

CMP: INR 212

Rating: BUY

Target Price: INR 306

Stock Info

BSE	506194
NSE	ARIHANTSUP
Bloomberg	ARSU:IN
Reuters	ARIS.NS
Sector	Realty
Face Value (INR)	10
Equity Capital (INR cr)	41
Mkt Cap (INR cr)	873
52w H/L (INR)	261 / 100
Avg Yearly Volume (in 000')	138.5

Shareholding Pattern %

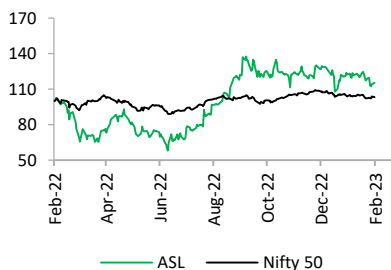
(As on Dec, 2022)

Promoters	74.71
DII	1.39
FII	0.69
Public & Others	23.21

Stock Performance (%) 3m 6m 12m

ASL	-5.4	19.3	15.6
NIFTY	-1.9	2.1	3.2

ASL Vs Nifty



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Arihant Superstructures Ltd (ASL) reported numbers, Q3FY23 revenue grew by 29.8% YoY (-4.7% QoQ) to INR 115cr vs our estimates of INR 146cr. Gross Profit stood at INR 46cr (+33% YoY/+21.6% QoQ) vs our estimates of INR 56cr, Gross Margin improved by 94 bps to 39.7% vs 38.7% in Q3FY22. The employee cost in terms of sales remains the same and stood at 4.6% in Q3FY23. The other expenses in terms of sales stood at 9.4% vs 13.5% in Q3FY22. The total expenses in terms of sales stood at 74.3% vs 79.4% in Q3FY22. EBITDA stood at INR 29cr (+61.3% YoY/+49.5% QoQ) vs our estimates of INR 31cr, and EBITDA Margin improved by 501 bps to 25.7% vs 20.6% in Q3FY22. PAT stood at INR 20cr (+72.2% YoY/+69.8% QoQ) vs our estimates of INR 24cr, PAT Margin improved by 428 bps to 17.4% vs 13.1% in Q3FY22.

The company sold 1,159 units (-0.6% YoY) in 9MFY23 vs 1,166 units in 9MFY22. The volumes stood at 9.5 lakh sq. ft (-5.5% YoY) in 9MFY23 vs 10 lakhs sq. ft in 9MFY22. The sales value stood at INR 548cr (+5.4% YoY) in 9MFY23 vs INR 520cr in 9MFY22. The collections stood at INR 318.4cr (+215.9% YoY) in 9MFY23.

Key Highlights

Aayan and Arshiya projects are expected to launch in Q4FY23: The Titwala affordable project, Arihant Aayan is expected to launch in Q4FY23. The project has around 200 units having revenue potential of INR 160cr. The Arshiya affordable project is expected to launch in Q4FY23. The project has around 138 units which are having revenue potential of INR 40cr.

Arihant Aaradhya is witnessed strong traction on booking: The affordable Kalyan project "Arihant Aaradhya" launched on Dec-22. The project comprises 11 magnificent 14-story towers with ~9.1 lakhs sq. ft saleable area having 64,000 sq. ft of podium landscape and modern lifestyle amenities. The project comprises 440 units and already booked 35% of the units till now.

Focused on the consistent pace of deliveries: 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 delivered 471 units as of 9MFY23 and is focused to deliver around 300 to 350 units in Q4FY23.

Outlook & Valuation: ASL witnessed steady growth despite interest rate hikes. Some of the projects have been delayed due to approvals. More than ten new launches are in pipeline and have a revenue potential of more than INR 1,400cr. The company has a revenue potential of ~ INR 8,000cr which is including upcoming new launches, utilization of funds allocation to new multiplier projects, margin protection through appropriate price hikes and easing of commodity prices led to a recovery in margins, gaining market share from micro markets and free cash flows from existing & new projects which are expected to create value going forward. We maintain our "BUY" rating at a Target Price of INR 306 per share based on DCF; an upside of 44.4%.

Q3FY23 Results

Income statement summary

Particular (INR cr)	Q3FY22	Q2FY23	Q3FY23	YoY (%)	QoQ(%)
Revenue	88	120	115	29.8%	-4.7%
Net Raw Materials	54	83	69	27.8%	-16.6%
Employee Cost	4	5	5	28.9%	15.3%
Other Expenses	12	13	11	-9.1%	-18.0%
EBITDA	18	20	29	61.3%	49.5%
EBITDA Margin (%)	20.6%	16.3%	25.7%	+501 bps	+931 bps
Depreciation	0.4	0.5	0.5		
Interest expense	5	5	8		
Other income	0.2	0.5	0.5		
Exceptional Items	-	-	-		
Profit before tax	13	15	22	71.1%	46.4%
Taxes	1	3	2		
PAT	12	12	20	72.2%	69.8%
PAT Margin (%)	13.1%	9.8%	17.4%	+428 bps	+763 bps
Minorities and other	(1)	3	5		
Other Comprehensive income	-	-	-		
Net profit	12	9	15	20.0%	60.0%
Net Profit Margin (%)	13.7%	7.6%	12.7%	-104 bps	+514 bps
EPS (INR)	2.8	2.9	4.8		

Source: Company Reports, Arihant Capital Research

Concall Highlights

- The construction activities are in full swing, around 4 projects have been slightly delayed which included Aayan and Shiphata projects.
- The company bought 25 acres of land at Chowk, off Mumbai – Pune highway in Q3FY23. The land cost around INR 41 including stamp duty and registration costs. The horizontal development plot consists of 6.6 lakh sq. ft and comprises 275 plots. The plots have a revenue potential of INR 200+cr.
- The construction finance is around 12%.
- The funds will be raised for new acquisitions.
- The company has delivered 471 units as of 9MFY23. Around 300 to 350 units are expected to deliver in Q4FY23.
- For new projects, the EBITDA margin is expected around 30%. Interest cost is expected to be 10% of total sales. The company is targeting a 20% PAT margin for new projects.

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

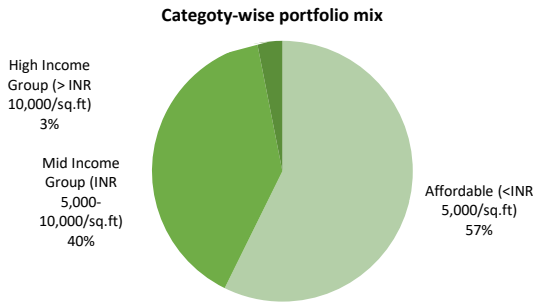


Exhibit 2: Well diversified in micro markets.

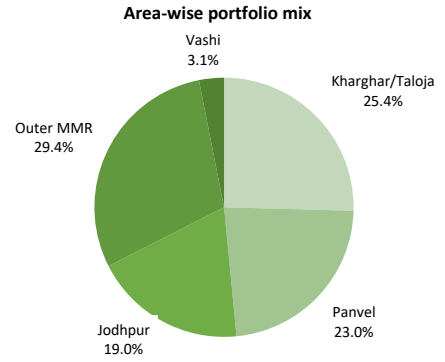


Exhibit 3: Units sold has been more than 2x in 2 years.

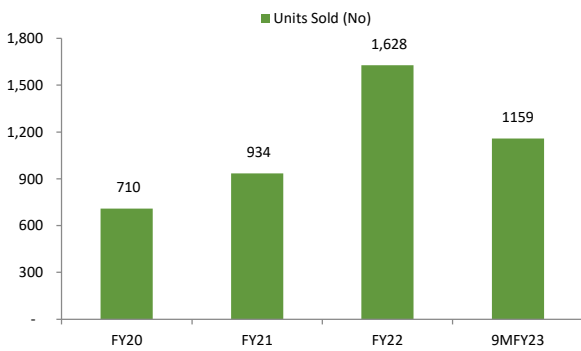


Exhibit 4: Area sold has been more than 2x in 2 years.

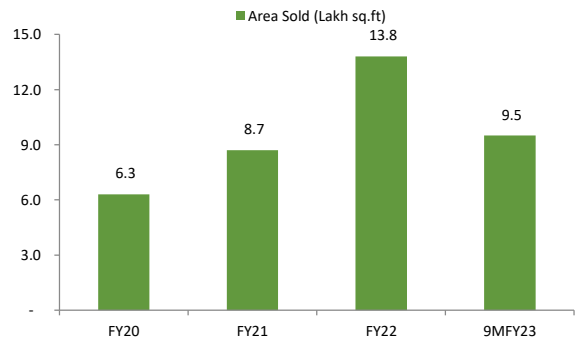


Exhibit 5: Sales value has been more than ~3x in 2 years.

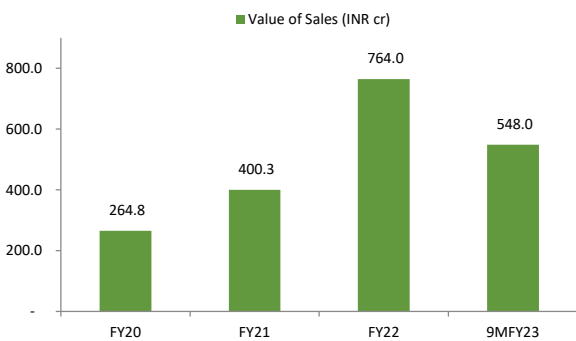
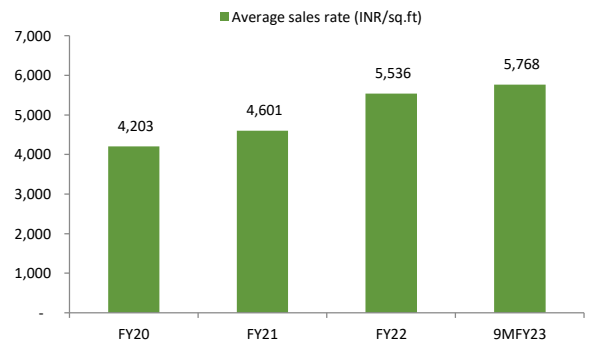


Exhibit 6: Continuous improvement on realizations.



Source: Company Reports, Arihant Capital Research

Sales Bookings

Sales Booking (INR cr)											
Company	Projects	Till date	H2FYE22	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			116	232	212	116	112	-	-	788
	Kalyan			58	128	142	114	40	-	-	482
	5 Anaika			76	20	-	-	-	-	-	96
Vatika	Aalishan			114	143	95	82	43	-	-	477
	Anmol			28	28	23	16	-	-	-	96
	Advika			134	193	185	52	-	-	-	564
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				970	1,248	1,452	1,227	842	562	257	6,558

Source: Company, Arihant Capital Research

S. No	Project*	Location	Category	Timeline	No. of Units	Area (Sq.ft)	Est. Revenue potentiel (INR cr)
1	Aayan	Titwala	Affordable	Q4FY23	200	1,45,044	160
2	Arshiya	Khopoli	Affordable	Q4FY23	138	1,20,000	40
3	Aspire	Panvel	Mid-Income	Q1FY24	370	3,74,755	274
4	Anmol	Badlapur	Affordable	Q1FY24	178	1,29,084	52
5	Aakarshan	Taloja	Affordable	Q2FY24	439	2,66,378	135
6	Aloki	Karjat	Affordable	Q2FY24	198	1,52,769	52
7	Avanti	Shilphata	Mid-Income	Q3FY24	425	3,40,000	204
8	Aspire	Panvel	Mid-Income	Q4FY24	320	3,13,600	210
9	Aaradhya	Kalyan	Affordable	Q4FY24	412	3,34,744	150
10	TBD*	Chowk	Mid-Income	Q4FY24	200	5,00,000	150
					2,880	26,76,374	1,427

Source: Company reports, Arihant Capital Research

*Project includes new phase or new towers/wings in existing phase

DCF Valuation

Valuation Assumptions		Valuation Data			WACC	
g (World Economic Growth)	3%	Total Debt (long term borrowings) (2022)	175	We	83.3%	
Rf	7%	Cash & Cash Equivalents (2022)	15	Wd	16.7%	
Rm	15%	Number of Diluted Shares (2023)	4	Ke	15.8%	
Beta	1.1	Tax Rate (2023)	18%	Kd	5.8%	
CMP	212	Interest Expense Rate (2023)	7%	WACC	14.1%	
		MV of Equity	873			
		Total Debt	175			
		Total Capital	1,048			

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase				Terminal Yr	
Particular (INR cr)	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
EBIT * (1-Tax Rate)	81	146	237	231	178	172	168	165	165	166	170	175
Dep	3	3	3	3	3	4	3	3	3	3	3	4
Purchase of Assets	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Changes in Working Capital	37	(43)	(62)	(61)	153	33	32	31	31	32	32	33
FCFF	118	103	177	171	332	206	201	198	198	200	203	209
Terminal Value											1,888	
Total Cash Flow	118	103	177	171	332	206	201	198	198	200	2,091	

Enterprise Value (INR cr)	1,421
Less: Debt (INR cr)	175
Add: Cash (INR cr)	15
Equity Value (INR cr)	1,260
Equity Value per share (INR)	306

% Returns	44.4%
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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 (%)	306									
	13.0%	327	331	335	339	344	349	354	359	365
	13.3%	319	322	326	330	335	339	344	349	354
	13.5%	311	314	318	322	326	330	334	339	344
	13.8%	303	306	310	313	317	321	325	330	334
	14.0%	296	299	302	306	309	313	317	321	325
	14.3%	289	292	295	298	301	305	309	312	316
	14.5%	282	285	288	291	294	297	301	304	308
	14.8%	276	278	281	284	287	290	293	297	300
15.0%	270	272	275	277	280	283	286	289	293	

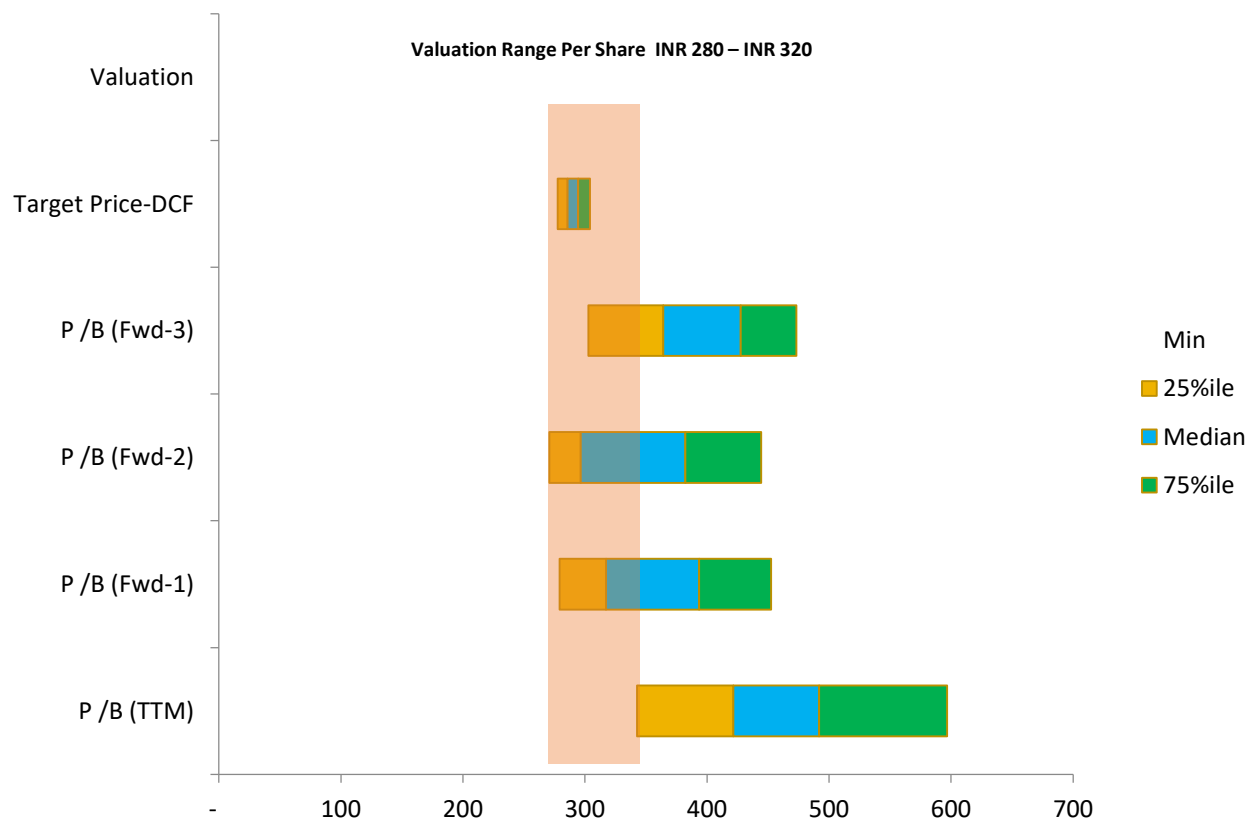
Source: Company Reports, Arihant Capital Research

Relative Valuation

Valuation Parameter	P/B		
	FY23E	FY24E	FY25E
DLF Ltd	2.5 x	2.4 x	2.3 x
GR Infraprojects Ltd	1.9 x	1.8 x	NA
Macrotech Developers Ltd	3.6 x	3.2 x	2.6 x
Mahindra Lifespace Developers Ltd	3.2 x	3.0 x	2.7 x
Oberoi Realty Ltd	2.8 x	2.5 x	2.2 x
Prestige Estates Projects Ltd	1.9 x	1.8 x	1.7 x
Sobha Ltd	2.2 x	2.0 x	1.8 x
The Phoenix Mills Ltd	3.1 x	2.9 x	2.5 x
Maximum	3.6 x	3.2 x	2.7 x
75th Percentile	3.1 x	2.9 x	2.5 x
Median	2.7 x	2.4 x	2.3 x
25th Percentile	2.2 x	1.9 x	2.0 x
Minimum	1.9 x	1.8 x	1.7 x
Arihant Superstructures Ltd	3.6 x	2.4 x	1.6 x

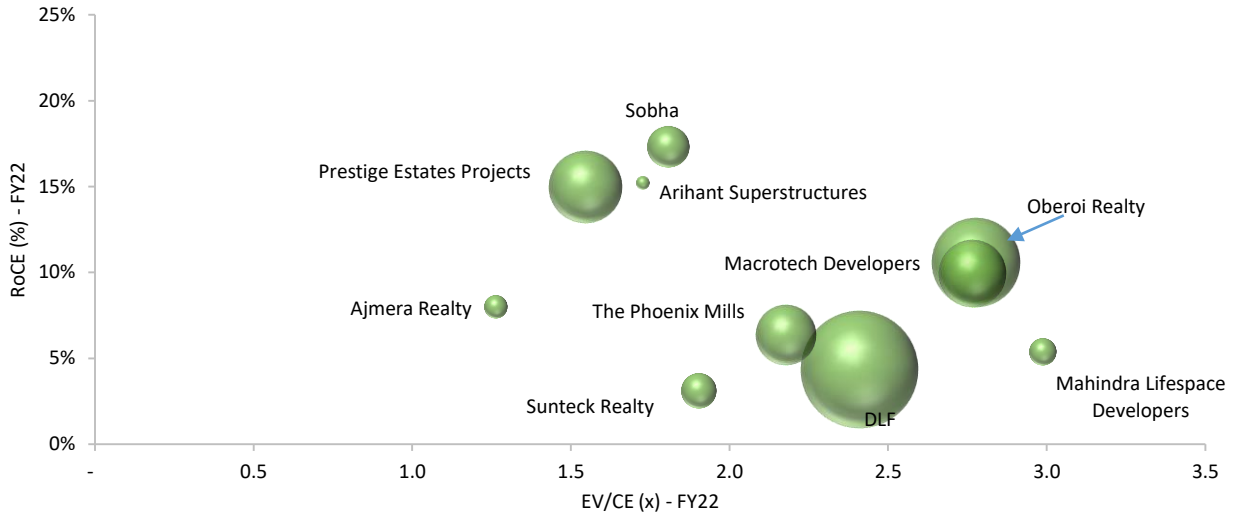
Source: Bloomberg estimates, Arihant Capital Research

Exhibit 7: Relative valuation based on price to book value



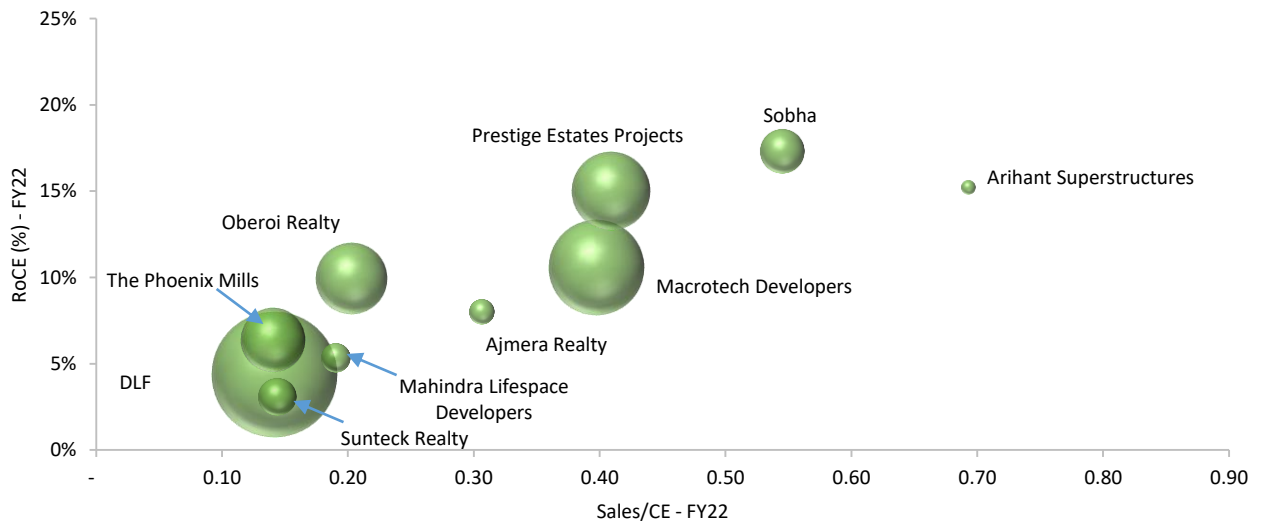
Source: Company Reports, Bloomberg estimates, Arihant Capital Research

Exhibit 8: Arihant Superstructures Ltd has deployed lower capital in terms of enterprise value and delivered higher RoCE compared to peers.



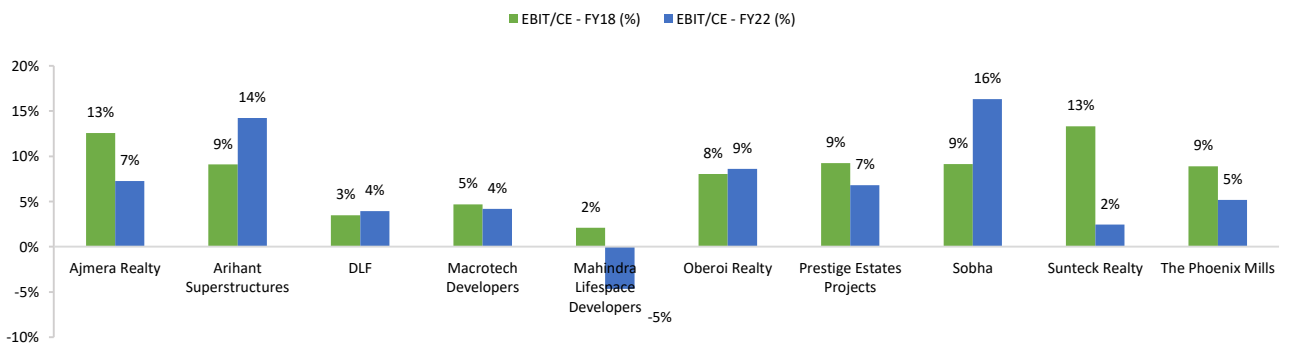
Source: Ace Equity, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 9: Arihant Superstructures earned INR 0.7 per Capital Employed of INR 1, which is higher than Industry.



Source: Ace Equity, Arihant Capital Research; Bubble size represents Capital Employed (CE)

Exhibit 10: Arihant Superstructures has delivered better profitability in-terms of capital employed compared to peers.



Source: Ace Equity, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	233	270	331	484	842	1,354
Net Raw Materials	155	183	197	311	531	845
Employee Cost	13	12	16	24	44	73
Other Expenses	23	28	48	47	88	145
EBITDA	43	48	70	101	179	291
EBITDA Margin (%)	18.4%	17.8%	21.1%	20.9%	21.3%	21.5%
Depreciation	(2)	(2)	(2)	(3)	(3)	(3)
Interest expense	(30)	(28)	(21)	(21)	(24)	(27)
Other income	5	2	2	1	2	3
Profit before tax	16	20	48	79	155	264
Taxes	(5)	(4)	(7)	(14)	(40)	(69)
PAT	11	16	41	65	115	195
Minorities and other	(6)	(5)	(0)	-	-	-
Net profit	5	11	41	65	115	195
EPS (INR)	1	3	10	16	28	47

Source: Company reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (Rs cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	41	41	41	41	41	41
Reserves	86	98	137	202	317	512
Net worth	127	139	178	243	358	553
Minority Interest	-	25	25	-	-	-
Provisions	1	1	1	0	1	1
Debt	409	299	309	294	334	394
Total Liabilities	537	463	512	537	692	948
Fixed assets	9	9	9	9	8	7
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Investments	42	43	45	34	42	68
Other non current assets	0.1	0.2	0.2	0.5	0.8	1.4
Net working capital	270	197	217	181	224	285
Inventories	388	355	447	554	873	1,273
Sundry debtors	35	26	60	86	129	178
Loans & Advances	25	5	12	10	17	27
Other current assets	33	38	40	60	120	141
Sundry creditors	(63)	(53)	(62)	(84)	(145)	(233)
Advance from Customers	(144)	(170)	(277)	(436)	(758)	(1,083)
Other current liabilities & Prov	(3)	(3)	(3)	(10)	(13)	(18)
Cash	11	12	15	11	60	18
Other Financial Assets	10	3	6	12	21	27
Land	193	199	219	290	337	542
Miscellaneous Exp						
Total Assets	537	463	512	537	692	948

Source: Company reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Profit before tax	16	20	48	79	155	264
Depreciation	2	2	2	3	3	3
Tax paid	(5)	(4)	(7)	(14)	(40)	(69)
Working capital Δ	46	74	(20)	37	(43)	(62)
Operating cashflow	59	91	23	104	74	136
Capital expenditure	(1)	(1)	(2)	(2)	(2)	(2)
Free cash flow	58	90	21	102	72	134
Equity raised	(5)	(4)	(2)	-	-	-
Investments	(2)	(1)	(3)	12	(8)	(26)
Others	(47)	1	(24)	(77)	(56)	(211)
Debt financing/disposal	(0)	(86)	10	(40)	40	60
Other items	(7)	0	(0)	(0)	0	0
Net Δ in cash	(3)	1	3	(3)	49	(42)
Opening Cash Flow	15	11	12	15	11	60
Closing Cash Flow	11	12	15	11	60	18

Source: Company reports, Arihant Capital Research

Ratio analysis

Particular	FY20	FY21	FY22	FY23E	FY24E	FY25E
Growth matrix (%)						
Revenue growth	-2.5%	15.8%	22.5%	46.3%	74.0%	60.8%
Op profit growth	-19.5%	11.7%	45.1%	45.2%	77.3%	62.3%
Profitability ratios (%)						
OPM	18.4%	17.8%	21.1%	20.9%	21.3%	21.5%
RoCE	6.0%	7.8%	12.8%	16.1%	21.5%	26.2%
RoNW	8.9%	11.9%	26.1%	30.8%	38.1%	42.8%
RoA	2.0%	3.4%	8.1%	12.1%	16.5%	20.6%
Per share ratios (INR)						
EPS	2.7	3.8	10.1	15.8	27.8	47.4
Dividend per share	-	-	-	-	-	-
Cash EPS	3.2	4.3	10.5	16.4	28.5	48.1
Book value per share	30.8	33.7	43.3	59.2	87.0	134.4
Valuation ratios (x)						
P/E	79.4	55.4	21.1	13.4	7.6	4.5
P/CEPS	67.0	49.1	20.2	12.9	7.4	4.4
P/B	6.9	6.3	4.9	3.6	2.4	1.6
EV/EBIDTA	28.6	23.2	16.1	11.1	6.2	4.1
Payout (%)						
Tax payout	29.2%	21.4%	14.7%	17.6%	26.0%	26.0%
Liquidity ratios (days)						
Debtor days	50	41	47	55	47	41
Inventory days	955	742	743	587	490	464
Creditor days	99	95	80	69	63	65
Leverage ratios						
Interest coverage	1.4	1.6	3.2	4.7	7.5	10.6
Net debt / equity	3.14	2.07	1.65	1.16	0.76	0.68
Net debt / op. profit	9.25	5.97	4.22	2.79	1.53	1.29

Source: Company reports, Arihant Capital Research

Story in Charts

Exhibit 11: Stronger revenue growth backed by projects executions.

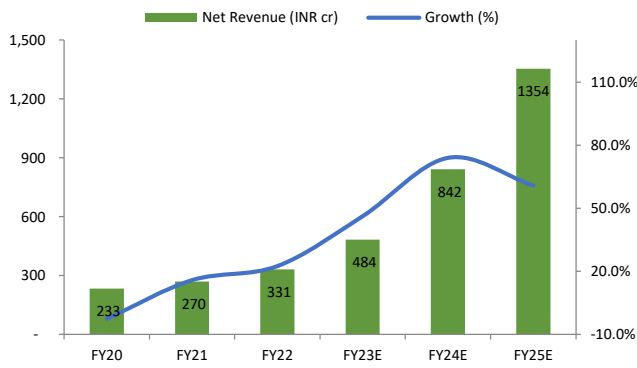


Exhibit 12: Growth in EBITDA & PAT levels

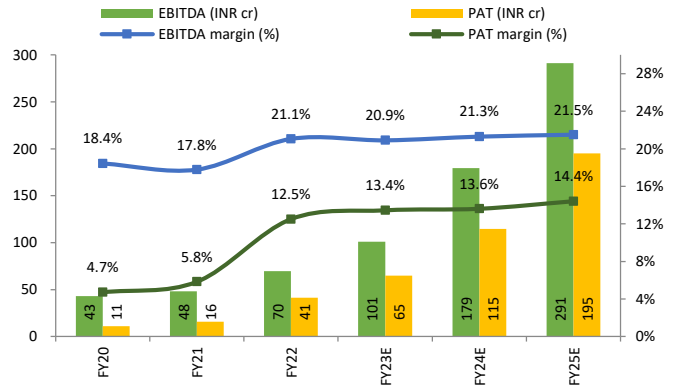


Exhibit 13: Return ratios to be improve

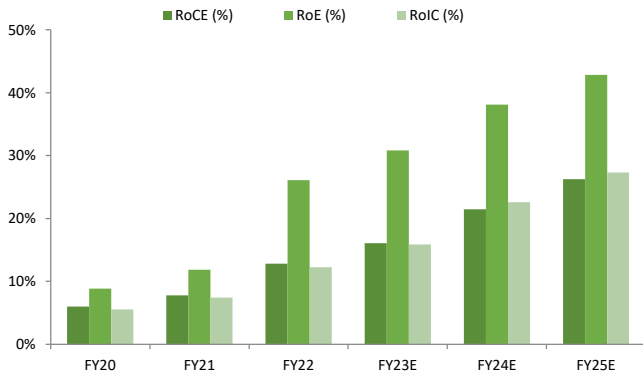


Exhibit 14: Cash flows to be improve

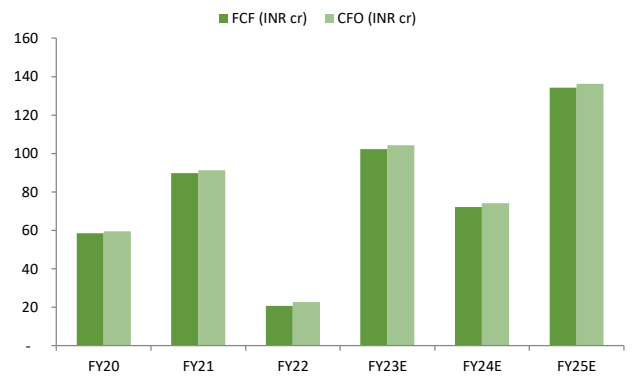


Exhibit 15: Working capital days to be improve

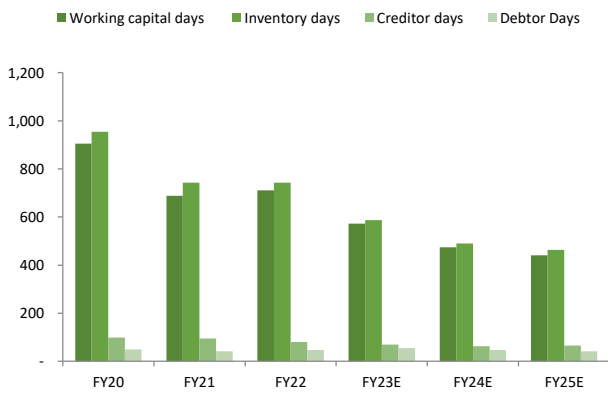
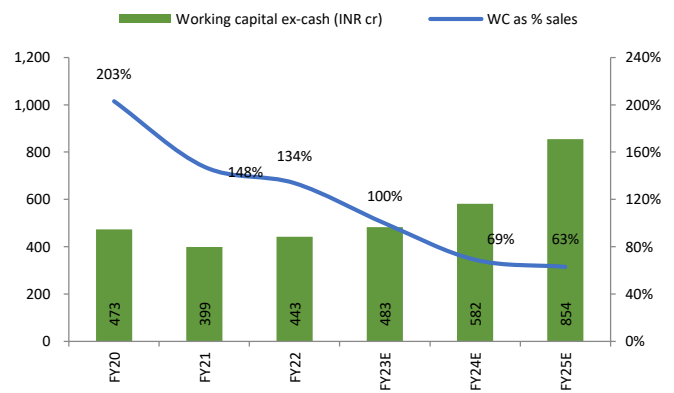


Exhibit 16: Working capital management would continue.



Source: Company Reports, Arihant Capital Research

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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%

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