

CMP: INR 334

Rating: Buy

Target: INR 395

Stock Info

BSE	506194
NSE	ARIHANTSUP
Bloomberg	ARSU:IN
Sector	Real Estate
Face Value (INR)	10
Equity Capital (INR mn)	412
Mkt Cap (INR mn)	13,920
52w H/L (INR)	435 / 167
Avg Yearly Volume (in 000')	107

Shareholding Pattern %

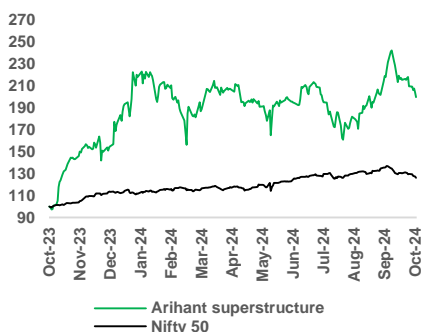
(As on September, 2024)

Promoters	74.71%
DII	0.02%
FII	0.00%
Public & Others	25.27%

Stock Performance (%) 1m 6m 12m

ARIHANTSUP	-21.51%	-7.56%	89.07%
NIFTY	-5.59%	7.61%	27.31%

ARIHANTSUP vs Nifty



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Arihant Superstructures Ltd reported Q2FY25 numbers with topline below estimate while profit above estimates. Revenue for Q2FY25 came in at INR 1,118 Mn, which grew by 2.65% YoY/growth of 33.59% QoQ, below our estimates of 1,128 Mn. Gross margin at 45.70%, an increase by 125 bps YoY/increase by 449 bps QoQ. EBITDA has increased to INR 289 Mn (+14% YoY/+173% QoQ), which came in above our estimates of INR 225 Mn. They have recorded a PAT of INR 160 Mn, above our estimates of INR 147 Mn, de-growth of 0.5% YoY/growth of 699% QoQ. PAT margin stood at 14% in Q2FY25 vs 2.4% in Q1FY25.

They sold 4.09 lakhs sqft area comprising of 441 units in the Q2FY25. Its pre-sales were at INR 2,708 Mn, growth of 22% YoY (INR 2,219 Mn in Q2FY24) /growth of 63% QoQ (INR 1,666 Mn in Q1FY25). The collection stood at INR 1,492 Mn growth of 9% YoY (INR 1,367Mn in Q2FY24)/ growth of 17% QoQ (INR 1,279 Mn in Q1FY25). Realization came in at INR 3,648/sqft which decline by 12% YoY (INR 4,155/sqft in Q2FY24)/declined by 6% QoQ (INR 3,888/sqft in Q4FY24).

Strong pre-sales expected for FY25: The company posted strong pre-sales numbers with growth of 22% YoY/growth of 63% QoQ led by better realization as well as new project launches in the quarter. Its township projects such as World Villas, were open for sales partially in August has shown initial contribution of ~1,000 Mn in pre-sales. Further, for FY25, the company aims to achieve a total of ~INR 12,000-13,000Mn pre-sales driven by a healthy project pipeline, targeting a price realization growth of 4-12% YoY. Additionally, contribution of pre-sales was largely from premium category (INR 1,100Mn) followed by mid-income housing (INR 928Mn) and affordable housing segment (INR 680Mn).

Project Pipeline for FY25 and Beyond: ASL has a strong presence and well-established pipeline for future projects in the MMR regions. For FY25, ASL plans to launch several key projects, including 3 in the mid-income segment and multiple affordable housing ventures, encompassing 15.2 lakh sqft with projected revenues totalling to INR 8,770 Mn. ASL's aims to further launch residential luxury projects in the next 3-4 years, with saleable area of 10.94 Mn sqft and an estimated GDV of over INR 59,649 Mn.

Outlook & Valuation: ASL's strategic focus on high-growth areas in MMR and affordable to luxury segments will continue to drive growth along with improving demand scenario, future infrastructure developments and private capex investment. Further ASL asset light model, strong project pipeline, execution capabilities along with boost for real estate & housing segments will continue to driven growth for the company. On the valuation front, we have valued based on NAV multiple (1.6x) and maintained our Buy rating with a target price of INR 396.

Key Financials-

Y/e 31st March in mn	FY23	FY24	FY25E	FY26E
Net revenues (Rs m)	3,894	5,101	6,025	7,350
EBITDA	775	1,131	1,283	1,580
EBITDA margins (%)	20%	22%	21%	22%
PAT	427	692	728	938
PAT Margin %	11%	14%	12%	13%
EPS	10	17	16	21
ROE %	22.0%	29.0%	24.0%	24.3%

Source: Company reports, Arihant Capital Research

Q2FY25 Concall Highlights

Outlook: With a strong launch pipeline, expanded land bank, and focus on high-demand segments, Arihant is well-positioned for robust growth. The company expects pre-sales of INR 12,000-13,000 Mn in FY25 and plans to maintain a 20-25% CAGR across revenue, collections, and sales, leveraging its strategic Navi Mumbai presence and ongoing infrastructure developments.

Financial Growth

- **Revenue:** Arihant reported a total revenue of INR 1,110 Mn, up 2.6% YoY from INR 1,090 Mn in Q2FY24.
- **EBITDA:** Increased to INR 301 Mn, up 18.5% from INR 254 Mn in Q2FY24, with EBITDA margins rising to 26.9% from 23.3%.
- **PAT:** Profit After Tax was stable at INR 160 Mn, with net worth rising 23.3% YoY to INR 3,413 Mn.

Strong Sales and Collection Performanc: Arihant recorded sales bookings of 441 units, totaling 490,000 sq. ft. and valued at INR 2,700 Mn. Collections improved to INR 1,492 Mn, primarily driven by premium and mid-income segments, which comprised ~72% of total sales value. Pre- sales include 1000 Mn from the world villa , whose sales has started from august ,and world villa has only opened for sales 150-170 units

Land Bank Expansion: The company acquired 53 acres for a horizontal development project with revenue potential of INR 8,500 Mn. This acquisition expanded Arihant's land bank from 220 acres in FY24 to 273 acres by H1FY25, on track to surpass 300 acres by FY25 year-end.

New Launches and Project Updates: Key launches are scheduled in Navi Mumbai and other areas, including two towers at Shilpata (Arihant Dhyana), one tower at Arihant Aspire, and new affordable housing projects. Upcoming completions in Q3-Q4FY25 include towers at Ali Shan, Tarohi, Tanvol, and Taloki, enhancing the portfolio's delivery timelines.

Strategic Focus on Navi Mumbai: Approximately 70% of Arihant's portfolio is centered in Navi Mumbai, positioning the company to capitalize on upcoming infrastructure developments, such as the Navi Mumbai International Airport, which is expected to commence operations in March 2025.

Margin Optimization and Product Mix: The company has strategically focused on projects with higher margins, boosting EBITDA. Price increases have been implemented in select projects near the airport, targeting a price realization growth of 4-12% YoY, depending on location.

Debt Profile and Capital Allocation: Arihant's net debt stands at INR 5,430 Mn, split between secured and unsecured loans. Debt funding from institutions like HDFC and ICICI Ventures supports land acquisitions, while free cash flows are primarily allocated to construction progress.

Competitive Positioning and Market Outlook: They actively competes with top developers in the Navi Mumbai area and expects healthy demand across segments, especially with increasing market interest in mid-income and premium housing. The company has phased pre-sales in key projects like World Villas to manage inventory and support price growth.

Q2FY25 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q2FY25	Q1FY25	Q-o-Q	Q2FY24	Y-o-Y
Net Revenue	1,118	837	33.59%	1,089	2.65%
Raw Material Costs	607	492	23.38%	605	0.35%
Gross Profit	511	345	48.12%	484	5.56%
<i>Gross Margin</i>	<i>45.70%</i>	<i>41.21%</i>	4.49	<i>44.44%</i>	1.25
Employee costs	79	69	13.42%	60.369	30.26%
Other Expenses	143	170	-15.55%	170.193	-15.82%
EBITDA	289	106	172.82%	253	14.02%
<i>EBITDA margin</i>	<i>25.85%</i>	<i>12.65%</i>	13.19	<i>23.27%</i>	2.58
Other Non Operating Income	11.96	5.01	138.69%	1.39	763.75%
Depreciation	5.692	5.531	2.91%	5.46	4.25%
EBIT	295	105	180.11%	249	18.40%
Finance costs	93.975	79.262	18.56%	61.636	52.47%
Share of profit of joint venture and associate	0	0	-	0	-
Exceptional Items	0	0	-	0	-
PBT	201	26	669.97%	188	7.22%
Tax Expense	42	6		27	
<i>Effective tax rate</i>	<i>20.64%</i>	<i>23.18%</i>	-10.93%	<i>14.50%</i>	42.34%
PAT	160	20	695.35%	160	-0.48%
PAT Margin	14.29%	2.40%	11.89	14.74%	-0.45

Source: Company reports, Arihant Capital Research

Particular	Q2FY25	Q1FY25	Q-o-Q	Q2FY24	Y-o-Y
Pre-sales (INR Mn)	2,708	1,666	63%	2,219	22%
Sales Area (Sqft)	0.41	0.33	24%	0.33	24%
Collections (INR Mn)	1,492	1,279	17%	1,367	9%
Realizations (INR/Sqft)	6621	5064	31%	6745	-2%

Source: Company reports, Arihant Capital Research

Profit & Loss Statement (Consolidated)

Y/e 31 Mar (INR Mn)	FY23	FY24	FY25E	FY26E
Net Sales	3,894	5,101	6,025	7,350
Net Raw Materials	2,448	3,083	3,802	4,587
Gross Profit	1,446	2,017	2,223	2,764
Gross Margin	37.14%	39.55%	36.90%	37.60%
Employee Cost	194	260	313	397
Other Expenses	477	626	627	786
EBITDA	775	1,131	1,283	1,580
EBITDA Margin (%)	19.9%	22.2%	21.3%	21.5%
Depreciation	20	22	31	34
Interest expense	256	260	354	389
Other income	23	12	12	15
Profit before tax	522	862	910	1,172
Taxes	96	170	182	234
PAT	427	692	728	938
Minorities and other	113	183	-	-
Other Comprehensive income	(0.3)	(3.5)	-	-
Net profit	314	505	728	938
EPS (INR)	7.6	11.7	15.9	20.6

Source: Company reports, Arihant Capital Research

Balance Sheet (Consolidated)

Y/e 31 Mar (Rs Mn)	FY23	FY24	FY25E	FY26E
Equity capital	412	412	412	412
Reserves	1,686	2,258	2,986	3,923
Net worth	2,098	2,669	3,397	4,335
Minority Interest	359	564	564	564
Provisions	17	58	5	6
Debt	3,370	4,861	5,261	5,861
Total Liabilities	5,844	8,152	9,228	10,766
Fixed assets	103	94	90	77
Investments	516	555	301	368
Other non current assets	1	2	6	7
Total Fixed Assets	620	651	398	452
Inventories	4,838	5,551	6,249	6,911
Sundry debtors	852	1,039	1,073	1,208
Loans & Advances	1	1	120	147
Other current assets	948	519	858	765
Cash	80	150	3,014	3,598
Other Financial Assets	57	87	151	147
Land	2,932	3,967	3,916	4,778
Current Assets	9,708	11,314	15,382	17,555
Current liabilities				
Sundry creditors	(746)	(639)	(1,039)	(1,265)
Advance from Customers	(3,114)	(3,035)	(5,422)	(5,880)
Other current liabilities & Prov	(625)	(140)	(90)	(96)
Current liabilities	(4,484)	(3,814)	(6,552)	(7,240)
Net Current Assets	5,223	7,501	8,830	10,314
Total Assets	5,844	8,152	9,228	10,766

Source: Company reports, Arihant Capital Research

Cash Flow Statement (consolidated)

Y/e 31 Mar (Rs Mn)	FY23	FY24	FY25E	FY26E
Profit before tax	522	862	910	1,172
Depreciation	(20)	(22)	(31)	(34)
Tax paid	96	170	182	234
Working capital Δ	18	(1,142)	1,182	(511)
Change in Goodwill	-	-	-	-
Operating cashflow	617	(132)	2,243	862
Capital expenditure	8	31	35	47
Free cash flow	625	(100)	2,278	909
Equity raised	(113)	(121)	-	-
Investments	(61)	(40)	254	(66)
Others	(735)	(1,066)	(16)	(859)
Debt financing/disposal	397	1,696	400	600
Other items	(179)	(300)	(53)	1
Net Changes in cash	(66)	70	2,863	585
Opening Cash Flow	147	81	151	3,014
Closing Cash Flow	81	151	3,014	3,598

Source: Company reports, Arihant Capital Research

Ratio Analysis

Particular	FY23	FY24	FY25E	FY26E
Growth matrix (%)				
Revenue growth	17.7%	31.0%	18.1%	22.0%
Op profit growth	11.3%	45.9%	13.4%	23.1%
EBIT growth				
Profitability ratios (%)				
OPM	19.9%	22.2%	21.3%	21.5%
RoCE	12.3%	13.8%	12.4%	13.2%
RoNW	22.0%	29.0%	24.0%	24.3%
RoA	7.3%	8.5%	7.9%	8.7%
Per share ratios (INR)				
EPS	10.4	16.8	17.7	22.8
Cash EPS	9.9	16.3	16.9	22.0
Book value per share	51.0	64.9	82.5	105.3
Valuation ratios (x)				
P/E	32.2	19.9	18.9	14.7
P/CEPS	33.8	20.5	19.7	15.2
P/B	6.6	5.2	4.0	3.2
EV/EBIDTA	21.3	15.8	12.2	9.9
Payout (%)				
Tax payout	-18.3%	-19.7%	-20.0%	-20.0%
Liquidity ratios (days)				
Debtor days	68	68	64	57
Inventory days	694	615	566	524
Creditor days	80	64	65	73
Leverage ratios				
Interest coverage	-2.9	-4.3	-3.5	-4.0
Net debt / equity	1.57	1.76	0.66	0.52
Net debt / op. profit	4.24	4.16	1.75	1.43

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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