

Company Name: Arihant Superstructures Ltd

Management Participants :

- *Mr. Parth Chhajer – Whole time director*
- *Mr. Udit Kasera – Chief Financial Officer*

11th Annual Valorem Conference Highlights :

- Launched Phase 4 of Arihant Aspire in February with a total GDV of INR 300 crore; the overall project GDV stands at INR 2,500 crore.
- Arihant Aspire Phase 4 contributed INR 175 crore to revenue during the quarter, reflecting strong traction in newly launched inventory.
- The World Villas project includes a leisure hotel, comprising 225 keys and positioned for events such as weddings.
- The hotel will feature two large banquet halls with an area of 35,000 sq. ft. each, enhancing its positioning as a destination venue.
- Appointment of a hotel management company is expected to be announced in April, supporting operational readiness of the hospitality asset.
- The Gymkhana project is on track for completion by FY29, with over 800 active members already onboarded, indicating strong pre-operational demand.
- Gymkhana and hotel assets are now classified separately and form part of Property, Plant & Equipment (PPE), reflecting their annuity-style nature.
- The company maintains capital efficiency with land cost constituting less than 10% of total project outlay; land acquisition for World Villas began 3–3.5 years ago.
- The company is targeting EBITDA margins of 28% and PAT margins of 18% for the next year, driven by project mix and operational leverage.
- Sales strategy: The company is prioritising the sale of units in advanced stages of construction to drive stronger collections and improve cash flow visibility.

Key Questions & Answers discussed during the Conference:

- **Does the company participate in auction-based property acquisitions?** We do not participate in auction properties and continue to focus on strategic land acquisitions and development opportunities through our existing sourcing channels.
- **When was the land acquisition for the World Villas project initiated?** Land acquisition for the World Villas project was initiated approximately 3–3.5 years ago. We strategically consolidated the land parcel well in advance to ensure timely project planning, approvals, and phased development execution.
- **When is the company expecting a significant increase in Gymkhana memberships?** A meaningful spike in Gymkhana memberships is expected closer to the project’s completion. As the facility becomes operational and amenities are fully ready, membership traction is likely to accelerate driven by improved visibility, user experience, and on-ground engagement.

- **What is the company's long-term policy regarding land acquisition and development, including expansion into new micro-markets?** The usual strategy involves acquiring land at cheaper prices early on and then planning for its development. This policy will continue to be adhered to. We aim to expand into and be the first movers in new micro-markets, particularly focusing on the MMR (Mumbai Metropolitan Region) where significant population growth and job creation are occurring, driving residential demand.
- **What is the presales guidance for the current financial year?** Sales are expected to be in the range of INR 1100 crore for this year.
- **How will revenue recognition work for villa projects?** Revenue will be recognized under the percentage completion method. Recognition will commence once the 10% completion threshold is achieved for the respective phase.
- **Does the company consider Joint Venture (JV) models for land acquisition instead of outright purchases?** Yes, JV models are utilized, but not for affordable housing projects. They are typically considered for middle-income or other segments.
- **Is there a concern about demand and supply mismatch in the Mumbai real estate market given the numerous ongoing projects?** Small-sized projects (e.g., 10-30 units over a 3-year span) are expected to be completed and absorbed easily, as this equates to less than one unit per month. However, large-scale redevelopment projects with thousands of units to sell in the incentive portion present a tougher task for market absorption.
- **What is the strategy for subsidiary-level debt reduction?** Certain subsidiaries are targeted to become debt-free within the next two years. Debt reduction will be milestone-driven and aligned with banker-approved repayment schedules at the project level.
- **What is the average blended cost of borrowing and are there plans to reduce it?** The average interest cost is approximately 12.5%. Efforts are underway to secure lower-cost debt to reduce the overall borrowing cost going forward.
- **What is the update on the villa projects and their launch timelines?** World Villas Phase 1 has already been launched, with construction progressing on more than 100 villas. Town Villas is currently under the approval stage and is expected to be launched in the next financial year.
- **What is the marketing cost as a percentage of revenue?** Direct marketing costs are maintained at approximately 1.5% of revenue.
- **What is the margin outlook for the pipeline projects?** EBITDA margins, currently in the range of 23–25%, are expected to improve to around 28–29% in the coming quarters. Villa projects are expected to generate EBITDA margins of approximately 45%, while apartment projects are targeted at 30–33%.
- **Will the slowdown in the IT sector impact real estate bookings in Navi Mumbai?** Demand in Navi Mumbai is diversified and not solely dependent on the IT sector. The region has strong industrial presence, including MIDC zones and other commercial establishments. No material slowdown in bookings has been observed due to IT sector weakness.

- **What is the company's long-term policy regarding land acquisition and development, including expansion into new micro-markets?** The total planned investment is INR 350 crore, comprising INR 125 crore for the Gymkhana and INR 225 crore for the Hotel. Construction of the Gymkhana has already commenced and is expected to be completed in 2–2.5 years, while the hotel is targeted for completion in about four years. Construction finance has been tied up with SBI, ensuring execution regardless of villa sales velocity. The breakeven period for both assets is estimated at around eight years.

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