

**CMP: INR 472**

**Rating: Buy**

**Target: INR 628**

**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)	19,410
52w H/L (INR)	555 / 263
Avg Yearly Volume (in 000')	76

**Shareholding Pattern %**

(As on September, 2024)

Promoters	74.71%
DII	0.31%
FII	0.00%
Public & Others	24.97%

**Stock Performance (%) 1m 6m 12m**

ARIHANTSUP	-10.8%	-56.9%	24.4%
NIFTY	0.52%	-1.32%	9.04%

**ARIHANTSUP vs Nifty**



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Arihant Superstructures Ltd (ASL) reported Q3FY25 numbers with topline in line with expectations, while profitability exceeded estimates. Revenue for Q3FY25 stood at INR 1,510 Mn, registering a growth of 26% YoY (vs. INR 1,190 Mn in Q3FY24) and growth of 35% QoQ (vs. INR 1,118 Mn in Q2FY25). Gross margin at 47.7%, which increases by 781 bps YoY/increase by 204 bps QoQ. EBITDA is increased to INR 426 Mn (+64% YoY/+47% QoQ), below our estimates of 548 Mn. EBITDA Margin is 28% (+647bps YoY/+237bps QoQ) They have reported a PAT of INR 255 Mn (above our estimates of 225 Mn), growth of 64% YoY and growth of 59% QoQ. PAT margin stood at 16.8% in Q3FY25 compared to 14% in Q2FY25 and 13.5% in Q3FY24.

ASL sold 4.74 lakh sq. ft. area in Q3FY25, consisting of 551 units. Pre-sales reached INR 2,655 Mn, reflecting a growth of 20% YoY and a minor decline of 2% QoQ. Collections stood at INR 1,291 Mn, a growth of 9% YoY, though down 13% QoQ due to seasonality. Realization came in at INR 5,594 per sq. ft., up 4% YoY but down 3% QoQ, impacted by a higher sales mix from mid-income and affordable housing projects.

**Strong Pre-Sales Momentum Expected for FY25** - The company continued its strong pre-sales momentum, driven by new project launches and high demand across the premium, mid-income, and affordable segments. Projects like World Villas and Town Villas gained traction, contributing significantly to Q3FY25 pre-sales. For FY25, ASL is on track to achieve INR 12,000-13,000 Mn in pre-sales, supported by a healthy project pipeline and an expected price realization growth of 5-10% YoY. The premium category accounted for INR 1,020 Mn, while mid-income and affordable housing contributed INR 1,020 Mn and INR 615 Mn, respectively.

**Project Pipeline for FY25 and Beyond** - ASL has a well-diversified and expanding project pipeline in MMR, positioning it well for sustained growth. For FY25, ASL plans to launch multiple key projects, including three in the mid-income segment and multiple affordable housing projects, covering a total saleable area of 16.8 lakh sq. ft. with a projected revenue potential of INR 9,200 Mn. The company is also expanding its premium residential portfolio with World Villas and Town Villas, two large-scale projects that are expected to drive strong demand in the luxury segment. World Villas, launched in August 2024, has already contributed INR 1,000 Mn to pre-sales, and additional inventory is expected to be released in Q4FY25. Town Villas, spread across 23 acres, is expected to add significant GDV in the coming years, catering to the growing demand for premium housing in the Navi Mumbai region. Additionally, ASL is targeting luxury residential developments over the next 3-4 years, with a total saleable area of 11.2 Mn sq. ft. and an estimated GDV exceeding INR 62,000 Mn.

**Outlook & Valuation** - ASL's strategic presence in high-growth MMR markets, focus on premium redevelopment, asset-light expansion, and a robust project pipeline position it well for sustained growth. Policy tailwinds from the Union Budget 2025, including tax exemptions on second self-occupied properties, are expected to drive incremental housing demand. Additionally, the Navi Mumbai International Airport, set to commence operations in the next 3-4 months, is a key catalyst for real estate price appreciation and heightened demand. With 57% of ASL's portfolio located in the airport corridor, the company is well-positioned to benefit from this infrastructure-led growth. We maintain our Buy rating, valuing ASL at a NAV multiple of 1.2x, with a target price of INR 628, implying a strong upside from current levels.

## Q3FY25 Concall Highlights

Outlook & Guidance - Arihant Superstructures Ltd remains well-positioned for sustained growth, supported by a robust project pipeline, strategic land acquisitions, and a favorable macroeconomic environment. The company has set a pre-sales target of INR 12,000 Mn for FY25, with a further 30% growth in FY26, targeting INR 15,500-16,000 Mn in pre-sales. Revenue is expected to grow at a CAGR of 20%, driven by increasing demand in the Navi Mumbai airport corridor and upcoming infrastructure developments. The management remains confident in maintaining an EBITDA margin of 30-33% at a project level, leveraging efficient cost management and premium pricing across key markets.

## Strong Financial Performance-

- Revenue stood at INR 1,510 Mn, up 26% YoY (vs. INR 1,190 Mn in Q3FY24).
- EBITDA for the quarter is INR 430 Mn, up 66% YoY (vs. INR 260 Mn in Q3FY24); highest quarterly EBITDA margin of 28%.
- Profit After Tax (PAT) is at INR 254 Mn, up 63% YoY.
- Total Sales Bookings of 551 units, covering 4.74 lakh sq. ft.
- Pre-sale of INR 2,655 Mn.
- Average Realization is INR 5,594 per sq. ft.
- Total Collections for the quarter is INR 1,291 Mn.

## Other Highlights –

- Sales Mix is Premium Housing 6%, Mid-income Housing: 63%, Affordable Housing: 31%
- Inventory Reduction: Ready-position inventory decreased from INR 550 Mn (April 2024) to INR 170 Mn (December 2024).
- Business Development & Land Acquisitions-  
23 acres of land acquired in Chowk for Town Villas (GDV: INR 25,000 Mn).  
11 acres added to World Villas land.  
Total land bank increased from 220 acres (April 2024) to 307 acres (December 2024).  
Achieved FY25 target of crossing 300+ acres of land bank.
- Favorable Market & Infrastructure Impact - Union Budget 2025 provides a boost to real estate with tax exemptions on the second self-occupied property And Navi Mumbai Airport is expected inauguration in 3-4 months, with 150+ daily flights. Increased demand for residential and commercial spaces in the airport periphery. Company's projects in high-growth areas: 75% of portfolio in Navi Mumbai, 57% near the airport zone.
- Upcoming Deliveries in Q4FY25 are Arihant Alishan (Kharghar), Arihant Roe (Shilphata), New deliveries in Badlapur, Karjat, and second tower in Q4FY25.
- Ongoing & Future Projects: World Villas & Town Villas are Positioned to capitalize on growing demand for premium housing, Club 10 Gymkhana & 5-star hotel: To generate annuity revenue in the future. Total GDV: INR 1,25,000 Mn.
- Pricing & Market Trends - Land prices in Navi Mumbai Airport region rising significantly due to ongoing infrastructure projects.
- Expected price increase: INR 500 per sq. ft. in airport-adjacent areas over the next year.
- Current realizations: Aryan Aspire: INR 7,000 per sq. ft., expected to increase by 7% YoY. Overall price appreciation in MMR portfolio expected in Q4FY25 & beyond.
- Total Unsecured Debt: INR 2,800 Mn, mainly from promoters & subsidiaries.
- Average borrowing cost: 13% per annum, with no monthly servicing.
- Interest cost reduction: New loans from HDFC & SBI at 10-10.5%, expected further reduction by 50bps in FY26.

## Q3FY25 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q3FY25	Q2FY25	Q-o-Q	Q3FY24	Y-o-Y
<b>Net Revenue</b>	<b>1,508</b>	<b>1,118</b>	<b>33.59%</b>	<b>1,192</b>	<b>26.51%</b>
Raw Material Costs	788	607	29.81%	716	10.05%
Gross Profit	720	511	40.90%	476	51.27%
Gross Margin	47.75%	45.71%	204.03	39.93%	781.41
Employee costs	83	79	6.16%	66.149	26.20%
Other Expenses	211	143	47.17%	150.435	40.16%
<b>EBITDA</b>	<b>426</b>	<b>289</b>	<b>47.25%</b>	<b>259</b>	<b>64.10%</b>
EBITDA margin	28.23%	25.86%	237.13	21.76%	646.58
Other Non Operating Income	8.60	11.96	-28.09%	2.34	268.04%
Depreciation	6.024	5.692	5.83%	5.645	6.71%
<b>EBIT</b>	<b>428</b>	<b>295</b>	<b>45.00%</b>	<b>256</b>	<b>67.22%</b>
Finance costs	94.4	93.975	0.45%	68.576	37.66%
Exceptional Items	0	0	-	0	-
<b>PBT</b>	<b>334</b>	<b>201</b>	<b>65.79%</b>	<b>188</b>	<b>78.03%</b>
Tax Expense	79	42	90.21%	32	147.65%
Effective tax rate	23.67%	20.63%	14.73%	17.02%	39.10%
<b>PAT</b>	<b>255</b>	<b>160</b>	<b>59.44%</b>	<b>156</b>	<b>63.76%</b>
PAT Margin	16.90%	14.30%	260.30	13.06%	384.38
<b>Particular</b>	<b>Q3FY25</b>	<b>Q2FY25</b>	<b>Q-o-Q</b>	<b>Q3FY24</b>	<b>Y-o-Y</b>
Pre-sales (INR Mn)	2521	2708	-7%	2656	-5%
Sales Area (Sqft)	0.41	0.409	0%	0.474	-14%
Collections (INR Mn)	1312	1492	-12%	1291	2%
Realizations (INR/Sqft)	6149	6621	-7%	5603	10%

Source: Company reports, Arihant Capital Research

## Profit &amp; Loss Statement (Consolidated)

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

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
<b>Net worth</b>	<b>2,098</b>	<b>2,669</b>	<b>3,397</b>	<b>4,335</b>
Minority Interest	359	564	564	564
Provisions	17	58	5	6
Debt	3,370	4,861	5,261	5,861
<b>Total Liabilities</b>	<b>5,844</b>	<b>8,152</b>	<b>9,228</b>	<b>10,766</b>
Fixed assets	103	94	90	77
Investments	516	555	301	368
Other non current assets	1	2	6	7
<b>Total Fixed Assets</b>	<b>620</b>	<b>651</b>	<b>398</b>	<b>452</b>
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
<b>Current Assets</b>	<b>9,708</b>	<b>11,314</b>	<b>15,382</b>	<b>17,555</b>
<b>Current liabilities</b>				
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)
<b>Current liabilities</b>	<b>(4,484)</b>	<b>(3,814)</b>	<b>(6,552)</b>	<b>(7,240)</b>
<b>Net Current Assets</b>	<b>5,223</b>	<b>7,501</b>	<b>8,830</b>	<b>10,314</b>
<b>Total Assets</b>	<b>5,844</b>	<b>8,152</b>	<b>9,228</b>	<b>10,766</b>

Source: Company reports, Arihant Capital Research

## Cash Flow Statement (consolidated)

Y/e 31 Mar (Rs Mn)	FY23	FY24	FY25E	FY26E
<b>Profit before tax</b>	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	-	-	-	-
<b>Operating cashflow</b>	617	(132)	2,243	862
Capital expenditure	8	31	35	47
<b>Free cash flow</b>	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
<b>Net Changes in cash</b>	(66)	70	2,863	585
<b>Opening Cash Flow</b>	147	81	151	3,014
<b>Closing Cash Flow</b>	81	151	3,014	3,598

Source: Company reports, Arihant Capital Research

## Ratio Analysis

Particular	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>				
Revenue growth	17.7%	31.0%	18.1%	22.0%
Op profit growth	11.3%	45.9%	13.4%	23.1%
EBIT growth				
<b>Profitability ratios (%)</b>				
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%
<b>Per share ratios (INR)</b>				
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
<b>Valuation ratios (x)</b>				
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
<b>Payout (%)</b>				
Tax payout	-18.3%	-19.7%	-20.0%	-20.0%
<b>Liquidity ratios (days)</b>				
Debtor days	68	68	64	57
Inventory days	694	615	566	524
Creditor days	80	64	65	73
<b>Leverage ratios</b>				
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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