



“Arihant Superstructures Ltd. Q3 FY-16 Earnings Conference Call”

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MODERATOR: **MR. DIWAKAR PINGLE – CHRISTENSEN IR**

Moderator: Ladies and gentlemen good day and welcome to the Arihant Superstructures Ltd. Q3 FY16 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference 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. Diwakar Pingle from Christensen IR. Thank you and over to you sir.

Diwakar Pingle: Thank you Margreth. I think to do the introductions, I have with me Mr. Umesh Jhawar- Head of Strategy and Investor Relations. Umesh can you take the call ahead?

Umesh Jhawar: Thanks Diwakar. Welcome everyone and thank you for joining us for the Q3 FY16 result ended on 31st December 2015, Earnings call for Arihant Superstructures. I am Umesh Jhawar and I take care of Strategy and Investor Relations at Arihant Superstructures Ltd. Please note that the results and presentations have been mailed and you can view these on our website at ‘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 Ltd. and Mr. Aman Verma - Chief Financial Officer of Arihant Superstructures Ltd. We will be starting this call with a brief presentation, giving an overview on 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, which can constitute as a forward-looking statement must be viewed in conjunction with uncertainties and the risks that we face, these uncertainties and risks are included but not limited to what we have mentioned in the prospectus filed with SEBI and in subsequent annual reports you can find on our website. With that said, I would now turn the call over to Mr. Ashok Chhajer. Over to you Sir.

Ashok Chhajer: Good morning everybody for the Q3 results 2016 for Arihant Superstructures. Given this real estate sector, despite it was challenging conditions across the market, we were able to make up and reasonably numbers of sales and which accounted to ~80,000 sq feet of sales and around 102 units. In the financial terms, as the projects which have already started off have started giving revenues and the total revenues accounted to Rs. 38.5 crores, which was a gain of 63% over the Q2FY16. The EBITDA for the Q3FY16 stand out to be Rs. 15.7 crores as compared Rs. 6.4 crores in Q2FY16. This translates to a margin percentage of 41% as against the 27% in Q2FY16. The net profit of the quarter came out to be Rs. 9.1 crores, compared to Rs. 3.2 crores in Q2FY16.

So, in general, this quarter was definitely good considering the gloom in the market. In the Current Quarter(Q4FY16), we have launched two projects Arihant Ashray and Arihant Aangan at Jodhpur. These are in affordable housing sector with ticket size of Rs. 6.5-7.7 lacs per

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apartment. The projects have got an overwhelming response and around 600+ inquiries were received for the 1st visit of Arihant Ashray which got completely sold out in two days. We also launched 120 unit Arihant Aangan in January and the same was also sold out in 3 days. Success tells that the market has a potential in Jodhpur and we are confident about penetrating it more, given the quality of product which we have and the position of Arihant Superstructures in the real estate apartment building category in the Jodhpur division, which accounts to Jodhpur city as well as Jodhpur district and Pali district, Barmer, Bikaner, Nagaur and Jalore. So, 7 big divisions, that is with what we call as Western of Rajasthan which is generally core centric towards Jodhpur is giving up good confidence in terms of real estate buying and we are scheduled for approximately 7 new more additional project launches in the coming financial year, wherein major of the 4-5 would happen up in the next 3-4 months.

The company as well as the team is fully geared up at all fronts and including the media, the sales and the engineering prospective, we find that 2016 would be the calendar year where around new projects would come up on the platter and 7 projects in a year would really tell a good story about ourselves. In the recognition, due to best business practices which we have continued across in the last 2 decades and above, that is which is wholly highlighted in the media as well as in the offices and sales cabin; that is there are no transfer charges which we have taken from the clients, there are no locking period for any sales which has been pre launched or launched also and for any category as well as there are no escalations which Arihant has ever taken from any of its client.

Due to these best practices, Economic Times awarded Arihant Superstructures Ltd. as the best corporate brand across India in the real estate sector. In addition to the last quarter which we told about the top of the 50 brands we had consecutively 2nd year categorized as the top of 50 brands of Mumbai, wherein for in B2C category, which had four from real estate, the Tata Housing, Godrej Properties, Oberoi and Arihant and the rest of the 46 are your all; Cadburys, Amol, RM and etc.

The good news and the mega news is that, this is the history and for this year 2016, would be the historical year for the city of Navi Mumbai and its regions, regions as mainly lauded across and heard across the Airport and MTHL but more to look into it even the biggest one across, over and above this is The Naina, a new city which is coming up to the government announced up, the Navi Mumbai Corporate Park on 250 acres across Kharghar sector at one location where you have; on one side you have the 180 acres of golf course functioning, you have 240 acres of Central Park already functioning in part portion and the airport within coarse fly of 2.5 km and then road distance of 4 km. So, none of the major cities across world has all the 4 things within an envelope of 4 km and Navi Mumbai has that privilege to have all the 4 and as told the best of the businesses happens on the Golf course, coming years with these, all configuration of Navi Mumbai Corporate Park which would house across around 100 corporates in the one single location and it is being designed and supported by Arihant to the government, officially also,

wherein Mr. Dinkar Samant has been appointed, who is the Wholetime Director to the company of Arihant and was ex chief architect planner, he has been taken on the board on official basis as an advisory to the whole project. This whole detailing and visioning was handed over by Arihant to the government CIDCO and the Chief Minister also approved it across. In addition to it, in December 2nd week, Chief Minister Devendra Fadnavis announced up the unveiling of Rs. 50,000 crores which we spent for the smart city of Navi Mumbai, which would generate around 9 lakhs plus population in the region, so that is the kitty which CIDCO themselves has it is, they are not dependent upon Central government to give an aid as being promoted by the other city. Saying all these things, about the Metro being starting off in 2017 January, the airport stone laying happening up in the next quarter, the JNPT expansion happening, already started not expansion even functioning starting off, The Naina, the highways, etc. Navi Mumbai would draw across again as the, for next 2 decades as the top hot 3 destinations of India and good thing about it is that in this region of Navi Mumbai and MMR region, Arihant as a legacy, has an age on more than 2 decades has improved and today also has the largest market share in terms of square foot as it is.

Good things to go ahead, I throw open the floor for Q&A session; I will be happy to answer any of the questions in these and any regards.

Moderator: Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.

Mohit Bansal: My first question is regarding the debt on the books right now, as of December, what will be the consolidated debt on book sir?

Aman Verma: The total debt on the book, long term debt is around Rs. 102 crores, which is actually Rs. 64 crores from banks and institution and Rs. 38 crores from promoters and directors. There is a short-term debt also which is around Rs. 86 crores and this is completely from the promoters.

Mohit Bansal: So, promoters' debt; how is this in terms of repayment, what is the outlook sir, on this?

Ashok Chhajer: Even the short term as well as the long term, it is lying with the company since almost from the inception that is, 2009 onwards, so though there is not a tied up payback date, it is to the comfort of the company that they can repay it back.

Mohit Bansal: So, are we paying any interest on this debt?

Ashok Chhajer: Yes, of course, we are paying 15% per annum interest rate, which is not compound on quarter to quarter basis, which is on annual basis and which has been accumulating to the book of accounts and not being paid, so the liquidity does not go, but yes it is being accounted.

- Mohit Bansal:** Okay, we are not paying it, but we are accounting it?
- Ashok Chhajer:** Perfect.
- Mohit Bansal:** My next question is on the project; your fact sheet mentions three big projects, Akanksha, Arshiya as well as Agrima and these are the biggest projects almost equivalent to all other projects, and all these projects are to be launched. So is the strategy to execute smaller projects, launch smaller projects or what is the outlook Sir on this?
- Ashok Chhajer:** I would like to correct one thing; that Arihant Arshiya first Phase is nearing completion and will be handed over to the clients in the next 4 to 5 months and that is to a tune of around 500 flats. The Phase 2 of Arihant Arshiya is under construction and that would account to around 8 lakhs square feet and Phase 3 would be combined with it. So it is not that they have not started off, a), b) Arihant Agrima is a project where affordable housing project of 5 lakh, 550 thousand square feet is being already under construction and part of it is already handed to the Government, the part would be handed over in the next 1 or 2 months. c) The Arihant Akanksha; it is awaiting approvals, the mobilization of the contractor is being done, the contractor is finalized, we are expecting any one given day in the next, maybe a month or across, the approvals. And the construction at site for the infrastructure is being started off, that is in respect to sample flat as well as the club houses and the offices and the project construction would start only after the permission is receipt.
- Mohit Bansal:** So basically, it is not the market outlook which is stopping you, it is just the approvals which is stopping you from continuing the projects, am I right?
- Ashok Chhajer:** Perfectly but as I told you that project Arihant Akanksha is already launched and in pre-launches we already have taken up sales of 225 units, out of the 2000 units size and wherein substantial payment has been recovered by the client. So it is a lunch where there are serious buyers who has paid around Rs. 15 lakhs and plus. So the launch is already done, the construction of infrastructure is being carried out at Akanksha. The building construction would start after permission, that is within one month, one and a half month from now, a) Arihant Arshiya is already under construction.
- Mohit Bansal:** Sorry to cut, just wanted to understand, do we have approvals for Arshiya 2 and Agrima as well?
- Ashok Chhajer:** Yes, we have total approvals.
- Mohit Bansal:** So basically, commencement certificates have been received for Arshiya 2 and Agrima?
- Ashok Chhajer:** Yes.
- Mohit Bansal:** And for Akanksha?

- Ashok Chhajer:** Akanksha we are awaiting it at this week, as I told you right now.
- Mohit Bansal:** Okay, so when are we launching Arshiya 2 and Agrima, Sir?
- Ashok Chhajer:** Arshiya 2 is already launched, it is happening.
- Mohit Bansal:** My next question is on Panvel; all the projects you have already mentioned that Naina is developing this Smart City, so these projects are within the Smart City or how is it?
- Ashok Chhajer:** All the projects are within Naina region; that is around Panvel which is the Smart City part of it; yes that is within the Smart City. It is not at very distinct location, it is as I tell you all our projects – Arihant Anshula, Anaika are at the 1 mile, on Tachometer distance from the Metro Station starting point. Arihant Akanksha is at 4 kilometers on Tachometer by road where from Airport and 4 kilometers from the existing Railway Station. So none of them projects are at very distinct locations, all are at very proximity and very premium locations.
- Mohit Bansal:** One more last question; the revenue recognition happens, how do you account for revenue recognition Sir, if you can kindly explain?
- Ashok Chhajer:** As per AS-7 standards, the revenue recognition in all our projects are done in percentage completion method wherein the first trigger is about 25% of the construction cost of the project is being occurred, maybe if it is in Phase wise, the phase is considered in project. And the second trigger is about 20% of the payment being received from a client and vis-à-vis to it, all the payments which have been received from the clients and the percentage of work is completed. Example say in this quarter, 27% of the work has been completed, so it is triggered and for the 100 flats if it is sold, then 27% of the 100 flats that we have sold, is the revenue which we are seeing across. That means we are paying up taxes or the results are on very consistent periodic manner where it is not even preponed to show good results which would give losses to the company as the tax rate payments were paid in advance. It is not also postponed for the completion where it will be a burden to the company in the days to come. And it is a more secured method, more disciplined method of paying taxes and regulations statutory compliances.
- Mohit Bansal:** Okay, so, but these are either/or conditions or this is an and so basically we have to meet both the conditions?
- Ashok Chhajer:** We have to meet both the conditions as per AS-7 standards.
- Diwakar Pingle:** This is Diwakar here, maybe I have just stepped in with a question, given that; one of the things which I have observed in the press note was obviously your projects in the Jodhpur region, you seem to be doing well there in terms of the new project launches and obviously there has been a good demand for your projects there. Could you just explain; how is it kind of being in that market and how you manage to attract customers to your projects in the Jodhpur region?

- Ashok Chhajer:** We have been into the market for long, so it has been told to all investors that it is 2011 when we started operations and with the performances which we gave as Arihant Adita, the top 100 residential projects of India in the Year 2014 by CRISIL. And affordable housing projects which was the first 15 projects of Government of Rajasthan which gave a lot of accolades to the Government of Rajasthan as well as ourselves also in the affordable housing sector. The two projects which we launched wherein the affordable housing sector which has the largest demand and which is what our Honorable Prime Minister, he has been lauding across that housing for all by 2022, so this exactly falls into that category of housing for all of 2022 and Jodhpur has a lot of potential which can be now stated with the launch of these two projects and getting sold out in two to three days.
- Moderator:** Thank you. The next question is a follow up from the line of Mohit Bansal from Ajinkya MPL. Please go ahead.
- Mohit Bansal:** One more question; can you please tell us what is the land bank as of now?
- Ashok Chhajer:** In terms of acreages, it goes to around 100 acres and plus and in terms of built up area, it amounts to around 11.4 million square feet.
- Mohit Bansal:** Are you only focusing on these two, three cities that we are in or in the future, what is the outlook on growth?
- Ashok Chhajer:** We are focusing only on two sectors; Navi Mumbai-MMR region and Jodhpur-Rajasthan.
- Mohit Bansal:** What is so special for Navi Mumbai, you have already discussed that there is scope in terms of the development that is happening on the Smart City as well as the Airport side, what is the special in Jodhpur sir?
- Ashok Chhajer:** In Jodhpur, as I mentioned it across, it is in Jodhpur division that is a Western of Rajasthan and when you go and strip it across or see our website, you will find about Jodhpur what it is, it has the best of the education centers, it has probably six-seven core industries in Jodhpur. The handicraft industry is in good position across worldwide, being the largest exporter in wooden handicrafts, the textiles and, etc. So there is lot of employment which is already over there in terms of education and other facilities. You have the AIMS which is already existing. The IITs which are coming, so there is a lot of influx in to it and Western of Rajasthan is quite big large size where everybody migrates from around districts into the core city of Jodhpur as we find in Maharashtra everybody migrating inward towards in Pune and in Mumbai. So there is the same culture over there.
- Mohit Bansal:** Sir, one last question I have is; what is the cash on book, as of December?
- Aman Verma:** It is around Rs. 7.5 crores.

Moderator: Thank you. As there are no further questions, so I would now like to hand the floor over to Mr. Ashok Chhajer for closing comments.

Aman Verma: I wish to thank everybody for taking their valuable time during this trading hours and hearing the results of Arihant Q3 FY16, any further questions, any further details that you seek from us, Mr. Umesh Jhavar is our Strategy and Investor Relations Head and Diwakar from Christensen and myself. I welcome all your communication through emails and I will be available to put you to satisfaction on these queries. I once again thank all of you for taking out their valuable time for this con call, thank you.

Moderator: Thank you. On behalf of Arihant Superstructures Ltd., that concludes this conference, thank you for joining us and you may now disconnect your lines.