“Arihant Superstructures Limited

Q1 FY27 Earnings Conference Call”

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**MODERATOR:** **MS. KUNJAL AGARWAL – ARIHANT CAPITAL MARKETS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Arihant Superstructures Limited Q1 FY27 Earnings 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Kunjal Agarwal from Arihant Capital Markets Limited. Thank you and over to you, ma'am.

**Kunjal Agarwal:** Thank you so much. Hello and good morning to everyone. On behalf of Arihant Capital Markets Limited, I thank you all for joining the Quarter 1 FY27 earning conference call of Arihant Superstructures Limited. Today from the management, we have with us Mr. Ashok Chhajer, Chairman and Managing Director, and Mr. Udit Kasera, Chief Financial Officer of our company. So, without any further delay, I will hand over the call to management for the opening remarks.

**Ashok Chhajer:** Good morning everybody and thank you for joining the earnings call. I will take you through some of the industry updates followed by operational highlights. So, we see that the premium segment is looking forward for an uprise going forward also, given the net worth of individuals being increased.

And when it comes to the larger premium segment, it is bandwidth between, below INR 5 crores which is seeing still in good traction. We have already seen in the sector that things above INR 10 crores, INR 15 crores, INR 25 crores, INR 30 crores in the city of Mumbai are facing a little slowdown. But when it comes to anything which is below INR 5 crores is what is very much keen on spends by individuals.

We are seeing that the rising household incomes evolving business aspirations and growing confidence in the long-term home ownership has been the driving theme in the over last six months overall market has started normalizing. Hence the speed of the sales has been mediocre and not too much high. This has been the effect due to the geopolitical tensions, crude oil movements, the foreign currency movement and also have been impacted by the real estate ventures and projects coming up in larger sizes.

Sector scalability is still increasing overall, which also shows up that implementation is the core key and that is where, there is a shortage of man resources at skill development right from the workers at the labour at the site as well as the monitoring engineering team as well as the sales people and that becomes the key factor and it may see that many of the projects would have been struggling to cope up with these factors to see that there is complete closure of the project nicely. Though in our case I would be telling you about the number of project completions happened up in the last quarter and earlier also.

Now coming to the MMR and Mumbai 3.0 market, which is a key market which is still showing up great positive signs in terms of price rises, in terms of traction and sales everything. And over the last three years, the Navi Mumbai's market in MMR region has increased from 12% to 17% that means areas like Thane and Kalyan are losing their market share and Navi Mumbai is getting their market share due to the International Airport, Atal Setu and new infrastructure developments coming around, as well as the data centres and job creations by the GCCs happening up due to the participants in this region.

Moving to the operational highlights of our strategy, we will continue to exhibit structural resilience as we enter the new fiscal year. Though we have faced increased inputs due to the labour shortages as well as the geopolitical reasons, but we have devised it out with the balance inventory to us and seen that our balance sheet will not be impacted due to it.

During the quarter, the company achieved a sales booking of 221 units, which is equivalent to 2.31 lakh square feet and that is up by 15% on year-on-year in terms of area, amounting to INR 173 crores and again in value wise an increase of 15%. This demonstrates that underlying market demand cross our core territories.

Our average selling price per square feet has also remained same at INR 7,500 per square feet which is almost similar to Q1FY26. For this first quarter of Q1 FY27, the average price of the unit which has been sold stood at INR 78 lakhs per unit. We remain focused on gradually improving our average selling price due to the premium products contributing to the total sales value going forward.

We are happy to update that our projects are getting completed, we received occupancy certificate for Arihant 5 Anaika, Arihant 6 Anaika, Arihant Anant, Arihant Aaradhya Phase 1 and that means around, 1,495 units have been completed and ready for offering of the possession in the coming quarters and days and that tells that the operations are smooth and clear. The collections also for the quarter stood at INR 161 crores registered a yearly growth of 28%.

Our GDV (Gross Development Value) has increased from INR 6,000 crores to INR 14,000 crores in the last five years without any significant fundraise. The only fundraise which we did in the past was INR 36 crores via preferential. With the borrowings which have increased, the GDV has also increased to a larger size, which would contribute in a big way to the company's financials in the coming day.

As a short-term evaluation, all what we purchased out very much in time, the land of World Villas and Town Villas and business development in Thane as well as in Shilphata, that already has seen up an uprise of land prices going to almost 3x that tells that the investments were done very well in right in time and the scalability could be done due to those strategic decisions in spite of not fearing to increase the debt to the company. Because the increase in debt versus the GDV and the financials has a great alpha in the coming days.

We are happy to share that ASL is already transacting and emerging as an diversified developer rather than only pure residential. Our investments in annuity assets is closing down for the second hotel also with Sunday at near Imagicaa. The earlier one which has been, which has been concluded is the 5-star hotel at World Villas. The greatest point for this would be that the land prices for this has been to an extent of contribution of INR 25 crores - INR 27 crores for World Villas and for the ITC Hotel and around INR 7 crores to INR 8 crores as contribution towards the second hotel, though it were captive because the lands were already there in the kitty of the company.

And the similar product with the same average room rent when it is there in the city, the land prices or the input cost for developing these hospitality sector goes to almost 5x so here is the edge that these hotels would do better and with the occupancy rate around still picking up to 70% to 75% with the Radisson at both the locations.

We see that the hospitality in the three to four years would propel up better in terms of leisure destinations and MICE and wedding event destinations. So, all the strategy initiatives, we wanted to hold pricing rather than chasing volumes at the expense of margin. We plan to deliver 2,500 units by the end of financial year 2027. We are confident that we will continue to gain market share basis on our superiority of product and investment in strengthening our brand. Now I request Udit to give the financial performances.

**Udit Kasera:** Good morning everyone. I will brief you about the financial performance of the quarter under review. The consolidated operating revenue for Q1 FY27 stood at INR 132 crores, reflecting an increase of 9% Y-o-Y from INR 121 crores. The EBITDA stood at INR 28 crores and the EBITDA margin stood at 21%.

The PAT for the quarter stood at INR 10 crores with a PAT margin of 7.4%. On the balance sheet, our net debt as on 30th June, 2026 stands at INR 818 crores and the net worth stands at INR 460 crores. We remain focused and confident on reducing our debt next year onwards as some of our residential projects have started nearing completion and these reductions will be partially offset by new loans which are being taken for building the annuity assets. With all these updates now, we are happy to take questions from the audience.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Banerjee, an Individual Investor. Please go ahead.

**Aditya Banerjee:** Yes, hi sir. Thank you for the opportunity. So, my first question is that the industry is seeing strong volume growth. How much of the current growth are you comfortable viewing as structural and what are the underlying demand indicators you are monitoring to assess sustainability?

**Ashok Chhajer:** See, what we see for the next four quarters also we see the similar behaviour as we have seen it up in the past quarters. As this is the phase where the internally the projects are shaping up at the initial spaces and hence in spite of mixed views and reviews of the real estate sector across the industry, we feel that the, at our level, we will be able to achieve a little higher than the past year numbers and , very exponential growth in terms of numbers will not be able to witness in this financial year, but it would not even deteriorate and we have been able to manage and maintain our indirect expenses also in the tune of the same lines.

**Aditya Banerjee:** Okay, sir. Understood. my second question is that as you've discussed cost efficiency initiatives in the past. So, could you quantify how much of the cost savings have already been captured and what further cost reduction is realistically achievable over the next 12 to 24 months?

**Ashok Chhajer:** See the cost reduction is not possible as we are able to manage up our HR cost similar to the last year's cost. The construction expenditures already is on a rise due to the geopolitical features, but given the inventory in hand, we are able to see that those increase in cost of the total project versus to the inventory in hand can be equalized or can be neutralized.

And hence there won't be any impact on the balance sheets of the company per se as you already have seen that today also it is a mixed bag of projects, new projects which have higher EBITDA as well as old projects which have lower EBITDA so that is why these next three to four quarters when the older projects would phase out, till that time the average numbers would be on the similar line.

**Aditya Banerjee:** Okay, sir. Understood. And my next question is that given pre-sales of INR 1,731 million versus reported revenue of INR 1,316 million, what is the expected timeline for converting the current pre-sales into recognized revenue?

**Ashok Chhajer:** It's a general behaviour that for an ongoing project, we are into percentage completion method. Hence, all the pre-sales which happen, it takes around 90 days on an average for them to get into the mode of revenue recognition so, we can put up a cycle of 90 days as an average for every pre-sales happening to contribute to the revenue, so that is the time taken by an individual in terms of owners' contribution, agreement, registration, NOCs and etc.

**Aditya Banerjee:** Okay, sir. I have only one last question that given the current environment, are you seeing attractive opportunities for new land acquisitions or are higher land costs and construction costs making you more selective?

**Ashok Chhajer:** Going forward for this financial year, we don't have any program for new capital investments for the business development as there is a good handsome size of projects in hand worth INR 14,000 crores and given the scalability possible at our end, it still is in cycle of six to seven years to complete up this INR 14,000 crores. Hence, any development which would be asset light may be what we would look into it, but largely we will focus on implementation of these projects and not any new acquisition of the businesses or new projects.

**Aditya Banerjee:** Okay, sir. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Shilpa from SS Investments. Please go ahead.

**Shilpa:** Sir, as per your presentation, it shows that currently 41% of the project mix comprises of luxury. So, in the next two years, where can we expect this number to reach?

**Ashok Chhajer:** We still will have a mixed bag of it and going forward we can say that we would aspire to have 40%-45% as premium segment and around 30% - 35% as middle income group segment and 20% as affordable housing. We'll not leave affordable housing; we'll still continue to do it.

**Shilpa:** Okay, understood. My next question is, are there any plans to diversify the geographic presence because dependence on a single region may create a risk for the business?

**Ashok Chhajer:** No, because as when we talk about single region though it is MMR and Mumbai 3.0 which is already a very large envelope. It is double the size of the City of Mumbai. For the sake of new geographical diversification with new cities, there are no plans for it in those ways. We are able to consume and utilize our capital and man-resources in this area and with the more secured, safe and better prospects for the projects undertaken.

**Shilpa:** Okay. And what are the factors that are differentiating MMR from other key markets like NCR, Bangalore, and Pune?

**Ashok Chhajer:** Well today also Mumbai happens to be the core centre where the state of Maharashtra is spending the highest in terms of bringing up job creations and hence the demand is robust. There is supply also, there is competition, but then that tells that this is the core market and when we compare it to Pune or Bangalore, it is like the Mumbai 3.0 is just started off and has yet not achieved its saturation peak in terms, where the city of Pune and Bangalore already have reached to or NCR has reached to their peak of saturations in terms of supply, demand.

**Shilpa:** Okay sir, got it. The next question is, how do you see the delivery cycle moving here onwards?

**Ashok Chhajer:** Well, from start to completion today average a project takes around four years of time in reality and practicality. Some of them may be at three years, some of them are at five years depending upon the size of the project. Good thing is that the core focus would be that we do not pile up with any ready stock inventory and keep on selling all our stocks in time.

**Shilpa:** Okay. And the last question from my side is like the average realization was INR 7,769 per square feet in FY26 versus INR 6,080 in FY25. So where can we see this number moving in the next two to three years and what would be the factors that would be driving our average realization?

**Ashok Chhajer:** Given the whole portfolio with us in our size, if any new addition is firstly of premium segment, then the average rate would increase or else it would be something around 10% addition to the current ones with the given mix of products which we are operating today.

**Moderator:** Thank you. The next question is from the line of Shiv, an SM Advisory. Please go ahead.

**Shiv:** Yes, thanks for the opportunity. I wanted to understand in the last five years; EBITDA margin has moved in the range of 21% to 23%. What would be the trajectory going forward? Where would you expect it to go given the changes that are happening in the business? I think you have a hospitality segment as well. So where do you see it moving?

**Ashok Chhajer:** Both the businesses have to be evaluated separately, because both have different pattern of understanding. Given the real estate sector, sell product of residentials and construct, build, and sell, the EBITDA margins would gradually move up around, 30%- 35% once Town Villas and the villa projects contribute largely.

**Shiv:** Okay. And what about the hospitality segment? Where would you like to see that?

**Ashok Chhajer:** Well, that would be in the first two years of phase season investment period. So, it would be capital allocation to these products and as envisaged that an average core city product of a hotel takes up payback by around 12 years to 15 years, here the projections are to get a payback period of something around eight to nine years as the initial capital cost for the lands are less. And it would in terms of value, the hospitality sector would contribute say third or fourth year from now to an average of INR 50 crores of PAT per year. This represents an annuity income model, with both hotels expected to contribute INR 50 crores+.

**Shiv:** Okay. And you know, if the early 20s kind of EBITDA margin goes up by 10 percentage points, that would mean that the Town Villas and all the villa projects that you have, margins will be significantly higher than your existing, you know, existing portfolio. Is that correct? Because it has to be closer to 40% maybe, I think, or even more than that.

**Ashok Chhajer:** Can be also depending, because it's a rising market. What we see from the current trends, this much is at least achievable, and it can be further up also. So, time would, or the going period times say when the time the project gets shaped up towards and completion that would share the trend what's going to happen after, after that period which means something around 12, after 12 months.

**Shiv:** Okay. And where do you see, given that I think you're not looking at further acquisition of new projects, I think you're going to sustain the existing projects and take them forward. Is what -- that's what I understood.

**Ashok Chhajer:** Yes.

**Shiv:** Do you see debt to equity coming down, you know, last couple of years it increased to.

**Ashok Chhajer:** Though the intentions are there, yes, there is a plan for it. The debt-to-equity ratio will gradually come down because once the projects get matured the equity gets on, the reserves and capital reserves get on adding up to every quarter-to-quarter or year-to-year basis.

And we see that if the cash flows are healthy for the project of Arihant Advika, Vashi, which is nearing completion, that is where we see that the utilization of funds would be for repaying of the debt to a larger level and if that happens in this one year, then yes, the debt-to-equity ratio will go down.

**Shiv:** Yes. You know further with the increase in debt, the net debt to equity ratio has also gone up the last couple of years. I think the ROCE has come down. Well, last couple of years the ROCE is down and based on your own presentation. So that maybe is some linkage to there, right. So, I think as, as you, do you see the ROCE going back into the 20s as you, you know, because that's where it used to be till two years back.

**Ashok Chhajer:** Yes, see, when we talk about the projects in hand, the return on capital on a complete project basis, as you see, it's quite higher and it is, it is on an increasing trajectory, it is not on a downward trajectory. And when we see that in affordable also, we are able to make up a 10% margin where we see where we hear it around in the conversations and in the sector that affordable people are not able to make money. But with respect to our efficiency, we are still able to make some money in the affordable also.

**Shiv:** Okay. And of the current capital employed, how much is in residential projects and the rest in hospitality and other sectors? What percentage is the capital employed would be there in, you know, in?

**Ashok Chhajer:** Out of INR 730 crores. 90% to 93% today is in residential and 7% is in hospitality till now.

**Shiv:** Okay, 7%. And this will increase now as you take it forward, I think because that would increase going forward?

**Ashok Chhajer:** Yes, it will increase. Today, today the capital deployed for the hospitality sector is something around INR 35 crores - INR 40 crores and going forward on every quarter basis, the total investments for these two projects is to a tune of INR 350 crores and with the club around INR 500 crores. So, INR 500 crores is a total investment program for the club and hospitality business. For three years the company will deploy INR 500 crores of capital, by debt or by internal resources for these projects.

**Shiv:** Right, Well thanks. Those were my questions; you can carry on. Thank you.

**Ashok Chhajer:** Just adding one more point, once it happens and when it starts, then these assets value would almost triple up when the, when the operations are in flow, we have tied up with the best of the operators and we see no chance of the operations not getting positive and also as such there is a no competition in the market, we are the only ones when it comes to this size of hotel in the region of Lonavala, Karjat and Mumbai. We still have a good edge.

**Moderator:** Thank you. The next question is from the line of Advika Gupta, an Individual Investor. Please go ahead.

**Advika Gupta:** My question was, Q-o-Q, Q1 pre-sales increased 15% Y-o-Y to INR 173.1 crores, but units sold were only 221. I just wanted to know how much of the growth came from price increases and premium projects versus genuine volume growth? What were the average realization per square foot and average ticket size by segment?

**Ashok Chhajer:** Average ticket size today we already have mentioned that it is something around INR 78 lakhs and the projections and the numbers which we have, our average ticket size goes to around INR 95 lakhs to INR 1 crore

**Advika Gupta:** The next question from my side is, sir what is the level of debt you are comfortable carrying through the current growth cycle? And is there any intention to materially increase leverage to accelerate project additions?

**Ashok Chhajer:** When we talk about our total debt today, we know that the asset values which we have can comfortably absorb debt continuity for even 10 years from now which means that for the next 10 years, even if the debt remains same and interest is secured, still the projects are all viable, the feasibility does not goes off.

That means that the debt to the asset value as well as the project feasibilities, the debt is on a very lower side. But when it comes to equity, equity would increase up on a gradual basis by the existing capital reserves, by adding on capital and reserves in the coming time also. And any fund-raising program will change all the ratios and numbers.

**Advika Gupta:** Understood, sir. My next question is that do you view the current margin compression as largely temporary or is it normal for the newer projects are structurally lower than the projects that are currently being delivered?

**Ashok Chhajer:** Well, as you see on project-to-project basis, the older projects and affordable housing projects which are below Rs. 5,000 per sq.ft, there the total margins are on a single digit and that is something to a tune of 9% to 10%. The middle-income group projects like Arihant Aalishan etc. gives up to 15% PAT margins.

And 12% to 13% margin for the Aalishan projects similarly. The premium projects would give a margin of around 20% as the EBITDAs would rise to 36%, 30% and above, it's a blended one. And hence the blended margins also we have seen up in mark-up up to 13%, 14% also in the previous years, it has lowered down this quarter to 9% also. But with an average we feel that we are comfortable and we would be able to give up a PAT margins even higher than 20% over a run of two years from now.

**Advika Gupta:** Understood sir, thank you so much. All the best for the future.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

**Udit Kasera:** Thank you everyone for joining today's call and spending your valuable time with us.

**Ashok Chhajer:** We welcome you to visit all our projects. We would also make up a program for visits collectively and give you an invite for it that would give you a better preview of the company, its prospects and the positioning in the Mumbai 3.0 region. Thank you everybody.

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