



## “Arihant Superstructures Limited Q3 FY19 Results Conference Call”

**February 08, 2019**



**MANAGEMENT: MR. ASHOK CHHAJER - CHAIRMAN AND MANAGING  
DIRECTOR  
MR. PRADEEP MEHTA - CHIEF FINANCIAL OFFICER  
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**Moderator:** Good day, Ladies and Gentlemen and welcome to the Arihant Superstructures Limited Q3 FY19 Results Conference Call. 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 the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Umesh Jhawar – VP for Strategy and Investor Relations for Arihant Superstructures Limited. Thank you and over to you, sir.

**Umesh Jhawar:** Thanks Chris. Welcome everyone and thank you for joining us for the Q3 FY19 Results ended on 31<sup>st</sup> December, 2018 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 this 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 with Mr. Ashok Chhajjer – Chairman and Managing Director of Arihant Superstructures Limited and Mr. Pradeep Mehta – Chief Financial Officer.

We will be starting this call with a 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 be constituted 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 in what we 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. Pradeep Mehta.

**Pradeep Mehta:** Dear ladies and gentlemen good afternoon. It is a real pleasure to share with you that our company performance for the quarter ending on December 2018 was very good and has achieved ever highest quarterly revenue in this quarter and we are expecting for the better performance in the coming month by introducing various marketing initiatives for market growth like we introduced Changing lifestyle concept recently.

This quarter Arihant Aspire Project has first time cross threshold limit for revenue recognitions and this has resulted to growth in the topline. During last quarter our company executed development management agreement for 3Anaiika projects. This

new revenue business stream also enhanced top line during this quarter ending on 31<sup>st</sup> December 2018.

Few more insights on quantitative information of the company as follows:

Our company has booked sales of total 214 flats at Navi Mumbai and Jodhpur with aggregate area of 1,81,991 square feet and in terms of value of Rs. 81.2 crores during this quarter. If you look geographically at Navi Mumbai total 192 units sold having book value of Rs 73.1 crores and at Jodhpur total 22 units sold having book value of Rs. 8.1 crores.

We have launched one new project Arihant Ambar at Taloja phase II. We have delivered 500 flats during the quarter at Arihant Anaika and Arihant Anushala Projects. Also, we have completed Dream sample flats for Aspire Project at Panvel during the quarter and open for the customer.

On consolidated financial of ASL if we compare Quarter 3 of 2019 with Quarter 3 of 2018 performance that is on YoY basis then the total income increased by 93% to Rs. 79.4 crores from Rs. 41 crores. EBITDA increase by 108% to Rs 17.6 crores from 8.45 crores. EBITDA margin has also gone up to 22% as against 20%. Net profit that is PAT increased by 168% stood at Rs. 7.1 crores as compared to Rs. 2.66 in previous corresponding quarter.

Further, as we compare 9-month financials 2019 performance with 9-month FY2018 then the total income increased by 20% to Rs. 173.5 crores from Rs. 144.3 crores. EBITDA increased to Rs. 42.9 crores from Rs. 28.7 crores. EBITDA margin has also gone up to 24.7% as against 19.9% on comparing YTD results. Net profit stood at Rs. 14.8 crores as compared to Rs. 10.8 crores so that increased by 36% and we have surpassed previous full year PAT.

Other economic factor for our business looks positive like recent interim budget announcement for housing and real estate growth. Benefit of rollover of Capital gain increased from investment in one residential house to two residential houses for capital gain up to 2 crores. The tax benefit for affordable housing extended till 31<sup>st</sup> March, 2020 under section 80-IB(a) of Income Tax Act. Tax exemption period on notional rent on unsold inventory extended from 1 year to 2 year. Even recent RBI cut announcements by 25 basis point and RBI announcement for relaxing capital reserve norms to bank for funding to NBFC. With such positive economic indicators,

we are expecting further increase in market demand for affordable housing and our company is already on the growth trajectory with focused strategy of marketing and optimum utilization of resources.

With these updates I request our CMD – Ashok ji to add further insights of the business. Over to you Ashok ji.

**Ashok Chhajer:** Welcome everybody. The detail brief has been given by the CFO – Mr. Pradeep Mehta and I throw the dais open for Q&A and I welcome everybody for the Q&A session.

**Moderator:** Ladies and gentlemen we will now begin the question and answer session. Our first question is from Hemang Kotadia of Anvil Shares & Stock. Please go ahead.

**Hemang Kotadia:** Actually, I see that table of your project status I think your project Arihant Aspire I think we sold hardly anything in this quarter so actually any particular reason behind that or the demand is not there for the project or what is the status on that?

**Ashok Chhajer:** Yes, the project has not seen large sales the events have been planned up for the January, February, March and this quarter across all the project the marketing initiatives has been taken. We failed to do it up in the last quarter large sales for this particular project and hope to improve it up in the days to come.

**Hemang Kotadia:** But actually, the number is only 506 square feet so I think it is the season like the month of Diwali and all we are not able to sell any flat at a particular location.

**Ashok Chhajer:** There was change of guards in terms of people who have been handling sales and the team is now very much aligned.

**Hemang Kotadia:** Another question on your interest cost actually interest cost moved up drastically if you see the YoY from 3.6 crores to 8.6 crores so what is the debt level on the books right now?

**Ashok Chhajer:** The interest has increased also due to the debt increases and wherein 55 crores of draw down was taken from the ICICI ventures lending arm and the debt today stands out to be at secured from external debts as 181 crores and 200 crores from the unsecured debt so totaling up to 382. The debt increase to something around Rs. 50 crores in this quarter.

- Hemang Kotadia:** And how we are targeting in terms of the sales number in terms of the square feet this year or next year any outlook on that number?
- Ashok Chhajer:** I think we would be able to match up the last year figures if these next two months go well in the month of January across the Company, we were able to sell 135 units across all the projects including Jodhpur as well as Mumbai (+135). Coming year yes, the team is in to place, we would be able to do a good number.
- Hemang Kotadia:** And what is the status of completed inventory completed flats?
- Ashok Chhajer:** The total inventory market value as on today goes to around 250 crores for the ready inventory across all the projects that Arihant Anaika which tend up occupancy certificate for the Phase-1, Arihant Anshula for the Phase-1 and Arihant Arshiya at Khopoli which was already completed last year and ready inventory in Jodhpur at Arihant Adita and Arihant Ayati from all four projects around 5 lakhs square feet and Rs. 250 crores of inventory is ready to be sold which is lock and key with the completion certificate from the authority.
- Hemang Kotadia:** So, out of 250 what will be breakup of Mumbai and jodhpur?
- Ashok Chhajer:** Mumbai should be around 175, 165 exactly.
- Moderator:** The next question is from the line of Lavish Mamacha of SKS Capital. Please go ahead.
- Lavish Mamacha:** So, just wanted to understand the perception on the market outlook how has the demand been in the two regions say during the quarter and now during one and half month?
- Ashok Chhajer:** The demand across the sector is positive nowadays the buyer is not into negative mode and if we see across 2018 numbers and report there has been a substantial increase in the new project being launched in MMR region also and there, we hold a good position. In affordable housing that is sub or in CAPEX ranging between 25 to 30 lakhs is the maximum traction where things are happening and good profile projects with lifestyles around 75 to 80 lakhs is at good number. So, they are seeing up a good footfall we had around more than in the last one quarter we had around more than 1100 site visits across all the projects from which we do up around 20% to 25% of the closures leading to (+250) sales. It is a positive trend and government is

also supporter of in the project with one more year extension for 80-IB for the investor at capital gain tax to be increased for one year for the developer the ready stock would not under a high pressure as earlier was for one year now it is extended for two years. Over and above it looks the government is very much inclined towards supporting the whole sector and especially in the category of low-cost housing and affordable housing. Coming day, we are hearing that the GST council is recommended for 5% for the high value product line and if it did gets into forth we would have sales in Arihant Aalishan as well as Arihant AaroHi which are at 12% GST back at range.

**Lavish Mamacha:** So, what is your expectation for FY20 given that lot of favorable things have happened in the last one week, 10 days for real estate in the sector. Now FY9 was rather at a fear?

**Ashok Chhajer:** Coming this also it is going to be very competitive the flow of product lines or the projects and launches are good enough. They buyer today is hunting for a good brand and where we hold good post in both the area of operations like Jodhpur as well Navi Mumbai. So, we would be able to do up nice it would be too early to tell about any CAGR of year ending numbers of 18-19, but internally at least we will be pushing ourselves at all the verticals right from engineering to sales to recoveries and collection by something around 15% to 20% plus.

**Lavish Mamacha:** And sir how was the realizations for two regions if I have to say Mumbai and Jodhpur so basically how were the realizations vis-à-vis as comparable last year?

**Ashok Chhajer:** The blended realization had increased by 10% and total the average realization across both the projects happens out to be Rs. 4,500 per square feet wherein if you want to be if you go for a split between Mumbai and Jodhpur the Mumbai average all the projects right ranging from 4000 to 6000 the blended realization is Rs 4,700 per square feet and the Jodhpur is at Rs. 3,000 per square feet. So, the average realization has increased by 10%.

**Lavish Mamacha:** And how has it been on Q-on-Q this is YoY right?

**Ashok Chhajer:** This is Q-on-Q and YoY is also same because the last year also the average realization was something around 3,950 something odd. So, YoY also there would be an average realization of (+10%).

**Lavish Mamacha:** So, what change during the quarter sir because 10% given the supply overhang, the way you are saying it will continue for FY20 also so what led to this 10% escalation is it a product mix?

**Ashok Chhajer:** It is a product mix at Arihant we have product ranges from complete platter right from Rs. 3,000 square feet and at all ranges right 3,000, 3,500, 4,000, 4,500, 5,000 and ranging up to 8,000 square feet. So, in any one quarter there can be contribution by an high value product so the average realization may go high for any contribution by any low range of products the average realization may go little down, but what has to be seen is at the average price margins which is almost equivalent in both the ranges of low cost housing as well as middle income group.

**Lavish Mamacha:** So, as such on per square feet if I say for same project they may not happen any considerable increase the 10% is more driven by product mix?

**Ashok Chhajer:** Yes.

**Lavish Mamacha:** Given that realizations are not moving up what is the cost of debt the way we have taken from ICICI Bank?

**Ashok Chhajer:** ICICI Bank is at 16.5% and we have been able to raise up few more funds where average realization happens to be at around 15%.

**Lavish Mamacha:** So, how sir we will address this because I understand that some of this is getting capitalized so we should not be reflecting in our P&L so in such a scenario where cost is going up our margins were eventually were eventually compressed so how will address this if realizations are not moving up?

**Ashok Chhajer:** We will not focus on square feet of realization today because I do not see any trend where there would be an increase in rate to a larger extent 2% or 3% plus or minus does not matter and we will have bring in efficiency in terms of quantum of work done and ready inventory to be sold to a larger extent and that can only help out to reduce the debt servicing versus the business income.

**Lavish Mamacha:** I completely agree with you sir, but we do have 250 CR of ready inventory some of which like you said was done last year?

**Ashok Chhajer:** Yes.

**Lavish Mamacha:** So, given that sale momentum is not to the extent and while cost of debt will continue to pile up, so the only solution is to sell I completely stick with you but that is something which has happened in this quarter, but sustainability still to an extent just wanted to check if you see in that ways?

**Ashok Chhajer:** Due to the NBFC crisis as well as the money market business around and end-use restriction of funds across for all developers or the real estate sector the cost of funds have already increased by almost 2% on an average and that has led to the rate of increase right from 13.5% as in blended cost of funds to the company from 13.5% to 15% we will have to leave with that and over a matter of time maybe three to six months the rates would again be revised to the earlier regime and that can help out to reduce the debt cost. In terms of raising funds yes majorly we are at up to that this year in the calendar year 2019 the company will not be raising any more further facility other than the credit which is available by HDFC for Rs. 200 as understand by mode. So, we will try to work out with the funds available from the sales majorly rather than taking up debt and building up ready stocks more.

**Lavish Mamacha:** What is the cost yet to be incurred for the projects which are under construction so 250 is the ready inventory and for those which are under construction how much ballpark cost is yet to be incurred?

**Ashok Chhajer:** For the phases which are ongoing around 1500 crores.

**Lavish Mamacha:** And what would be the market value of these sir?

**Ashok Chhajer:** The market value of unsold stock and the receivable from the customers would range to something around 3000 crores.

**Lavish Mamacha:** And sir how much of the interest would have been capitalized?

**Ashok Chhajer:** Interest capitalization is majorly only happening for project which has not started realization or like Arihant Aspire which has started realized realization. From the day it is realized it will come into WIP and previous is realized. We can come to you on exact numbers.

**Lavish Mamacha:** And sir non-controlling interest for few of the projects that we have so probably how much of these 3,000 crores that you have said does not include that non-controlling interest right?

**Ashok Chhajer:** This includes the total value of sales from all the projects so we do not have anything which is not controlling interest in the projects of the company except one which is on development management fee model.

**Lavish Mamacha:** So, that is fine so that will be not part of the 3,000 crores so this 3,000 crores inventory which is WIP where 1500 crores is to spent 100% cash rights will be with us?

**Ashok Chhajer:** 1500 crores would be the construction expenditure to be spent on the site as you told and in addition to it for the next two years which is an average large cycle of the projects where concrete is being put there would be add on to interest cost as well as cash flow out for administration and marketing expenditure. Cash surplus if you want to figure it out it maybe something around positive cash flow of something Rs. 400 to 500 crores everything get sold out in the next 24 months of the phases which are in progress.

**Lavish Mamacha:** What is the plan for ready inventory which we have from the sales perspective what is the time we have envisaged everything which we plan to sell them?

**Ashok Chhajer:** Practically what we see it cannot have an velocity where everything goes sold out in 2 years or so it is an average of if we talk about company from here onwards throughout the life cycle even in the coming years and decades there would be always in ready position inventory which could be to the tune of around 250, 300 crores, 400 crores and which cannot be looked at bad because that tells that the projects are under implementation, the projects are getting into completion and the completion of projects where the position is given to be sold is where unsold is being getting into hand. So, inventory in terms of unsold will always remain only it would be the first in first out method where FIFO may things will keep moving and we will try our level best that the oldest gets sold out as fast as possible.

**Lavish Mamacha:** I am just trying to understand the market absorption capacity right now. So, from that perspective even if you give like ready inventory say 5% or 10% discount you do not think that will be worthwhile because holding period is like 15% you are incurring by holding the inventory for one year?

**Ashok Chhajer:** By reducing the prices it is not going to sell off all at one time finally the velocity of taking up the sales and the decision taken by the customer will be in its own timeline. We are not speculating but we do not want to reduce it by 10%, 15% rates and which

would lead to all EBITDA or margins going to zero. So, we will try to maintain up the EBITDA as well as PAT margin as it is in business which is being carried out and in that aspect something will always be there in hand as ready position.

**Lavish Mamacha:** So, the aggression perspective because see there happen lot of favorable moments and like you said lot of footfalls have been there so the aggression which eventually should come because it has been a lag of 4, 5 years also you are not seeing any such size for those aggression yet so you would be cautiously optimistic and will let them come and then accordingly you will take it ahead?

**Ashok Chhajer:** The market is still pull method of marketing and sales marketing is not push method. So, we have to keep hunting and give the best services as well as the right price and discount it out to the extent possible to sell. So, we are into mode of aggressive marketing but there is in benchmark to the pricing in the region of projects which are there. So, it would be foolishness to go beyond that prices.

**Lavish Mamacha:** I am completely I am with you I am just saying because you have seen good amount of pull like the footfall, so the next part is where probably it closes and you said 25% conversion closure is happening but that is not enough to probably achieve the kind of sales that we are envisaging at this space so probably incrementally this will continue to grow?

**Ashok Chhajer:** Yeah, we will have to increase the footfalls and we do not see that at any position would be increasing out on year on year basis and today the average ratios of people coming to the sides and conversion is around across the market which is around 10% which can be verified with some marketing report by the leading analyst etcetera. So, we are doing okay in terms of concept.

**Lavish Mamacha:** How is it compared to say year earlier like how are the how are the footfalls if I have to take absolute number 1500 against that or in 10% conversion so how is that vis-à-vis the last year same quarter or 9-months versus 9-months or let us say current quarter because current quarter is little favorable also so whatever is little favorable either Q3 or one and half month of this average?

**Ashok Chhajer:** Footfalls have increased on quarter-to-quarter basis and year-to-year basis if we talk about footfalls maybe it would be something to 65%, 70% in the last year compared to today.

- Lavish Mamacha:** And conversions?
- Ashok Chhajer:** Conversions in terms of ratios are same versus the site visits. We are trying to enhance it, but it all depends upon project to projects wherever there are launchers you have convergence which reaches through 35% also and wherever there is sustenance the convergence are 10%.
- Lavish Mamacha:** So, from the decision making process till the consumer is taking that much time so the decision-making has not come faster?
- Ashok Chhajer:** Earlier one single home buyer if he used to search for whom you would zero down to three to four properties to be selected. Today with the digital marketing and the call centers pulling up more than the home buyer is getting 25 people who are hunting for him rather than he hunting for a house. So, he is having 25 people who are hunting for him as a buyer then he gets confusion first he comes what to him let me see to us that what is at the correct rate and tick mark let me go to a branded builder. So, that is where we stand out that we have good brand position in both the Navi Mumbai as well as Jodhpur and we can observe.
- Lavish Mamacha:** So, while the revenue numbers are there you have also given how the overall fields have been in square feet if I have to take it how has that been vis-à-vis you would not have recognized that complete now so square feet of sales during the quarter vis-à-vis last quarter?
- Ashok Chhajer:** Square feet on this quarter is something around 1,82,000 square feet.
- Lavish Mamacha:** So, over last year also and last quarter also?
- Ashok Chhajer:** Q2 was less Q2 was around total square feet of Q2 was 2,14,000 and Q3 is 1,82,000 so it has dipped by 10%.
- Moderator:** The next question is from the line of Karan Desai from L&T Mutual Fund. Please go ahead.
- Karan Desai:** Sir couple of question I wanted to understand how is the launch pipeline for the next quarter and for FY20?
- Ashok Chhajer:** Launch we would be able to take up at least 3 to 4 launches in terms of phases and maybe one new launch where approval is in process.

**Karan Desai:** And sir how is the cancellation been during the quarter and during the 9-months what is the kind of cancellation we have seen?

**Ashok Chhajer:** At our end we have not seen larger cancellation it maybe to an extent of 4% to 5% not larger than that. As we do not take numbers are booking with expression of interest method which is the new trend in the market where person pays an expression of interest as well as check of 25,000, 50,000 and the process return later on. We asked our buyer that if he is serious, we are serious and we are ask him to pay up at the time of booking itself at least 5% for the booking amount and 7% for the stamp duty registration. So, when a customer has paid 12% there is less chance of cancellation.

**Karan Desai:** Sir you launch the project Arihant Amber during this quarter and it seems that it received good response, I actually wanted to understand how exactly do you go about when you launch in a similar micro market say Amber is in Talaja and in Talaja we have couple of other projects so when we do a new launch what exactly do we do that is it at a different price point is it a different offering how does that strategy work?

**Ashok Chhajer:** For Amber in the design was compact flats which resulted to around 26 lakhs for 1 BHK and hence it sold good and for 2 BHK it was something around 37, 38 lakhs due to the box price it was affordable and with the old projects we come out with schemes like a cashback scheme for making the buyer customer comfortable for making EMI etcetera so there are projects like Arihant Arshiya which is having cash back scheme of Rs. 10,000 per month for the next 12 months there were somewhere rent payback is there, there are marketing schemes like 101 household items fee. So, different projects are being approached with different packages.

**Karan Desai:** It is basically this was a different product and hence the pricing was slightly different versus say Rs. 4,000 this was at 3,500?

**Ashok Chhajer:** The size of the flat was small the average price was 4,100 per square feet.

**Karan Desai:** And if I look at your completed project Arshiya 1 and Arihant Anaika it still has unsold inventory how much what will it take to finish this inventory?

- Ashok Chhajer:** Arihant Arshiya could see up good traction in January still if it goes the way it is it would take around 6 months more to finish of the complete inventory at Arihant Anaika and 9-months for Arihant Arshiya.
- Karan Desai:** Sir as far as Arihant Anushala and Arshiya 3 is concerned your projection execution is obviously on track because I was just looking at the number which you provide as far as the project completion is concerned, but as far as the sales momentum is concerned it looks a bit tepid so how are we trying to address that?
- Ashok Chhajer:** Thinking of new marketing campaign addressing up and doing our focus selling putting in people who would be dedicated to the projects only and not doing sales for other projects so making up the channel partner meet the broker initiation program so it is 360 around the buyer has to take a call. So, many a times buyer takes a call many a times they do not take a call.
- Karan Desai:** So, you expect that in the next year there should be some pick up?
- Ashok Chhajer:** It has already started off in January as Arihant Arshiya sold around 40 plus flat so that would come in the next quarter presentation.
- Karan Desai:** Sir lastly on Aspire it is one of your biggest project and this quarter the momentum was slightly weaker so how would you like to address that?
- Ashok Chhajer:** We will have to be serious on it and do a focus selling which we are doing the teams have been changed, they have shuffled so results are awaited.
- Karan Desai:** And how is completion to that product?
- Ashok Chhajer:** Fairly not very large, you have Godrej, you have Wadhwa, you have Indiabulls, you have Arihant, you have Paradise and you have marathon but three of them are far away Godrej as well as Wadhwa and Indiabulls is around 4 to 5 kilometers more further away from the location. All the three projects that is Marathon, Paradise and ourselves are very closer to the 95% developed area of Panvel and from price point at an average prices may be at the most lowest side or at par with one of the projects of Marathon. Paradise priced at a higher price. So, we see that with the design as well as the projects which we have envisage on organic thing there should be good buyers, but still velocity for a large size of projects of per inventory are 650 flats opened up

and around 275 sold up. It cannot be sold up in one or two months it will take a good time of around 20, 25 flat sales per month.

**Karan Desai:** And sir how about Jodhpur completed inventory when do you see that being sold?

**Ashok Chhajer:** We have tried our best we are doing they sold around 35 units in the month of January for Arihant Adita still for one of the projects Arihant Ayati it looks like it may take one more year or surpass one more year for the balance 35, 40 flats to be sold and for the Arihant Adita middle income group project of 35 lakhs it should be sold out in next 9-months more or 12 months more. So, yes we have built it up completed the projects more faster when matched up to the total sales number. So, we constructed more houses and brought it to ready position.

**Karan Desai:** And Ashok ji I was curious that this Anaika 1 and 2 what exactly is the difference because the completed project has more unsold inventory whereas the under construction has sold pretty well?

**Ashok Chhajer:** Surprisingly, at our launches of new projects are at ground stage we have been receiving more overwhelming response though offering has been good into ready position. So, this tells that people are preferring for under construction also, the design format is different for phase 2 and Phase-1 where Phase-1 is little bigger sizes and phase 2 is very smaller sizes. So, today is smaller sizes and less CAPEX project flats or apartment sell more faster like the two-bedroom hall kitchen in Arihant Anaika phase 2 would be to a tune of around 43, 44 lakhs whereas for Anaika Phase-1 it is around 52 lakhs, 53 lakhs.

**Karan Desai:** So, basically, it is the product and the cash flow cycle?

**Ashok Chhajer:** The 15% difference is there due to the size of the apartment.

**Karan Desai:** And sir lastly the other real estate developer in a quarterly presentation they also give this cash flow statement I suggest you to do that if possible, from the next quarter?

**Ashok Chhajer:** Suggestion is welcome we will try to do it up.

**Moderator:** The next question is from the line of Vaibhav Kacholia of VK Capital. Please go ahead.

- Vaibhav Kacholia:** Sir these existing phases which you mentioned could be 1500 crores of cost so this would be how much square feet?
- Ashok Chhajer:** This should be around total balance project sizes it should be around 40 lakhs square feet total ongoing.
- Vaibhav Kacholia:** 40 lakhs square feet so that would be like 8,000, 10,000 flat something like that?
- Ashok Chhajer:** So, when we talk about unsold inventory that would lead to something around 3,000 flats.
- Vaibhav Kacholia:** And totally of out of all these phases would be closer to 6,000 flats right?
- Ashok Chhajer:** Yeah 50% sold out.
- Vaibhav Kacholia:** 50% is already sold out.
- Ashok Chhajer:** Yes.
- Vaibhav Kacholia:** So, sir like our main job would be now to sell these remaining 3,000 flats at the earliest?
- Ashok Chhajer:** Yeah but anybody would like to sell it at the initial stages it does not get sold out so we will try to do it as far as possible.
- Vaibhav Kacholia:** Absolutely I am just trying to understand as to what will be the triggers in the external environment which will help us expedite. So, right now we are doing whatever 250 or 300 or 400 flats per quarter. If prices start going up and there is some activity in the market then buyers start taking decision faster sir and buying quickly?
- Ashok Chhajer:** Yes, and if we see about the election scenario for the state as well as the country it looks like Maharashtra election would be completed by September or by October and that means by third quarter of next year also the behavior would be same.
- Vaibhav Kacholia:** Sir internally as a company how are we gearing up so like if we are doing right now around 1000 or 1500 flats sales in a year where do we want to take that say in two years from now?

- Ashok Chhajer:** Two years we should be able to double it up around (+2,000).
- Vaibhav Kacholia:** 2000 plus okay fantastic and sir some of these builders like this Sunteck in Naigaon has sold some huge quantities of flats 2000 flats in two, three months so what was the secret which they have employed and can we think of doing something similar like that?
- Ashok Chhajer:** Must be pricing I do not think that we would be able to do it up in the existing project they are generally taken up marketing agencies which charge you around 10% of the sales price with an add on expenditure of 3% or 4% or 15% and whereas if you see on through these post budget price of a project we ourselves work on (+20%) so I would not like the company to shred out 15% and be left with only 5% of the selling price as profits just having numbers. We will have a balance between the numbers as well as the profitability on each square feet business.
- Vaibhav Kacholia:** These are guys like Anarock?
- Ashok Chhajer:** They are leading agencies and they do good and we have relationship and they work for our projects also.
- Vaibhav Kacholia:** But we are paying them much smaller channel partner fees, right?
- Ashok Chhajer:** They do sales for us in sustenance period so during new launches we carry out with ourselves and that is what we do very efficiency we see with the numbers one of the projects Arihant Anaika 2 or Anaika 1 or Anushala. It is like we sold out 200 units with max advertisement expenditure of only 75 lakhs to 80 lakhs that is where the balance need good foreign business profits, but if you want to overboard it out to Rs. 2 crores of expenditure then you may be able to sell even more the profits are all squeezed out. The arrangement does not work for the company well in terms of profit availability.
- Vaibhav Kacholia:** So, if we wanted we also spent 10%, 15% we can also bulk sales or huge sales is it?
- Ashok Chhajer:** Yes, we can.
- Vaibhav Kacholia:** And sir any of our projects we will ever consider partnering with some other builders and getting them to like co developed the project for us?
- Ashok Chhajer:** No.

- Vaibhav Kacholia:** We have received offers like that and we have already rejected that what is our thinking on that?
- Ashok Chhajer:** We have one earlier but not many of them.
- Vaibhav Kacholia:** We have done something like that earlier sir or we had got some offer which we did not do?
- Ashok Chhajer:** We had an offer earlier but not major of them. We do not receive such offers because we have never expressed ourselves in that manner.
- Vaibhav Kacholia:** And this Panvel area like how is the competitive situation Godrej has sold quite well in this quarter, I think?
- Ashok Chhajer:** Maybe yes, I do not have that numbers.
- Vaibhav Kacholia:** And Indiabulls sir?
- Ashok Chhajer:** They have done good.
- Vaibhav Kacholia:** Okay they are also competing with us like our buyer also is it Indiabulls and Godrej and all these guys and then compares and decide?
- Ashok Chhajer:** The products are different the product positions are different, locations are different, profiling is different. We stand far at a premium position then both the projects as well as our location and this is the outcome of the channel partners, brokers as well as the customers who have come over there. For example, India bulls sold the same size of apartment for around Rs. 70 which we are selling at Rs. 85 lakhs. So, I do not want the company's funds to be drained down with no profit and only margins to be done. I think they know their business well are they profits or not.
- Vaibhav Kacholia:** Sir we will be raising any equity capital in the future?
- Ashok Chhajer:** We are always open to it at correct prices or else wherever the majority of the shareholders are agreeing upon to it and we are open to it. We are always open to all new investors to come into the company at the acuity level and that is the only way where all these ratios would change largely because we have as we have that the business in hand is substantial where it has a life cycle of 10 years so sustenance is there and there is continuity in terms of new projects and completion being done on

every year-on-year basis. Acuity partner would be benefitted to in very large extent as we are at the ground level and are a more detailing part and our product still is being very much accepted by the buyer.

**Vaibhav Kacholia:** So, how acuity would we need over the next three or two or three years sir?

**Ashok Chhajer:** Average around what we see the balance good would be to with respect to all the proposition it should be 125 crores we would not like to dilute it further in that.

**Vaibhav Kacholia:** So, this is what we will require for this 1500 crores of construction something like that?

**Ashok Chhajer:** No dear not like this. Always in India it is sell and built model so the majority of the funding is done only by the buyer's cash flows and the acuity should stand out and generally stand out to 10% of the total sale price or 10% to 15% of the sale price at our company level and the cash flow maybe that makes to be part of around 10%. So, 80% has to come from customer so we always believe into an sell and built and not into built and sell model.

**Vaibhav Kacholia:** No, I absolutely understand I am saying for this 1500 crores of construction cost for that you might need to raise this `25 crores of acuity something like that?

**Ashok Chhajer:** It is not mandatory we can do it from internal accruals also.

**Vaibhav Kacholia:** So, then the acuity if we raise then what will be using that for?

**Ashok Chhajer:** Part of it would be used for further growth as Navi Mumbai has great potential and part of it can be used for lowering the debt. Even if Rs. 150 crs of that is given back all these ratios will change to a large extent

**Vaibhav Kacholia:** So, sir what is our highest cost debt right now?

**Ashok Chhajer:** Highest cost debt is 16.5%.

**Vaibhav Kacholia:** So, from whom have we taken sir?

**Ashok Chhajer:** It is ICICI ventures India real estate investment fund.

**Vaibhav Kacholia:** So, we were not getting below that from other NBFCs and all this Edelweiss, JM.

- Ashok Chhajer:** We have today at 12.1% also.
- Vaibhav Kacholia:** From NBFC or bank sir?
- Ashok Chhajer:** From HDFC Limited NBFC. See the quality of money is different and it is priced by any lender to any borrower that is an induced restriction where they tell you will be using it for this project only and it falls into the affordable housing 60 square and meter the fund is less. If there is part induced restriction and no induced restriction then the price of the rates goes little higher and where that is like absolute where you can use the money across any projects then the cost of fund is different.
- Vaibhav Kacholia:** We had passed the resolution to raise the equity and preferential issue or something or that process has started?
- Ashok Chhajer:** It is already passed by the board as well as by the shareholders also through coastal balance.
- Vaibhav Kacholia:** That is at what price sir?
- Ashok Chhajer:** They do not give any price it used to be derived by a mechanism from the market. So, the shareholders or the board cannot give any price.
- Vaibhav Kacholia:** But you would look to do it at somewhere not at these prices I would guess?
- Ashok Chhajer:** Surely not at these prices I am confident of my equity.
- Vaibhav Kacholia:** Maybe closer to our 52-week average prices or something like that?
- Ashok Chhajer:** I would not be able to give you any such indication, but yes whenever it is there at that particular moment of time across the time then we will go to the shareholders etcetera and to the regulator where it would be approved by the regulator.
- Vaibhav Kacholia:** So, that will be basically for debt paying off the highest cost debt right sir?
- Ashok Chhajer:** Yes.
- Moderator:** The next question is follow up from Lavish Mamacha. Please go ahead.

**Lavish Mamacha:** Sir just one follow up question I just wanted to check like you said the strategy is to sell and then build it so I just saw few of your projects have good amount of sales already done while few of the projects where you have completed, but sales is still half way or around 70% mark, so just want to understand the disparity you know the projects which are 100% completed few of them around 77%, 78% and after that there are few which are near `100% complete or 70% there are 20% like for Arihant Arshiya too it is like 96% complete but 66% sold then there is three which is 66% completed 20% sold, so I just wanted to understand the strategy like you said we sell and then build it?

**Ashok Chhajer:** It is not about strategy we always inclined as an policy to sell and build, but all the projects have different behavior at different point of time and everything has to be all in place. So, sometimes if we are not aggressive then all the sales may not happen whether there is a buyer sometimes even if we are too much aggressive and the buyer is not that the sales maybe little slow but whereas we are doing buildings which have multi-levels and where there are apartment in each floor and the apartment are sold at any floor at any levels. Hence the whole building has to be completed and that is the result where the ready apartment come into play, had it been into Bungalow we would have launched up Bungalows on 1,2, 3, 4, 5, 10 and if the 5 is sold we would have done 5 and not constructed the number one Bungalow so that is where inventory does not happen only in Bungalows but in apartment you will always have inventory.

**Lavish Mamacha:** I am completely with you since few of the projects the disparity was little on hand that is why I thought I will check if these are exceptional words or it is more of what you said that is a GST impact also or is it like because under construction there was 12%, 18% GST which was not the case for ready inventory, so is there any demand because of that because generally the perception is that builder will build it out now and then select and end user while maybe being same amount see does not prefer to pay it 12% or 18% GST?

**Ashok Chhajer:** In real terms even it is sold at under construction or even it is sold at ready position the price to the customer is same.

**Lavish Mamacha:** I agree perception wise he thinks that probably he is paying 12%, 18% extra is that the case I am just asking you?

**Ashok Chhajer:** So, that is where we come out with projects like Arihant Aalishan which is at 12% GST wherein we float schemes like you pay 5% GST and 7% would be paid by the company and which is in turn incorporated into the sale price.

**Lavish Mamacha:** Now with this going away it will not change the match for you 3%, 5% what government has proposed which is yet to be passed if that goes through so you would not get any benefit input credit for you the equation will be still the same. You will continue to charge 5% from the end user.

**Ashok Chhajer:** For all the developers it would be almost same.

**Lavish Mamacha:** In the last 18 months, 20 months or so post RERA you did not change your strategy from the perspective to complete the project first and then sell it because sometimes the inclination given that so things also happened in between including NBFC. So, ready inventory had probably little more appetite than work in progress, so did not change your strategy also you continue to have strategy where you will try to sell at initially to the extent possible once you have critical mass then you complete it and sell it as a part of the process?

**Ashok Chhajer:** Here we divide the projects into building also. So, if a project has say 25 building we start with 5 and even if the 5 has say around 200 apartment and if the 5 has say around 200 apartment even if 100 are sold we complete the 200 apartment. So, we complete our commitment to the customer on RERA as well as on the contract basis and finish the buildings more faster where the product is sold which collectively forms out to be a project sometimes it is a project which is on sales wise also.

**Lavish Mamacha:** So, this is of these 5 buildings for the next 5 building is there any levels of sales that you want to achieve before commencing on the sales of next 5 building so like 50%, 80% of these 5 building should be sold?

**Ashok Chhajer:** It is never happens like this it is always like 15% to 20% is sold or aspired or is the right balance to be sold at the day of start and thereon to the lifecycle of the project if it is for 24 months the whole of the inventory is divided into 24 months and sold.

**Lavish Mamacha:** Sorry I did not get that?

**Ashok Chhajer:** 15% we try to sold in the first day to get the working capital and the remaining part if it is of two-year project then we divide it equally and sell every month.

- Lavish Mamacha:** I am saying that like 20 buildings has to come and you have release 5, out of 5 in the first day of release it got sold 15% then next 5 also you will release?
- Ashok Chhajer:** Never.
- Lavish Mamacha:** Then in which stage you will release that next 5?
- Ashok Chhajer:** Only once the first 5 are completed with the construction in all aspects and then seeing into the liquidity as well as the cash flows of that particular project if required we open up the other project, but generally as you told yes 80%, 90% of the first it is sold is where we start off with the second pick you are right.
- Lavish Mamacha:** Threshold I just wanted to check so that is somewhere around 80% that you are saying okay sure yeah thankyou sir
- Moderator:** Thank you very much we have a follow up from Vaibhav Kacholia. Please go ahead.
- Vaibhav Kacholia:** Sir I wanted to ask who are normally the people who are funding our buyers for the home loan?
- Ashok Chhajer:** HDFC, ICICI, Bajaj Finserv, Indiabulls some of them from DHFL earlier so it is across the buyers select the home loan provide us for it.
- Vaibhav Kacholia:** And what rates do these people charge the buyers sir?
- Ashok Chhajer:** Today the home loan is something around at 8.65% to 8.75%?
- Vaibhav Kacholia:** This is for affordable sir?
- Ashok Chhajer:** This is for affordable and non-affordable also it depends upon the credentials of the home loan buyer and the value of the property as well as the LTV which they calculate versus the loan amount and the loan of the property.
- Vaibhav Kacholia:** But it is so cheap sir I thought it would be closer to 9% or 10%?
- Ashok Chhajer:** No 10% home loan is not there in A class properties and buyers wherever a person does not have good balance sheet or good returns being filed is where some of the lenders do some leverage and then they can charge up at higher rate. In general the market is all below 9.

- Vaibhav Kacholia:** For salaried and for self-employed also 9% ?
- Ashok Chhajer:** Both.
- Vaibhav Kacholia:** And sir one question like we took this money at from this ICICI so that time we had some urgent repayment we needed to make so that is why we have taken that higher rate of money?
- Ashok Chhajer:** No, we had a plan to utilize it in the existing projects some of few land parcels being taken purchase new and majority was used across all the company projects, debt has not been repaid, debt has increased. So, on an average we did not have a threshold of any repayment to be done on the very next day.
- Vaibhav Kacholia:** No emergency repayment or something like that sir?
- Ashok Chhajer:** Yes.
- Vaibhav Kacholia:** Okay and what is our credit rating?
- Ashok Chhajer:** Credit rating lastly was BBB minus stable.
- Vaibhav Kacholia:** Sir basically we have to if there is a huge bullishness in the real estate market say maybe after one year after all these elections and all so that will be time when it will be a good situation for all the builders for us?
- Ashok Chhajer:** Yes, today is also a good situation in Navi Mumbai seeing the prospects and the land prices there are projects which can be bought today and started off within 6 months but you require capital for it.
- Vaibhav Kacholia:** As in there are some very good locations that where the projects can sell very quickly is it?
- Ashok Chhajer:** At least our company can do it as we have seen it out in the last two to three years, we have been able to take up new projects, sell at good quantity, start the project cycles and even reach some of the project towards (+50%) stage of completion and completion date also. For us in Navi Mumbai we can do up two to three more projects also.

**Vaibhav Kacholia:** So, we have the offers to purchase the land right now and we are that is under consideration.

**Ashok Chhajer:** Offers of land are always there whenever there is in market of these situation. We are not considering as a priority because it is first capital to be deployed.

**Vaibhav Kacholia:** So, once we can raise debt and equity capital then we can consider all these things?

**Ashok Chhajer:** Going forward for the 12 months you will not debt for the sake of buying any project.

**Moderator:** Ladies and gentlemen there are no further questions in the queue. So, I will now hand the conference over to Umesh Jhawar for some closing comments.

**Umesh Jhawar:** Thank you so much everyone to join us on the concall and with this I conclude the concall. Thank you so much.

**Moderator:** Ladies and gentlemen on Arihant Superstructures Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.