

Arihant Capital values your support in the Asiamoney Brokers Poll 2022 for Institutional Team. We request your ballot

ASIAMONEY

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CMP: INR 170

Rating: BUY

Target Price: INR 296

Stock Info

BSE	506194
NSE	ARIHANTSUP
Bloomberg	ARSU:IN
Reuters	ARIS.NS
Sector	Realty
Face Value (Rs)	10
Equity Capital (Rs cr)	41
Mkt Cap (Rs cr)	700
52w H/L (INR)	206 / 91
Avg Yearly Volume (in 000')	179

Shareholding Pattern %

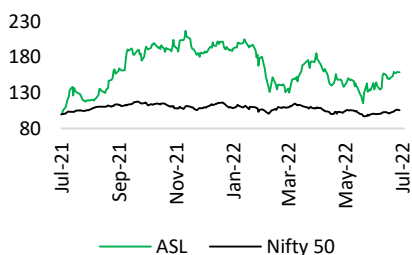
(As on Jun, 2022)

Promoters	74.50
DII	1.46
FII	1.38
Public & Others	22.65

Stock Performance (%) 3m 6m 12m

ASL	-0.4	-1.9	84.9
NIFTY	-2.3	-2.7	5.9

ASL Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A

bala@arihantcapital.com

Arihant Superstructures Ltd (ASL) revenue stood at INR 89cr (+5.6% YoY/+26.1% QoQ) vs our estimates of INR 122cr however, sales value stood at INR 235cr (85.8% YoY) beats our estimates of INR 197cr. EBITDA stood at INR 18cr (+22.9% YoY/+11.6% QoQ) vs our estimates of INR 26cr, EBITDA Margin expanded to 293bps to 20.8% vs 17.8% in Q1FY22. The EBITDA Margin improvement mainly due to lower raw material cost in terms of sales. In Q1FY23, raw material cost in terms of sales stood at 61.5% vs 64.9% in Q1FY22. PAT stood at INR 11cr (+29.2% YoY/+8.3% QoQ) vs our estimates of INR 16cr. PAT Margin expanded by 219bps to 12% vs 9.8% in Q1FY22.

The company sold 533 units (+119.3% YoY) in Q1FY23 vs 243 units in Q1FY22, which shows strong sales momentum despite interest rate hikes. The volumes stood at 4.05 lakh sq.ft (84.1% YoY) in Q1FY23 vs 2.2 lakh sq.ft in Q1FY22. The sales value stood at INR 234.8cr (85.8% YoY) in Q1FY23 vs INR 126.4cr in Q1FY22. The collections stood at INR 110.6cr (17.7% YoY) in Q1FY23.

Key Highlights

Arihant Aakarshan project witnessed strong bookings: The company has launched new project Arihant Aakarshan at Taloja in Q1FY23 in the affordable housing segment. The company has received overwhelming response, out of 439 units, the company has booked 266 units in 2 months of time which reflects strong trust in the brand and continuing sales momentum. The company has sold 1 BHK flat at a price of INR 28.75 lakhs.

Exploring into new micro markets: In the MMR region, the company has entered the new market of Titwala by acquisition of 10,660 sq meters of land in the affordable housing segment. Shil-Phada is one of the largest markets in MMR regions in terms of supply. The company has entered into a project through asset light model (Joint Development) for a 15,980 sq meters plot at Shil-Phata. The Titwala and Shil-Phata projects have ~8.2 lakh sq.ft with Gross Domestic Value of ~INR 420cr.

Focused to deliver more than 1,000 units on yearly basis: The company has delivered between 700 to 900 units in past years and most of the projects were under construction stage in FY22 and expected significant deliveries going forward. The company has focused to delivery 1,000 to 1,200 units on yearly basis by next 2 to 3 years.

Outlook & Valuation: Arihant Superstructures Ltd has achieved healthy sales units, sales bookings and collections. The company have revenue potential of more than INR 7,500cr which is including upcoming new launches, utilization of funds allocation to new multiplier projects, margin protection through appropriate price hikes, easing of commodity prices led to recovery in margins, gaining market share from micro markets and free cash flows from existing & new projects which is expected to create value going forward. We have a BUY rating at a Target Price of INR 296 per share based on DCF; an upside of 73.9%.

Q1FY23 Results

Income statement summary

Particular (INR cr)	Q1FY22	Q4FY22	Q1FY23	YoY (%)	QoQ(%)
Revenue	84	71	89	5.6%	26.1%
Net Raw Materials	55	34	55	0.1%	59.1%
Employee Cost	4	5	4	23.1%	-8.7%
Other Expenses	11	15	11	3.4%	-23.3%
EBITDA	15	17	18	22.9%	11.6%
EBITDA (%)	17.8%	23.4%	20.8%	293 bps	-269 bps
Depreciation	0.5	0.4	0.5		
Interest expense	5	5	5		
Other income	0.4	0.7	0.6		
Exceptional Items	-	-	-		
Profit before tax	10	12	14	44.7%	19.6%
Taxes	1	2	3	145.5%	85.3%
PAT	8	10	11	29.2%	8.3%
PAT Margin (%)	9.8%	14.0%	12.0%	219 bps	-197 bps
Minorities and other	0	1	2		
Other Comprehensive income	-	(0)	-		
Net profit	8	9	9		
Net Profit Margin (%)	9.3%	13.1%	9.8%	55 bps	-328 bps
EPS (INR)	2	2	3		

Source: Company Reports, Arihant Capital Research

Concall Highlights

- The affordable and mid income projects under pipeline for launches, consists of 2 mn sq ft area, 2,734 units having revenue potential of more than INR 1,000cr.
- Total average cost is around INR 3,800/sq ft. Out of this construction cost is around INR 2,850/sq ft, Land cost is around INR 300/sq.ft Admin expenses is around INR 200/sq ft and remaining from others. The average sales cost is INR 5,500/sq ft or more.
- The company has experienced 14% conversion rate in Taloja and expected the same rate going forward. The visitors are continuously increasing.
- The company has been campaigning through agencies to generate leads across the social media platforms.
- The company focused deliver 1,000 to 1,200 units per year for next 2 to 3 years.
- The largest markets in MMR regions, Shilphata, Panvel, Thane and Kalyan are having maximum supply.
- Shilphata is the largest micro market in mid income segment.
- The company focused to grow 40% to 50% across all the verticals by FY23.
- The sales team has tripled in two years of time and pre sales ramped up substantially.

Exhibit 1: 97% of portfolio consists of affordable and mid income.

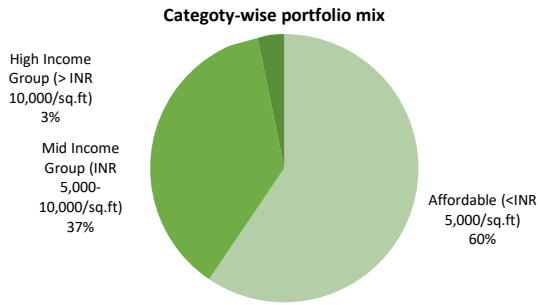


Exhibit 2: Well diversified in micro markets.

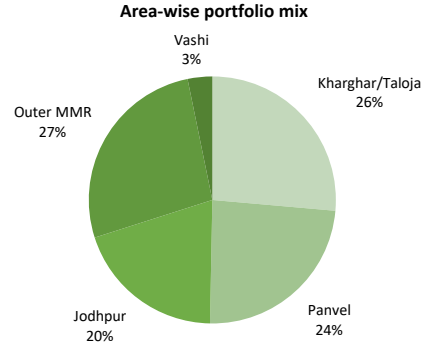


Exhibit 3: Units sold has been more than 2x in 2 years.

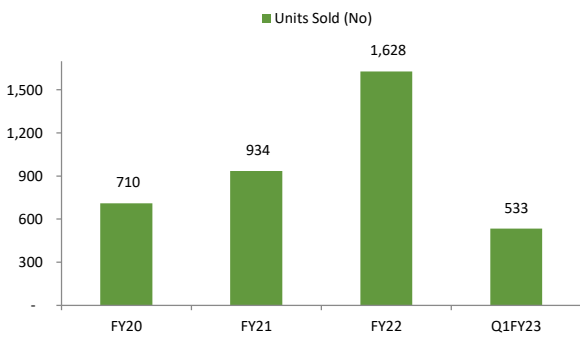


Exhibit 4: Area sold has been more than 2x in 2 years.

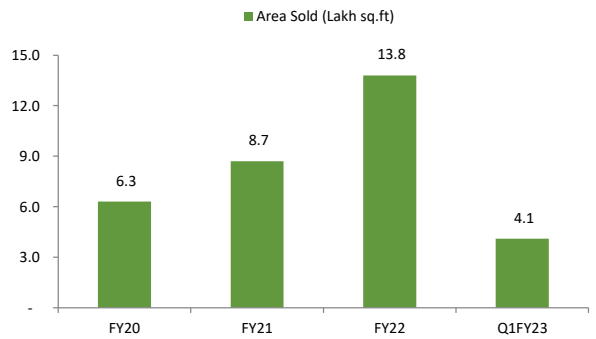


Exhibit 5: Value of sales has been ~3x in 2 years.

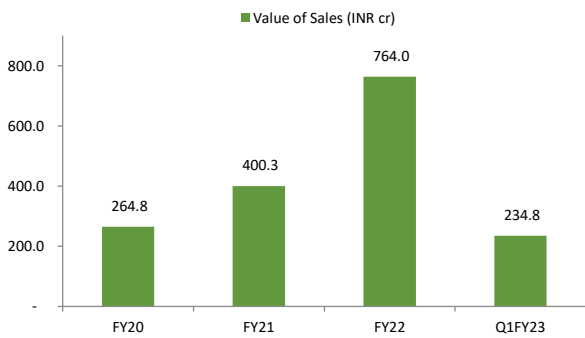
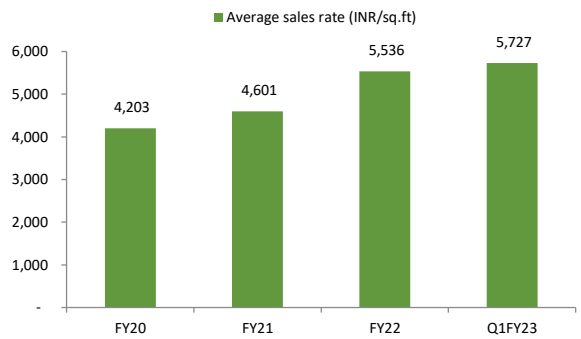


Exhibit 6: continuous improvement on realization.



Source: Company Reports, Arihant Capital Research

Sales Bookings

Sales Booking (INR cr)									
Company	Projects	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	Total
	4 Anaika	3	-	-	-	-	-	-	3
	Anchal	46	73	98	132	140	141	61	690
	Aarohi	15	-	-	-	-	-	-	15
ASL	Adita	31	23	12	-	-	-	-	67
	Arshiya	37	48	70	74	51	35	14	328
	Akarshan	136	247	267	116	-	-	-	767
	Kalyan	58	128	142	114	40	-	-	482
	5 Anaika	76	20	-	-	-	-	-	96
Vatika	Aalishan	164	137	109	82	-	-	-	492
	Anmol	28	28	23	16	-	-	-	96
	Advika	179	189	185	52	-	-	-	605
Aashiyana	Amisha	35	38	31	-	-	-	-	103
	Aloki	34	14	13	5	-	-	-	66
Abode	Aspire	243	310	441	422	297	228	101	2,042
	Palaspe	-	-	131	213	158	158	80	741
Total		1,085	1,254	1,521	1,227	687	562	257	6,593

Source: Company, Arihant Capital Research

Launches Pipeline						
Project	Location	Category	Tmeline	No of Units	Area (sq ft)	Revenue Potential (INR cr)
Aakarshan	Taloja	Affordable	Q1-FY23	439	266,378	135
Amisha	Taloja	Affordable	Q2 -FY23	140	100,464	45
Aayan	Titwala	Affordable	Q2 -FY23	200	145,044	160
Aaradhya	Kalyan	Affordable	Q2 -FY23	440	302,524	151
Aakarshan	Taloja	Affordable	Q2 -FY23	206	147,050	76
Aspire	Panvel	Mid-Income	Q3 -FY23	370	374,755	274
Anmol	Badlapur	Affordable	Q3 -FY23	178	129,084	52
Arshiya	Khopoli	Affordable	Q3 -FY23	138	120,000	40
Aloki	Karjat	Affordable	Q4 -FY23	198	152,769	52
Avanti	Shilphata	Mid-Income	Q4 -FY23	425	340,000	204
Total				2,734	2,078,068	1,189

Source: Company, Arihant Capital Research

DCF Valuation

Valuation Assumptions		Valuation Data		WACC	
g (World Economic Growth)	3%	Total Debt (long term borrowings) (2022)	175	We	80.0%
Rf	7%	Cash & Cash Equivalents (2022)	15	Wd	20.0%
Rm	13%	Number of Diluted Shares (2023)	4	Ke	13.2%
Beta	1.04	Tax Rate (2023)	26%	Kd	7.4%
CMP	170	Interest Expense Rate (2023)	10%	WACC	12.1%
		MV of Equity	700		
		Total Debt	175		
		Total Capital	875		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase				Terminal Yr	
Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
EBIT * (1-Tax Rate)	86	176	235	215	164	125	100	85	76	72	71	73
Dep	3	3	3	3	3	4	3	2	2	2	2	2
Purchase of Assets	(2)	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)	(1)
Changes in Working Capital	87	29	122	(100)	91	16	34	29	26	25	24	25
FCFF	173	206	358	116	257	143	136	115	103	97	96	98
Terminal Value												1,086
Total Cash Flow	173	206	358	116	257	143	136	115	103	97	1,181	

Enterprise Value (EV)	1,377
Less: Debt	175
Add: Cash	15
Equity Value	1,217
Equity Value per share (INR)	296

% Returns	73.9%
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Rating	BUY
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Sensitivity Analysis

		Terminal Growth (%)								
		2.0%	2.3%	2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%
WACC (%)	296									
	11.1%	309	312	315	319	322	326	331	335	340
	11.4%	302	305	308	311	315	319	322	327	331
	11.6%	296	299	301	305	308	311	315	319	323
	11.9%	290	292	295	298	301	304	308	311	315
	12.1%	284	287	289	292	295	298	301	304	307
	12.4%	279	281	283	286	288	291	294	297	300
	12.6%	273	276	278	280	283	285	288	291	294
	12.9%	268	270	272	275	277	279	282	285	287
13.1%	264	265	267	269	272	274	276	279	281	

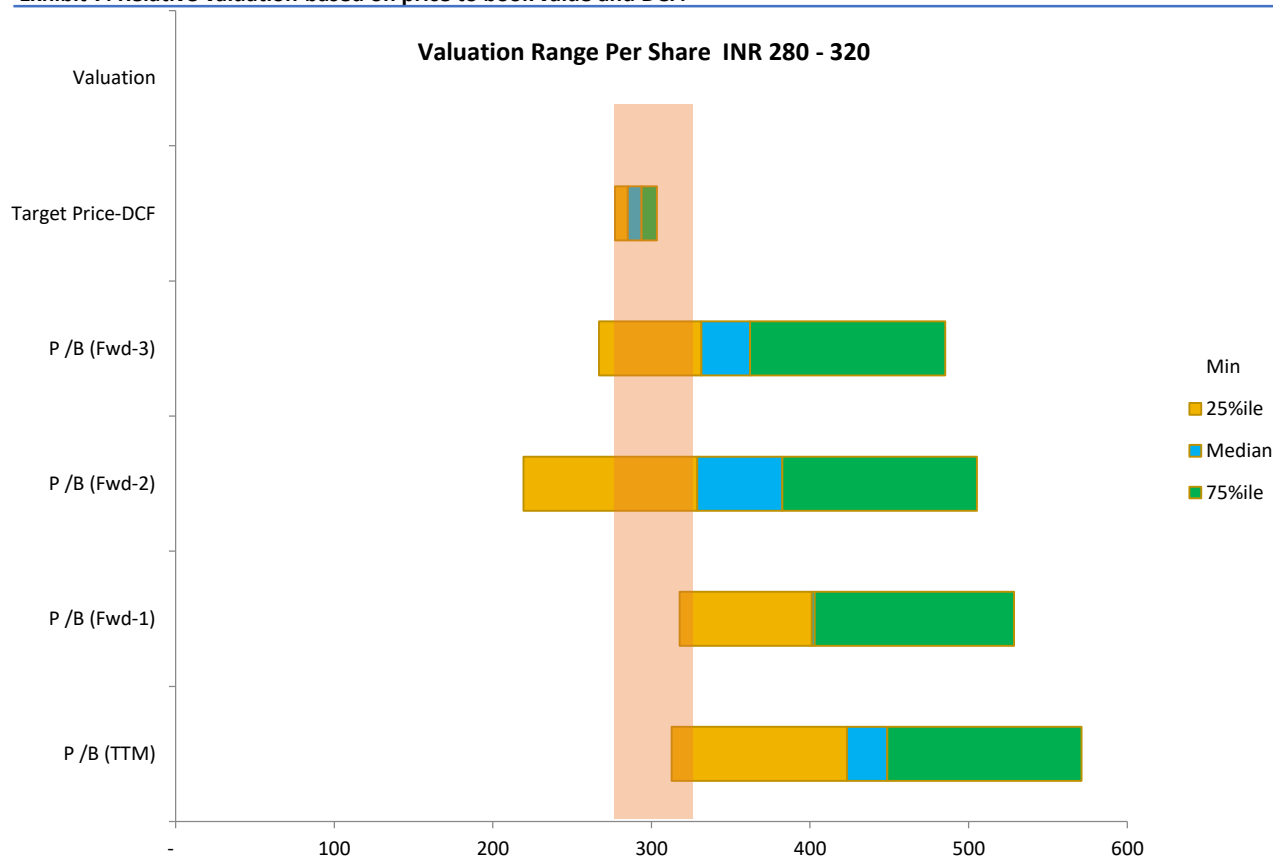
Source: Company Reports, Arihant Capital Research

Relative Valuation

Valuation Parameter	P/B			
	FY22	FY23E	FY24E	FY25E
Sunteck Realty Ltd	2.4 x	2.4 x	NA	NA
DLF Ltd	2.5 x	2.4 x	1.3 x	2.1 x
GR Infraprojects Ltd	2.5 x	2.4 x	2.0 x	NA
Macrotech Developers Ltd	4.5 x	4.0 x	3.5 x	3.3 x
Mahindra Lifespace Developers Ltd	3.7 x	3.5 x	3.3 x	3.3 x
Oberoi Realty Ltd	3.2 x	2.8 x	2.5 x	2.1 x
Prestige Estates Projects Ltd	1.8 x	1.9 x	1.7 x	1.6 x
Sobha Ltd	2.6 x	2.3 x	2.1 x	1.8 x
The Phoenix Mills Ltd	3.4 x	3.1 x	2.9 x	2.5 x
Maximum	4.5 x	4.0 x	3.5 x	3.3 x
75th Percentile	3.4 x	3.1 x	3.0 x	2.9 x
Median	2.6 x	2.4 x	2.3 x	2.1 x
25th Percentile	2.5 x	2.4 x	1.9 x	2.0 x
Minimum	1.8 x	1.9 x	1.3 x	1.6 x
Arihant Superstructures Ltd	3.9 x	3.0 x	1.8 x	1.2 x

Source: Bloomberg estimates, Arihant Capital Research

Exhibit 7: Relative valuation based on price to book value and DCF.



Source: Company Reports, Bloomberg estimates, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (Rs cr)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenue	188	239	233	270	331	565	1,076
Net Raw Materials	112	144	155	183	197	363	667
Employee Cost	13	14	13	12	16	28	56
Other Expenses	26	28	23	28	48	55	112
EBITDA	37	53	43	48	70	118	241
EBITDA %	19.8%	22.3%	18.4%	17.8%	21.1%	20.9%	22.4%
Depreciation	(1)	(2)	(2)	(2)	(2)	(3)	(3)
Interest expense	(15)	(32)	(30)	(28)	(21)	(34)	(35)
Other income	1	4	5	2	2	2	2
Share of profits associate & JV	-	-	-	-	-	-	-
Profit before tax	22	23	16	20	48	83	205
Taxes	(7)	(4)	(5)	(4)	(7)	(22)	(53)
PAT	15	18	11	16	41	61	152
Minorities and other	(2)	(5)	(6)	(5)	(0)	-	-
Net profit	13	13	5	11	41	61	152
EPS	3	3	1	3	10	15	37

Source: Company reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (Rs cr)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity capital	41	41	41	41	41	41	41
Reserves	76	80	86	98	137	199	350
Net worth	118	121	127	139	178	240	392
Minority Interest	-	-	-	25	25	-	-
Provisions	6	7	1	1	1	0	1
Debt	305	410	409	299	309	374	414
Other non-current liabilities	0.1	-	-	-	-	-	-
Total Liabilities	428	538	537	463	512	614	806
Fixed assets	10	11	9	9	9	9	8
Other Intangible assets	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Investments	52	40	42	43	45	40	54
Other non current assets	-	0.0	0.1	0.2	0.2	0.6	1.1
Deferred tax asset (net)	(1)	-	-	-	-	-	-
Net working capital	189	317	270	197	217	130	101
Inventories	361	422	388	355	447	597	1,005
Sundry debtors	51	28	35	26	60	70	118
Loans & Advances	3	20	25	5	12	11	22
Other current assets	21	34	33	38	40	70	124
Sundry creditors	(38)	(40)	(63)	(53)	(62)	(98)	(183)
Advance from Customers	(200)	(144)	(144)	(170)	(277)	(509)	(968)
Other current liabilities & Prov	(10)	(3)	(3)	(3)	(3)	(11)	(16)
Cash	12	15	11	12	15	82	29
Other Financial Assets	8	0	10	3	6	14	22
Land	158	155	193	199	219	339	592
Miscellaneous Exp							
Total Assets	428	538	537	463	512	614	806

Source: Company reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (Rs cr)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Profit before tax	22	23	16	20	48	83	205
Depreciation	1	2	2	2	2	3	3
Tax paid	(7)	(4)	(5)	(4)	(7)	(22)	(53)
Working capital Δ	(189)	(128)	46	74	(20)	87	29
Operating cashflow	(173)	(108)	59	91	23	151	184
Capital expenditure	(11)	(3)	(1)	(1)	(2)	(2)	(2)
Free cash flow	(184)	(111)	58	90	21	149	182
Equity raised	103	(12)	(5)	(4)	(2)	-	-
Investments	(52)	11	(2)	(1)	(3)	6	(14)
Others	(166)	11	(47)	1	(24)	(128)	(261)
Debt financing/disposal	305	105	(0)	(86)	10	40	40
Dividends paid	-	(2)	-	-	-	-	-
Other items	6	1	(7)	0	(0)	(0)	0
Net Δ in cash	12	3	(3)	1	3	68	(54)
Opening Cash Flow	-	12	15	11	12	15	82
Closing Cash Flow	12	15	11	12	15	82	29

Source: Company reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar (Rs cr)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Growth matrix (%)							
Revenue growth	27.3%	-2.5%	15.8%	22.5%	70.7%	90.4%	
Op profit growth	43.5%	-19.5%	11.7%	45.1%	69.5%	104.1%	
Profitability ratios (%)							
OPM	19.8%	22.3%	18.4%	17.8%	21.1%	20.9%	22.4%
RoCE	5.7%	9.2%	6.0%	7.8%	12.8%	15.7%	25.1%
RoNW	12.5%	15.4%	8.9%	11.9%	26.1%	29.4%	48.0%
RoA	3.4%	3.4%	2.0%	3.4%	8.1%	10.0%	18.8%
Per share ratios (INR)							
EPS	3.6	4.5	2.7	3.8	10.1	14.9	36.9
Dividend per share	-	0.6	-	-	-	-	-
Cash EPS	3.9	4.9	3.2	4.3	10.5	15.5	37.5
Book value per share	28.6	29.4	30.8	33.7	43.3	58.3	95.1
Valuation ratios (x)							
P/E	47.8	38.2	63.7	44.5	16.9	11.4	4.6
P/CEPS	43.8	34.7	53.7	39.4	16.2	10.9	4.5
P/B	6.0	5.8	5.5	5.0	3.9	2.9	1.8
EV/EBIDTA	25.3	19.7	24.5	19.6	13.6	8.1	4.3
Payout (%)							
Dividend payout	0.0%	13.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax payout	33.9%	19.3%	29.2%	21.4%	14.7%	26.0%	26.0%
Liquidity ratios (days)							
Debtor days	99	60	50	41	47	42	32
Inventory days	1,173	990	955	742	743	525	438
Creditor days	91	77	99	95	80	65	61
Leverage ratios							
Interest coverage	2.4	1.6	1.4	1.6	3.2	3.4	6.7
Net debt / equity	2.49	3.26	3.14	2.07	1.65	1.21	0.98
Net debt / op. profit	7.86	7.40	9.25	5.97	4.22	2.47	1.60

Source: Company reports, Arihant Capital Research

Story in Charts

Exhibit 8: Revenue is expected to reach 3x backed by strong sales.

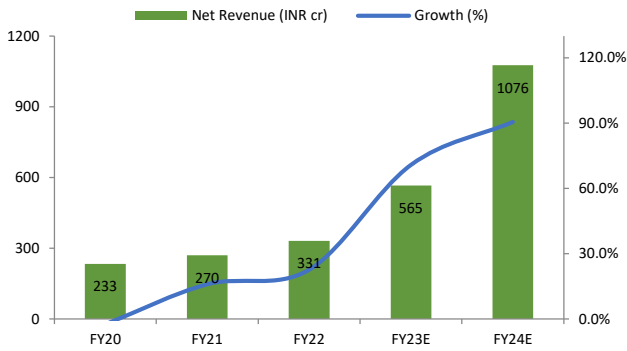


Exhibit 9: Growth in EBITDA & PAT levels

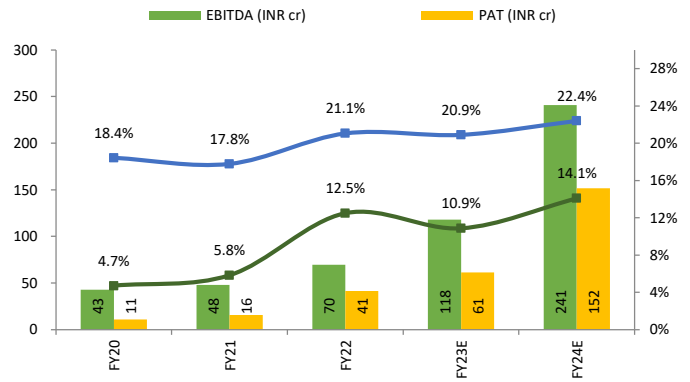


Exhibit 10: Return ratios to be improve

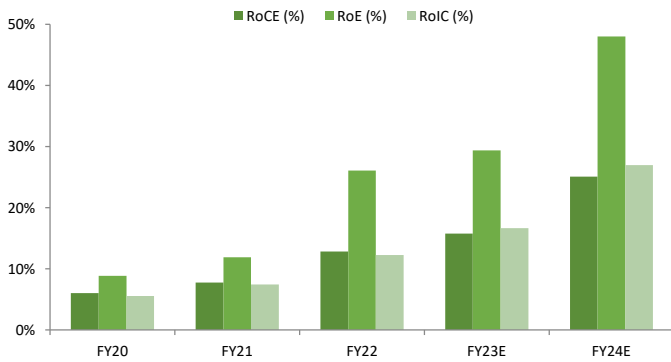


Exhibit 11: Cash flows to be improve

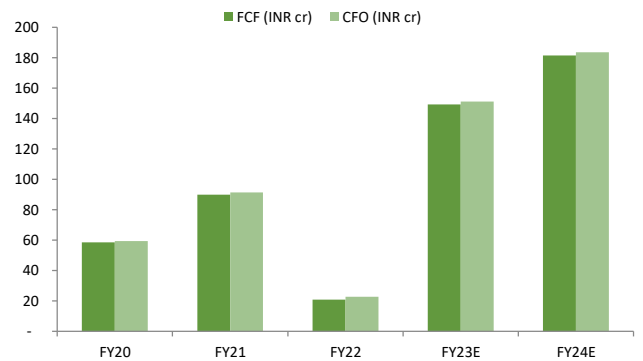


Exhibit 12: Working capital days to be improve

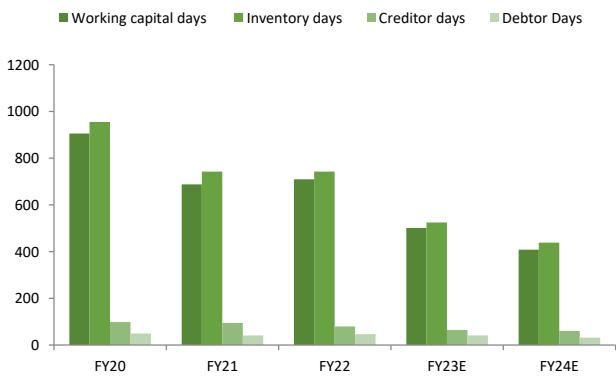
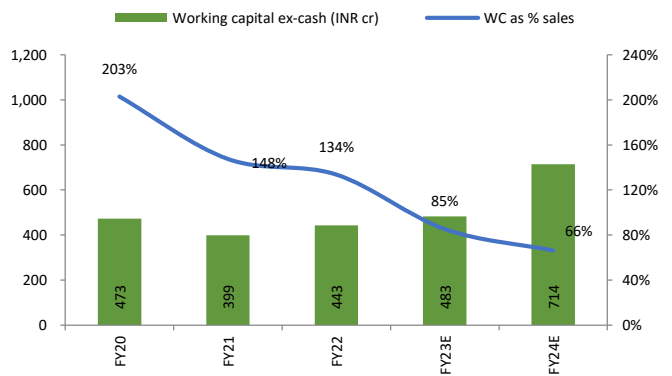


Exhibit 13: Working capital management would continue.



Source: Company Reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880