



Arihant Superstructures Limited

Earning Conference Call

Q1 FY2023

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Management Representatives:

Parth Chhajer
Abhishek Shukla
Deepak Lohia

Whole Time Director
Chief Strategy Officer
Chief Financial Officer

Moderator: Ladies and Gentlemen, Good day, and welcome to the Q1 FY2023 Earnings Conference Call of Arihant Superstructures Limited hosted by Dolat Capital. 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. Tejas Sonawane from Dolat Capital. Please go ahead, Sir.

Tejas Sonawane: Thank you Ryan. Good afternoon everyone, on behalf of Dolat Capital, I would like to thank the management of Arihant Superstructures for giving us the opportunity to host their Q1 FY23 Earnings Call. We have with us today Mr. Parth Chhajer – the Additional Whole-Time Director, Mr. Abhishek Shukla – the Chief Strategy Officer and Mr. Deepak Lohia – the Chief Financial Officer. Without further ado, I would now hand the call over to the management for the opening remarks. Thank you and over to you, Sir.

Abhishek Shukla: Thank you Tejas. This is Abhishek here. Good afternoon everyone and thank you for joining Arihant Superstructures conference call to discuss Q1 FY23 results. First, I will go through key operational updates for the first quarter followed by financial results of Q1 FY23.

The quarter has been good for new project acquisition. During the quarter the company has added 1.2 million square feet to our existing portfolio which will add Rs.640 Crores of Gross Development Value (GDV). With this we have crossed 14 million square feet of development potential in our ongoing and forthcoming projects. We will provide you with more details in the later part of the call.

With this we have demonstrated quick and efficient use of capital raised within the same quarter. The company is able to maintain the sales momentum despite challenges of inflation and driving interest rates.

For Q1 FY23 we have sold about 533 units which aggregates to 4.05 lakh square feet of area and in terms of value it is Rs.234.8 Crores this means a year-on-year growth of around 85% in both volume and value terms.

The total collection stood at 110.6 Crores which is a growth of 17.7% year-on-year. On the financial performance the total revenue stood at 89.61 Crores as against 84.64 Crores in Q1 FY22. This is a year-on-year growth of around 6%.

EBITDA in quarter one stands at 19.09 Crores as compared to Rs.15.38 Crores in the same quarter last year with a growth of 24.1% year-on-year. EBITDA has also improved 11% quarter-on-quarter from 17.2 Crores in spite of Q1 being generally a weaker quarter as compared to Q4. EBITDA margins increased by 313 basis points to 21.3% in Q1 FY23 as compared to 18.2% in Q1 FY22.

The profit after tax stood at Rs.10.7 Crores in Q1 FY2023 as compared to Rs.8.28 Crores in the same quarter last year, which is a growth of 29.2% year-on-year. Again we have witnessed a marginal improvement over quarter four. PAT margins increased by 215 basis points to 11.9% in Q1 FY23 as compared to 9.8% in the first quarter of last financial year.

We are excited with our launch pipeline and are looking to rapidly scale the business in the next few quarters while keeping our focus on value accretive new acquisitions. We have also new development I would like to share, Mr. Parth Chhajer has been appointed as an Additional Whole-Time Director of

Arihant Superstructure a Bachelor of Science Economics from Pennsylvania State University USA. Mr. Parth Chhajer has begun his carrier with leading capital markets and investment group CLSA in equity research before joining Arihant Superstructures Limited in 2018. He rose through the ranks after gaining knowledge across various biasness functions operating within the organization with a special interest in product design, sales and finance function. Under his leadership the company has more than doubled the sales between FY20 and FY22 by rolling out various innovative schemes strengthening sales infrastructure and undertaking digitization of processes while keeping a focus in mind about the product development and engaged more in customer interactions.

With this I hand over the call to Mr. Parth Chhajer.

Parth Chhajer:

Good afternoon everyone and welcome to the conference call of Q1 FY23 earnings and business update. Thank you everyone for taking time out for this call. We are happy to see business grow despite the inflation in rising cost, supply chain disruptions and higher mortgage rates.

In this up-cycle there is a stellar growth in sales booking in this quarter which were to the tune of 533 units equivalent to 4,05,000 square feet valued at 234 Crores. Collections also have been growing constantly as highlighted by Abhishek with an increase in the engineering spends. This quarter we received occupancy certificate for two projects at Talaja which marking the total delivery of 390 units in the quarter. We also launched our new project Arihant Aakarshan at Talaja which is a very close to the existing projects and we have witnessed a very strong and positive response from the customers. The reliability trust, local advantage with a proven track record of delivers in this micro market has created a difference to boost our sales to almost 60% of the total inventory that has been opened. So 266 units have been sold as on date out of 439 units which has been opened for sales.

On the business development front we have ventured in to new micro market Titwala which is fitting in our strategy to expand our presence in the new micro markets of the Mumbai MMR region focusing on the affordable housing segment. Our estimated sell able area from this project should be 3,74,000 square feet with a revenue potential of around 220 Crores. Titwala is a new emerging market with average volume transactions on a yearly basis. We believe that we can leverage our brand value and create a difference in this market with a quality of product coming in at an affordable price.

We have also ventured on an asset light model basis at Shil phata which is where we already have our existing project Arihant Aarohi. So this new project is 200 meters away from Arihant Aarohi and is going to have a total saleable area of 6,80,000 square feet in our portfolio with an revenue potential of 400 Crores approximately. Shil phata, Dombivali belt today is one of the largest and highest selling markets by unit sales in the MMR region and we are excited to expand our presence in this micro market which falls under the mid income housing segment. So this is fitting to our strategy for expanding into newer localities or expanding in the existing localities where we are already witnessing good sales, good velocity in the projects has been able to implement the projects in a better manner. In this new project we feel we will be able to make a difference with the unique product that we will be able to offer to the home buyers and achieve a higher velocity.

Apart from this we continue to look for new transactions and new lands across the MMR region and our goal is to now move into newer micro markets where we have not yet done anything till date, but their markets where people are able to do good business is where we are looking at as a company to venture out too.

In the launch pipeline we also have scheduled an aggressive launch pipeline of many launches, many units to be opened up for sales approximately 2,400 more units are lined up for opening up for sale in the next three quarters. In Q2 we expect to get approval for the Titwala project and we shall be opening approximately 200 units, in Kalyan where we have already received the approvals which is an 80 IBA project, we expect to start the sales in the month of September. We have already started the constructions of the project, we also shall be opening up some new buildings in Arihant Amisha which is located at Taloja MIDC. In Q3 we expect to launch one more tower of 43 storey by Arihant Aspire in Panvel which will have an inventory of 370 odd units and alongside that one more tower shall be open for sale in Arihant Anmol at Badlapur and some more inventory shall be opened up in Arihant Aakarshan at Taloja as well as Arihant Arshiya in Khopoli and in Q4 we are optimistic that we should receive approvals by December for our Shil phata project and we shall commence the sales for this in fourth quarter in the month of January, February. Apart from that we will be having a small one more new tower launching in at Arihant Alok in Karjat this will be the second last tower in the project. So we are looking at a good pipeline of opening up almost 2 million square feet of area in this financial year which will have a total revenue potential of 1,100 Crores.

As per the sales guidance we are looking at a CAGR of 45% to 50% as we indicated earlier also to the FY22 figures on all parameters of sales, revenues, and others.

So I would now like to throw the floor open for questions.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Balasubramanian with Arihant Capital. Please go ahead.

Balasubramanian: Good evening Sir, thank you so much for taking my question. My first question is on fund rising 500 Crores so could you just share more details on the fund rising what kind of rate and how the fund will be utilized what kind of revenue we are expecting.

Parth Chhajer: No, so that is just an enabling resolution to raise up any kind of funds up to the tune of 500 Crores so this is an exercise which we do every year and which requires the board approval. So it is just an enabling resolution.

Balasubramanian: Sir like the company has consistently delivered around 700 to 900 units per year. What kind of run rate we will expect next two to three years.

Parth Chhajer: Next two, three years we have planned to scale this up the run rate should be to the tune of 1,000 to 1,200 average for the next three years, per year 1000 to 1200 per year.

Balasubramanian: And Sir Arihant Aakarshan at Taloja has received a very good response I think within two months or more than 2%, 3%, units were booked. So what kind of conversion rate right now in Taloja market in overall what kind of conversion rate we will expect going forward.

Parth Chhajer: Right now conversion rate from a visit to a booking is to the tune of around 14% on the total number of walking that you get on site. So the number of visits has been growing constantly going ahead we expect the same momentum to be kept when it comes to the realization on the conversion although our team has been given a target to take this up to around 20%. So we will try to achieve the best possible, but as a market Taloja is looking good for us we have a very large market share of around 50% in the total locality

and having a good track record of delivery in the nearing area to Arihant Aakarshan we feel that this project has taken off very well and we will be able to implement it quite smoothly although it is a large size project and it is falling under the 80 IBA category we feel we are confident of doing this entire project in the next four and a half years.

Balasubramanian: My next question, the previous guided sales value around 6,600 Crores the new launches the sales value around 1,090 Crores which comes around 7,700 Crores so could you please share more details about new launches like a completion time average construction cost per square feet approval admin and sales this kind of cost and on overall basis.

Parth Chhajer: Yes, the total portfolio today is to the tune of 7,680 odd Crores it is as per today's sale value that we have considered and like obviously accounted for the inflation coming ahead. What was your question again?

Balasubramanian: Sir could you please share new launches details about completion time, average construction cost, approval and admin sales and marketing cost and on overall basis.

Parth Chhajer: Okay so the cost vary from project to project so because we have a wide range of projects that we do so we had projects that are at 7 Storeyed and we have some projects that are at 53 Storeyed. So just to average it out and the total average on the total area that we have today for the construction cost would be around Rs.2,850 square feet and the land that we have in our books is to the tune of around Rs.300 per square feet and adding to this there will be other cost of administration which would be around Rs.200 square feet marketing cost would be around Rs.200 square feet and so it is an average of dealing with this project so it differs from project to project.

Balasubramanian: So average it we can expect around Rs.4,000 per square feet in overall cost.

Parth Chhajer: No, so our average selling price today is around 5,500 and average cost to complete would be around should inclusive of land, inclusive of administration interest and marketing expenses all these costs would total to around Rs.3,800 square feet so we should have a PBT of around Rs.1,600 square feet.

Balasubramanian: Sir I think I missed during the early call 4,150 square feet land acquired at Taloja what was the acquisition cost it is 232 Crores or...

Parth Chhajer: No, I did not get you.

Balasubramanian: Sir 4,150 square feet land acquired at Taloja what was the acquisition cost for that land.

Parth Chhajer: The new land okay, so that is to the tune of 2.5 Crores.

Balasubramanian: Okay thank you Sir that is it from my side.

Moderator: Thank you. Our next question comes from the line of Gaurav Lohiya with Bowhead India. Please go ahead.

Gaurav Lohiya: Congratulations on your elevation as Executive Director. Sir first I missed out initial time most of your initial remarks. So if I am repetitive I would like to request you to divert me. Just two things, so it seems like that we are scaling up very nicely and we do have chance to scale up even further. So I just wanted to understand what are the challenges you foresee when we scale up and if you have undertaken any steps

to address those challenges or what makes you confident that going forward this since our size was different and going forward it will be very different we would not say if any challenges when we scale-up...

Parth Chhajer:

No, the biggest challenge today is also implementation of the project so that will always remain the most difficult challenge so how well we can implement the project is going to make it different and today Arihant has a team of around 350 plus people across all verticals and mostly it is all handled through the head of the departments really who are able to drive things very properly, very efficiently enabling us to implement the projects at a good pace sales that is doing well sales is the first thing that needs to start taking entire cycle for a project and the engineers also are now able to given implement the project in a proper timeframe so we feel that the team the systems the process of the company are ready and well equipped to even scale up from here and implement the project that we are currently having and even think of implementing new projects that we are planning to take or have taken in a very efficient manner so the most important thing is to have the correct people , correct strategy the correct processes to still today as a company we have even have done lot of challenges on the technology front so we have been using “sales force” for our sales team the entire sales the pre sales is done through the sales force using lot of technology “far vision” has been used for all the engineering as well as the collection department so technology with the correct human resources is going to help us drive this going forward and scale up from even here on. So that is going to be the most important factor in implementation of these projects.

Gaurav Lohiya:

And you said that our team size is increased right we have 300 people what will this figure be let us say two years back or how many people would have added you would have added in last two years and if you can give us the same numbers or let us say sales team separately

Parth Chhajer:

So two years back I think our team was to the tune of around 220 odd people so there has been a lot of churning but at the same time we have been able to add up new people add up more responsible managers under the people and that has been able to drive it up in a better manner even the sales team earlier used to be around 35, 40 employees in the COVID time 2020 so now it is increased to be around 120 odd people so the main thing in this increase is they subdivided with team in a very systematic manner where we have people today is just doing channel partners sourcing, we have people today focusing on just the clients closure and the viewing, we have a team who is just dedicated be doing a tele-calling and these things are existing before also but we have been able to expand very largely which has helped us increase the total number of bookings and number of sales that we have done in the last two years also the technology helped us scale it up in a very efficient manner and your second question I did not get it.

Gaurav Lohiya:

No, second for sales team I wanted to check what is the number right now how many people do we have in our sales team and what was the number two years back.

Parth Chhajer:

Yes, so two years back it was around 40 people today it is around 130 odd people including the presales team and the recovery team and back office documentation is around 30 more people so total people focusing on this sales, pre sales bookings and collections is 160 people today.

Gaurav Lohiya:

And this is what the total is how much today.

Parth Chhajer:

Total used to be around 50.

Gaurav Lohiya:

So we have almost doubled our team.

Parth Chhajer: Yes, we have tripled our team, we have tripled our sales also almost tripled our sales team from two years ago.

Gaurav Lohiya: And in terms of land bank addition over and above what we have added in Q1 can you give us the guidance for next nine months where we have significant visibility and what are our plans for FY224 and FY25 for land bank addition.

Parth Chhajer: So we continue to look at land parcels on a daily basis and we have a very special team working just for new acquisitions but it is not that easy even if we have the money to get a good land parcel is difficult but our aim for the next one year is to take it up to 20 million so we are currently evaluating a lot of deals but nothing can be officially announced yet but the pipeline look good and we...

Gaurav Lohiya: And when we are going for land acquisition or JVs what exactly do we look for, in terms of let us say return ratios or partner what does your partners bring in what exact capabilities do we look for.

Parth Chhajer: So largely when it comes to affordable housing or mid-income housing also, affordable housing firstly we look at outright purchase of land, that is the first thing that we look at we do not really want to go in for a JV model or an area sharing or something with the land owner we defer to buy the land, while buying we obviously evaluate the potential of the land how much F.S.I. is there what can be the developmental area apart from that we have to look at the neighbouring localities also to the land so if it is in a urban area partly developed area or a non-developed area so these factors need to be evaluated and accordingly we have to figure out that this could be a tentative pricing for a product that we can make so it is not like in our wish list to do 14 storey tower everywhere we are happy to do a seven storey tower but we look at realization in terms of time, in terms of how much time we can buy the land how much time we can get the approval after the approval how much time we should take up to implement the project for by sales and by doing sales by doing the engineering and we will usually would like to have a PAT margin of at least 20% on the total revenue that we are able to generate from the land.

Gaurav Lohiya: So whenever we look for a land we generally try to launch within two or three years of acquiring the land right not beyond that.

Parth Chhajer: No, we try to do it within one, one and a half years like this Titwala project we have purchased the land on May, we are looking at the launch in the month of September. So we try to do it within three to four months wherever possible but in some locations approvals take slightly longer and clearances also take time average one year is what we look as a good time from the day we purchase the land till the day we start doing the sales, beyond that we do not buy any land with a very long horizon of three years, four years, five years because land is a raw material which will...

Gaurav Lohiya: from acquisition we generally look for four to five years kind of time right.

Parth Chhajer: From acquisition date we look at a time line of five years from the day we start the bookings we look at a timeline of four years.

Gaurav Lohiya: And in terms of guidance you said that you want to scale it up to 1,200 units or deliver 1,200, not deliver you had booked 1,200 units a year right in two years down the line, so in terms of rupee value how much that would be or in terms of square feet if we can take a realization of Rs.5,500 or Rs.6,000 per square feet, let us say if I have to calculate the value how much would that be.

Parth Chhajer: No so we indicated that we will be delivering around 1,000 to 1,200 units over the next three financial years from the existing inventory that is ongoing. So we have some projects which are very large and they are like 40 storey, 50 storey tower so they are due for completion for the first phases next year so that will add up to the completion. For sales we were at 1,628 units last year and the guidance we are looking at around 2,400 units of this year and in terms of value it was 764 Crores last year we are looking at around 1,100 Crores for this year as a guidance.

Gaurav Lohiya: Understood, Sir let us say FY23 you said the 1,100 Crores, FY24-FY25 can we take a CAGR of let us say 30%, 40% as you mentioned in your initial remark or could it be lower or even higher than that.

Parth Chhajer: For FY24-FY2025 we can take a CAGR of 30%.

Gaurav Lohiya: Understood, sorry my mistaken if for sales booking numbers instead of the number of units out for delivery. I think you did say deliveries, now I got it. I was just confused thanks and all of that.

Moderator: Thank you. Our next question comes from the line of Ketan with Ketan Kotecha & Company. Please go ahead.

Ketan: Thanks for the opportunity. First of all congratulations for the fantastic results especially considering the quarter one and Mr. Parth being appointed as a Director in the company. My question is in the same line we do understand that every person have an individual way of thinking, so since you have recently joined the board what additional steps or initiatives you personally would like to take or is there any particular area that you want to address in Arihant Superstructure. Thank you.

Parth Chhajer: I have been working here since four years and I have been doing sales, marketing then even investor relationships, project designing, and collections for the last four years. So slowly and steadily I have geared up to these levels and the idea is to focus on operations focus on the implementation of the project and being a Whole-Time Director that is the major role that we have to play as the Executive Director of the company. We also have Independent Directors who can guide us because they are watching us so they guide us on the other parameters so our core will be to focus on the operations, to scale up the business to increase the sales, increase the engineering and make sure that the governance is to the highest level across all the verticals of the company and that is the goal that we have.

Ketan: That's it. Thanks and best wishes. Thank you.

Moderator: Our next question comes from the line of Faisal Hawa from H.G Hawa & Co. Please go ahead

Faisal Hawa: Just in our books just now is unsold for more than six months and if you could give the value as well as this square feet for it and my congratulations to Parth Chhajer who has been appointed be MD so may I know what is the KRA's of the MD are? and what is the new management structure now which is regards to Mr. Ashok Chhajer and in presence of Mr. Parth Chhajer also and third is will we get into any kind of warehousing or logistic space also and with effect on that which areas will we focus on in New Mumbai and how are we looking at social media and branding of the company and who are our bankers what is our interest rates being charged and what is our rating from the agencies and what is the total debt on the books.

Abhishek Shukla: Total so I will take the first question of your line. So the management structure as of now as we may have seen from our current presentation, we have three executive directors now and four independent directors , so within the three executive directors Mr. Ashok Chhajer is the CMD will continue to focus on land acquisitions and business operations, Mr. Parth Chhajer who has recently joined the board he will have the responsibility to drive the sales functions, architecture and product development functions, backend operations including collections and back office operations as well as the marketing aspects of the project and Mr. Nimish Shah who is the additional directors on the board Whole-Time Director he would be focusing on approvals and construction and engineering so this is from the executive capacity and coming to your other question in terms of digitization and social media I will just hand over to Mr. Parth.

Parth Chhajer: Yes, so we have been actively doing our social media campaigns, marketing's for all the projects so that happens at a regular basis across the various platforms at least on Facebook, Google, Instagram and so on and so forth so that is from a proper lead generation marketing perspective, technology so we have been using "Far vision" we are using "sales force" right now to drive the entire sales and engineering functions in the organization can you just repeat the other two questions you had.

Faisal Hawa: Yes, so one was what are the KRA's with the new MD then when I went social medias then I want to get more a specific answer for what we are doing so these are like with due respect very general answer and I want also like to know how we are building as a brand of the company because it is now very important that we stand against pan India competitors who may be entering our turf any moment from now and the last question was that we are going to be enter into any kind of warehousing or logistic space and also who are our bankers and what is our interest rate being charged and what is the total debt.

Parth Chhajer: So there is no new MD in the company there is just a Whole-Time Director where I have been appointed as a Whole-Time Director the MD is Mr. Ashok Chhajer and he will remain to be the MD of the organization as highlighted by Abhishek so my role has been and will be going forward to handle the entire investor relations, the sales, marketing, collections, project designing which I have been doing for the last three to four years so I will be continuing to do that and the other questions were on the social media, so we obviously aren't doing it in-house we have an agency who handles the entire social media, marketing strategy, in terms of doing campaigns, doing activities to generate leads, across portals across the platforms that we are working on. So it is like a cycle where we have to identify the client, we obviously have to give a brief to the agency first that this is our project, like this is the location, this is the place where the clients are usually coming from, so we tell them that we need to focus on this kind of a salary range this kind of a locality to generate inquiries for that particular project, so the brief goes from our team and then the campaign is run by the agency so we do not get largely involved in how they do it we care about the results that are coming in by way of the leads that we generate and from there on it is our pre-sales team and the sales team who take it forward. I hope that answers what you were looking for. And the bankers to the company, today we have HDFC Limited, we have ICICI Bank, we have also taken loan from ICICI Ventures recently, Federal Bank is also doing our banking, so these are our bankers since long time, so the interest rates defers because the use of the fund decides the interest rate so HDFC Limited is at 11.6% today which is a construction finance for the Arihant Aspire project in Panvel for ICICI Ventures the interest rate is 16.43% because that is a pure take-out money which we have utilized to purchase new land, which has been highlighted in the Titwala and the Shil phata location. The total net debt is 275 Crores today the debt attributable as per the shareholding pattern of ASL is 208 Crores.

Faisal Hawa: And the question about the unsold inventory which is more than six months not sold. Ready but not sold for more than six months.

Parth Chhajer: What was the question?

Abhishek Shukla: Yes, so I will just take that question the total inventory from the completed projects is about close to 90 units and that in term of square feet at area it would be close to 60,000 square feet from a value perspective the total potential of the balancing which would be about 20 Crores and total receivables from this sold and completed projects would be another 32 Crores so total estimated receivables form completed projects would be 52 Crores.

Faisal Hawa: Okay so it is pretty much in control I mean hardly any.

Abhishek Shukla: Yes, only 90 units are less consoled from completed projects and that includes this 390 units which was delivered in this quarter.

Faisal Hawa: So it is across all projects.

Abhishek Shukla: Yes, across all projects.

Faisal Hawa: And particularly because our flat sizes is of much better ticket sizes, it is barely anything.

Abhishek Shukla: Yes, correct so it is affordable category and affordable category is moving quite well.

Faisal Hawa: And any new construction method that we have adopted and how are we dealing with the sudden rise increment and steel prices and have we directed to price increases and do you still feel that the market is warm enough in spite of the interest rate increases.

Parth Chhajer: So, construction related the steel prices have cooled down in this quarter by around 20% so today it is around Rs.68 average per kilo per steel which was Rs.85 in the quarter of FY22 - Q4 it went to around Rs.85 so steel prices cooled down cement prices are more or less the same, construction cost has a small impact now due to the change in the GST rates which has come in last week for even the smallest of the material so that will have a constitution cost impact of around Rs.125 per square feet on the saleable area so we will be taking up the measures to change it in the pricing in the coming months onwards for the new sales that will happen and the inflation will continue this way . India as well as the entire world is going through a very different time today but it is part of the cycle and it will not have a large impact on the sales, I would like to also highlight that the interest rates have also gone up in this quarter by 90 basis points but even after that we have not witnessed any slowdown in the walk-ins, in the sales, in the bookings that has happened in the quarter. Just because of the segment we are in right now in is affordable housing, mid-income housing segment this is where a customer is usually staying in a rental apartment today and is looking to buy that first home, so for them the agenda is to purchase the home at the best possible price considering the location, developer, product etc., and you do the average age of the purchaser being in the lower 30's today in our product, they get a loan funding of up to 25 years which eases out the EMI burden. We believe that even if the interest rate go to around 8.5% the home buyers decision to purchase a home will not have a large impact but delay in making a decision to purchase the apartment will have a larger impact on the ability of the home buyer to purchase later on.

Faisal Hawa: Thank you very much for answering my question so well.

- Moderator:** Thank you. Our next question comes from the line of Abhishek Getam with Alpha Invesco. Please go ahead
- Abhishek Getam:** Thanks for the opportunity. Parth, a many congrats on joining the board. So, firstly, I just wanted to know what is the value of land bank which is still un-utilization or it is still yet to be launched on our balance sheet. Secondly, I wanted to know that you are mostly focused on affordable housing thus what is your view on entering the premium segment of Navi Mumbai on higher ticket size and how do you see the dividend policy of the company. Thank you.
- Parth Chhajer:** So, we have a land parcel of around 5,5000 square meters in Panvel, so today it would be valued at around Rs.125 Crores and once the project is put on the design board we estimate that it can have a total revenue potential of 780 Crores this is located in Panvel near to Arihant Aspire and so the second question on the un-launched area that is total un-launched inventory is of around 5,300 Crores wherein we have purchased a land and most of the projects have received the approvals also apart from the two new projects and the third land bank project. So out of the 5,350 Crores of revenue we have today approvals for around 4,000 Crores of inventory wherein if required we can go ahead and open up the inventory that we will be doing that up as and when the demand also changes and as and when we complete the existing inventory.
- Abhishek Getam:** So just and the un-launched inventory is around 5,300 out of that we have approvals of 4,500 Crores.
- Parth Chhajer:** Yes.
- Abhishek Getam:** The second question was around your view on entering premium segment of MMR that is Mumbai and as you are currently focused on our project which are affordable housing.
- Parth Chhajer:** See we are already doing one project which is in the premium segment which is located at sector 9, Vashi, so that is a premium profile product where the selling price is around 15,000, Rs.16,000 per square feet. So we are already doing and we as highlighted before and as highlighted in the presentations also that we do, we take up the project as per the population metrics of the total population in the particular city so today in Mumbai MMR region the majority of the population which is below the poverty line 60% of the population falls under the EWS, LIG category around 35% falls under the mid income group MIC category and 4% is in the higher income group and around 1% is the richer class. So we keep taking up project in our portfolio as per the population metrics of a city rather than just putting all eggs in one basket so today we are focusing on affordable because the population of this city of Mumbai MMR is also majorly requiring an affordable house which is below Rs.5,000 per square feet and around 35% of the people staying or who are looking for a house, purchase for a mid-income housing which is ranging from Rs.5,000 to Rs.8,000, Rs.9,000 square feet of an apartment, so that is how we have diversified our portfolio. Going forward we will be working on the same parameters while selecting a project, while purchasing a new project so that is the strategy of the company going forward as well.
- Abhishek Getam:** Thanks for the detailed answer, and just last just wanted your views the dividend policy of the company.
- Abhishek Shukla:** So, with respect to the dividend policy we have had discussions at board levels and board is amenable to the idea of dividends going forward, I would not want to speculate what can happen in the coming one or two years but yes I mean this matter has been discussed at the board level right now the priority of the company at least for FY22 was to invest the surplus amounts for new acquisitions and new growth for

prospects because the real estate has moved into the up-cycle and we look forward to favourable dividend policy in the coming years.

Abhishek Getam: Thanks a lot, that is it from my side. Thank you.

Moderator: Our next question comes from the line of Tirath Muchhala with Elusividya Advisory. Please go ahead

Tirath Muchhala: Thanks for taking my question and congratulations to Parth for the elevation to the new post. Parth so my question is that when you look at slide #18 and #19 and #20 what we have is like 10 to 15 million square feet launch pipeline and the question is that, this is as big as some of the larger players who are, let us say more valued on the stock markets, my question is that from the size we were at two or three years ago and now we are trying to launch so many projects, do you think the company has the team in place to be able to execute all of this because it is a difficult industry and I don't think it is easy to do such big projects so quickly.

Abhishek Shukla: So yes you can see from the same slide all the projects are fairly distributed across different geographies so our strategy has been to acquire land parcel right from 5 acres to 20 acres none of our projects are like 100 acres townships or the kind, so we are fairly distributed across 11 different micro markets and none of the project sizes are such that it can take beyond 6 to 7 years of timeframe to execute. In our engineering team itself now we are more than 80 plus, strong team in engineering so engineering team has ramped up we have put more contractors and vendors have been on-boarded over last two years, so as compared to maybe three or four contractors doing most of our work we now have more than 15 plus civil contractors on board who are just call away whenever we want to launch a new project so while this 9.5 million square feet looks mammoth compared to the current size but I would like to also put a note to that effect that we want to execute this over a period of next seven years of timeframe which means on an average of about 1.5 million year-on-year, so from an execution perspective we want to scale up from the current 1 million square feet of construction capability we want to take it to 2 million square feet in about two years of time frame so FY24 onwards we believe we should be able to execute 2 million square feet year-on-year and the sales capability is already there we have already sold 1.4 million square feet in last financial year this year we are looking at 1.8 to 1.9 million square feet and by FY20 we are looking to expand it to about 3 million square feet we have already tripled our sales team size and doubled our engineering team size and we are currently seeing good talent coming on-board so whenever we acquire a new project we have a set SOPs in place to on-board the entire team right from execution, sales billing pre-sales, billing, as well as back office on a project size basis and this is being done immediately after the land has been acquired so by the time the land has acquired and by the time we get approvals the team is being formed at a rapid phase.

Tirath Muchhala: And my second question is from slide #19 this three of our projects which are Aalishan, Aspire and Advika they seem to be making a big chunk of our receivables and revenues, so how are these things always performing on the sales front and the construction front.

Abhishek Shukla: I would also like to draw your attention on slide #40, #41 so Arihant Aalishan which is four towers out of that two towers we have completed the RCC works and finishing work is ongoing, so while the sales booking for the entire project is about 46%, completion status for phase I which is these two towers is 54% and phase II we have already started were completion as per revenue recognition is about 7% so sales and completion that both are going in tandem and with respect to Arihant Aspire again we have launched three towers the third tower was launched as recently as February 22 the two towers were

launched about three, three and a half years back the sales booking in this all three towers combined including the new tower launch is 63% of the total and completion status as per the revenue and revenue workings is 55%. So sales booking is like 7% to 8% ahead of the construction and I think that is a very healthy ratio to achieve, with respect to your question on the third project which is Arihant Advika we have done a soft launch already, right now it is a redevelopment project so the society has been vacated in the month of June 2022 right now we have started the excavation work so the civil construction work should begin in August and as regards to the sales in this particular project we have already done sales booking of about 59 Crores the project has just been soft launch so I think we are well ahead of our sales schedule as well and I think going forward I will hand over to Parth to give you a brief on it.

Parth Chhajer:

So in terms of sales at these three projects so it is in terms of Aspire and Aalishan which is in Kharghar, Panvel there the main key factor is that we should be that the first phase delivery is going to be a very, very big game changer so in next year we will be delivering the first phase of both these projects by the end of calendar year FY23, both the first phases will be delivered and that will bring a very big change it is when people can come in they can walk and see how the lobbies are, how the car parking is done, how the club houses are looking, how the apartments are coming to a good shape, so that will change the confidence of a buyer in making a decision and as and when a project gets completed or even the first phase gets completely filled up that changes the entire magnitude of the other prospective buyers for making a decision to purchase in this project, we have witnessed this in our existing project Arihant Anaika wherein after the readiness and the completion of phase I, phase II, phase III, phase IV, V have been implemented very perfectly, very smoothly and this same case is going to happen in Aalishan and Aspire which will help us scale up the sales in both these projects to a very different level and the implementation will be done in the timeframe that we have thought of for the balance cases as well.

Tirath Muchhala:

Sure thank you for all the detailed answers and in the last call I had mentioned something about either seem to start giving a quarterly cash flow statement just like our listed peers so if Abhishek if you can look into that.

Abhishek Shukla:

Yes, sure.

Tirath Muchhala:

Okay. Thank you.

Moderator:

Thank you. Ladies and gentlemen this concludes our question and answer session. I would now like to hand the conference over to the management for closing comments.

Parth Chhajer:

Thank you everyone for joining on this call and feel free to get in touch with us if you have any queries me and Abhishek are very accessible and anything you have just shoot up an email or you can call up. Thank you.

Moderator:

Thank you. On behalf of Dolat Capital that concludes this conference. Thank you for joining us, you may now disconnect your lines.

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Note: This transcript has been edited to improve readability

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