

CMP: INR 173

Rating: BUY

Target Price: INR 272

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)	714
52w H/L (INR)	261 / 163

Shareholding Pattern %

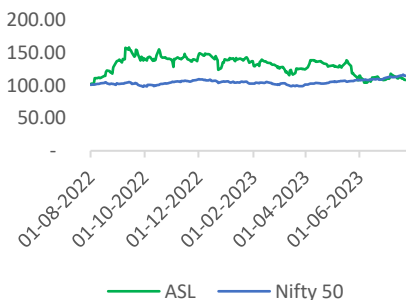
(As on June, 2023)

Promoters	74.71
DII	1.39
FII	0.69
Public & Others	23.21

Stock Performance (%) 1m 3m 12m

ASL	-1.6	-15.3	-2.2
NIFTY	3.55	8.75	16.05

ASL Vs Nifty



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Anupama Bhootra

Anupama.bhootra@arihantcapital.com

Arihant Superstructures Ltd (ASL) reported good numbers with meaningful BD addition.

Financial performance: Q1FY24 revenue grew by 35.9% YoY (+85% QoQ) to INR 121cr; above our estimates of INR 100cr.

Gross Profit stood at INR 45cr (+31.7% YoY/+63.9% QoQ); above our estimates of INR 35cr. Gross Margin contracted by 119 bps YoY (down by 478 bps QoQ) to 37.3% vs 38.5% in Q1FY23. Raw material cost in terms of sales stood at 62.7% vs 61.5% in Q1FY23.

EBITDA stood at INR 26cr (+43% YoY/+165.1% QoQ); above our estimates of INR 21cr. EBITDA Margin improved by 108 bps YoY (up by 660 bps QoQ) to 21.8% vs 20.8% in Q1FY23. The employee cost in terms of sales stood at 4.9% vs 5.0% in Q1FY23. The other expenses in terms of sales stood at 10.5% vs 12.7% in Q1FY23.

PAT stood at INR 15.6cr (+45.8% YoY/+6548.8% QoQ); above our estimates of INR 13.1cr. PAT Margin improved by 88 bps YoY (up by 1254 bps QoQ) to 12.9% vs 12% in Q1FY23.

Key Highlights

Sales stood at INR 245cr (+4.34% YoY/-27.4% QoQ), the sales were down QoQ as last quarter's aspire was launched due to which the sales were on a higher base.

Collections at INR 105 cr (-4.52% YoY/-2.58% QoQ), there was a slowdown in the cycle in Mumbai MMR region due to some external challenges which lead to an increase of RM prices.

New launches would improve the margins: The company has a launch pipeline of 8 projects with a saleable area of 1.83 msf and an estimated revenue potential of INR 904 cr.

Arihant World Villas: is a newly acquired project, it's a villa project in premium segment which has a revenue potential of INR 1000cr, and has the potential to deliver higher margins of ~38% and PAT of ~28%.

Business Development: ASL signed the remaining portion of sheel phata land measuring 3630 sq. mtrs to complete the projects balance land totaling to 31,860 sq. mtrs (~8 acre). The company ventured into Villa project and a Palatial project at Chowk MMR aggregating to ~51 acres in addition to the 25 acres previously procured by the company.

Gymkhana project: The construction timeline is expected to be 2 years from Jan 2024 onwards. it is going to be a lifestyle club. The company is contemplating membership fees of ~INR 5 lakh to start with.

Outlook & Valuation: Arihant Akarshan project, some clarity is expected in Q2FY24, whatever the outcome is, it will only add to ASL cash flows in terms of topline. ASL, has more than seven new launches in the pipeline which has a revenue potential of more than INR 900cr. The company has a revenue potential of more than ~ INR 6,000cr which is including upcoming new launches, utilization of funds allocation to new multiplier projects, margin improvement through new launches and appropriate price hikes, easing of commodity prices will lead to healthy margins sustainability, 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 272 per share based on DCF; an upside of 57.3%.

Income statement summary

Particular (INR cr)	Q1FY23	Q4FY23	Q1FY24	YoY (%)	QoQ(%)
Revenue	89	65	121	35.9%	85.0%
Net Raw Materials	55	38	76	38.6%	100.2%
Employee Cost	4	5	6	33.0%	7.7%
Other Expenses	11	12	13	12.8%	5.8%
EBITDA	18	10	26	43.0%	165.1%
EBITDA Margin (%)	20.8%	15.2%	21.8%	1.08%	6.60%
Depreciation	0.5	0.5	0.5		
Interest expense	5	9	7		
Other income	0.6	0.7	0.1		
Exceptional Items	-	-	-		
Profit before tax	14	2	19	40.4%	1136.0%
Taxes	3	1	4		
PAT	11	0.23	15.60	45.8%	6548.8%
PAT Margin (%)	12.0%	0.4%	12.9%	0.88%	12.54%
Minorities and other	2	1	4		
Other Comprehensive income	-	(0)	-		
Net profit	9	(1)	12	34.1%	-1203.3%
Net Profit Margin (%)	9.8%	-1.6%	9.7%	-0.13%	11.31%
EPS (INR)	2.6	0.1	3.8		

Source: Company Reports, Arihant Capital Research

Other Highlights Q1FY24:

Aspire: This project launch in Q4FY23 continues this quarter too and the company got a very good response for this project.

Projects at vashi, khargar and chowk shall position the company well in **high premium segment**, which currently forms 19% of total portfolio.

Arihant world Vila: ASL has announced a premium luxury project at chowk, off the old Mumbai-Pune highway. The development potential of the same is expected to be around 1.7 mn Sq. ft. area, with Gross Development Value (GDV) of INR 10 bn+, starting with development of 353 villas. ASL also plans to develop 200 key resort and gymkhana, which would have a revenue stream of membership fees with additional revenues from sale of food, drinks, entertainment & sports venue sales, while the resort would be ideal for wedding destination events & corporate events apart from rooms on rent. Villa and resort. This would require an investment of 250 crores and will generate annuity income and yield on IRR of around 15% p.a.

The **average price** has increased from INR 5797/sqft to INR 6282/sqft which looks sustainable going forward.

Launch pipeline: The company has a launch pipeline of 8 projects with a saleable area of 1.83 msf and an estimated revenue potential of INR 904 cr.

Ongoing Projects: ASL has 11 ongoing projects with total saleable area of 4,522,896 sqft, area sold in value is INR 15,688 mn, amount to be received is INR 9,177 mn and total estimated revenue potential of INR 18,058 mn.

Forthcoming projects: ASL has 13 forthcoming projects with total saleable area of 6,789,898 sqft in MMR region and 1,961,183 sqft in Jodhpur.

Fundraising: The board has granted their consent for fundraising up to INR 500cr through QIP.

Exhibit 1: 98% of portfolio consists of affordable and mid income.

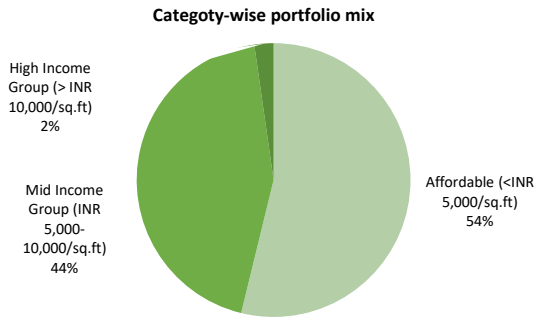


Exhibit 2: Well diversified in micro markets.

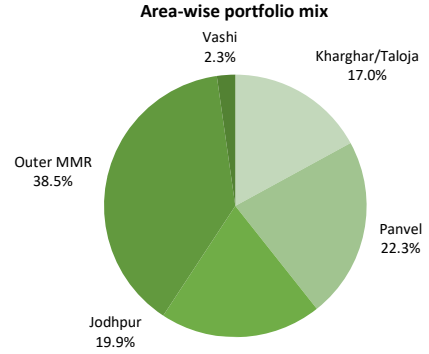


Exhibit 3: Units sold has been more than 2x in 4 years.

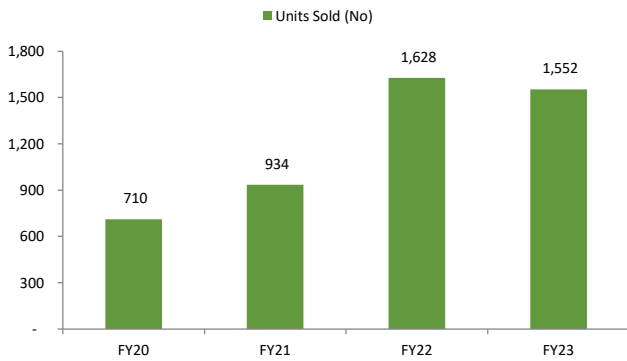


Exhibit 4: Area sold has been more than 2x in 4 years.

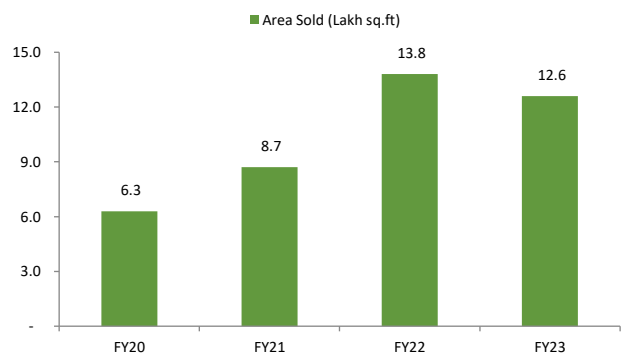


Exhibit 5: Sales value is expected to reach above INR 1,000cr by FY24E.

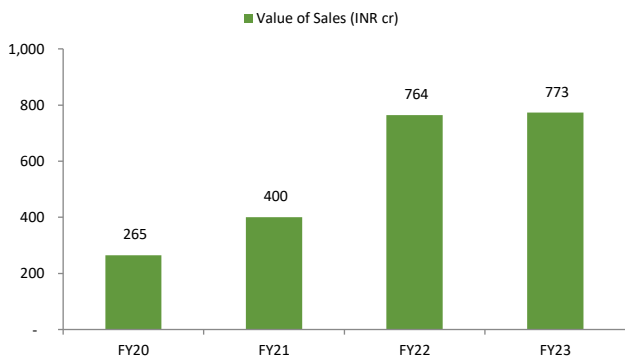
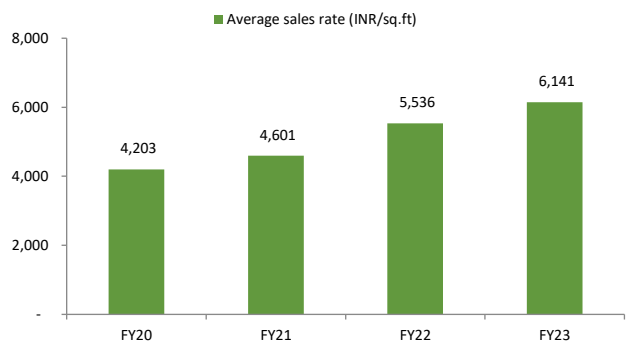


Exhibit 6: Continuous improvement on realizations.



Source: Company Reports, Arihant Capital Research

Sales Bookings

Sales Booking (INR cr)								
Company	Projects	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	Total
ASL	Anchal	73	98	132	136	137	61	636
	Aarohi	20	-	-	-	-	-	20
	Adita	22	22	-	-	-	-	44
	Arshiya	48	70	74	51	38	18	299
	Akarshan	182	234	184	183	-	-	783
Vatika	5 Anaika	76	29	28	-	-	-	133
	Aalishan	122	138	135	116	98	-	609
	Anmol	28	23	16	12	-	-	80
Aashiyana	Advika	145	185	134	117	83	-	664
	Amisha	38	34	34	-	-	-	106
	Aloki	25	18	12	-	-	-	55
Abode	Aspire	310	441	422	354	315	101	1,943
Total		1,088	1,291	1,171	969	671	181	5,372

Source: Company, Arihant Capital Research

Launches Pipeline						
Project	Location	Category	Tmline	No of Units	Area (sq ft)	Revenue Potential (INR cr)
Anmol	Badlapur	Affordable	Q1- FY24	178	1,29,084	52
Aaradhya	Kalyan	Affordable	Q1 - FY24	192	1,69,008	81
Aspire	Panvel	Mid-Income	Q2 - FY24	320	3,13,600	210
Aakarshan	Taloja	Affordable	Q3 - FY24	439	2,66,378	135
Aloki	Karjat	Affordable	Q3 - FY24	198	1,52,769	52
Aaradhya	Kalyan	Affordable	Q3 - FY24	220	1,65,736	80
Avanti	Shilphata	Mid-Income	Q4 - FY24	425	3,40,000	204
TBD*	Chowk	Mid-Income	Q4 - FY24	150	3,00,000	90
Total				2,122	18,36,575	904

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)	3.0%	Total Debt (long term borrowings) (2023)	175	We	80.3%	
Rf	7.0%	Cash & Cash Equivalents (2023)	15	Wd	19.7%	
Rm	15%	Number of Diluted Shares (2023)	4	Ke	18.2%	
Beta	1.4	Tax Rate (2024)	18%	Kd	5.6%	
CMP	173	Interest Expense Rate (2024)	7%	WACC	15.7%	
		MV of Equity	712			
		Total Debt	175			
		Total Capital	887			

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase				Terminal Yr	
Particular (INR cr)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT * (1-Tax Rate)	83	103	127	162	180	202	223	243	262	277	290	299
Dep	3	3	3	4	4	4	5	5	6	6	6	6
Purchase of Assets	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(3)	(3)
Changes in Working Capital	29	26	5	(91)	49	7	(19)	(20)	(22)	(23)	(24)	(25)
FCFF	113	131	134	73	231	211	207	225	242	257	269	277
Terminal Value											2,174	
Total Cash Flow	113	131	134	73	231	211	207	225	242	257	2,442	

Enterprise Value (INR cr)	1,280
Less: Debt (INR cr)	175
Add: Cash (INR cr)	15
Equity Value (INR cr)	1,120
Equity Value per share (INR)	272

% Returns	57.3%
-----------	-------

Rating	BUY
--------	-----

Sensitivity Analysis

		Terminal Growth (%)								
		2.0%	2.3%	2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%
WACC (%)	272									
	15.0%	280	283	287	290	294	298	302	306	310
	15.3%	273	276	279	283	286	290	293	297	301
	15.5%	266	269	272	275	279	282	285	289	293
	15.8%	260	262	265	268	271	275	278	281	285
	16.0%	253	256	259	262	265	268	271	274	277
	16.3%	247	250	252	255	258	261	264	267	270
	16.5%	242	244	246	249	252	254	257	260	263
	16.8%	236	238	241	243	245	248	251	253	256
	17.0%	231	233	235	237	240	242	245	247	250

Source: Company Reports, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	233	270	331	389	498	602	735
Net Raw Materials	155	183	197	245	321	380	459
Employee Cost	13	12	16	19	25	31	40
Other Expenses	23	28	48	48	49	63	79
EBITDA	43	48	70	78	104	128	158
EBITDA Margin (%)	18.4%	17.8%	21.1%	19.9%	20.8%	21.3%	21.5%
Depreciation	(2)	(2)	(2)	(2)	(3)	(3)	(3)
Interest expense	(30)	(28)	(21)	(26)	(23)	(26)	(29)
Other income	5	2	2	2	1	1	1
Profit before tax	16	20	48	52	80	101	127
Taxes	(5)	(4)	(7)	(10)	(14)	(26)	(33)
PAT	11	16	41	43	66	75	94
Minorities and other	(6)	(5)	(0)	(11)	-	-	-
Net profit	5	11	41	31	66	75	94
EPS (INR)	1.3	2.7	10.0	7.6	15.9	18.1	22.8

Source: Company reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (Rs cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	41	41	41	41	41	41	41
Reserves	86	98	137	169	234	309	402
Net worth	127	139	178	210	275	350	444
Minority Interest	-	25	25	36	36	36	36
Provisions	1	1	1	2	0	0	1
Debt	409	299	309	337	322	362	422
Total Liabilities	537	463	512	584	634	748	902
Fixed assets	9	9	9	10	9	8	7
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments	42	43	45	52	35	30	37
Other non current assets	0.1	0.2	0.2	0.1	0.5	0.6	0.7
Net working capital	270	197	217	215	187	160	155
Inventories	388	355	447	484	571	625	691
Sundry debtors	35	26	60	85	89	92	97
Loans & Advances	25	5	12	0	10	12	15
Other current assets	33	38	40	95	61	86	77
Sundry creditors	(63)	(53)	(62)	(75)	(86)	(104)	(126)
Advance from Customers	(144)	(170)	(277)	(311)	(448)	(542)	(588)
Other current liabilities & Prov	(3)	(3)	(3)	(62)	(10)	(9)	(10)
Cash	11	12	15	8	41	142	210
Other Financial Assets	10	3	6	6	12	15	15
Land	193	199	219	293	349	392	478
Total Assets	537	463	512	584	634	748	902

Source: Company reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	16	20	48	52	80	101	127
Depreciation	2	2	2	2	3	3	3
Tax paid	(5)	(4)	(7)	(10)	(14)	(26)	(33)
Working capital Δ	46	74	(20)	2	29	26	5
Operating cashflow	59	91	23	46	97	104	102
Capital expenditure	(1)	(1)	(2)	(3)	(2)	(2)	(2)
Free cash flow	58	90	21	43	95	102	100
Equity raised	(5)	(4)	(2)	(11)	-	-	-
Investments	(2)	(1)	(3)	(6)	17	5	(7)
Others	(47)	1	(24)	(73)	(62)	(46)	(86)
Debt financing/disposal	(0)	(86)	10	40	(15)	40	60
Other items	(7)	0	(0)	1	(1)	0	0
Net Δ in cash	(3)	1	3	(7)	33	101	68
Opening Cash Flow	15	11	12	15	8	41	142
Closing Cash Flow	11	12	15	8	41	142	210

Source: Company reports, Arihant Capital Research

Ratio analysis

Particular	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)							
Revenue growth	-2.5%	15.8%	22.5%	17.7%	27.9%	21.0%	22.0%
Op profit growth	-19.5%	11.7%	45.1%	11.3%	33.6%	23.9%	23.1%
Profitability ratios (%)							
OPM	18.4%	17.8%	21.1%	19.9%	20.8%	21.3%	21.5%
RoCE	6.0%	7.8%	12.8%	12.3%	14.7%	14.3%	14.6%
RoNW	8.9%	11.9%	26.1%	22.0%	27.0%	23.9%	23.6%
RoA	2.0%	3.4%	8.1%	7.3%	10.3%	10.0%	10.4%
Per share ratios (INR)							
EPS	2.7	3.8	10.1	10.4	15.9	18.1	22.8
Cash EPS	3.2	4.3	10.5	10.8	16.6	18.9	23.6
Book value per share	30.8	33.7	43.3	51.0	66.9	85.0	107.8
Valuation ratios (x)							
P/E	64.8	45.2	17.2	16.7	10.9	9.5	7.6
P/CEPS	54.7	40.1	16.5	16.0	10.4	9.2	7.3
P/B	5.6	5.1	4.0	3.4	2.6	2.0	1.6
EV/EBIDTA	24.8	19.9	13.8	12.8	9.3	7.0	5.6
Payout (%)							
Tax payout	29.2%	21.4%	14.7%	18.3%	17.6%	26.0%	26.0%
Liquidity ratios (days)							
Debtor days	50	41	47	68	64	55	47
Inventory days	955	742	743	694	600	574	524
Creditor days	99	95	80	80	75	73	73
Leverage ratios							
Interest coverage	1.4	1.6	3.2	2.9	4.5	4.9	5.3
Net debt / equity	3.14	2.07	1.65	1.57	1.02	0.63	0.48
Net debt / op. profit	9.25	5.97	4.22	4.24	2.71	1.71	1.34

Source: Company reports, Arihant Capital Research

Story in Charts

Exhibit 7: Stronger revenue growth backed by projects executions.

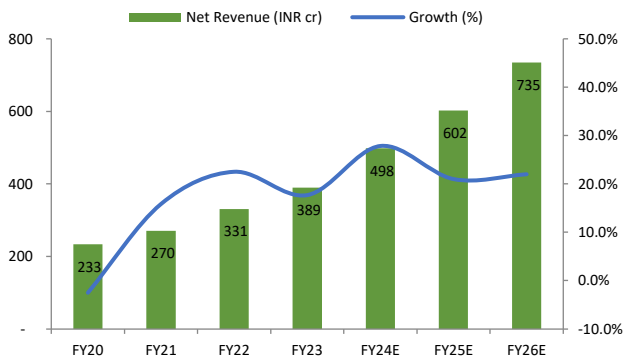


Exhibit 8: Growth in EBITDA & PAT levels

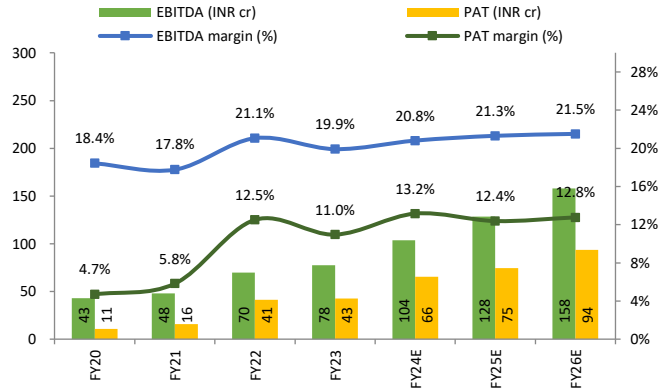


Exhibit 9: Return ratios to be improve

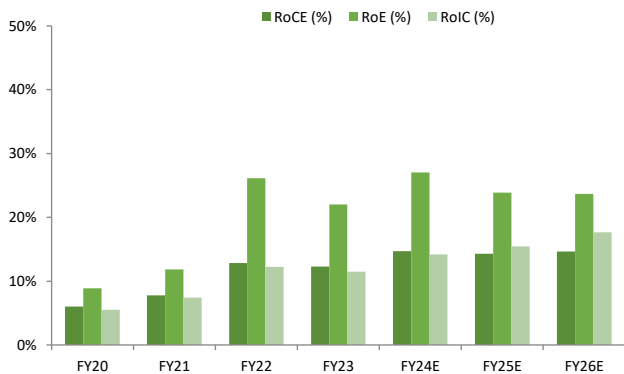


Exhibit 10: Cash flows to be improve

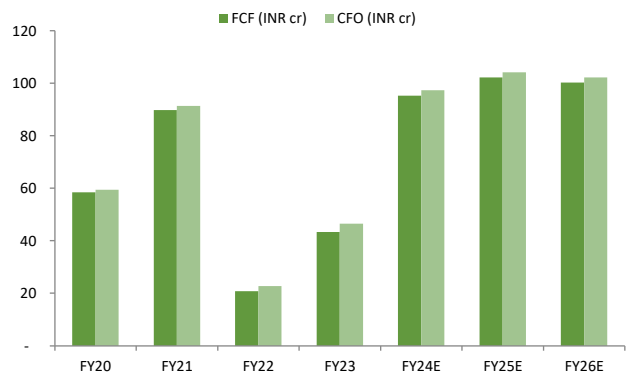


Exhibit 11: Working capital days to be improve

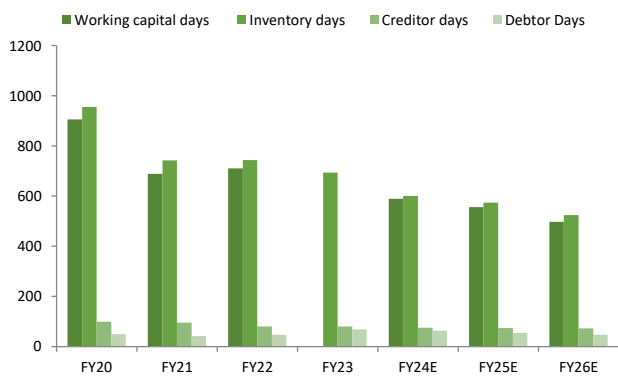
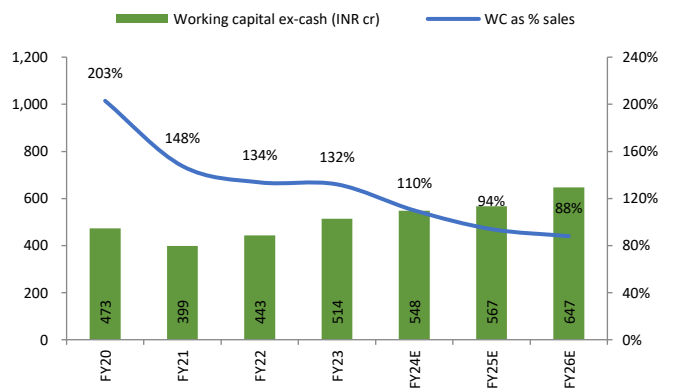


Exhibit 12: Working capital management would continue.



Source: Company Reports, Arihant Capital Research

Arihant Research DeskEmail: 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

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

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