



“Arihant Superstructures Limited Q2 FY20 Earnings Conference Call”

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**MANAGEMENT: MR. ASHOK CHHAJER – CHAIRMAN & MANAGING
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Moderator: Ladies and Gentlemen, Good Day and welcome to the Arihant Superstructures Limited Q2 FY20 Earnings Conference Call. 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, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Umesh Jhawar – VP, Strategy and IR. Thank you and over to you, sir.

Umesh Jhawar: Thanks Inba. Welcome everyone and thank you for joining us for the Q2 FY20 Result ended on 30th September 2019 Earnings Call for Arihant Superstructures. I am Umesh Jhawar and I take care of strategy and industry relations at Arihant Superstructures Limited.

Please note that the results and presentations have been mailed and you can check this in our website www.asl.net.in. To take us through the results and to answer your questions today we have Mr. Ashok Chhajjer – Chairman and Managing Director of Arihant Superstructures Limited.

We will be starting this call with a brief overview of the company's performance followed by a Q&A session. I would like to remind that everything said on this call that reflect any outlook for the future and which can be construed as a forward-looking statement must be viewed in conjunction with uncertainties and the risk that we face. These uncertainties and risks are included, but not limited to what we have mentioned in the prospectus filed with SEBI and in subsequent annual reports you can find on our website.

With that said, I would now turn over the call to Mr. Ashok Chhajjer.

Ashok Chhajjer: Welcome everybody. This Quarter 2 we could almost achieve the same top line of revenues which was 531 million and the EBITDA was about 74 mn but the PBT was negative of 12.87 mn and consolidated the PAT was around minus 14.82mn. This Quarter 2 we could achieve sales of 177 flats despite rainy season, we did 144 in Mumbai and 33 in Jodhpur, Rajasthan which amounts to around 69 crores sale value and a total of 178,000 square feet. So in terms of sales though not really on the higher side, but it was not on average trend and the average sales price also has been

increasing a bit in Mumbai - it was Rs. 4,336 per square feet and for Jodhpur it was Rs. 2,350 per square feet.

I open up the whole session for Q&A.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Chetan Shah from ARG Capital. Please go ahead.

Chetan Shah: Just a couple of questions what impacted the margins negatively during the quarter because your sales have increased, but at the same time operating margins, EBITDA margins have come down?

Ashok Chhajer: One the selling price we had to sell some of the products at a little lesser price and secondly the total interest cost as well as the administrative cost increased and due to that the total margins have been on a negative side.

Chetan Shah: Sir, if I look at the details reserves there has been substantial change in the inventory that we are holding, so can you just share your comments on that sir?

Ashok Chhajer: Inventory WIP is already there, but in terms of total number of projects we could into ready possession mode with unsold inventory at two of the projects reached possession stage where OC was received and that total inventory of around Rs. 181 crores and which is to the tune of 442 flats. So Mumbai has 283 flats and Jodhpur 39 flats and this is how the old total inventory in terms of sales of number of units will inch up as the projects are moving towards completion stages.

Chetan Shah: There is also a note which is being shared that the management has reduced the promoters interest outgo from 15% to 8%, so what will be the impact is it a prorated basis for the full year, can you just highlight on that and what will be the measured impact on that on the full year basis?

Ashok Chhajer: The managing director of Arihant Abode Limited requested the promoters to reduce the interest charged on promoter loans and that was accepted by all the promoter lenders and it has been decreased from retrospective effect 1st April, 2019 to 31st March 2020 for the whole financial year and that would amount to Rs. 11.5 to 12 crore. This outgoing would be reduced by the company for the interest being paid. So that would Arihant to reduce costs and to also get into good traction mode.

- Chetan Shah:** So 12 crore would be for full year?
- Ashok Chhajaj:** Rs. 12 crore of total amount would be the difference of interest rate which would be paid less to the promoters. So it would be Rs. 12 crore paid less to the promoters for the loans given by them.
- Chetan Shah:** So that would be the 12 saving that in turn for the company if I am interpreting it right?
- Ashok Chhajaj:** Pretty perfect.
- Chetan Shah:** Sir, just if you can share some views of the real estate sector and how do you see going ahead six months, one year down the line?
- Ashok Chhajaj:** The last six months again when you see the directional news in terms of industry and sector right from Delhi NCR to Mumbai. So it has not been good that there had been situations where NCLT cases have increased and we see that in the coming 6 to 12 months also would be on the same line where though it would be supported to a large extent by the government for in terms of fresh infusion of funds into the system that is NBFC and real estate sector particularly, but what would be appreciated would be if more facility being given to the home buyer that could enhance the strength and capacity of each individual end home buyer and going forward yes around one years of time it is not a good time and the reduction in the expenditure maybe direct or indirect and efficiently working can help the company to sustain this period and post that would a good cycle. The small projects are doing still good. We are launching up a new project this week which is a 259 flats project in the holding company Arihant Superstructures Limited in 2 acres which should be a 80-IB project also. So no tax will be paid on the amount earned through this project and we see that we could be able to achieve good numbers and balance out the expenditure and also reduce our expenditure maybe in interest, maybe administrative expenses and on that lines as a Chairman Managing Director I have foregone the salary or the remuneration for the next six months also.
- Chetan Shah:** Sir, what was the total outgo in terms of for the remuneration that we are drawing?
- Ashok Chhajaj:** It was 65 lakh annually and six months would be 32.5 lakh.
- Chetan Shah:** So that also will add to the bottom line in terms of savings for the company?

- Ashok Chhajer:** It will at least take care of the imbalances between the expenditure and the income.
- Chetan Shah:** Sir, the government has recently announced with regard to the affordable sector where some projects are stuck there would be some purpose has been created where government will be funding those, any of our projects would qualify or do any of our projects need that kind of funding, would it benefit us from this kind of purpose that has been created by the government?
- Ashok Chhajer:** Unfortunately we would not be benefitted because none of our project are into that category which are stuck or which are not moving and it requires these special funding. Fortunately or good thing about this as a management that we have been able to avoid that situation.
- Chetan Shah:** Sir, we were discussing the special purpose fund created by the government for distressed project?
- Ashok Chhajer:** So we do not fall into that category A that is due to the good management experience since the last two decades and we have sailed through such set of instances three times earlier and I think in the next two years also we would be comfortably sailing through all this turmoil and we will come out with great numbers, great performances ahead also.
- Moderator:** Thank you. The next question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.
- Mohit Bansal:** Couple of questions one is out of this total loans of roughly 400 crores how much is the contribution from promoters?
- Ashok Chhajer:** Total contribution from promoter would be around 169.
- Mohit Bansal:** And the rest would be from bank or NBFC?
- Ashok Chhajer:** Majorly from the banks because HDFC who is with us from the last 8 cycles more than 8 cycles that is 10 year and above and ICICI so we have fairly good lenders who have been supportive and who has been very comfortable with us. The major of them are HDFC and ICICI.
- Mohit Bansal:** And how do you see their response in the current environment in terms of you know further lending to projects?

- Ashok Chhajer:** They are interested in new projects also, but as a policy out of the 15 projects we have 6 projects only which has availed financiers and the rest are non-finance and self-sustainable projects though they may be going into the little slower space due to reduction in sales proceeds or sales numbers, but it is good that they are debt free and we will still maintain this ratio of not availing loan on each and every project which we have and the lenders were today also very much supportive meaning they want to lend for new projects also.
- Mohit Bansal:** And can you please comment on throw some color on the sales velocity sir over the last two, three quarters?
- Ashok Chhajer:** The last quarter we could do up 177 flats sales and prior to it also were something around the same numbers 170 something and this quarter I think as it is a season time and say October, November, December and then second quarter say 6 months we should be able to do far more than or higher than the numbers of the last two quarters.
- Mohit Bansal:** And any particular strategy that you are deploying for increasing the sales that you would like to comment?
- Ashok Chhajer:** Strategy wise it is like we are reaching out to the maximum field spread across and maximum number across all the mediums maybe digital may be print etcetera. Channel partners are working with us and depending upon the projects in and around and the inclination from the client sides that is where the sales may dip for some of the projects which are of a higher ticket size, but the smaller ticket size flats are still are selling good.
- Mohit Bansal:** Now basically you are talking of flats which are sub 35 lakh?
- Ashok Chhajer:** Strategy wise we are working hard and seeing that all the people in the sales teams as well as our brokers are on their toes and up to the mark they are servicing the best to the clients and the performance from the company side in terms of giving possession of around two projects in the last two quarters and some more in the next quarters attracts and give them lot of confidence to the buyers who are enrolling up.
- Moderator:** Thank you. We have a question from the line of Chetan Shah from ARG Capital. Please go ahead.

Chetan Shah: Sir, can you just clarify on this strategy on the one hand there are some projects which are doing slow sales and at the same time we are launching new projects, so what is the thought process behind this and what exactly is going of the shelf very fast whether it is new projects that it is in a prelaunch or where the projects are under completion or ready stock is being bought by the consumers right now preferred by the consumers.

Ashok Chhajer: Well, some of the big ticket size projects that is 1 crore going great velocity of sales and the question that why a new projects should be infused. So with the experience we feel that sticking to the just current projects will not help out you need to have additional revenues and the business development if we are able to figure out projects where the cash outflow and inflow cycle is very short and we are doing a Anaika-IV so that is in sequel we did up Anaika-I, Anaika-II, Anaika-III we sold out around (+200) flats prior to that one year ago Anaika -2 and then ahead of it was Anaika-1 good hit sequel and we can see that this time also we would get the same numbers as Anaika-3 in the same period. So small projects at a good locations are doing good, small projects at distinct far locations have far less velocity and we are taking up projects only which are having only extensively high velocity we will be taking up new projects also if everything suits good, good land deal or good configuration, but the hands would be only on very high speed velocity of sales projects we would be taking up more.

Chetan Shah: And with regard to the consumer preference where are people buying more they are going for ready position or projects being launched or projects which are under completion if you can just give some light on that?

Ashok Chhajer: In low ticket size there is fewer inventories available across the market and hence people prefer up in an early stage of that is the ground breaking stage also and that is what at Anaika-3 happening before we could start construction we could sell out of 250 flats of the whole project. Similarly we see here also that some of the projects that are big ticket sizes, we would like to have ready position status. So both sells but very high ticket size at under construction may not because of high ticket size, but if the pricing is not right it cannot have a good response, but if we see L&T also doing up Rs. 1.5 crore house at Nerul Navi Mumbai they got great sale of around 500 flats. So Navi Mumbai still is not under pressure and the properties are moving well and it has not dipped out from the last one decade rates also. It has not gone into a negative

side yet the margins have been reduced. Navi Mumbai still has a preference location for the buyer.

Chetan Shah: Going ahead do we further see margin pressure over the next six months or we see bottoming?

Ashok Chhajjer: Next two years the margins would be very less but momentum has to be kept same and for higher margins it would be I see around one and half, two years and later only.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the floor over to Mr. Umesh Jhawar. Over to you, sir.

Umesh Jhawar: Thank you everybody for joining us on the concall and we will look forward to again expect you to only as a Q3 FY20 Concall. Thank you so much.

Moderator: Thank you. Ladies and Gentlemen on behalf of Arihant Superstructures Limited that concludes. Thank you for joining us and you may now disconnect your lines.