



“Arihant Superstructures Limited Q1 FY-17 Earnings  
Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to the Q1 FY17 Earnings Conference Call of Arihant Super Structures Limited. As a remainder, 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. I now hand the conference over to Mr. Umesh Jhawar – Vice President (Strategy and Investor Relations) of Arihant Super Structures Limited. Thank you and over to you sir.

**Umesh Jhawar:** Thanks Margreth, welcome everyone and I thank you for joining us for the Q1 FY17 Result Ended on June 30<sup>th</sup>, 2016, Earnings Call for Arihant Superstructures. I am Umesh Jhawar and I take care of strategy and investor relations at Arihant Superstructures Limited. Please note that the results and presentations have been mailed and you can view these on our website, [www.asl.net.in](http://www.asl.net.in).

To take us through the results and to answer your questions today, we have Mr. Ashok Chhajer – Chairman of Arihant Superstructures Limited and Mr. Aman Verma – Chief Financial Officer of Arihant Superstructures Limited.

We will be starting this call with the brief presentation giving an overview of the company's performance followed by Q & A session. I would like to remind that everything said on this call that reflects any outlook for the future and which can constitute as a forward-looking statement must be viewed in conjunction with uncertainty and the rest that we face. These uncertainty 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 the call over to Mr. Ashok Chhajer, over to you sir.

**Ashok Chhajer:** Thank you Umesh for the introduction. Good evening friends and welcome to the Earnings Call for Quarter 1 financial year 2017. Some key industry prospective the sector though has been lauded out that it is not out of the woods but if you see, but if it is looked at in the micro level or some markets, there are some green shoots and that is where our operations are also there. It is noteworthy to say that during this quarter inflow for the sectors from the private Equity funds in real estate has also increased substantially to about 4000 crores and below it and nearing to it, so this is a sign that the sector is being preferred for businesses and for investments in and around the global markets. There would be great transparency after the RERA Bill which has been introduced in this quarter and that would make stand companies with better transparency, good corporate governance and with better customer relationships.

Arihant has been there for two decades to again continue and rephrase it that at Arihant Superstructures Limited, we have a policy from two decades of not charging any transfer charges for the real estate which is sold, no lock-in period is there for any client and there is no escalations to whatever is being sold to and client, so this has added up to the comfort of the

customer and the brand value of the company which in turn is being shown and which has been reflected by the numbers and the sales on annual basis which we have achieved.

And the quarterly highlights – the total revenue was 310 million and comparing with Q1 FY15 and FY16, there was an increase of 33.41%. And EBITDA stood at 74 million and that is a margin of 24% of the total revenue. The net profit has arrived to around 31 million comparative to the Q1 FY16 of 22 million, a growth of (+35%).

In terms of square foot and numbers of construction being carried out as Mumbai perceive where majorly it is the monsoon season right starting from June-July, so half of the quarter has been affected by monsoon where the construction goes into little slow pace and which has to be backed up in the next quarters and that tries to bring out some numbers down which otherwise can be more better.

The outlook for the year – we started with a very strong note by ending up the last financial year with strong sales at Jodhpur division of Arihant Anchal for 432 flats being just sold in 4 days and the tallest towers of Navi Mumbai 53 level Arihant Clan Aalishan at Kharghar at the end days of the year of March 2016, that has seen revenue is being flowing across in this quarter. The construction work at Arihant Anchal has already started, out of 18 buildings, 15 buildings have started and 4 would be starting up in within one month and the target time for these project is around 18 months to 20 months, so in the last third quarter we will be seeing up revenue is being recognized from this particular project of Arihant Anchal at Jodhpur which is in the affordable housing segment of ~20 Lakhs for a house, the construction activity for the new project Arihant Aalishan at Kharghar has also started off where very speedy construction has been carried out with new technologies that is the 53 story tower and that would see up good size of construction at least by the end of this financial year. I now open up the floor for Q&A and I would be happy to answer any questions from the investors section, so the floor is open.

**Moderator:** We will now begin with the question and answer session.

**Diwakar Pingle:** Margreth I think before the question queue assembles let me kind of take the opportunity to ask the management. I think obviously Mr. Chhajer, I think we have definitely seen a good uptake in revenue in EBITDA as far as the YOY growth is concerned, how, I mean what are your thoughts going forward for the next 2 to 3 quarters. How do you see the sector performing and as far as the company Arihant is concerned how do we see that moving forward?

**Ashok Chhajer:** The sector is more dependent on the design base, so the projects which are already taken up earlier with the bigger size of apartments are not doing good but as we see there was a latest news around 3 to 4 days ago where in MHADA had sorted at around 937 flats for which they got forms which were filled by almost 1.37 lakh people so the ratio of demand for a particular segment that is affordable housing, budget housing, low income group housing is something around for 1000 flats around 1.37 lakh buyers, so that tells that if we target our, if we design

our product well, we still have a market for it undoubtedly with the sentiments it may be little pull down but still if you have that segment you do good, you have numbers cropping up and at Arihant what we talk across we have the major almost more than 60% of our 70% of our product line in the bandwidth of affordable housing that is ranging from Rs. 2000 per square feet to Rs. 4500 per square feet so that is what is making us sell very comfortable and that is our base making the construction at the site moving at a right pace.

**Diwakar Pingle:**

Sir, I think just to follow up to that obviously you know what are the kind of projects that we launched earlier which you believe are going to give us a momentum for this particularly FY17, because if I look at your project sheet, I think a huge number of projects were you know kind of started about 2 years ago and we should be seeing a lot of them kind of come into the revenue recognition plus a lot of them kind of actually moving ahead in terms of closures and things like that, so could you name some 2 or 3 key projects that possibly would drive this revenue growth going forward?

**Ashok Chhajer:**

Arihant Anshula at starting point of the metro of Navi Mumbai that is at Taloja that would be the one which would be contributing a good handsome amount and along with it Arihant Anchal as I just said now mentioned that would contribute a lot. Arihant Arshiya at Khopoli which is already on and contributing will add on to its same behavior of numbers in this year, so there are three of this which are low risers which are around 4 storied, 5 storied structures and 8 storied structures which can have a faster turnabout of completions and that would make a difference and coming back to your first question which you asked Diwakar, I think that with the method which constructions are being, with the method with the projects which we have and the design of projects which we have this year we would be able to see up at least a good handsome, something nearest to double the numbers of the last financial year or may be a pinch of it lesser than the double the size of numbers which you had for the last financial years.

**Diwakar Pingle:**

I think that is interesting, I think the other thing is obviously as you kind of move up the value chain in terms of you know moving from the smaller projects that you were doing to the slightly bigger projects like the Aalishan plan that you mentioned, one of the questions that actually comes to my mind is from an operational growth perspective you know how do we kind of take care of this year, I mean are we doing this things ourselves or giving it to contractors and if so would that kind of effective margins going forward.

**Ashok Chhajer:**

The nature of construction still today what is all EPC is in house so it is not on the key basis which the contracts have been awarded and that is our forte of constructing out at the exact reasonable cost though engaging up even the most best professional contractors and construction company, they are being ready to do up project in the same similar fashion with the new Mivan technology and aluminium foam etc., but that would keep up the pace also and we have been able to do say save cost in engineering and as we are already ourselves an EPG construction company.

**Moderator:**

The next question is from the line of Apurva Shah from PhillipCapital. Please go ahead.

- Apurva Shah:** Just 2-3 things just wanted to understand how is the response in Aalishan, I believe that we roped in Ranveer Singh for this particular this site. So how has been the response and how do you see that project panning out in next to 2-3 years' time?
- Ashok Chhajer:** What we require at the initial days were the working capital for the construction and the 4 days of launch showed up around (+200) sales so that was Rs. 200 crores equivalent to, the cash flows from the Rs. 210 to Rs. 200 crore sale and adjoining on month-on-month basis the bar chart which we have made for the complete tenure of the product, desires up and sale of around 15 to 16 flats per month, and we have been able to achieve that.
- Apurva Shah:** Okay got it, and sir one is a very generalized thing like post this GST amendment bill passing on Rajya Sabha so just wanted to understand what will be impact on real estate because they are very unknown for real estate particularly?
- Ashok Chhajer:** I think the days will give more clarity in next few months though today's news saw that there would be an increase in the cost due to the GST. I think we should observe let us wait across and do some Maths on reality basis and I think the consultant would be able to come, by and large it does not appear what it looks as on today's newspaper.
- Apurva Shah:** But Sir just wanted to have your thought if I look at past one year and government's actions like they have done many things from regulatory point of view; so how do you see that thing. So for longer term it is definitely good for real estate companies or may be for consumers even but in short-term do you see positive impact or negative impact because still sentiments are not that much positive from consumers' side which has reflected in numbers of any real estate companies. Sir what is still lacking, because Government is doing their work like interest rates are also coming down. Like most of the real estate companies are also desperate and they are still maintaining the project launches and everything, so what is the element which is lacking?
- Ashok Chhajer:** With RERA Bill coming as I told earlier also it is going to be little rough weather in the starting days, but in a longer run it is in a better health of the sector as well as the industry keeping the consumers more safe, more guarded off. Undoubtedly, it would increase the cost to a little extent we will also be factoring out the factors which according to RERA may have not cost on the product which you have and that is what is the tune across industry that may be a 2-2.5% increment due to the RERA. But then as told that no lunch has come free and if everybody is vigilant and at that cost if a consumer is able to get up and more secured and assured governed product line from the Government, it will be always welcomed. This is this RERA is already building a confidence among the consumers also. Interest rates till I think only 100 business point have been coming down from the housing sector but it is being told that at least after one and a half month when the new Governor takes charge, the Government is of a policy that the interest rates of housing loan were dropped down to the historical rates of the then BJP Prime Minister, Mr. Vajpayee's, time and if that happens in the next 1 and 1.5 year you will find an good turnabout. Also as a nature of business across for any sector the real estate has already seen-up and 2.5 years of down side from the peak towards the bottom side, I

think it has hit the bottom and from the next 1 to 2 quarters you will find an upside where first demand will come then you will find an appreciation to come.

**Apurva Shah:** Sir contrary to this like do you people experiencing increasing number of visits or enquiries and like closure of deals so have you seen that kind of improvement or when we will see that kind of happening in our numbers?

**Ashok Chhajer:** As it is a purchase by an individual, the price packet which is already fitting into the consumers are seeing up and good rush or good flow also. I give one example yesterday at one of our advertisements in Jodhpur fetched across around 140 calls. So in these days when 140 calls have been received that tells that is in demand, we need to cater and customize our product and our strategies of sales such that it is suitable to them and in turn it will give us numbers. So that is what we are doing. We have adopted out some different strategies of marketing which we or any of the developers are not being doing in the up side turn because there is no need at the time, but yes with those things coming up I think we would be able to see at least 2 spikes more in number of sales in the complete financial year till the end.

**Apurva Shah:** Okay got it, and sir lastly can you throw some light on scheme of arrangement, I just saw that announcement at BSSO?

**Ashok Chhajer:** Scheme of Amalgamation, Adeshwar Realty Private Limited was an 100% subsidiary of Arihant Superstructures limited, hence the board has decided to amalgamate and the Adeshwar Realty Private Limited into Arihant Superstructures Limited and Adeshwar Realty has a project called Arihant Arshiya that is near Imagica and India Bulls Golf city at Khapoli on Express highway where first phase of 29 buildings are getting ready for occupancy from next 2 to 3 months and that size is around 13.5 lakh Square Feet, so once that would be into ASL you will find good numbers even in standalone though consolidated remains unchanged.

**Apurva Shah:** Okay but from shareholding pattern point per se there would not be any change due to this amalgamation right?

**Ashok Chhajer:** Yes after the high court has given the order for it there is no change.

**Diwakar Pingle:** Margret I think I will just go on with the follow-on, I think Mr. Chhajer did talk about revenue, I think one of the other questions that I had sir is on margins and profitability, how they are kind of going to pan out for this particular year and generally on a steady state basis where do you foresee the EBITDA margins to be at?

**Ashok Chhajer:** Around the EBITDA margins would be something around 35%-40% bandwidth for the coming around 6 years and plus that is what the business is in hand which the company has. It is a steady construction business of about 12 million square feet, so that will last for 6 years and I see in the next 6 years what the company is targeting with the projects in hand to get may be debt-free and if that happens that PAT would see a steady PAT of at least around (+/-20%) with the factors of risk which are involved it can be looked into for the next 6 years

continuously. We have made our cash flows for the next 7 years Diwakar and due to which on monthly basis, quarterly basis and yearly basis, which are giving us better control on the numbers and which turns down to targets to be given to sales as well as targets to be given to engineering to do the construction and amounts to be spend on the grounds.

**Diwakar Pingle:**

Okay when given the fact that you say that you kind of done on the complete cash flows for the next 6 to 7 years, my question then is do you foresee any need for capital raising either in terms of debt and equity not immediately but over the longer term do you think that would be an option, what would be a preferred option, would it be debt or because even we already have some debt on the books. So I think one of the questions from the investors you know how is that debt going to go. So my question is how comfortable is cash flows and how do you see the capital raise going?

**Ashok Chhajer:**

For the next three years there would be a raising of capital what we have analyzed that the debt will increase by around 25% on last year to this year and subsequently to the next year also but that is the year '18-19 is where the major cash flows are coming so after that you will find out repayments being done including the principles which would bring that 3 company by the year 2020-22 and if there is a big development or growth or new projects to be taken then the deployment of new funds or the adjusting funds would be towards the new projects.

**Moderator:**

As there are no further questions with that we conclude this conference on behalf of Arihant Superstructures Limited, thank you for joining us and you may now disconnect your line.