



CONTINUING STABILITY

ARIHANT
SUPERSTRUCTURES LTD.
CONTINUING STABILITY

18th November, 2022

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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**
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Symbol: **ARIHANTSUP**
Series: **EQ**

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

Sub: Transcript of Conference Call held on Tuesday, 15th November, 2022:

Sir /Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with reference to our letter dated 11th November, 2022 intimating you about the Conference Call with the Investors held on **Tuesday, 15th November, 2022 at 03.00 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

ASHOK
BHANWARL
AL

CHHAJER
Ashokkumar Chhajjer
Chairman & Managing Director

DIN: 01965094

Enclosed: a/a

Digitally signed by ASHOK BHANWARLAL
DN: cn=ASHOK BHANWARLAL,
o=ARIHANT SUPERSTRUCTURES LTD.,
ou=Corporate Relations Department,
c=IN
Reason: I am the author of this document
Location: your signing location here
Date: 2022.11.18 20:22:22
Friedrich@ASPL: Message: 10.0.0

L51900MH1983PLC029643

Arihant Aura, B-Wing, 25th Floor, Plot No 13/1,
TTC Industrial Area, Thane Belapur Road,
Turbhe, Navi Mumbai, Maharashtra - 400705

Tel.: 022 6249 3333
022 6249 3344

Website : www.asl.net.in
Email : info@asl.net.in



“Arihant Superstructures Limited Q2 FY2023 Earning Conference Call”

November 15, 2022



Dolat Capital



ANALYST: MR. KAPIL YADAV – DOLAT CAPITAL MARKET PRIVATE LIMITED

**MANAGEMENT: MR. PARTH CHHAJER – PROMOTER & WHOLE-TIME DIRECTOR - ARIHANT SUPERSTRUCTURES LIMITED
MR. ABHISHEK SHUKLA – CHIEF STRATEGY OFFICER - ARIHANT SUPERSTRUCTURES LIMITED**

Moderator: Ladies and Gentlemen, Good day, and welcome to the Arihant Superstructures Q2 FY2023 Earnings Conference Call hosted by Dolat Capital. 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 an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kapil Yadav from Dolat Capital. Thank you and over to you, Sir!

Kapil Yadav: Thank you Inba. Good afternoon everyone. On behalf of Dolat Capital, I would like to thank the management of Arihant Superstructures Limited for giving us the opportunity to host this Q2 FY2023 Earnings Call. From the management team we have with us today Mr. Parth Chhajer – Promoter & Whole-Time Director; and Mr. Abhishek Shukla – Chief Strategy Officer. Without further delay I would like to hand over the call to the management for opening remarks post which we would be open for question-and-answer session. Thank you and over to you, Sir!

Abhishek Shukla: Thank you Mr. Kapil. Good afternoon, ladies and gentlemen and thank you for joining Superstructures conference call to discuss the Q2 FY2023 results.

First I will take you through the key operational highlights for the quarter two followed by financial highlights for the quarter, and then I will hand over the call to Mr. Parth Chhajer, Promoter and Whole-Time Director of Arihant Superstructures.

On the operational front the company has witnessed continued sales momentum despite rising mortgage rates, pointing to the resilience of the real estate sector. In the current quarter we have sold about 364 units totaling 3.06 lakh square feet of area and in terms of value it comes out to be Rs.177.4 Crores. This takes the total sales for our half one FY2023 to 785 units and 6.23 lakh square feet with a value of Rs.367 Crores, which is about 10% higher than the half year in FY2022 which had sales of about Rs.333 Crores.

The collections too grew at a steady pace at 11.7% in the first half to Rs.227.9 Crores from 204 Crores in the year ago period. The collection for the quarter stood at Rs.117.1 Crores. On the business development front, the company has added approximately 1.7 million square feet with a GDV of 940 Crores to the project portfolio in the current financial year. This takes our total project pipeline to 14.6 million square feet out of these 4.5 million square feet of area is under construction and balance 10.1 million square feet is in the forthcoming projects pipeline, and out of the ongoing projects, which are already launched around 58% of the area is already sold. So this gives us a good picture and revenue and collection visibility over next two years or so.

Coming to the financial highlights, taking you through the same, the total revenue in this quarter stood at Rs.120.88 Crores as against Rs.88.18 Crores in Q2 FY2022 that is a year-on-year growth of 37%. Whereas for half one FY2023 the total revenue stood at Rs.210.47 Crores as against Rs.172.7 Crores. That is a year-on-year growth of 21.9%. EBITDA in Q2 stands at Rs.20.19

Crores as compared to Rs.20.18 Crores in Q2 FY2022. The PAT figures are at Rs.11.75 Crores in Q2 2023 as compared to Rs.11.63 Crores in Q2 FY2022.

We remain confident of continuing our growth trajectory while full extending support to our customer supplies and other valued stakeholders and for the first half of FY2023 the EBITDA is at Rs.39.28 Crores as compared to Rs.35.56 Crores in the year ago period, which is a growth of about 10.5% and profit after tax grew by 12.9% in the first half to Rs.22.5 Crores. EBITDA margins were recorded at 18.66% and PAT margins are at 10.68% for the first half of the financial year. The global inflationary trends as well as the inflation numbers that has come out in the month of October they are already showing signs of easing and which gives us confidence that the raw material prices and inflationary pressures will ease out in next quarter or two, which will be beneficial for us on two fronts, number one it will help us improve on the margin front and the concerns about the rate hikes on the home loan side will also kind of peak out is what we are currently looking at. So, I think going forward that should augur well for our business and now to brief more about new launches strategy and business outlook I will hand over the call to Mr. Parth Chhajer. Thank you.

Parth Chhajer:

Good afternoon, everyone and welcome to the conference call for Q2 FY2023 earnings and business updates. Thank you everyone for taking out time for this call. We are happy to see business growth despite inflation, rising cost, supply chain disruptions and higher mortgage rates. We would like to update that the construction for our Vashi project, Arihant Advika has commenced in Q2 FY2023 and we are seeing tremendous progress in the execution of the same.

We have launched approximately 140 new units in Arihant Amisha, which is located at Taloja in the second quarter and are getting a steady response. On the business development front we have entered into asset light venture for 12,080 square meters of land adjoining to the existing land added in Q1 FY2023 at the Shilphata location, taking the total development size for the project to around 7 acres, translating to a development potential of around 11 lakh square feet, which will be our sale component and this would yield us a total revenue of around Rs.700 Crores.

Shilphata Dombivali as you know is one of the largest markets today and higher selling markets by unit sales in the entire MMR region and we are quite excited that we have been able to add on more area to this existing project taking it to a better layout bigger size and longer duration for the project.

In the Q2, we had a heavy monsoon and we had quite a lot of increase in the mortgage rates which indeed had some effect on the sales momentum as it takes some time for people to digest and consume the increase in the interest rates when they are deciding to buy or purchase their property.

At the organization level our human resources strength is increasing steadily and we are geared up for the existing times ahead. The strategy for the next two quarters is to launch new projects. So in Q3 we are launching Arihant Aaradhya which will be around 440 units at Kalyan Annexe. So in this month we will be taking up this launch and post this we will be launching the Titwala

project also, Arihant Aayan to approximately around 200 units in that particular project, and in Q4 we had geared up for good number of launches starting with Arihant Aspire at Panvel and then moving onto Arihant Anmol at Badlapur, Arihant Aloki at Karjat and Arihant Arshiya at Khopoli. So, a good mix of affordable and mid income group products were lined up for new launches in the coming quarters as well, and the Shilphata project which we have just increased out to around 7 acres will be scheduled for a launch in the first quarter of the next financial year.

So, I would like to throw now the floor is open for questions and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: Congratulations for good set of numbers. My first question, the long-term borrowings, it has increased around Rs.75 Crores in H1 FY2023. So where is the funds has utilized that is my first question.

Parth Chhajer: We had raised NCDs worth 45 Crores in the first quarter and majority of the funds have been utilized for the new acquisitions like what we have just highlighted, we have taken around 7 acres of land on a JV model, at Shilphata we have acquired some land in Titwala also. So, the fund utilization has been for taking up new projects.

Balasubramanian: Sir I have missed some of the launches like you have mentioned, some of the launches will be in Q3 FY2023. So, could you please update the same?

Parth Chhajer: Yes, some launches had to be pushed up due to the heavy monsoon and increase in mortgages on a very fast track basis. So, we have now scheduled up launch for the Kalyan project, construction has already commenced for four buildings and we will be launching it out in this quarter. We will be launching out the Titwala project also in this quarter where we should have the approvals within the end of November and post that we can go ahead and do our RERA submissions and then start off the project for sales and construction as well.

Balasubramanian: Sir, what kind of margins improvement we may expect for next two quarters.

Parth Chhajer: Margins, so we have kept our pricing almost similar to what it was in the first quarter. Marginally obviously, we have a big product mix. So it always depends on the revenue that will come in to recognition for the particular quarter but we have seen some reduction in the raw material prices in Q2 for some materials, not all of them but steel has come down very considerably, which has a very large contribution to the construction cement has gone up in the second quarter, but more or less the construction cost is similar to what it was in the month of May and June selling price is slightly is increasing I would say by 2%, 3% but not a major hike that we have seen across the quarter.

- Balasubramanian:** Sir, like a few of the projects are in pipeline. So, around the estimated potential around Rs.1,000 Crores like what kind of execution period for these projects because everything starts from Q1 to Q4 FY2023.
- Parth Chhajer:** Yes, so these are all projects which are of different, different project cycles in terms of the duration some projects will have a life cycle of three years minimum and then some projects could have a higher life cycle of four to five years also like the Shilphata one is something where we are going to do a high-rise construction. So that will have a life span of at least four, four and a half years something like Arihant Aayan in Titwala or Arihant Aaradhya in Kalyan, the phases that we will be launching in the quarter will have a life cycle of three years maximum already for the Kalyan project we are at a good stage the claim for two buildings is already done two buildings is almost coming up so there we have a good added advantage when we are going to the clients and maybe we can even finish that off in two, two and a half years.
- Balasubramanian:** Sir, we are aspired to grow 50% across all the segments right now we are in the track like in going forward how much growth we may expect in that same guidance you are maintaining or is there any changes.
- Parth Chhajer:** We have to look at our business on a yearly basis and cannot compare it on every quarter to quarter basis we still have two quarters left for this financial year. So, we do not want to give out any facts and figures today but we will try to cover up as much as possible and achieve the targets that we have set out at the beginning of the financial year.
- Balasubramanian:** Sir, what kind of bookings are expected in next two quarters in terms of area.
- Parth Chhajer:** That would be very forward looking I cannot exactly mention out the area and the value and the unit numbers. But we are seeing good growth and Q3 and Q4 usually form to be better part of the financial fiscal year for real estate sector especially in this Mumbai micro market and I think we should be doing much better than what it was in the first half of this financial year in the coming two quarters.
- Balasubramanian:** So is there any further debt rise like what kind of maximum debt is expected in this year.
- Parth Chhajer:** No, I think the increments in the debt would not be to a larger extent for this year we could see a reduction in the debt also actually in this financial year as well.
- Balasubramanian:** In future is there any plan to rise debt in next two or three years.
- Parth Chhajer:** If there is a good opportunity we can look at raising debt. But the idea right now is that we are having almost 17, 18 running projects where we are getting cash flows from all the projects so the idea is to utilize those cash flows for the growth of the company majorly and obviously do the construction activities and the current business operations. For the current businesses we would not be requiring any kind of construction finance going further so no kind of construction debt would be raised for any kind of an opportunity a debt on a land stage could be looked at if there

is great an opportunity but the company is at a whole group level looking to reduce debt over the next four to five quarters.

Balasubramanian: Sir we have 13% market share in Navi Mumbai like what kind of opportunities do we have in terms of construction and what kind of potential sales opportunities are there in future.

Parth Chhajer: So because we have the largest market share and a very widespread geographically across many locations for our projects obviously it sets us way forward to many of our competitors when we are going out to the market, and we are looking at going from here as well to a very, very different extent the company is geared up we have the right human resources we have the opportunity because Navi Mumbai is a good growing market even MMR region we are now expanded to very largely in the KDMC belt also. So Shilphata, Kalyan, Titwala, the new locations where we will be coming up in a very big way already we were existing in Badlapur area. So company is having the potential to grow from here so our first target is to finish out the projects which are mid way are almost at the verge of completion and hand those over and take up new opportunities in those particular micro markets which are doing very well so for us that puts us in a better position for faster sales, faster construction, better growth.

Balasubramanian: Sir in that flat sales like private sectors or government sectors are coming more like if you could throw some light on which are the sectors people are coming from like pharma, or financial services if you could throw more light on that.

Parth Chhajer: No, we have not seen any pharma or BFSI companies coming into real estate, I mean, I did not get your question exactly.

Balasubramanian: Sir, like for example some of the peoples are working in pharma, some of the peoples been working in BFSI, like that kind of mix I am asking.

Parth Chhajer: Yes. So major of our clients, their starting salaries are around Rs.30,000 a month and it could go upwards of wherever it can. Majority of them are coming from the neighborhoods to the projects that we are working on. Many of them work in IT companies, some have their own small businesses. Some of them are working in the industrial zones also. So we have a wide mix. It is not like a particular category of BFSI companies or pharma companies, employees who are purchasing at our project. It is a very, very wide mix and scattered across so many locations so many different, different, geographies, so I cannot point out to any particular sector or industry.

Balasubramanian: Thank you so much sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Keval Ashar from DSP Investment Managers. Please go ahead.

Keval Ashar: A question from my side. If you can just throw some light on the transaction of selling land from one subsidiary to others so, how will it just head the company as such.

- Parth Chhajer:** Yes, so this transaction is between Arihant Abode Limited and Arihant Vatika where Arihant Abode limited is the seller and Arihant Vatika is the purchaser. For ASL as a holding company it is neutral because ASL has the same shareholding in both the subsidiary. The reason is that the Arihant Abode already has a large project Arihant Aspire which still has around Rs.900 Crores of cash outflow towards the future phases for the development of the project, and we want those cash flows to be utilized in that entity for the development of the project and whereas Arihant Vatika today has a surplus of cash flow and by keeping the land within the group is a better strategy as the land is at a premium location at Panvel, and it will also help us reduce the debt overall on the group level as we see over the next four to five quarters and Arihant Abode Limited which has the project Arihant Aspire will also get more working capital to start off the new phases the new towers in the Aspire project. So, Arihant Abode would be looking at total reduction in debt on the overall entity level to the tune of Rs.100, 110, 115 Crores over the next four to five quarters.
- Keval Ashar:** Thanks a lot and all the best for the coming years. Thanks.
- Moderator:** Thank you. We have a question is from the line of Ketan from Ketan Kotecha & Company. Please go ahead.
- Ketan:** Thanks for the opportunity. First of all congratulations for the great set of numbers. With reference to the question of earlier question, the deal, can you throw some more light on the transaction between one subsidiary to another subsidiary? I think you have explained in earlier question, can you throw more light on that.
- Parth Chhajer:** Yes. This transaction is for around 48,000 square meters of land which was owned by Arihant Abode Limited and the purchase value for Arihant Vatika is Rs.69 Crores and it would be paid out in a particular schedule which is put up on the exchanges as well. so majorly it would be a debt reduction as well as availing of working capital for Arihant Abode limited which is going to require a good amount of funds for the future phases also for construction of Arihant Aspire project currently we have launched and are working on three towers and we get five more towers to go. So, this utilization of funds would be well set off between the group itself by this transaction and Arihant Vatika had a decent surplus of around Rs.30 plus Crores. So that is something which will give an opportunity to Arihant Vatika and group Arihant as per say ASL group will not lose out on the opportunity for development at a very premium location at Panvel.
- Ketan:** Great, now I got it. It is good to see company like Arihant Aspire is taking steps to create more value for the shareholders especially in real estate sector where traditionally is not going for that.
- Abhishek Shukla:** To add to that, I would just like to add a little bit here. So we see this transaction as a great value unlocking opportunity for the company Arihant Abode has been holding this land and Arihant Abode is undertaking this mega project of Arihant Aspire and the visibility of development of this additional land parcel of 48,000 square meters are roughly 12 acres as a holding company we were seeing that it was stretching out little bit too far in the timeline because Arihant Abode we are not wanting to raise further debt on that subsidiary. To unlock this challenge, this transaction

would be quite useful from an ASL holding company perspective because the Arihant Vatika is anyways shouting for more land parcel and this gives it a good opportunity to acquire a premium land parcel. So two things happened here one is with more working capital but less debt Arihant Abode a subsidiary becomes much financially much stronger and hence we believe that there will be a good case for preponement of additional phases and hence additional cash flows in Arihant Abode subsidiary, and when we look at Arihant Vatika the 48,000 square meter or 12 acres of land parcel can also be developed faster than the timeline where Arihant Abode could develop it and without taking any considerable debt on this to develop this land parcel. So, with this we believe that both the projects Arihant Aspire as well as the new land parcel there could be good preponement of cash flows going forward and this could create very good value for Arihant Superstructures and as we have mentioned in our stock exchange update also Arihant Superstructures could benefit a lot out of this transactions without any of the subsidiary I mean to compromise on its own objectives and needs. Thanks.

Moderator: Thank you. The next question is a follow up from Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: Thank you so much for taking my question again. Sir what kind of sales velocities we are witnessing in Jodhpur project especially in Adita and Anchal phase I.

Parth Chhajer: So, our Jodhpur projects we have got a very I would say slow and steady response in terms of the sales in this Q2 but Q3 we have just last week got the OC for the Adita's one building which is ongoing Juvana so in the coming two quarters we expect to see a good decent amount of sales due to the receipt of the OC also. The current stock at Jodhpur will be to the tune of around Rs.60 Crores between Adita and Anchal both combined together Adita would be having anywhere close to 40 odd units and Anchal will be having an inventory of around 90, 95 units. So, we expect that in the next two quarters we should be doing well and should be able to reduce the ready inventory to a larger extent and then start off with the new buildings in the as the balance spaces for both the projects.

Balasubramanian: And sir like what kind of units we are focusing to deliver in next two quarters.

Parth Chhajer: So, I cannot exactly point out, but yes we should be able to complete out Arihant Anauja phase 4 hopefully by Q4 and Adita we just completed one boiling in this quarter. These are the two likely projects which are due for completion and some projects will get pushed out to Q1 and Q2 for next financial year like Aalishan phase I and Anchal there is some balance inventory also that needs to be built and completed. So that also would be sold in the next coming months.

Balasubramanian: Thank you sir, that is it from my side.

Moderator: Thank you. Our next question is from Harshal Muttha from Muttha and Lahoti. Please go ahead.

Harshal Muttha: Thanks for the opportunity. First of all congratulations for the good quarter two results, specifically considering monsoon impact on construction activity and comparing other real estate

companies results. My question is I recently watched in one interview of management where it has been communicated that in coming years company expect 30% to 40% growth in business in all terms so are on a track of to deliver that in line.

Parth Chhajer: Yes, we are on track for the growth on all the verticals of the company for the next three to four years we are seeing company scale up to a very, very large extent across all verticals and we have the projects we have the people to execute, deliver and complete the portfolio that is there lying around 14.5 million square feet is the total development potential today and we feel that we are in a good position market is supporting the timing is right the city is growing because of the good infrastructure coming in so we have all big boxes and all the supporting factors from the government, from the market to increase and grow the company to a very different level across the next two to three years.

Harshal Muttha: Thank you.

Moderator: Thank you. Our next question is from the line of Abhishek Getam from Alpha Invesco. Please go ahead.

Abhishek Getam: Thank you for the opportunity. Sir, my question is regarding the environmental clearance this we get Aakarshan. So do you use this clearance and because of this have you seen any cancellations in the project.

Parth Chhajer: So, there is a clarification sought by the environmental department on the aspect of study of the total region of around 2 kilometers for all the lands and projects falling in that area and being a responsible corporate and as requested by the government agencies we have halted the construction activity till completion of the study which could take maybe around 4 to 5 months. To clarify and notify everyone, Arihant Superstructures Limited has all the NOCs and clearances for the project such as commencement certificate, RERA certificate, environmental clearances, and consent to establish from Maharashtra Pollution Control Board which is MPCB in the favor of the project.

Abhishek Getam: And any impact on booking cancellation.

Parth Chhajer: So right now, we have just halted the sales and once the project has started off, those bookings would be continued.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to Mr. Kapil Yadav from Dolat Capital for closing remarks. Over to you, Sir!

Kapil Yadav: Thank you everyone. Thank you Mr. Parth and other team members from the team. Any closing remarks sir. Over to you Sir.

Parth Chhajer: Thank you everyone, for joining the call and if you have any queries you can reach out to me and Abhishek and we will be happy to clarify those offline. Thank you.

Moderator: Thank you members of the management. On behalf of Dolat Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

For further information, please contact:



Abhishek Shukla
Chief Strategy Officer
Abhishek.shukla@asl.net.in
M: +91 96191 95775

Note: This transcript has been edited to improve readability

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