

As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you and over to Mr. Sonpal.

**Anuj Sonpal:** Thank you, Michelle. Good afternoon everyone and a very warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors we represent the Investor Relations of Arihant Superstructures Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the first quarter of financial year 2024.

Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipate. Such statements are based on management's beliefs as well as assumption made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements and making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Now, let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. Parth Chhajer – Whole-Time Director, and Mr. Dhiraj Jopat – Chief Financial Officer. Without any further delay, I request Mr. Parth to start with his opening remarks. Thank you and over to you, sir.

**Parth Chhajer:** Thank you Anuj. Good afternoon everyone. And thank you for taking time to join Arihant Superstructures Limited conference call to discuss Q1 FY24 results and business updates. The real estate sector continues its up-cycle on account of increased demand in infrastructure creation and players like us with a proven track record and high credibility benefit from the

upward trend. Most of you would have gone through the presentation which is filed with the exchanges. I will just take you briefly through the financial numbers for this quarter.

In terms of the consolidated financials, the total consolidated revenue for Q1 FY24 was 121 crores, against 89.6 crores in Q1 FY23 registering a year-on-year growth of 35%. The total consolidated EBITDA for Q1 FY24 stands at 26.4 crores as against Rs.19.1 crores in Q1 FY23 registering a 38.7% growth on year-on-year basis. The EBITDA margin for Q1 FY24 stands at 21.82% versus 21.32% in Q1 FY23 registering a marginal growth of 50 basis points. The profit before tax for Q1 FY24 stands at 19.4 crores against 13.8 crores in Q1 FY23 registering a growth of 40.6%. The profit after tax for Q1 FY24 stands at 15.6 crores against 10.7 crores in Q1 FY23 registering a growth of 45%. The PAT margin for Q1 FY24 stands at 12.89% against 11.94% in Q1 FY23 registering a marginal growth of 95 basis points. The net worth of the company has increased to 260.9 crores in Q1 FY24 against 213.7 crores in Q1 FY23 registering a growth of 22.1%.

Now, talking about the key operating highlights the company has achieved sales gains of 454 units in the first quarter equivalent to 3.9 lakh square feet of area amounting to 245 crores in value. This is a growth of 4.43% in terms of sales value on a year-on-year basis. The average price per square feet has increased to Rs.6282 per square foot in Q1 FY24 from Rs.5797 in Q1 FY23. The average price per unit sold is close to 54 lakhs in Q1 FY24 compared to 44 lakhs in Q1 FY23 indicating that the premium housing contribution has been increasing over the past one year. The total collection for Q1 FY24 stood at 105.6 crores.

On the business development front. In this quarter we signed the remaining portion of Shil phata land admeasuring 3630 square meters, which now completes our acquisition to 31,860 square meters of area which is approximately eight acres of land at quite a prime location on domain Shil phata road. Our team has started with the approval procedures for the same and a 2D sketch of the design is showcased on page #2 of our latest presentation. We also added on additional 51 acres of land at Chowk to the acquired 25 acres of land, totaling to 76 acres of fully paid up lands acquired in just eight months' time from November 2017 to June 2023. We would be developing constructed Villas and annuity income assets in this project.

Now, just giving you a brief on the company level and the market scenario. We have seen the demand for residential homes continue to remain robust despite interest rate hikes and price inflation. Construction activities have continued despite external challenges in Mumbai real estate market. The mega infrastructure projects are taking up good shape in Navi Mumbai MMR region and shall witness a big change in the way Navi Mumbai is recognized as a city. Our launch at Arihant Aspire continued during this quarter from Q4 FY23. And we have seen a great response to the new tower as well. We have geared up for more new launches in the coming quarters across all the segments. And we'll also be having small refreshing launches in the ongoing projects to boost the sales as well. Our projects at Vashi, Kharghar and Chowk shall

position us strongly in the high income group, premium housing segment which comprises of 19% of our total portfolio today.

Today, our company has presence in 11 different micro markets of MMR which is the largest geographical spread by any developer in the MMR region, offering a wide range of products to choose from 20 lakhs to three crores. We shall capture a good share in the premium housing segment as well going further. Our unique business model sustainability and scalability shall also guide us well in the going forward times. With this, I now open the floor for question-and-answers. Thank you.

**Moderator:** Thank you very much sir. We will now begin the question-and-answer session. We'll take the first question from the line of Abhishek Getam with Alpha Invesco. Please go ahead.

**Abhishek Getam:** Sir, I wanted to know, what is the update on Aakarshan project in this halted, so have we received any communication from authorities side?

**Parth Chhajer:** No as of now, it is status quo by the end of the second quarter, we should expect to get clarity from the authorities and only then we will be able to tell you the way forward but as we all know, both options are open for us. Either we develop the project or the government acquires the land. Either ways for ASL it would be a cash flow, accretive.

**Abhishek Getam:** Okay. But in your opinion, what is the expected outcome as such?

**Parth Chhajer:** We don't know yet. So, we'll have to wait till what the authorities come out with and we will have to adhere to their outcomes. So, by the end of Q2, hopefully we should have clarity on this.

**Abhishek Getam:** Okay. Sir another was on your plan to raise 500 crores. So, I understand that the villas project will need 250 odd crores. What would the rest of the amount used for and how is the plan for this, direct equities or warrants?

**Parth Chhajer:** So, that's an enabling resolution which we take every year. So, depending on when the opportunity is right, we'll decide on how much to dilute. So, it's not like a specific requirement, but it is just an enabling resolution which we renew on a yearly basis.

**Abhishek Getam:** Okay. So, just another guidance question, so what do we expect pre sales number for FY24 and 25?

**Parth Chhajer:** So, FY24 we are expecting pre sales to touch 1000 crores. And FY25 should be 1300, 1350 crores.

**Abhishek Getam:** Okay. This is taking in consideration our existing inventory and upcoming projects sir, the Shil phata project also is included in this?

**Parth Chhajer:** Yes. So, Shil phata we are expecting to launch in the fourth quarter of this financial year.

**Moderator:** Thank you. We'll take the next question from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.

**Madhur Rathi:** Sir, I wanted to get some clarification on the project that we are going to launch this year. What portion of that we have sold in the Q1 and going forward would will be the trajectory for that?

**Parth Chhajer:** So, we have multiple launches lined up in this financial year, in the Q1 we have sold 245 crores as a total at a group level. And the contribution from all the ongoing projects.

**Madhur Rathi:** 904 crore pipeline project that we have guided regarding that?

**Parth Chhajer:** Which project?

**Madhur Rathi:** 904 crore pipeline in 2024 that we had guided?

**Parth Chhajer:** Okay. So, those are projects which have already been acquired and the further phases of those projects would be launched up in this financial year. So, we have launches lined up at Badlapur, Kharjat, then Kalyan, and Bandel also again, and then two big launches, which would be fresh new projects they would come from the Shil Phata project the Arihant Avanti and also the world villas project which is at Chowk. So, it's a contribution of multiple projects, which will take shape in the next eight to nine months.

**Madhur Rathi:** Sir, so what portion have we sold already?

**Parth Chhajer:** No, we have not started sales for any of those days, the sales will begin as per the schedule and once we receive the approvals going ahead.

**Madhur Rathi:** Okay. And sir the 5000 crore revenue that we have guided for development. So, what kind of timeline do we have for executing that and selling that in next three, four years or how it will be going forward?

**Parth Chhajer:** The company today is around 17 million square feet in terms of developable area, and the total top line that would come from these projects is around 9900 crores which would be constructed over the next seven years. So, we expect 75% of the sales, of the 9900 crores would happen over the next five years and then the balance would happen over the two years after the fifth year, seventh year.

**Madhur Rathi:** So, the order book are you expecting to be in similar lines or we expect some kind of increase going forward or something like how will it be so if it's not one only?

**Parth Chhajer:** So, obviously we are a company who is at a good CAGR level also and we expect to grow at a good CAGR of 25% to 30% on a year-on-year basis from today. So, the sales will obviously pick up from where it is today and in that fashion we should be able to complete the ongoing projects in the timeline of seven years.

**Moderator:** Thank you. We take the next question from the line of Yash Dalvi an Individual Investor. Please go ahead.

**Yash Dalvi:** So, I have a couple of questions. So, our collections have gone down both Q-o-Q and Y-o-Y basis. So, what would be the major reason for that?

**Parth Chhajer:** So, in this quarter, there were some external challenges, which led to the increase of the raw material prices such as metal, and that had a slowdown of at least two and a half to three weeks in the construction phase also across major of the sites of all the developers in Mumbai MMR region. So, because of that the cycle came down in terms of the pace but going further, we will be able to improve on the collections in the coming three quarters.

**Yash Dalvi:** Okay. And sir our sales have also gone down on Q-o-Q and Y-o-Y basis. So, just I wanted to just understand so is there a structural slowdown which is coming in the affordable housing space?

**Parth Chhajer:** No, there's not structural slowdown at our end, our major affordable housing projects have been sold or we set a stage, where sales have almost reached the majority level. And more contribution now is actually happening from premium housing also. So, the premium plot housing projects, such as Arihant Aalishan, Arihant Arabica and also the other mid income housing projects, Arihant Aarohi, Arihant Aspire, are contributing more in the sales. And that is why the number of units and the area sold is coming down. But if you see the values, there is a slight increment of 4% on the Y-o-Y numbers. And last quarter, if we compare it Q-on-Q, the last quarter was the launch of Arihant Aspire, which was a big launch in itself. So, whenever we have big mega launches that quarter performs well compared to sustenance quarters where there are not many big launches.

**Yash Dalvi:** Okay, sir got it. And one last question from my side. Sir, our interest cost has gone down from the previous quarter. So, what would be the reason for that. And what would be our debt level as on 30th June, if you could give me that figure?

**Parth Chhajer:** The interest cost is, sorry can you repeat again?

**Yash Dalvi:** Sir, so our interest cost have gone down from the previous quarter. So, what is the reason for that and if you could just give us the debt levels as on 30th June?

**Parth Chhajer:** So, the debt as on 30th June stands at a 412 crores at a total company level. But if we split into two the secured debt is 156 crores and the unsecured is 256 crores. And if we see the debt to

equity ratio, it is for the secured loans come down 0.57:1, which is good, I would say. So, that's what had come down in this quarter.

**Moderator:** Thank you. We'll take the next question from the line of Madhur Rathi from Counter Cyclical Investment. Please go ahead.

**Madhur Rathi:** Sir the 200 acre land bank that we are planning to have at the end of 2024. So, have we pipeline projects for all of those lands or there is some land with us and the projects are underway or, so if could highlight on that?

**Parth Chhajer:** This was the guidance that we had given in the last concall that we will be growing our land bank from the existing 165 acres at the end of March 2023 to +200 crores and if we see the business development in Q1, we are already at 217 acres of land today, which is put up on the drawing board and the projects and square meters and everything are being modeled out from there. So, that was a guidance note for this financial year which we have completed in the first quarter.

**Madhur Rathi:** Okay. And the whole 217 acres has been utilized for our projects, like the 9000 crore pipeline that we have?

**Parth Chhajer:** Yes. Everything is utilized and put into square footage, so there's no land which is just lying idle as an investment on the company's books today. So, everything is converted to a project and then will be sold or developed.

**Madhur Rathi:** And sir just a follow up, the resort and Gymkhana that we are planning to build at Panvel. So, for the 250 crore investment, are we seeing a 15% IRR for that also, or the 15% IRR is for the plotted development at that location?

**Parth Chhajer:** No, so the 15% IRR indicated is for the annuity asset, the 200 resort as well as the Gymkhana that we'll be creating. So, from that the investment that we make into those assets will yield us a IRR of 15%.

**Madhur Rathi:** And for the plotted development what would be the IRR that we are expecting?

**Parth Chhajer:** For the IRR I'll get back to you. But the margin that we are expecting at an EBITDA level would be around 35% to 38% for the plotted development project for the Villa sales, I would say. And that should yield us a PAT of around 28%.

**Madhur Rathi:** And sir Just a final question from my side. Sir, what will be the ROC or the margin that we expect before embarking on any project?

**Parth Chhajer:** So, whenever we look at a project, we usually look at an average IRR of 33%, 35% whenever we are looking to acquire any project and PAT margins, we expect around 24%, 25%.

Sometimes it goes higher also, sometimes it would go lower, but that is a mean range that we look at whenever we are planning to acquire any project.

**Madhur Rathi:** Okay. And sir so we had a few quarters back that because like from demonetization and COVID, our margins were hit. So, the projects in current pipeline that we already have or will be launching will have like the IRR and the margin that you're guided right now?

**Parth Chhajer:** So, the projects that were taken long time ago which was in 2011, 12, 13, they may not have these high margins. But the new projects that we are taking do definitely have margins of these levels. Because the reason is, because the interest has been charged on those projects, which have been acquired in maybe 2010, 11, 13 whenever. So, because of the interest, there is a slight dip in the PAT margins. But the new acquisitions are all taken into consideration, good margins so that there is sustainability even in the long run of five, seven years from today.

**Moderator:** Thank you. We will take the next question from the line of Raj Mehta from Robocapital. Please go ahead.

**Raj Mehta:** I just had a couple of questions, the first one is what is the total value of projects trying to be launched in FY24?

**Parth Chhajer:** To be launched in FY24 is around 900 crores of top line that we will be opening up for sales. The new inventory basically.

**Raj Mehta:** So, what would be the pending collections from the ongoing project that we have already sold?

**Parth Chhajer:** So, the collections sold and to be received are around 660 crores which we expect to happen in the next two to three years' time from today maximum. And the unsold value of the ongoing projects is around 1117 crores.

**Raj Mehta:** Also, sir what would be the estimate of sales velocity?

**Parth Chhajer:** Q1 was 245 crores we are expecting that it would continue in the forthcoming quarters as well, and we are expecting that this year we do 1000 crores in terms of pre sales.

**Raj Mehta:** Alright. Also on a reported basis, what will be the revenue and EBITDA margin that will reflect for 24 and 25?

**Parth Chhajer:** That would be forward looking. So, I cannot comment on that.

**Moderator:** Thank you. We will take the next question from the line of Darshika Khemka from AV Fincorp. Please go ahead.

**Darshika Khemka:** I have a couple of questions. Firstly, what are your plans on debt reduction. And how do we plan to reduce it going ahead. And on a similar line I also have a question, that you are trying to do a fundraise of 500 crores so, would you be planning to do this fundraise to reduce your debt or what is the reason?

**Parth Chhajer:** So, the first question on debt reduction, the debt we have on our books is sustainable, if we see the secured debt it's 156 crores and we are able to manage that out and that would be reduced with the timelines on the dues that are there and agreed with the institute's. The second part of the debt which will be unsecured and payable when available. So, whenever more surplus or free cash flows are coming in from the projects, that's the time when the company will decide to reduce that debt. So, we don't have any particular deadline on it, but yes, company is looking at that also. And maybe once the projects are at a very good mature stage where not excess cash flow is required, then the company can take a call to reduce the debt. And second question on the 500 crores, it's just an enabling resolution which we renew every year. So, even if we raise any new capital that would be only for acquisition of new projects and not to repay the debt. The debt that is there on the books will get paid back from the internal accruals as well as the surplus cash flows coming in from the ongoing projects.

**Darshika Khemka:** Okay. Also, I have missed the number that you had said in the opening remarks for the per square feet pricing is value, I think it is 6274 if I am not wrong?

**Parth Chhajer:** Yes, so this quarter we achieved the average pricing of Rs.6282 per square foot as an average price and last financial year, it was Rs.5797.

**Darshika Khemka:** Perfect. I had another question so, now that your luxury projects or luxury segments are increasing, but there are plans on increasing the luxury project?

**Parth Chhajer:** So, we'll be looking at opportunities at all levels, not just luxury, although luxury is the trend today, but we are able to sustain and sell and grow in all the segments of affordable housing as well as mid income housing. So, right now, there's not many plans to do everything in luxury. And we'll continue to do what we are doing right now. Obviously company is getting a good feeling that the Villas can do well over the next decade from here on, and that is something that will change the real estate, landscape and real estate market also. So, we are exploring more new opportunities in the Villa segment which is quite rare in the MMR region. Apart from that, we are getting very more opportunities but then as per the availability of the capital the company will have to take the calls.

**Moderator:** Thank you. We will take the next question from the line of Rishab Rathod an Individual Investor. Please go ahead.



**Rishab Rathod:** Firstly, speaking about the premium project can you speak more about on that and secondly what kind of, total GDP we are looking from this project and can we expect our margins to be better from upcoming new premium projects?

**Parth Chhajer:** Yes, so the new premium project that we have acquired is the Arihant World Villa, which is the Villa project. So, the total revenue expected is around 1000 crores from this project. And we are looking at slightly higher margins compared to the average margin that we do in the other segments. So, as I said, the EBITDA levels we are looking at is around 58% for this project and PAT should be around 28% to 30%, coming from the sale of this project. So, it's a big land parcel we've just given a glimpse of it also in the presentation of the layout. And we are not only doing sales, but we will also be developing annuity assets which would yield a good IRR to the company going further ahead in future.

**Rishab Rathod:** Okay. And another question related to Gymkhana and resorts. Would it be managed by ourselves or would it be managed by a third party. And when can we expect it to be operational or when can we expect it to be launched and thirdly, what kind of membership fee are we looking at?

**Parth Chhajer:** So, as of now, we've thought that we'll be managing these assets internally only by recruiting experts and tying up with the expert human resources available to manage these assets. And we are expecting that we start the construction for these also. At the same time, when they start the construction of the Villas. And the construction timeline for the Gymkhana is expected to be two years. And for the resort it would be around two and a half years from January 24 onwards. And the membership fee, what we have thought of for the Villas is around Rs.5 lakh, it's at an early stage, but that's something that is exciting to the market also, because it's not just like a sports club. It's a club, which is a lifestyle club also, and it's quite rare combination and in Navi Mumbai we don't have anything like this, I've never been to any lifestyle club, which is based on 10 and a half acres of land area and providing everything right from sports to leisure to lifestyle to dining experiences. So, everything we have thought of is quite unique and will excite the market going further. So, the plan what we thought of is that, Rs.5 lakh for the first member and then the balance if they want to add on their family members like spouse and two children, you can top it up with another Rs.2.5 lakhs. So, Rs.7.5 lakhs for four members is what we are thinking of. So, it makes it around Rs.1,87,500 per person, which is quite a good offer. So, that is something which we have thought of and it is yet to be rolled out.

**Rishab Rathod:** And in terms of launching the product, can we expect it by 25-26 calendar year?

**Parth Chhajer:** So, launch will be in January, February of this 2024. So, Q4 is when we are expecting the launch of the Villa, membership is something which we can launch today also because it doesn't require RERA, but the Villas will be launched once we get the RERA approval.

**Moderator:** Thank you. We will take the next question from the line of Gopal Rathi from Global Capital Market Limited. Please go ahead.

**Gopal Rathi:** Sir, may I ask what is the status of Arihant Aakarshan project which have halted?

**Parth Chhajer:** So, as of now, it is status quo from the last concall update and we expect to get clarity by Q2 FY23 from the authorities and we will be able to tell you the way forward after that. So, as we said both options are open today also either the authorities allow us to develop the project and then we go on the same manufacturing style wherein we develop and sell and construct and complete the project or then or if not that, then the government will acquire the land for which we be compensated. So, it is going to yield cash flows to the company either ways.

**Gopal Rathi:** Okay. Sir my next question is, going forward do we expect more luxury project like this?

**Parth Chhajer:** Like I said, we are looking at more projects for the Villas, because that is something which is a unique product in today's market or in the entire MMR region also. So, on the Villa side, we are looking at exploring more new projects. But yet obviously, our parameters should match and we should be able to get land at a good cost to develop such projects. So, we are looking at more Villa projects in the luxury segment.

**Gopal Rathi:** Okay, sir. Lastly, I want to ask, what kind of impact will it have on margins since our average land acquisition cost have gone up from 250 per square foot to 400, like that I am seeing?

**Parth Chhajer:** So, the margins are still intact. So, we've taken price hikes also and the average has gone up because the Villa pricing per square foot is around 600 because Villa is sold only on carpet area basis. So, that's why the pricing has increased, but the margins will remain intact so we don't see the margins dipping down because if we see the year-on-year average realization also there's an 8% increase in the sales price from Q1 FY23 to Q1 FY24. So, prices of the products are also increasing in the similar fashion to protect our margins.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management of Arihant Superstructures Limited for closing comments. Over to you sir.

**Parth Chhajer:** Thank you everyone for joining the call and do get in touch with us all our Investor Relations Team, Valorem Advisors in case of any further queries or details. So, we will be happy to reconnect.