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To,
The General Manager,
Dept. of Corporate Services,
BSE Ltd.
Mumbai

Scrip Code: 506194 (Arihant Superstructures Ltd)

Sub: Disclosure of Material Events/Information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of Conference Call held on 22.11.2016

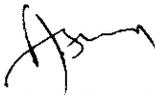
In compliance with regulation 30 of SEBI (listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to submit the **transcript of conference call** of analysts and institutional investors held on 22nd November at 3:00 pm with Mr. Ashok Chhajjer (CMD) and Mr. Umesh Jhawar (VP – Strategy & Investor Relations) of Arihant Superstructures Ltd. to discuss their understanding of the real estate industry post demonetisation organised by Phillip Capital (India) Pvt. Ltd.

The same will be uploaded on the website of the company.

This is for your information and record

Your's faithfully

For Arihant Superstructures Ltd.



Ashok Chhajjer
Chairman & Managing Director



“PhillipConnect Conference Call with Mr. Ashok
Chhajer (CMD)- Arihant Superstructures”

November, 2016



**MANAGEMENT: MR. ASHOK CHHAJER -- CHAIRMAN AND MANAGING
DIRECTOR, ARIHANT SUPERSTRUCTURES LIMITED**

**MODERATOR: MS. SHUBHANGI AGRAWAL – PHILLIPCAPITAL (INDIA)
PRIVATE LIMITED**

Moderator: Good day, ladies and gentlemen and welcome to the Phillip Connect Conference Call with Mr. Ashok Chhajer -- Chairman and Managing Director Arihant Superstructures. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, you may signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shubhangi Agrawal from PhillipCapital (India) Private Limited. Thank you and over to you, ma'am.

Shubhangi Agrawal: Good afternoon, sir, and welcome friends. Today we have with us Mr. Ashok Chhajer who is the Chairman and Managing Director of Arihant Superstructures. He has more than 20 years of experience in the real estate sector. As we all know Arihant Superstructures is one of the renowned real estate builders and developers in MMR and Jodhpur region. Having a predominant focus on the affordable housing Arihant has also played a major role in transforming the skyline of Navi Mumbai with over 13 million square feet under development at various stages. The company has a good cliental, strong network of investors and financials and an efficiency supply chain.

I would like to now handover the call to Ashok Ji for a brief commentary on the impact of de-monetization on the real estate sector. Over to you, sir.

Ashok Chhajer: Yes, good evening everybody, friends. About de-monetization a lot has been said and the impact on real estate was mixed earlier and subsequently it had been supported and analyst have come out with positive notes on de-monetization right from the stalwarts like Mr. Deepak Parekh -- HDFC as well as other analysts.

Now, de-monetization will completely remove the cash component which was involved in the high value transaction properties and that was what was existing more in two tier cities as well as properties around Metros. What we see after de-monetization would be that it has no impact on the service class and the middle-income group people, as they were completely dependable on housing loan where builders had floated schemes where it would be 5% owner's contribution and 95% from loan and around 5% owner contribution for stamp duty and registration. So, there was no gap left behind in the affordable housing segment, when we have been practicing it out and observing and experiencing since last almost six years to seven years where it was 65% and more of the portfolio is in the affordable housing ranging between Rs. 2,000 per square feet to Rs. 4,000 per square feet and between flats ranging from Rs. 15 lakhs to Rs. 50 lakhs.

De-monetization will help the real estate industry to groom up and to come in a format where it would be more easily understandable to people and the myth about that each and every transaction has and had a lot of cash component would be eliminated to a larger extent. After effects of de-monetization undoubtedly would be that land prices will have to drop down, the

basic thing about the interest rate which how fast the government comes across and drops down the housing loan rate interest to below 7% as it was there in the earlier regime of the BJP Mr. Vajpayee Ji's time, that would help out in the buying capacity of an individual and with the supply and demand ratio narrowing across India we will find the supply is adequate enough to meet the demand, so that will help out not even prices rising to an larger extent and this will really help out in transactions in terms of volumes, in terms of actually the buyers, in terms of people who are in need for the houses and that what the aim behind the government to get house for each and every individual in the years to come, would come true.

I leave upon the stage open for more question and interactive sessions. Welcome everybody.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Anand Krishnan from Kotak Infina. Please go ahead.

Anand Krishnan: Sir, what sort of incentives are you guys actually giving to propel sales especially in the given environment?

Ashok Chhajer: Incentives to?

Anand Krishnan: Incentives to the customers so, that they could actually propel sales for you in the current environment.

Ashok Chhajer: Okay. The price corrections had already been done at our project since last one and half years - two years where we dropped down prices by 15% to 20% and that is how it helped us to clock around 1200 sales in the last financial year and we were too expecting it out in this year also. But due to the de-monetization may be due to temporary inconvenience to the public which is happening there would be lay back for one and half month - two months. So, we see no more large price reduction would happen - a bit of correction, may be to an extent of 2% to 5% depending upon the prices and its location and the competition.

Anand Krishnan: So, if I understand it right you are saying after de-monetization there would be no incentives that would be given to the customers so, that they could propel sales, whatever has happened has already happened, is what you are saying?

Ashok Chhajer: Yes.

Anand Krishnan: Sir, and what about future launches are you actually going aggressive on future launches or you are staying with whatever I mean you are holding back whatever future launches that you had planned for?

Ashok Chhajer: We had planned up two launches which were scheduled in the month of November and December which right now we would be holding on and that was Arihant Akanksha at Panvel near Airport and Arihant Anaika at Taloja Phase-II Navi Mumbai both. But this would be now

re-planned for launch or something around may be January, February or March may be mostly January also we will not like to have it till sentiments are on the upward move.

Anand Krishnan: Okay. Sir, is it that you have actually interacted your colleagues in the industry to figure out as to what sort of a mood they are actually going around with.

Ashok Chhajer: Well in the last 15 days everybody was saying that there is a full stop right now nothing wrong about it because after this big natural calamity, which was a man-made calamity, it had to have a full stop. I think once it starts running, people will understand yes, there is a way forward and what we see across whenever interest rates have come down the gap between the rent payout which is made by a person who is living on rent and the EMI from 2.5% to 3% of rent and 7% and below housing loan rate, the gap is between 4% to 5% which again that is nullified with the tax returns and benefits from the government for taking a housing loan. More and more people get inclined towards buying a house. So, the inclination of buying a house would be always more when compare to rent when the housing loan interest were something around 10.5% and coming down to 7% it would surely affect the rental market which would drop down to almost 10% from wherever it is existing today.

Moderator: Thank you. The next question is from the line of Biswarup Mohapatra from Future Generali India Life Insurance. Please go ahead.

Biswarup Mohapatra: Sir, do you think the actual impact on this industry will come this quarter that is Q3 or Q4 because we are hearing what media is reporting also there is some transactions which are happening in Q3 and now after the bank...

Ashok Chhajer: Can you speak a little louder please, unable to hear.

Biswarup Mohapatra: Yes, so, my question was that. Do you think impact on the industry will actually happen in this quarter Q3 or Q4 because what we are hearing...

Ashok Chhajer: Both Q3 and Q4 will not see good results across any industry right from real estate to retail to anything because it would again take some time for people to prop back into the spending mode so, Q3 and Q4 does not look to be as planned or as it was moving, it would drag down to an little extent or an larger extent but yes, thereon we see very good days at least for all the developers who have been more transparent, who has been organized. Many people who were not organized and who are into cash and cheque mode and etc., will opt not to be operating in future and may leave the field and branded builders with people centric policies - the customer centric policies would be there especially with RERA coming into force. On top of it with policies like Arihant where we have no locking period, no transfer charges and no escalations to any purchase has been bought and this would really add on and we see ourselves into a more better position and more advantageous position in the days to come ahead.

Biswarup Mohapatra: Okay. And sir, are there any like still transactions going on in using the old currency in the industry and second thing is any particular reason in India you see where the impact would be the highest, I mean where the cash transactions were the highest?

Ashok Chhajer: Yes, the transactions in two tier cities which were above Rs. 1 crores and in metro cities which were about Rs. 2 crores of an apartment or a house would see an complete stoppage later on. Yes, we are hearing rumors right now happening up where the old currencies are being parked with the big-ticket size housing, ourselves Arihant we never had a big ticket size of housing so, we have not experienced any such sales at our end but it is being heard across in and around that ticket sizes which were Rs. 2 crores - Rs. 3 crores - Rs. 4 crores of a house are seeing some traction.

Moderator: Thank you. The next question is from the line of Palak Shah from Canara Robeco Asset Management. Please go ahead.

Palak Shah: Just had a couple of questions, one the we have been hearing a lot of construction company indicating that they are facing issues with the labor pertaining to cash payments, do you have the same issues on your end?

Ashok Chhajer: To be true, none of the people are facing any issues in terms of labor payment, right from subcontractors to everybody because earlier it was cash transaction for labor payments on monthly basis, yes, but as we see with the Jan Dhan Yojana, as well as NREGA accounts, every individual has bank accounts, the tendency for labors were to touch the cash and feel good about cash but our contractors and sub-contractors when we ask them how would you doing it up operations in the coming days, we have told that we will set up office in the site wherein we will get the money deposited to the bank account of the labor and get the pass book updated and show them the pass book, money is lying in your bank. So, I think it is a transition phase and with respect to income as well as expenditures on daily basis, it would not take more than 10 days - 20 days the day from January onwards to further labors to gets accustomed to pass books.

Palak Shah: Okay, thank you. And just one last question on the land prices, so, are you seeing any in last two weeks, have you been seeing anyone who wants to desperately sell property?

Ashok Chhajer: Yes, land prices in future also as well as today is seeing a sell out mode and that is really good for affordable housing because that was a major component where the affordability was going out of pocket at many locations as over and above the construction cost in affordable housing across India did not have much variations. So, with the land prices coming down there are good opportunities to scale up the affordable housing sector wherein we are also having for some more deals right now from last one week and today also, that we can prop up and be ready with the due diligence after the January month. it looks like the land prices will come down. The developers would have a inception cost loss wherein automatically if you turn out to be less of finance cost and with the banks flooding in with construction finance, personal loans, etc., I see that the days ahead are more comfortable.

- Moderator:** Thank you. The next question is from the line of Karthikeyan VK from Suyash Advisors. Please go ahead.
- Karthikeyan VK:** Just wanted to clarify how do you see the inventory pipeline at this moment and time and would you able to confirm there has been substantial amount of inventory being cleared in the last 10 days - 15 days for whatever reasons?
- Ashok Chhajer:** As earlier also narrated inventory which are for higher ticket size that are being cleared or that will be cleared if there is an attraction for it but right now when we talk about affordable housing or middle income group or price ticket size for two tier cities below Rs. 50 lakhs and below Rs. 20 lakhs - Rs. 25 lakhs and for metro cities below Rs. 1 crore there has been no transactions. So, there is two segment of people one is the luxury segment and one is the affordable segment, the luxury segment is witnessing some of the sales which will completely stopped out once the January starts on.
- Karthikeyan VK:** So, do you expect therefore because of this the prices should correct or as you said earlier because the cash component is not there, there need not be any impact on that.
- Ashok Chhajer:** I think on ground reality the prices would increase even in luxury segment because person he who have been operating into luxury segment had never factored that he will have to pay up tax components and now when there would be an income tax to be paid on each sale, I think he will have to hold on or he will have to may be increase the price a little bit saying that okay, the project reports or the business model does not allows to sell at lower rates.
- Karthikeyan VK:** Right. Just related question to that if the incomes of individuals do not go up, while because of lower interest rates, the interest burden will come down. Will their ability to borrow more change in anyway at all because of this move it does right. So, therefore, in a certain sense there is a contradiction in what you are saying, may be interest component will be low because of lower interest rates but it does not mean you can borrow more, right the salaries do not change because of increase in asset prices. Just trying to understand, how you think about this point.
- Ashok Chhajer:** In affordable segments there is a lot of supplies as I told that there would not be any increase in prices because there is no change in dynamics in terms of costing, taxes, or sales prior and post de-monetization. In affordable housing there is nothing, I talked about that may be in luxury segment some of the people may think that okay, there is an added cost to it, in that segment we will have to stop selling or they will have to may be increase or they will think of it so, it will depend upon a person to person how cash flows you will be having but in the segment of price tag which are for the service class people with interest rates coming down the capacity to buy a house will increase to a very large extent. Example, the EMI today was to an extent of Rs. 987 earlier and which had dropped down to per lakh per month which dropped down to around Rs. 900 and today after January, February that by the end of end of budget etc, the EMI would come down to Rs. 650 - Rs. 675 per lakh per month. So, that would increase the capacity to buy a house.

- Karthikeyan VK:** Absolutely, just one last quick question, on which cities do you believe would be most vulnerable in terms of whatever has changed at the ground level.
- Ashok Chhajer:** It cannot be pointed out because real estate is across an local requirement so, it would be like cities yes, with cities which do good, that depends upon the infrastructure development which is coming across and what we see that Navi Mumbai, Amravati and Chennai these three cities are topping the real estate development chart because of the humongous infrastructure expenditure by the government of each state to development the cities. What people have rejected right now to some extent is cities like Delhi due to pollution and not due to de-monetization where they have found that it is an everyday problem, when we talk about cities Bangalore, where there is over supply, where there is a lot of congestion, living standards also going down in Pune, etc., these cities would see an set back as geographically people will opt for better cities, ourselves being 20 years in Navi Mumbai, today is the right time for us the day ahead also to bring up new projects.
- Moderator:** Thank you. The next question is from the line of Sanjay Bembalkar from LIC Mutual Fund. Please go ahead.
- Sanjay Bembalkar:** Sir, I would like to get your outlook on land prices. You mentioned that there is a 15% to 20% correction which has already happened on the residential side. So, whether land prices have also seen the similar correction pricing in the past or whether you are saying there will be pricing pressure on the lands in future?
- Ashok Chhajer:** Pricing pressure would be there in the lands in the future. It has yet not seen any larger correction in the last one and half years - two years on ground reality. Though the deals were in comfortable and because the land prices are coming down in the last one year - one and half year, we ourselves have turned into an asset like model, where the developers who are holding land, who are unable to do the implementation of the projects or to do the sales and construction portion, they adopted for joint venture deals and that is how we took our Arihant Aalishan in the year 2016 March where it was an asset lite model and we input around Rs. 20 crores as in security deposit and on the day one with Rs. 200 crores of sales and 15% of payout for booking. We received out input cost. So, asset lite model would be the best model of working for the next at least one and half year - two years till land prices gets down to and transactions happen and once the land prices comes down by 15% to 20% or 30% that would really become an asset light model.
- Sanjay Bembalkar:** And sir, this correction in land prices, do you expect it would be also in the relatively established areas or we think only futuristic areas like exterior of Panvel, etc., that would only see land prices...
- Ashok Chhajer:** It is already being observed, if you talk about Navi Mumbai, the tenders land prices which were there on 11th of November after de-monetization Ghansoli prices which have touched across Rs. 1,25,000 per square meter had dropped down to Rs. 85,000 per square meter so, that tells the signal there in the days here to come the land from the government also which is being

offloaded as well as private sellers will see a downward trend. Downward trend has already been observed and has been transacted also.

Sanjay Bembalkar: Sure. And sir, in past in particularly in the last 24 months etc., many builders who bought land set area must be higher prices their projects may be are under construction and these projects may also be coming out for sales so, would you be, have you seen such kind of pressure from the builder's side that this under construction projects are coming for sale or you do not see that kind of scenario happening?

Ashok Chhajer: Well any project which is started off that project generally is not being opted for a joint venture because nobody wants to enter up in an project which is taken off but yes, it looks like the land prices bought higher they will have to do correction in their balance sheet and their valuations and have to as income tax also tells it is profit and loss account, balance sheet and not only profit account. So, some losses have been booked by those people with higher prices of land and that is we also go ourselves secured from right from 2010, we bought our lands which had an average FSI cost per square feet of Rs. 250 of per square feet so, this is how we shielded ourselves being into different geographical region instead of higher buying of land cost to an extent of Rs. 5,000 of an FSI or 2,000 of an FSI.

Sanjay Bembalkar: And sir, lastly, any outlook on the commercial real estate particularly on the lease rental side?

Ashok Chhajer: Commercials will still do good because of the supply is very less and the demand is good as we see that last six years to seven years' commercial projects have not been coming off. Yes, commercial sales will go to zero and rentals lease models would be doing very well. We have already seen in Navi Mumbai when we talk about right from MindSpace to other projects, the lease rents have gone up by around 15% to 20% when compared two years ago.

Moderator: Thank you. The next question is from the line of Rohit Potti from PPFAS Mutual Fund. Please go ahead.

Rohit Potti: So, I just wanted to get your view on what is happening on enquiries from the customer side post de-monetization and have there been any cancellations for you post de-monetizing from the customer and expectation of reduced prices going forward?

Ashok Chhajer: The enquiries have completely dropped down to zero as our call centers also are not ringing and the call centers have been trying to touch base with people but as we also know that as human tendency yes, this is not the time wherever anybody would rush and everybody has an option that let 31st December go across and then we will think how the trends are going. So, nothing to worry about it still but yes, we cannot expect today site visits or calls for enquiry of property to a larger extent.

Participant: Okay. And have any pre-existing bookings been canceled over this period I mean is it panning to that extent?

Ashok Chhajer: No, that has not been a case at least at our end because as general analysis even an individual knows that in affordable housing there is no correction.

Participant: Okay. So, just wanted to clarify something which you had mentioned previously you mentioned that the purchases of luxury apartments will go down to zero January onwards, it is my ignorance but I was not able to understand, why that would happen if you could elaborate that a little that will be great.

Ashok Chhajer: (A) the luxury segment was having component of cash as well as cheque from the demand as well as from the customer side. So, it was not only from the developer side, it was that people possessing cash and they wanted to get it parked and get infused with the real estate purchase. With no new currency coming in, I do not see that for at least one year there would be good currency in hand for getting into cash mode and may be the government how it is moving across for putting up surcharge for each withdrawal, I do not see any cash in days ahead also. So, in this motion, either people will have to wait for two years - three years - four more years to put on their balance sheet straight, get their capital accounts so, that their purchasing power is there. Yes, the banking sector can help out a lot in these terms also for getting housing loans to big ticket size so, business would be there for many people. The trends would be known only after six months for luxury houses.

Participant: Okay. So, if I understand correctly, what you are saying is that the de-monetization has led to temporary parking of money in real estate which would stop post January 1st that is what you are trying to say?

Ashok Chhajer: Perfect for luxury segment.

Participant: I mean, I wanted to get your personal opinion, you are a businessmen you are running business wonderfully and what is your view on this move by the government, do you think it is something good for the long-term? Just wanted to get your perspective.

Ashok Chhajer: Absolutely, this is the best thing which would ever happened in the history of our country with our Prime Minister Modi taking this step, it was really bold step, and this would bring many people at even platform for business practices and this is really welcome, this is really welcome and it will help out, at least we have been always competing with people and we were unable to do with people who are non-tax paying because when we talks about cash, it is not only about income tax, it is about even sales tax and service tax so, our cost were always higher in terms of implementing the projects when compared to a common local guy. So, now we will be at par.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.

- Pulkit Singhal:** Just wanted to get your view on the new construction activity so, while some of the existing constructions may probably continue when do you think new constructions could revive and what have you done about it have you put everything on hold?
- Ashok Chhajaj:** Out of the 15 projects we have only one project which is yet to start that is Arihant Akanksha, Panvel and which was scheduled for November but we will not put it on hold beyond February so, when compared to across the market yes, there would be little reluctant for the more projects to start off and I think that good gain in terms of supply again getting reduced to some extent. Through still supply will be more than the demand which is existing.
- Pulkit Singhal:** So, how much stand do you think broadly from an industry perspective would it take for them to restart and starting to think about houses four years down the line new construction?
- Ashok Chhajaj:** Basically, I think there will be a complete change in approach by developers and they will have to do that. It cannot behave the way one decade or one and half decade it was earlier and it has to be looked into from an industry perspective and with the nominal margins or with the secured margins if somebody is doing volumes it will be a good model.
- Pulkit Singhal:** So, in terms of time line could it be a one year or a push back six months-two years, I am just trying to get a sense.
- Ashok Chhajaj:** At least on an average of two years of push back would be there for the new projects on average somebody had 6 - 9 months - 12 months somebody be on that.
- Pulkit Singhal:** Got it. And sir, you also mentioned about land prices coming down does not that impact the sales price of your existing inventory?
- Ashok Chhajaj:** When we compared yes, as I told that Navi Mumbai prices have come down in terms of tenders which have been floated and where prices of Ghansoli, etc., had gone to 11,000 per square feet now today it has come down to affordability of 7000 per square feet and around so, that is a good signal. In price-tag which were below Rs. 4,000 square feet, the major component when compared to land cost forms to be the construction in the market and administration expenses which takes about around 70% - 75% of the total cost, so the land prices over there have though will be seeing in correction to some extent but it will not have impact on the prices which are being tagged across may 5% - 7, yes. that is question which already affordable housing also has.
- Moderator:** Thank you. The next question is from the line of Pratibh Agarwal from PhillipCapital. Please go ahead.
- Pratibh Agarwal:** I would like to get your views on the borrowing side, so prior to de-monetization there has been a lot of secondary market borrowing or you can say unorganized borrowing which has been happening in this space. So, post this de-monetization how that will change the cost for borrowers and also in terms of their capability to repay their earlier loans and then take a fresh

loans from banks so, whether this will have any impact in terms of liquidation of their existing assets or properties at lower price so, your take on that I mean around all this?

Ashok Chhajer: The borrowing cost will come down to a larger extent but still the lenders in the KYC and in the due diligence look forward for developers or for the houses which are more organized or which have proper transparency and books of maintenance so, the secondary market borrowings was more towards the people who were unable to borrow from the banking sector. so, that is where the edge would be that the borrowing cost when comes down the organized player as well as people who had been into and correct format will be benefited in a big way. The borrowings would be more easier and when people have made their mind that they also have to embarked into the same position of proper method of working, I think the gates would be open for them also in the days to ahead.

Pratibh Agarwal: No, for a temporary mismatch I terms of liability and assets because they will have a lot of borrowing which is not accounted for in balance sheet but at the same time they would have a lot of stock in hand. So, to bridge that mismatch do you think that they would for a time being have to liquidate their assets or properties at a lower price before they raise cash and bring their balance sheet to that level where they can go to a bank and borrow?

Ashok Chhajer: Yes, everybody will try to square off things and from a company to company perspective yes, people will try to liquidate it across so, that is a good sign and it is a format of general things happening in a natural mode. Now at least developers will not think for speculation ahead so, some of them were hanging on, that they will still get an edge or a chance to have a better price or a higher price which today at least 100 out of 100 people have accepted that yes, they would not have an edge of an larger profits so, everybody will try to liquidate the asset which they have to square off the borrowings which they had in their personal capacities.

Pratibh Agarwal: Okay, great. Just a data point, what will be our blended cost of borrowing?

Ashok Chhajer: Ours is 12.5% per annum.

Pratibh Agarwal: And that would be largely from which segment, I mean largely bank borrowing or?

Ashok Chhajer: It is bank borrowings from construction finance, that is from HDFC, ICICI, and federal bank.

Pratibh Agarwal: Okay, sure. And in terms of incremental borrowings, would we have sufficient sanction limits on book?

Ashok Chhajer: Yes, we have sanction limit of around undisbursed amount of Rs. 60 crores to Rs. 70 crores and with the sales which we had it is sufficient enough to carry on the construction.

Moderator: Thank you. I now hand the conference call over to Ms. Shubhangi Agrawal for closing comments.

Shubhangi Agrawal: On behalf of PhillipCapital I would like to thank Ashok Ji for taking his time out and sharing his views. It was extremely helpful to us, sir. Thank you very much. Thank you very-very much, sir.

Ashok Chhajer: Thank you, everybody.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.