



CONTINUING STABILITY

ARIHANT
SUPERSTRUCTURES LTD.
CONTINUING STABILITY

28th October, 2021

Corporate Relations Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001

Listing Compliance Department
National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai - 400 051

Scrip Code: 506194
Class of Security: Equity

Symbol: ARIHANTSUP
Series: EQ

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of Conference Call held on 22nd October, 2021:

Sir /Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 14th October, 2021 intimating you about the Conference Call with the Investors held on **Friday, 22nd October, 2021 at 04.00 P.M. (IST)**, please find attached Transcript of aforesaid Conference Call.

Kindly take the same in your records and inform the Stakeholders accordingly.

Thanking You

Yours Faithfully

For Arihant Superstructures Limited

Govind Rao

Company Secretary & Compliance Officer



Enclosed: a/a

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“Arihant Superstructures Limited Q2 FY2022 Earning Conference Call”

October 22, 2021



ANALYST: MR. RAHUL JAIN – EMKAY GLOBAL FINANCIAL SERVICES LIMITED

MANAGEMENT: MR. ASHOK CHHAJER – CHAIRMAN AND MANAGING DIRECTOR – ARIHANT SUPERSTRUCTURES LIMITED
MR. ABHISHEK SHUKLA – CHIEF STRATEGY OFFICER - ARIHANT SUPERSTRUCTURES LIMITED
MR. DEEPAK LOHIA – CHIEF FINANCIAL OFFICER - ARIHANT SUPERSTRUCTURES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY2022 Results Conference Call of Arihant Superstructures Limited, hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference over to Mr. Rahul Jain from Emkay Global Financial Services. Thank you and over to you, Sir!

Rahul Jain: Good evening, everyone. I would like to welcome the management and thank them for this opportunity. We have with us today Mr. Ashok Chhajer – Chairman and Managing Director, Mr. Abhishek Shukla – Chief Strategy Officer and Mr. Deepak Lohia – Chief Financial Officer. I would now hand over the call to the management for the opening remarks. Over to you gentlemen!

Abhishek Shukla: Thank you Mr. Rahul. Good afternoon, ladies and gentlemen and thank you for joining Arihant Superstructures conference call to discuss Q2 FY2022 results. First, I will go through key operational highlights for Q2 FY2022 followed by the financial highlights of the quarter before handing over to our Chairman and Managing Director, Mr. Ashok Chhajer.

Arihant Superstructure is consistently working towards building sales and engineering infrastructure which has once again led to a strong performance reflected in our Q2 FY2022 figures.

During the quarter we launched affordable housing project Amisha Phase 2 at Taloja, Navi Mumbai after launching Arihant Advika at Vashi and Arihant 5 Anaika at Taloja in Q1. Overall 134 units were launched out of which we were able to do sales bookings of around 40%.

Coming to overall sales booking achieved in Q2 FY2022 we have sold about 508 units which aggregates to 4 lakh square feet of salable area and 208 Crores in value terms. This includes some Q1 sales bookings which have been reclassified to Q2. This takes the H1 FY2022 sales bookings to a total of 751 units translating into area of 6.25 lakh square feet with a total value of 334.8 Crores.

The total collection stood at 110.2 Crores as compared to 93.9 Crores in Q1 FY2022 up by 17.3%. Strong end-user demand and low interest rates also have the key factors driving growth with majority of our projects located in Outer MMR and Navi Mumbai and remote working practices this market offer low density environments and more spacious apartments at affordable rate which we believe has been positive for us.

Now I will brief you on the financial highlights. The total revenue stood at 88.15 Crores in this quarter against 64.23 Crores in Q2 FY2021 that is a year-on-year growth of 37%. The total revenue of Q1 FY2022 stood at 84.64 Crores. EBITDA in Q2 stands at 20.18 Crores as

compared to 13.14 Crores in Q2 FY2021 with a growth of 53.5% year-on-year and 15.4 Crores in Q1 FY2022 which is a growth of 31% quarter-on-quarter.

EBITDA margins increased to 22.89% in Q2 FY2022 as compared to 20.4% in Q2 FY2021. The profit after tax figures stand at 11.63 Crores in Q2 FY2022 as compared to 4.15 Crores in Q2 FY2021, a growth of 180% year-on-year and about 8.2 Crores in Q1 FY2022, which is a growth of 40% quarter-on-quarter.

PAT margins increased to 13.2% in Q2 FY2022 as compared to 6.44% in Q2 FY2021. For half year ended September 30, 2021 the total Revenue, EBITDA and PAT stand at Rs.172.8 Crores, 36.6 Crores, and 19.9 Crores respectively.

Revenue and EBITDA has grown by 131.7% and 145.4% respectively. We remain confident of continuing about our business and real estate sector while extending full support to our customers, suppliers and other valued stakeholders.

Now I will hand over the forum to Mr. Ashok Chhajer – Chairman and Managing Director, Arihant Superstructures. Thank you.

Ashok Chhajer:

Good evening, everybody. Welcome to the conference call. The half year of this financial year was firstly viewed by majorly during the start that the ESOPs by the Central Government and the State Government is stopped and the pent-up demand is already met up its needs and the sector may not see the same side of numbers of sales, what it saw in Q2, Q3, Q4 of last financial year, and to this surprise is that what has been found across the leading players and the listed developers and in the major metro cities.

The sales have been growing more at an faster phase than in the period of COVID, even if the stamp duty relaxation was not there, even if development charges were reduced to some extent only and in spite of that the traction showed after COVID that the larger size of home buying and majority people of taking up in call to buy a home across has resulted into numbers which are unimaginable and after a long, long period of five to six years the real estate is into its spring mode and that has been applauded loudly by the investor, the industry gurus and everybody.

When we come to Arihant Superstructures Limited, yes in tune with the market side from Q2, Q3, Q4 of the last financial year and Q1, Q2 of this financial year as we see that the sales have been progressing consistently on an upward direction and the method of revenue recognition which Arihant Superstructure has been adopting which is percentage completion method on the project completed and the revenue in this mode of where the collections are continuous it shows and will always be very progressive and resulting into a great consistency in terms of business profits and we see that we would be in tune with the trends of the market and internally we are also gearing up for the same mood of growth chart.

I open up the forum for Q&A and everybody is welcome. Over to the concall managers.

- Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask question may press “*” and “1” on their touchtone telephone. If you wish to remove yourself from the Question Q, you may press “*” and “0”. Participants are requested to use handsets while asking questions. Mr. Rahul Jain would you like to ask any questions in meanwhile the queue assembles.
- Rahul Jain:** Sir thank you for getting us hosted. I think what people would be and all the participants would be interested in knowing your growth trajectory in terms of sales and any guidance on that front for FY2022 or FY2023?
- Ashok Chhajer:** The sector looks to be very progressive and the scalability looks to be very achievable by the sector and we are also in tune with the same momentum and we have shown up that consistency since last five quarters and what it hopes for that the next three years would be three to four, five years of cycle is a real estate sector upward trend cycle wherein there is a great participation by the developers. We could visualize it in the BD Department also where land deals have been little costly or little space tight and that hence the trend of sellers of the land that there is a great momentum in the markets of real estate.
- Rahul Jain:** Thank you Sir. One more from my side, you have recently acquired a 6.5 acre land in Kalyan. What is the total saleable potential and how do you plan on positioning that particular product?
- Ashok Chhajer:** Its potential is around 8 lakh square feet. So that is 0.8 million and Kalyan is a developed market and the periphery is showing up in good traction and when it comes to affordable housing which is sub 75 lakhs, I think we would be able to do good, though we identify it as Kalyan market but in terms of revenue records it happens to be what we call as new districts that is villages around Kalyan.
- Rahul Jain:** Thank you.
- Moderator:** Thank you very much. Our next question is from the line of Chirag Jain an individual investor. Please go ahead.
- Chirag Jain:** Good evening, Sir. Sir I just wanted an update with regards to your presentation. It mentions that you would be doing about 11 million square feet of project. So what is the timeline of the sector roadmap regarding the future and the deliverables? In how many years, how much you would be delivering it?
- Ashok Chhajer:** This 11 million is scheduled to be completed in around six years of time wherein the first four years would take up the completion to an extent of 75%, 80% so you will find a bell chart in terms of completion of project when spread across for the six years.
- Chirag Jain:** Sir, are you predominantly into purchasing of land and then delivering projects. You are not into the JD, JV model right?

- Ashok Chhajer:** No, not very much largely. We have our internal policies where in affordable housing, we do not do a joint venture development very largely as it is not profitable to the company and in affordable housing we target out the land component to the sale price to the extent of 10% to 15% of the sale only and in that note it is not advisable to give 30% to the landowner and which makes the project not viable and that is why we generally buy lands when it is affordable housing or sub 75 lakhs. When it comes to the above around 2 lakhs that is the upper middle group or HIG housing, we already do joint ventures like we have entered into redevelopment as well as one project in Kharghar where the ticket sizes are large and where it can accommodate this proposition.
- Chirag Jain:** Sir, you have more of currently purchasing land and delivering it, in that note what I have seen is generally the margins are better but in your case if I see the margins are not in case of other developers who are doing in the JD, JV mode, they have a better margins with EBITDA, because you are having your own land so I think so the margin should be better in your case. So, if you could elaborate on the same? Both at the EBITDA level as well as at the PAT level.
- Ashok Chhajer:** Yes, so at PAT level because the interest is already being served to the funds of the companies and hence after deducting the funds it looks up into that the margins are reasonable or is into it. But if we see our PAT margins it has already increased to 13.20% in Q2 FY2022 as compared to 6.44% in Q2 FY2021 last year. So given the cash flows and the momentum of the construction taking place, the overheads will get reduced, the interest components will get reduced and margins will increase to an upper level than the current one.
- Chirag Jain:** Sir, the thing that I just read in the annual reports and that you mentioned, your borrowing cost was somewhere about 11%. So currently has it come down or it is at the same level? So have we done a rating in order to improve our margin so that we can have better borrowing cost in future? So if the related credit rating done?
- Ashok Chhajer:** We already have done up and credit rating on debt and it is done by India Ratings where they have rated us BBB– minus and stable.
- Chirag Jain:** What is the current borrowing cost as on date?
- Ashok Chhajer:** Around 12% per annum. Whereas the larger one in terms of construction finance from HDFC is at 10.7% also.
- Chirag Jain:** So blended would be about 12%.
- Ashok Chhajer:** Blended would be little near about 12%.
- Chirag Jain:** Sir just a final question on the current land bank. What would be the current land bank with the company with regards to future developments? Now you mentioned that you have about 11 million square feet so on this 11 million I think so the land bank is already in place. So in future have we purchased or have we advanced something for land purchase?

- Ashok Chhajer:** There are few increases of around 20 acres of land in the books of the company and further new acquisitions would take place on a consistent basis in the coming years. So with the given cash flows, the company will try to acquire new projects to the best extent as possible.
- Chirag Jain:** Would you be basically based out of in the Outer MMR region only predominantly? Just the Kharghar, Vashi and beyond, might be outskirts of Bombay. Are we not entering into Bombay or any other region which is identified and which you want to enter into apart from Mumbai and Jodhpur?
- Ashok Chhajer:** Our main target is to be in the ticket size of 25 lakhs to 75 lakhs and this type of product can be delivered and made possible only in the MMR regions where we have our projects that is Karjat, Khopoli, Badlapur, Kalyan Shil Road, Taloja, Panvel in this belt only. In the premium regions belts of Vashi as well as Mumbai the ticket sizes are something around 2 Crores plus. So as a policy the larger chunk of the company's portfolio happens to be and will be in affordable housing and hence we will have to restrict ourselves to these area of operations.
- Chirag Jain:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Keval Ashar from DSP Investment Managers. Please go ahead.
- Keval Ashar:** Congratulations Ashok Ji and team for good set of numbers. Sir wanted to know regarding the funding that we are coming up with. How will we utilize the fund?
- Ashok Chhajer:** As and when it happens out, the objectives as designed and decided by the board will be achieved.
- Keval Ashar:** Sir by when do we plan to close the funding? Have we come up with a certain time period?
- Ashok Chhajer:** No, we have not come up with any time period. In the due course of time as the moment the board receives a proposal, we will be sharing out to the shareholders and exchanges and we have already initiated the fresh approval with the shareholders in these aspects.
- Keval Ashar:** Thank you so much and all the best Sir.
- Moderator:** Thank you very much. Our next question is from the line of Jaiveer Shekhawat from Ambit Capital. Please go ahead.
- Jaiveer Shekhawat:** Thanks for taking my question. My question is relating to the amount of cost inflation that you have been experiencing and the price hike that you might have taken. So if you can just help me understand versus the 2019 levels what have been the kind of cost inflation given that the major raw materials be it steel, cement all of them have been on up rise and are continuing and would have been the kind of average price hike that you might have been taking across your project?

- Ashok Chhajer:** The cost of construction has increased to an extent. 10% blended cost has been increased to the earlier era of 2019-2020. Post COVID the cost of materials have increased very drastically though the labor cost has not increased and that effectively means cost hit of around 5% to the sale price of the product range between the bandwidth of Rs.4000 and to Rs.8000 a square feet and we have incorporated that by way of increasing our pricing or reducing our discounts and hence we have ensured and secured that there is no contingent losses or operational losses due to this negligence.
- Jaiveer Shekhawat:** So would it be fair to state that you might have already taken a price hike in the range of 4% to 6% if not more.
- Ashok Chhajer:** Right.
- Jaiveer Shekhawat:** Thanks a lot.
- Moderator:** Thank you very much. Members of management, there are no questions in queue.
- Ashok Chhajer:** Thank you very much everyone for joining the Q2 earnings call. I hand over to Mr. Rahul.
- Rahul Jain:** Thank you Sir. Thanks for your time. It was a pleasure hosting you and will follow us with any individual requests if any.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Emkay Global Financial Services, that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.