



“Arihant Superstructures Limited Q4 FY20 Earnings Conference Call”

June 30, 2020



MANAGEMENT: MR. ASHOK CHHAJER – CHAIRMAN & MD
MR. DEEPAK LOHIA – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to Arihant Superstructures Limited Q4 FY20 earnings conference call.

As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Lohia – CFO, Arihant Superstructures. Thank you and over to you, sir.

Deepak Lohia: Welcome everyone and thank you for joining us for Q4 FY20 results ended 31st March 2020 earnings call for Arihant Superstructures Limited. Please note that the results and presentation have been mailed to you and you can view on the BSE India site also. To take us through the results and to answer your questions today, we have Mr. Ashok Chhajjer – Chairman & Managing Director of Arihant Superstructures Limited. We will be starting this call with a brief presentation giving an overview on company performance followed by questions & answers.

The revenue for the Q4 FY20 on Consolidated basis versus Q4 FY19 is 622.99 million for this quarter compared to 686.00 earlier quarter of corresponding quarter. The EBITDA has increased 140.48 million for FY Q-04 to 154.91 million for Q-04 FY 20. The PBT has also increased from 49.63 million Q-04 FY 20 to 81.07 million. The PAT has also increased 35.30 million Q4 FY 19 to 69.05 million for Q-04 FY 20 over to corresponding quarter.

If you compare consolidated financial figures for Q4 FY20 versus Q3 FY20 previous quarter, the revenue is 641.55 million for Q3 FY20 to 622.99 million for Q4 FY 20. The EBITDA is 138.88 million for Q3 FY 20 to 154.91 million for Q4 FY 20. The PBT is 62.06 million for Q3FY 20 to 81.07 million for Q4 FY 20. The PAT is 41.03 million for Q3 FY 20 to INR 69.05 million for Q4 FY20. With that said, I would turn the call over our CMD Mr. Ashok Chhajjer – Chairman & Managing Director of Arihant Superstructures.

Ashok Chhajjer: Good evening everybody. Welcome to the investors' conference. The current days of COVID are a different story but the year ended up had only the effect of 15 days of COVID. That was a very peak period also because it happens to be Gudi Padwa and near to Ram Navami where real chunk of sales happen. Still when we talk about the annual figures, we did a pan-total sale of around 874 flats which was to a tune of 7,74,000 square feet and a value of Rs. 325 crores out of which the major has been contributed by Mumbai MMR 774 units and 100 units by Jodhpur, Rajasthan. The revenue wise Jodhpur was 32 Cr. and Mumbai MMR was 293 Cr. We would have touched up to the base of nearest to 950 or maybe luckily would have been 1000 if the COVID wouldn't have happened.

We launched up a new project in the last financial year that was Arihant 4 Anaika where this was a new purchase, outright purchase, being done by the company. That is the business development part which is continuously ongoing on year-on-year basis. We are not stuck to the only old projects to be completed and then hunt for new buying. The new project Arihant 4 Anaika had a good launch. It also forms to be under the category of all income tax exemptions, i.e., no tax under the 80-IB of the income tax act. The project has already kick-started. The construction has reached up to around ground foundation stage coming up because the construction started in December. We launched the project in November, and we got a fair good response to the project by around and sale of 180 flats which is approximately 60% of the inventory. This year the first 2 months and probably we can call rather than 2 months after the lockdown, that was a closed lockdown and now June and July because of labors not being there in very large quantity, it's an open lockdown. I think everything would resume very fast largely in the same speed as it was in old days by the 3rd week of July but still during this COVID period also, we had our workers on the site where they left after the lockdown was open partly. Still some are already there where construction is happening. We have done slab constructions in some of the sites and all the sites are moving in terms of finishing works at a small speed, but yes, nothing is at a standstill. During the COVID period also, we activated our digital medium of sales which resulted into a fair good response. The backbone of the total processes has been set for the digital method of marketing where a client is given all the preview so that he does not have to come 2 or 3 times on the site. After that gives a final call when he comes and he would be booking up the flat and that is where a fair response has been received also in the month of April, May, and June when compared to any other projects in and around. It is told to be nice enough.

All the financial results are with all the shareholders and investors. I throw the platform open for all of you to interact and question on any aspects of the businesses. We welcome everybody. Over to all attendants.

- Moderator:** Ladies and gentlemen, we will now begin the question & answer session. The first question is from the line of Tirath Muchhala from Elusividya Advisors. Please go ahead.
- Tirath Muchhala:** I wanted to understand how many units did we launch in this financial year FY20?
- Ashok Chhajer:** FY20 total launch was around 270 units.
- Tirath Muchhala:** It is interesting because our launches for FY21 you guys are saying 2000 units, correct?
- Ashok Chhajer:** Yes, where the projects are under approval, and if all the approvals come in the existing projects which are at different phases, that is where we see that we would be targeting around 2000 and if something we can take around if some of the approvals don't go, still we would be able to at least touch out of five, 3 to 4 projects being received commencement certificates which would be something around 1500 or 2000.

- Tirath Muchhala:** Just to understand, in this kind of a scenario, don't you think the number is very ambitious? Because it's I think the highest number of launches we will ever have or am I wrong?
- Ashok Chhajer:** No, it's not about being ambitious. We already have the land with us and some of the phases which have yet not received approvals, that is where it is undergoing. In one of the projects, there is a change of plan so that it suits to the current market and we have designed up more smaller houses now in one of the projects where it would be a new format of living where built-in offices are also incorporated in the house for work-from-home people and I think that is what is the need of the hour also. Not office spaces but built-in office rooms inside the flat will be there. There is no extra expenditure where the call should not be taken and majorly as we see that 90% of our total projects are under the small bracket size, below 75 lakhs, 50 lakhs, and 25 lakhs around which is where the demand is there. On the ground reality, we have seen that Navi Mumbai has shown good response even after the COVID in June and that is where we see that there is infection and we can have a market share larger than the earlier years. There is a real sale happening and demand is there in this bracket of 25, 50, and 75 lakhs. For 1 crore and above, Yes, it is very slow. One of our projects is about 1 crore+ that is Arihant Aalishan at Kharghar. Rest of all the projects of the company are in the range of 25, 50, and 75 lakhs and below. So, I think it is achievable and starting of new phases would mean that at least the project cycle is started off, and in the launch, even if 25% to 30% is sold and sustenance around the year for the next project cycle ranging from 2 to 3 years, 3-1/2 years, we would be easily able to sell the currently launched inventory.
- Tirath Muchhala:** What project is the one where you are changing the configuration of the plan?
- Ashok Chhajer:** It's at Panvel – Arihant Aspire – which is the largest one of the companies where 31 lakh square feet is there.
- Tirath Muchhala:** It's interesting that even in Aspire where I think you guys have not sold as many units, you would go ahead into one more launch or is it part of reconfiguration and relaunch?
- Ashok Chhajer:** The 2 buildings which have already started off are upright. So, there cannot be any change in plans in the ongoing 2 buildings which also out of 650, we have sold 300+ units. So, 50% of the inventory of the ongoing project is already sold. It is the construction phase which would match up with the additional sustenance. This would be one additional building. So, it would be a different product in the same project.
- Moderator:** The next question is from the line of Pradeep Mehta, a shareholder. Please go ahead.
- Pradeep Mehta:** Sir, I just want to know that you announced Anaika 4 and almost 60% is already sold out. So, in the coming year, are you planning for new projects to be launched further considering the lockdown situation and all those things?

Ashok Chhajer: Yes, in the lockdown also, we launched up a small project of Arihant Anaika 4 extension and now Arihant Anaika 5 extension plans are under approval. We may be 30-35 days, we should have everything in hand. This is the location where we have already done up 1650 flats in the last 4 years and we already enjoy a market share of around 40% to 45% of the region of Taloja, Ghot, and Koyana Kamp. And the new project also would be tune of 300 flats where the marketing team is confident of achieving the same style of response as it achieved in Anaika 2, 3, and 4. Out of the new projects, this would be one. There would be new purchases also which are ongoing. Some of them are already registered. The potential projects land details are already shared with each of you in the fact file and the ER presentation.

In terms of budget allocation, yes, something around 20-25-30 crores would be put in for new purchases also and rest would be utilized for the existing projects. So, we would be able to come up with new projects and new products and new launches in the existing projects.

Pradeep Mehta: On a stand-alone basis, I see that the top line is down by 15% on an annual basis. Is it due to product mix or price reduction or due to lower volume of sales as compared to previous year?

Ashok Chhajer: Revenue recognition is not directly with the sales. It is connected with the progress of percentage completion method. In this year, some of the projects like Arihant Aspire and Aalishan, that had lesser percentage of completion. Though the sale number of units of freshers were large, but the percentage of completion was less and the fixed expenditure of interest and provisions as well as administrative expenses remained the same or marginally less to the last year ended March 2019. That was the reason. I think we can tell that this is getting accumulated and would be seen in the years to come.

Pradeep Mehta: My last question is, do we hold finished goods inventory aged above 1 year and if there any constraint to sell those inventory?

Ashok Chhajer: Yes, we hold above-1-year inventory also which is at a tune of around 200 crores which is Arihant Arshiya at Khopoli in Mumbai and Arihant Adita & Arihant Ayati at Jodhpur. The speed of the construction was very fast during its period and unfortunately the sales cycle had slowed down in these projects in Jodhpur especially and that is why we hold these 200 crores+ inventory. It's not like it is not being sold but we constructed far aggressively and in very large quantity with the anticipation that there would be fast takeoff for the ready-position properties and that is why the stock got piled up. We are expecting that the sales would be quite decent in this financial year because in COVID and after COVID, it is found that ready-position properties are being more liked on rather than under construction and that will help out to at least get a good number of sales.

Moderator: The next question is from the line of Tirath Muchhala from Elusividya Advisors. Please go ahead.

- Tirath Muchhala:** Regarding our balance sheet, I just wanted to understand the debt position once again. How much is secured debt and how much is unsecured from the promoters?
- Ashok Chhajer:** Unsecured stands out to be Rs. 201 crores from the promoters and their group and 160 crores from secured debt, i.e., banks and financial institutions. It was 168 in March ending 2019 and we have been able to service the existing loans as well as bring it down marginally by 8 crores only. That is a good sign also when we had seen that the real estate sector and the developers were raising funds largely in the financial year 19-20. We have been able to make the balance and this is what we have planned out for this financial year also. We should be near to the same figures, 10% plus or minus. In the last financial year, we closed 2 facilities with ICICI and HDFC also. So, a) the company has been able to do the financial closure of the facilities taken. b) also service up the existing in time without any delay. That is about the financials. With these sector loans, with the promoters, when we see about cash flows, it was around 188 crores March ending 2019 and March ending 2020 it is 201 crores.
- Tirath Muchhala:** If I am not mistaken, the bulk of the borrowing is for Arihant Aspire. Correct?
- Ashok Chhajer:** Yes, major of the stake is over there, because rest all projects have done pretty well due to which the cash flows towards the investments done could be returned back or there was a break-even for the projects. In Arihant Aspire, the project would take around, maybe what we are planning across, at least 1 more year to achieve the similar type of pattern and stage. That is why also in the last financial year for the promoters' funding to Arihant Aspire and Arihant Superstructures Limited, the interest rate was dropped down from 15% to 8% which figured out to be around Rs. 13 crores less paid to the promoters for the funds blocked in these projects.
- Tirath Muchhala:** What kind of interest costs are we paying to HDFC Limited for this?
- Ashok Chhajer:** HDFC is around 12.5% for this facility.
- Tirath Muchhala:** Regarding the fact that we have a decent launch pipeline, how do you see the debt requirement shaping up for the year and hoping to....?
- Ashok Chhajer:** We will be able to maintain and manage the same. The policy adopted is that largely no funds would be raised. Maybe repayment and the new facility would be to the same amounts or same figures. So, we will be able to match the same figures. We are not looking for raising up large funds for the projects as we did in the year 2017-18 and etc., where we raised funds and we completed the projects at humongous speed and that is where the inventory also lied up and we have been paying interest on it. So, the strategy has been adopted to largely sell-and-build model rather than build-and-sell model.
- Tirath Muchhala:** Regarding the premium project of Arihant Aalishan, what are we doing to ensure that sale is happened? Since you said that the sales are quite slow.

Ashok Chhajer: Marketing campaigns are already done. The ICPs and the channel partners are activated. The client visits are there. Good thing is that we have footfalls on each of the project including Arihant Aalishan for a good large handsome number. It's not like one or two in a week. It's something around 50, 80, or 90 people walking into the site. Yes, the market has seen a trend where high-value properties, people were not taking call fast, maybe this year also, but we will throw our best and maybe offer up them some little good discounts so that we can at least match up to things.

I would like to add up also that yes, due to this COVID, the 2 months as well as June and July, so it's almost like 33% of the whole year's business has been washed out, and that would affect the balance sheets accordingly but that is where we are scheduled up the new launches so that that would give up an equation to balance out the non-business happening in the COVID period.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Deepak Lohia for closing comments.

Deepak Lohia: Thank you everybody to be in the con-call. We will be happy to interact with you in the next quarter also. Thank you so much.

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