



CONTINUING STABILITY

ARIHANT
SUPERSTRUCTURES LTD.
CONTINUING STABILITY

12th June, 2018

Corporate Relations Department BSE Limited 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 Class of Security: Equity	Symbol: ARIHANTSUP Series: EQ

Dear Sir/Madam,

Sub: Transcript of Conference Call:

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find the attached Transcript of Conference Call organized on Thursday, 24th May, 2018 at 4:00 P.M. by the Company to discuss the Financial Result for Quarter and Financial Year ended 31st March, 2018.

Kindly take the same in your records and inform the Stakeholders accordingly.

Thanking You

Yours faithfully

For Arihant Superstructures Limited

Pradeep Mehta
Chief Financial Officer



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“Arihant Super Structures Limited Q4 FY-18 Earnings Conference Call”

May 24, 2018



**MANAGEMENT: MR. ASHOK CHHAJER – CHAIRMAN AND MD, ARIHANT
SUPER STRUCTURES LIMITED
MR. PRADEEP MEHTA – CFO
MR. UMESH JHAWAR – VP (STRATEGY & INVESTOR
RELATIONS**

- Moderator** Ladies and gentlemen good day and welcome to the Arihant Super Structures Limited Q4FY18 Earnings Conference Call.
- As a remainder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after presentation concludes. Should you need assistance during this 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. Umesh Jhavar – VP (Strategy and Investor Relations). Thank you and over to you Mr. Jhavar.
- Umesh Jhavar** Thank you. Welcome everyone and thank you for joining us for the Q4 FY18 results ended on 31st March 2018. Earnings call for Arihant Super Structures. I am Umesh Jhavar, and I take care of Strategy and Investor Relations at Arihant Super structures Limited. Please note that the results and presentations have been mailed and you can view these on our website www.asl.net.in.
- To take us through the results and to answer your questions today, we have Mr. Ashok Chhajer – Chairman and Managing Director of Arihant Super Structures Limited and Mr. Pradeep Mehta – CFO of Arihant Super Structures Limited.
- 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 the call that reflects any outlook for the future and which can be constituted as a forward-looking statement must be viewed in conjunction with uncertainties and the risk that we face. These uncertainties a risk is included but are not limited to what we have mentioned in the prospectus files 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. Pradeep Mehta. Over to you Mr. Pradeep.
- Pradeep Mehta** Thank you Umesh Ji. Good evening to everyone. Let me run through the highlights of this quarter. This quarter we sold highest number of flats as compared to other quarter in this year. We sold 350 flats at Navi Mumbai and 37 flats at Jodhpur. Total 387 flats. This quarter 2 new Phases launched that is Arihant Anmol Phase 3 and Arihant Anaika Phase 2. At Anaika launch company got very encouraging response from the market. We sold almost 76% of total area till 31st March. And as on date it is completely sold. Total revenue for the quarter was 450 million, which is higher by 10% on quarter-on-quarter basis. This quarter, Arihant Anmol at Badlapur, which has triggered the revenue first time.

The EBITDA margin improved by 5%, that is 97 million which is higher by 15% on quarter-on-quarter basis. Interest cost has increased slightly by 5% on quarter-on-quarter basis. That is 38 million. PBT is 54 million in this There is a slight increase in depreciation due to purchasing of some capital equipment which will help the company to expedite our construction work faster which is capitalized in this quarter and which has increased the depreciation cost in the P&L. The PAT margin is 37 million in the quarter.

On annual basis if we look the total revenue for financial year 2018 was 1893 million. Basically, it was 1.8 billion. The profit before tax was 221 million, and the net profit attributable is 126 million.

So, I request Mr. Ashok Chhajjer to give more insights on this.

Ashok Chhajjer

Good evening everybody and welcome to the Annual Conference Call. It was a challenging year with RERA and GST getting introduced post the Demonetization in the previous financial year. We at Arihant welcomed both these paths breaking measures. And we figured out it to be larger demons than we anticipated though we have been compliant to a large extent in all these previous years, and keeping the customer centric approach, we could spring back in the 3rd and fourth quarter in terms of sales. We look for opportunities in a challenging environment and we would embrace the challenges to come across in the coming year as well as the years forward. We did up a total net off after cancellations, a net sale of 931 units across Mumbai, MMR region and Jodhpur. And most of them were confirming that affordable housing sells very well if the quality is good and the price appeals to the end users.

We got to correct prices by 7% and 10%. And that resulted in the sales. The revenue will be recognized for these 931 units which we have sold in the next few quarters of this financial year. And as it always happens, that the sales of a particular project generally take up tenure of 3 to 4 quarters to contribute. The financial year prior to last financial year ending FY17, during the demonetization period the company sold around 500 flats and that is why it could not contribute largely in this financial year, though we were banking on some large sales from the ready procession properties during the first 2 quarter, which could not happen, and which followed up in the 3rd and 4th quarter to some extent. We now have a very strong pipeline for the FY19 and we see that the real-estate sector has been getting a traction, especially in affordable housing where ticket sizes are of Rs. 50 lakh and below.

We being in the region where the infrastructure is taking the largest share across India, right from the inauguration of airport in this last quarter of the financial year, the JNPT terminal coming up, we find ourselves that last 2 decades we have been into a position, and Navi Mumbai would rock in terms of real estate in the next 2 decades. So, there is a good opportunity lying for ourselves ahead.

This year the unsecured debt which was around Rs. 1.27 billion in the year ending FY17, we could bring it down to Rs 0.96 bn in FY18 year ending, that too without raising new facilities in the last year. And with the average cost of borrowings also we could averagely bring it down by something like 100 basis point. From the administrative and operations point, the company had been focused in all the different sections of real-estate implementation, and we see forward that we could have better controls and better opportunities ahead.

I throw the floor open for question and answers. We can take some questions from the participants.

- Moderator** Thank you very much. We will now begin the question and answer session. The first question is from the line of Tirath Muchhala and individual investor. Please go ahead.
- Tirath Muchhala** My question is that, if we could have a little more detail on the cash flows for the year, so maybe you can make it a part of the regular presentation. So that is one. And the other is that what are the collections that we have had?
- Ashok Chhajer** The total collection for the last year was around Rs.250 crores.
- Tirath Muchhala** Okay and what would that be for FY17?
- Ashok Chhajer** FY17 the total collection was something around Rs.225 crores.
- Tirath Muchhala** Okay, so can we have this as a part of the presentation on going? That will be really good.
- Ashok Chhajer** Surely, we will do it.
- Tirath Muchhala** in phase 2, we are saying that, right now all the flats are completely sold right, on Anaika?
- Ashok Chhajer** Yes.
- Tirath Muchhala** So on the MAHA website, I don't know, I could be wrong! But its showing that there is zero booking. So, is that my mistake or what could that be?
- Ashok Chhajer** No. the project was launched on 24th of January. And the updating for the MAHA RERA of 31st March 2018, is yet to be done as the board meeting ended up yesterday and to get to the accurate numbers it would be uploaded by tomorrow.
- Tirath Muchhala** Okay. No, it said that it was update on 22nd May. So is that a false in the Website. Or what could that be?

- Ashok Chhajjer** No. 22nd May it was updated for the previous quarters after the RERA started off. So, the 2 quarters ending September and December, the updating was done already. For March it will be done tomorrow.
- Moderator** Thank you very much. The next question is from the line of Karan Desai from L&T Mutual Fund. Please go ahead.
- Karan Desai** I wanted to get a sense on the readymade inventory which we have across our project?
- Ashok Chhajjer** For Arihant Arshiya, project at Navi Mumbai MMR region, the ready stock inventory is to the tune of 96 flats, Around Jodhpur 2 projects, Arihant Ayati, the ready stock facility of around 40 flats, and Arihant Adita, again at Jodhpur, is with a ready stock of 125 flats. So, in all total around 225 flats ready stock.
- Karan Desai** Okay, and over next one year, are there any projects which are expected to be delivered. In this financial year, FY19?
- Ashok Chhajjer** Yes there would be 6 projects which would be nearing 100% completion. That will be Arihant Aarohi at Kalyan-Shil Road. It would be Arihant Anshula and Arihant Anaika both at Talaja near Kharghar would reach to 100%. The phase 2 of Arihant Arshiya would reach 100% completion, and phase 1 of Arihant Anchal at Jodhpur also would be reaching to 100% completion.
- Karan Desai** So is it combined all these 6 projects together, what would be the balance inventory in these projects?
- Ashok Chhajjer** As on today, around the tune of 450 to 500 flats.
- Karan Desai** Okay, so on an average around 1000 square feet?
- Ashok Chhajjer** 800 square feet or say 900 we can take it across.
- Karan Desai** Okay, so incremental sales in the year across those 125 existing ready flats and 450 of this expected to be completed that is 575 flats, could hit the revenue recognition in this year. Am I correct?
- Ashok Chhajjer** Yes. it contributes to larger extent as expenditure is already occurred.
- Karan Desai** Absolutely. Sir, as far as new launches are concerned, how is the pipe line for the year?
- Ashok Chhajjer** We are awaiting approval at one of the projects, Arihant Amisha phase 2 and some revision of plans with compact sizes at 3 more projects as is Arihant Aloki as well as Arihant Arshiya Phase

3. So around in terms of new launches, it would be one each from Arihant Arshiya, from Arihant Amisha from Arihant Aloki, one from Anmol at Badlapur, and a new phase at Palaspe project Arihant Aspire. So, these are 5 and 1 building out of 4, at Arihant Aalishan. So, each of the projects will have one phase each of launching, where majorly I would be a mix where 4 off would be 50 lakhs and below and 2 of the would be 1cr. and around.

Karan Desai

Okay. So, combined together what would be the total area of these four projects?

Ashok Chhajjer

Total new launches will be something around 1500 flats.

Karan Desai

And sir, how is the Panvel project doing?

Ashok Chhajjer

Panvel, construction is in full swing, we spent some thing around Rs. 20 crores in the last 5 months on this site, for the ground, below ground level construction. The project is yet not come above the ground level as there are 3 basements. We are expecting something around in by October. We would be above the ground level. Construction is being done by a good construction companies.

Karan Desai

So sir, can these projects get revenue recognition this year based on the construction based on the construction?

Ashok Chhajjer

Something nearing in Q4 we see a visibility to it.

Karan Desai

And Sir, how are the market overall scenario you are gaining some market share?

Ashok Chhajjer

We ranked in one of the reports of JM financials which was released in April, positioning number 3 in terms of new launches in MMR regions, number one being Lodha and number 2 Godrej and number 3 Arihant. And after the Airport inauguration, the sentiments have changed a lot. Now we don't again hear a lot from the clients who are only doing viewing and visiting sites and enquiring. There are no negative remarks to say that the market will not be good, the prices will fall, or they will still like to wait for taking a decision. So those questions have evaporated. And as per pricing policy which we have decided in our budget in each m-o-m basis from April to May, we increased with a small price rise of Rs.30 per square feet. And it is well absorbed. So, we expect that at least an average of 5% to 7% increment in prices in the complete year to come across of this fiscal.

Karan Desai

Sir, that's a very encouraging statement. Because most of the players even in the Mumbai region actually talk about taking price cuts or doing some sort of activation. Your confidence of taking price hike?

Ashok Chhajjer

Karan it was because we already have taken the measures of correcting prices in the last financial year as well as in the year FY16-17 and FY17-18. On project basis we have already come down

to the correctness and here onward there is acceptability. So, it would depend upon project to project, people who have not corrected will succumb and correct, people who has already corrected will get sales, and once they get sales they will be confident to again phase it out on a baby step level.

Karan Desai And sir, last question. As far as the conversion cycle is concerned, from the first timer someone comes to see your property to finally buying it, how is it? Has it got shorter a bit?

Ashok Chhajjer In Jodhpur, it is still the same, the conversion is of an average of 90 days. And at the Navi Mumbai, the conversion is to an extent of around 40 to 45 days.

Karan Desai And it has changes Vs last year?

Ashok Chhajjer Yes it has changed. Last year there was pretty yearly double the time or little less than double the time.

Karan Desai Well that's very encouraging. Good luck sir.

Moderator Thank you very much. We have the next question from the line of Charmi Mehta from Prabhudas Lilladher. Please go ahead.

Charmi Mehta I just wanted to understand that in current year you repaid around 300 crores of long term debt. Going forward what is your plan, how do you plan to repay the debt? Because I assume, in last conference call you said that you have to infuse money to buy land parcel. So, I just wanted to understand.

Ashok Chhajjer I will correct you Ms. Mehta that we did not pay 300 crores of repayment of debt. In the last financial year our secured debt turns out to be a little higher risk than unsecured debt. The secured debt which was at 127 crores was brought down to 97 crores. So, we repaid 30 crores of secured debt. Though, the total debt did not change because it was infused by unsecured and a year when people raised money by either equity or by new finance facility or a draw down from the existing facility, the company could sustain all shortage of funds and yet could service as well as repay the secured debt.

Charmi Mehta And sir going forward do we plan to reduce the debt or take more debt on the balance sheet?

Ashok Chhajjer The debt would increase to an extent of something around 20% more on this financial year. We have taken up a facility of 250 crores from HDFC for the project Arihant Aspire at 10.6% per annum. So, it's such a very good low rate of financing and the project with a total expenditure of 1200 crores will require a line of credit of 250 crores so that the smooth functioning of the project happens. It seems that even if we are able to do up these measures in terms of controlling it to (+20%), it could be a win-win situation and it would be healthy for the projects. So, debt

reducing would happen up from the project yields as we have been expressing in our presentations, in the year 2021 or 2022 the project yields and that would result to the strengthening of the numbers and the balance sheets and the net worth and all the ratios. Prior to it, what would be more required is that, if there is an equity infusion that could give the growth capital for new projects. And the cycle of new projects and new equity can only bring the debt to equity ratio to a far more sweeter position.

- Moderator** Thank you very much. We take the next a follow up question from Tirath Muchhala. Who is an individual investor? Please go ahead.
- Tirath Muchhala** Thank you for giving us details of the debt break up. Could you confirm again what the unsecured debt on the balance sheet is right now?
- Ashok Chhajer** It is to the tune of 160 crores.
- Tirath Muchhala** And how much cash interest do we pay on the unsecured debt?
- Ashok Chhajer** That is in terms of cash payouts it is minuscule, and it is being accrued to the accounts that is why it remains to be the same or gets increased marginally.
- Tirath Muchhala** Okay, when you say it gets accrued; you mean that whatever interest is payable it just added to the principle?
- Ashok Chhajer** Yes, it is added to the principle.
- Tirath Muchhala** And the other thing is that, in Aspire you mentioned the 250-crore line of credits from HDFC, what other credit facility do we have outstanding, which we have not accessed?
- Ashok Chhajer** We already have drawn down from 4 construction finances which are existing since 2015-16 and 2016-17. And one is from ICICI, it is to the tune of around 20 crores. One is from STCI Finance to the tune of around 16 crores, one is from Capri Global to the extent of around 28 crores and one is one more from HDFC to the tune of around 27 crores.
- Tirath Muchhala** But do we have more rooms to borrow on these facilities or against other projects?
- Ashok Chhajer** Out of the total 16 projects, only 5 projects are where it has been mortgaged, leveraged, and facility taken. 10 are free from any encumbrances and the 10 projects are being done from the cash receivable from the clients and from the sales.
- Tirath Muchhala** And the funding climate, would you say that it is conducive? If you want to borrow, be easily available or is it difficult right now?

- Ashok Chhajer** See we are a preferred client to most of the lenders, and that is why with the less leveraging we get better rate as well as better facilities are available.
- Tirath Muchhala** One more thing. On the last conference call, you mentioned something about infusing 300 crores towards land funding, 1) would the land be purchased by the company or what is in the pipeline.
- Ashok Chhajer** Enabling resolution is for raising funds to the tune of 300 crores. Though it may not be in proposition which would be done by the management in terms of equity. That is equity funding of 300 crores enabling resolution. This year after seeing the fundamentals and the businesses the company would be open to investors in terms of equity participation.
- Tirath Muchhala** And would you prefer it to some kind of a rights issue or will it be at a project level?
- Ashok Chhajer** I think we will leave it up to the institution as well as the investment banker, and at an appropriate time we can take up a decision to it.
- Tirath Muchhala** Is it going to be a purchase by the company whatever acquisition will happen for land or whatever? Because we have certain JVs with the promoter group if I am not mistaken.
- Ashok Chhajer** For lands we don't have any JVs with the promoter groups and there are only out of 15 project there is only one project Arihant Aalishan which is where there is a land owner which is Supreme Construction Company, and which is not from the promoter side, which is on JV model, and the part land at Arihant Alok Karjat is on a JV model and balance part is on outright basis. Our company has been mostly into outright purchase of all the land. And going forward, the business development already has proposals where there are some on outright basis and majorly on an asset-light model on JV basis. Given the resources and the project size available, and the new project acquisition available, structuring of the project would be done.
- Moderator** Thank you very much. We have the next question from the line of Sudhir Padiyar from Consultant Capital Advisor. Please go ahead.
- Sudhir Padiyar** Always good to hear your views on real estate market. I was recollecting from whatever we have been discussing earlier, while I am cognizant of the fact that real estate is going through a very difficult phase for the last 2 years. Is it that they are falling short of the kind of sales that you were estimating because if I recollect we were talking about 1500 to 1800 flat sales at the beginning of the year while we ended up doing close to 900. So is there any disconnect between what we are expecting and the reality turning out on the ground?
- Ashok Chhajer** Yes first 6 months we didn't judge that there would be a complete stoppage of sales due to GST, and people not understanding what is the implication of GST. We thought it would be very easy by giving up an offer of GST discount, so up to September end we did not have any substantial sales. And thereon when we started off from November, we could get the numbers. Yes, we were

in terms of 1800 flats, the targets were quite high which could not be met. But we would have expected that at least if we would have done 1200 flats, it would have been more satisfactory to the management. We are short of our expectations. This year I think we would be able to do better than year ending 2018.

Sudhir Padiyar

Also if I recollect right we had discussed about RERA throwing up some interesting opportunities in terms of distressed buyouts or interesting land parcels on sale. Is there any update on that? I mean what is your learning?

Ashok Chhajer

There has been a lot of proposals due to RERA as well as GST both coming in because many of them are unable to make up their minds that they will be able to do the implementation of the projects. And I think on an average in a weeks' time, I am personally involved in land deals, I sit across for 2 to 3 land meetings and just one hour ago we have signed off for one 7 acres of land in Palaspe and the agreements have been signed off. Yes, proposals are very good available, but real estate is not an industry where it is capital intensive and it requires capital for it. And the company right now with its model of utilization of funds for the implementation of the projects, which becomes priority for the business, for the customers as per RERA as well as in the interest of the project, we don't want to over leverage in the form of not doing the current projects and doing acquisition of projects. We don't mind little leveraging in terms of financial balance sheet because we find there is a good opportunity in Navi Mumbai, but the largely growth of new acquisition of lands can only happen if there are funds available and the new funds has to come only and only from equity. So, if the equity comes, that is where the complete outlook of the balance sheet can change in a very short span of time.

Sudhir Padiyar

Okay. And just one question it regards to the earlier question. Subsequent to whatever sort of mismatch between our expectations and reality, have there been some learning in the sense that is it that we are thinking our business model by reconfiguring in existing flat to sort of shoot the interest of the buyers or are we thinking of bringing prices down or any such things to achieve our sales targets for the current year and the years going forward?

Ashok Chhajer

The strategies in terms of resizing for 3 projects are already in the process of last stages of getting approvals. So, we would find up and resizing of flats at Arihant Arshiya, Arihant Aloki and Arihant Amisha in Mumbai. With terms of strategy, the HR division which is to the tune of around 300 people with an 11 crores to 11.5 crore rupee of an employee payment, we already started off to filling up positions right from the top to the bottom and once we are done we will make an announcement towards it. That will enable the scalability to happen. And we are confident that by putting in more human resources we would be able to manage new projects also.

Sudhir Padiyar

Okay. But I thought we had added a couple of man power to a marketing team last year itself, right?

- Ashok Chhajjer** Yes, we added up around from 16 to 47 till the year ended. And going forward around 25 in Jodhpur and 75 in Navi Mumbai would be added on. The company has moved out to a larger space of administration. The office address has changed just 3 months ago from January ending 2018. Prior to it we were short of space. The infrastructure was not available for the more number and the senior level of people to be recruited to the office. And right now, we have a very good and decent functional office. We invite all the investors to have a look at the infrastructure and the processes and systems which are there in the office. And we see scalability is not going to be any issue in terms of people, system, processes, hard work if is coupled up with equity at the right time.
- Sudhir Padiyar** And sir, when you are talking about the resizing, pardon my ignorance I mean could you tell me as to how it's been reconfigured now, these three projects that you are talking about?
- Ashok Chhajjer** The earlier where of 2 and 3 bedroom-hall-kitchen configurations 1000 sq. ft. to 1300 sq. ft. and now its going to be 625 sq. ft. of maintenance area, it is a 1 bedroom-hall-kitchen.
- Sudhir Padiyar** So, this is the pocket which you find signing more acceptance to potential buyers as compared to the 3-bedroom.
- Ashok Chhajjer** So that is what made a change at one of the project which we launched on January 24th. And we could see sold out till today within 90 days of time. So, all where resized to 600 and around with a budget size of 25 lakhs.
- Sudhir Padiyar** Okay so would that also mean that our profit margin from these projects would now be relatively lower as compared to what it was estimated earlier?
- Ashok Chhajjer** No, it will not change to any extent because resizing will not impact in terms of any shortage of total potential of the ADR and also the construction cost won't be to that extent any difference.
- Sudhir Padiyar** Okay, because taking a look at the historical numbers I thought that you know when project sales were coming from smaller flats contribution, margins where lower and I thought, as and when they move to higher size apartments, the margins would have got better.
- Ashok Chhajjer** No Sudhir, it is not about size of the apartment, on the contrary smaller size gives a good velocity, it is more about on the price of the apartments. So, the price per sq. ft. of Arihant Anchal at Jodhpur is around Rs.2500 of an average price on affordable housing segment which has contributed largely to the topline of this financial year also, which was around 1850 million. The major contribution came from Arihant Anchal, where though the percentage of ratios of EBITDAs and PAT are almost the same with a bracket range of change of 15% or 20%, but when calculated or checked out from 250, around Rs. 400 becomes to be the ratios in terms of profitability. And this financial year, we did the big launches where we enrolled Bollywood stars also. So, the media budget was high and to which we could achieve a sales of 900 flats in the

second half of the financial year. But the method of accounting which we adopt is a) the revenue comes from the revenue recognition method where the projects have triggered b) the expenditures of indirect expenditures are not capitalized and deducted from the balance sheet. So, what in value terms came inside was Rs.400, which was from a small price tag of a product line and the indirect expenditure is where from the larger sales which you had done 75 lakhs and 80 lakhs. So that is why the differences between the topline and the bottom lines is there from this financial year ending 2018 to the last financial year ending 2017.

Moderator Thank you very much. Ladies and gentlemen at this point of time we have no further questions. I can now hand the conference over to Mr. Umesh Jhawar for the closing comments.

Umesh Jhawar Thanks Keith. I would like to thank everybody to participate in this conference call. Thank you so much and we would love to interact with you again in the next Conference Call. Thank you so much.

Moderator On behalf of Arihant Super Structures Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.