ARVIND SMARTSPACES

7th August, 2024

BSE Limited
Listing Dept. / Dept. of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

Security Code : 539301
Security ID : ARVSMART

National Stock Exchange of India Ltd.
Listing Dept., Exchange Plaza, 5th Floor,
Plot No. C/1, G. Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051.

Symbol : ARVSMART

Dear Sir / Madam,

Sub: Transcript of conference call with Analysts / Investors.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are attaching herewith transcript of the conference call with analysts / investors held on Wednesday, 31st July, 2024 to discuss Q1 FY25 Results of the Company.

The same is being uploaded on the website of the Company.

Thanking you,

Yours faithfully,
For Arvind SmartSpaces Limited

PRAKASH BHOGIBHAI MAKWANA
Digitally signed by PRAKASH BHOGIBHAI MAKWANA
Date: 2024.08.07 21:05:49 -07'00'

Prakash Makwana
Company Secretary

Encl.: As above

#DESIGNEDTOINSPIRE

Arvind SmartSpaces Limited

Q1 FY25 Earnings Conference Call
July 31, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Earnings Conference Call of Arvind SmartSpaces Limited. 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Sharma from Adfactors PR. Thank you, and over to you, sir.

Amit Sharma: Thank you, Rhea. Good afternoon, everyone and thank you for joining us on the Q1 FY '25 Results Conference Call of Arvind SmartSpaces Limited. We have with us today on the call, Mr. Kamal Singal, Managing Director and CEO; Mr. Avinash Suresh, Chief Operating Officer; Mr. Mitanshu Shah, Chief Financial Officer; Mr. Prakash Makwana, Company Secretary; and Mr. Vikram Rajput, Head, Investor Relations.

Please note that a copy of the disclosures is available on the Investors section of the website of Arvind SmartSpaces Limited as well as on the Stock Exchanges. Please do note that anything said on this call that reflects the outlook towards the future, which would be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company possesses.

I would like to now hand over the call to Mr. Kamal Singal for his opening remarks. Over to you, sir. Thank you.

Kamal Singal: Thank you. Good afternoon, and a very warm welcome to everyone present on this call. Thank you for joining us today to discuss operating and financial performance of Arvind SmartSpaces for the quarter ended 30th June '24.

India economy continues to exhibit resilience, the government has revised the full-year growth estimate for FY 2023-24 upwards to 8.2%. Similarly, the Reserve Bank of India (RBI) has raised the real GDP forecast for FY 2024-25 to 7.2% from an earlier estimate of 7%, citing improving rural and urban demand buoyed by favourable monsoon forecasts, an uptick in services and the government's capex thrust. The recently presented union budget aligns with governments overarching priorities of capex, fiscal consolidation and social welfare. A clear focus on job creation and skill development underscores the governments confidence in India sustained economic growth trajectory.

The Union Budget 2024-25 presents a visionary approach to urban development, aligning with our commitment to creating sustainable and vibrant urban spaces. The substantial allocation of ₹11 lakh crore for infrastructure and improvements in water supply and waste management in 100 large cities will enhance connectivity and urban amenities, which directly supports our projects aimed at developing modern, integrated communities. The country's ongoing mega infrastructure projects, encompassing transportation networks, highways, airports, and metro networks, are expected to support real estate growth and, in turn, create new residential nodes. These projects hold the potential to unlock new markets, establish satellite cities, and stimulate development in peripheral area. We also welcome the Budget's focus on simplifying FDI regulations and promoting Rupee-based overseas investments. These measures are expected to attract increased NRI participation in the real estate sector, invigorating market dynamics and opening new growth avenues. Moreover, states with high stamp duty have been encouraged to moderate their rates, with further reductions for properties purchased by women. Both of these are likely to boost demand. While the impact of indexation is a mixed bag for an investor depending on the holding period, this move is unlikely to impact the end-users who sell their existing house and reinvest in a new house.

The residential market has continued to strengthen, with demand reaching an 11-year high during H1 CY2024. A notable shift toward premiumisation has taken root in the residential market, with higher priced homes, over Rs. 1 Crore, driving market volumes. The mid and high-end categories are expected to remain the primary drivers of India's residential market.

Coming to the Operational update for the quarter. We have started the year on a healthy note with progress in bookings, collections and business development, setting a positive trajectory for the year ahead. Q1FY25, Bookings improved by 49% YoY to Rs. 201 Cr. and Collections improved by 21% to Rs. 248 Cr. During the quarter, we added a combined topline of Rs. 410 Cr across two of our existing projects namely Forest Trails and Uplands 2.0 & 3.0. Remainder phase of Forest Trails Sarjapur, Bengaluru will now be developed as a high rise project comprising a saleable area of 3.2 lakh sq ft. Consequently, top line potential of the project has increased by of ~Rs 205 Cr. We also acquired an additional 42 acres at Uplands 2.0 & 3.0, which will add Rs. 205 Cr to the top line of the project. We are working on strong business development pipeline and look forward to add several projects to our portfolio in the coming quarters.

Now, moving on from operational updates to the financial highlights. In Q1, we reported a revenue of Rs. 75 crore, up 11% year-on-year basis. EBITDA for Q1 amounted to Rs. 8 crore. PAT for the quarter amounted to Rs.5 crore. Our balance sheet position remains strong despite expanding operations. Net debt remained negative and decreased to negative Rs. 58 crore as on June 30, 2024, from a net debt position of negative Rs. 41 crore as on March 31, 2024. Our operations cycle remains strong with net operating cash flows of Rs. 97 Cr during the quarter. We estimate an unrealized operating cash flow exceeding Rs 2,744 crore coming from the current pipeline of projects.

As we continue to scale up the business, it becomes imperative that we retain our agility which has been a huge contributor to our success. The Company is engaged in the execution of 27 mn sq ft of projects with a yet to be launched portfolio of 46 mn sq ft. Managing this growth successfully will require us to think of each of these regions and also newer upcoming regions like Pune and Mumbai as individual P&L centres with the head office playing the role of an integrator and mentor to the regions. With this background, I would like to share a significant organizational restructuring exercise aimed at preparing our company for the next phase of growth. Each geographic region shall now be headed by a Chief Business Officer who will drive the business and P&L of the region. Sharvil Shah has joined us recently as Chief Business Officer - West comprising Ahmedabad, and Surat. Manoj Chellani, who otherwise has been heading our sales function at national level, will now be heading the role of Chief Business Officer – South. While we are speaking on Human Capital, let me also introduce Mitanshu Shah, our new CFO. I am sure the company will benefit tremendously from Mitanshu's extensive experience in finance.

Looking forward, we believe the overall residential markets remain quite healthy given cyclically low inventory levels and healthy affordability. At ASL, we believe, we have reached an inflection point in the Company's growth story and we are well poised operationally to capitalise on the opportunities being thrown up by the sector. ASL has an asset light business model with an optimum blend of quicker cycle horizontal projects and higher share of JDAs which enables faster project turnaround, robust OCF generation and higher return ratios. Robust cash flows, platform funding and leverage headroom provides significant scope for scalability in the medium to long term. From a FY25 perspective, the remainder of the year should witness a strong uptick in our overall performance with a robust launch and business development pipeline for the upcoming quarters.

With this, I'll ask the moderator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Ochiramani from Kitara Capital.

Kunal Ochiramani: A good number of bookings and collections. Just wanted to know any update on Mumbai front? Second, how much percentage do you see the shift in asset class investments from real estate to other asset class given that indexation benefit is gone or how this industry will function from now on?

Kamal Singal: Sure. Thanks, Kunal. I think Mumbai, the entire team, the BD team is busy bringing in something concrete very soon. As we speak, we are very close to kind of telling you something about a decent size in Mumbai. Even if the term sheet, etc., is done, I think it's to be more appropriate that we announce the details only after the formal agreement is signed, which is still to happen. But yes, rest assured that something is on our way when it comes to Mumbai as a market. So we're definitely going to be doing something there sooner than later.

Coming to the second question about shift from real estate as an asset class to another asset class, I think this discussion on indexation, etc. possibly is something which is quite a balanced thing. It has positives, it has negatives. And obviously, an individual gets impacted only based on the holding period of an asset. Five to six years, it should not impact really for a person who invest afresh. In any case, a very significant component of overall investment is based on sales of old house and then purchase of new house to avoid taxes, etc., from profits arising from the sales of old houses.

So in that context, I don't see any significant shift or negative coming out of this whole thing in the short and medium term. If at all, this will balance out. Commonsensically speaking, and generally, the sense that I get personally is that when a person invests in real estate, and for that matter for any other asset class, more so in real estate, being a medium to long-term investment, people are not really taking this call depending upon whether the tax rates are X or Y if that is not too much of an issue.

Now five to six years being neutral, maybe even the seventh year being very, very neutral, I think this is a marginal call and it should not become a very, very significant catalyst in deciding whether or not to do real estate. To that extent, I'm okay with this.

Kunal Ochiramani: Understood, sir. Sir, one more last question is that, as when anybody sees the Arvind SmartSpaces as a company, we have visibility for next three years of pipeline and how much collections we'll get. As you said, INR2,744 crores of unrealized cash flow that company has.

In a long-term perspective, say, seven to eight years, do you think the run rate of the company and what cash flows company is generating or bookings what company is getting, can you give a broader perspective? Will it be the same as last three years where or how will it be? Will it be 5% less growth or will it run at the run rate till FY'30? Objectively looking at the company, nobody gets a further view of the company. So just wanted to understand how will next 6 to 10 years be?

Kamal Singal: Sure, Kunal. So if you were to bifurcate your question to medium term and long term, we are right now in the middle of executing our investment cycle, which includes raising of debt, which obviously is negative right now. Very, very strong cash inflows for the last two years almost. Last to last year and first quarter of this year, we've generated INR 730 crores thereabouts of total cash flows being thrown by business into investments.

So it's a healthy sort of internal accrual source as well. So internal accruals, raising of debt which is negative today to a very, very reasonable extent and also the HDFC platform, this takes care of our one to two years of kind of appetite for investments in that sense. Going longer, we will rather look at the whole growth trajectory in terms of what have we achieved in the previous years and what do we want to do in the coming few years. We have been growing in all our major parameters to the extent of 30%, 35%.

Most of the time, it is more than 30%, but if you were to put a range of, say, 25% to 35%, we should land somewhere there in the long term as well. So we are putting all the blocks in place to ensure from a capital point of view, from pipeline creation point of view, etc., that this growth trajectory remains in the same way. And accordingly, we can expect that the company will continue to show operationally this kind of growth, between 25%, 35% over the next few years.

Moderator: The next question is from the line of Amit Srivastava from B&K Securities.

Amit Srivastava: So sir, just wanted -- first question was on a clarification on the NH 47 project where we have done the private placement to land partners itself. So if you can give an idea that what was the deal as well as when we are going to launch this project in this quarter itself? So what would be the size of this project in first phase in that sense? And for product profile, ticket size, if you can give an idea there?

Kamal Singal: Sure. So this project, which essentially is located at a village called Kalyangarh, is one of the most ambitious projects that we've undertaken. This comprises almost in excess of 850-odd bighas, which is 500 acres thereabouts. It is one of the most sustainable projects in our portfolio till date with a huge water body being created to have water collected during rainy season, etc., which is sufficient for most of the year for the residents and the landscaping and other requirements. This is based on a very, very deep hydrological study that we've carried out for the first time in any of our projects, which takes care of the water balancing thing, how much water do we need, where can it come from, what is the runoff of water going from the land, etc.

On the other side, it has some very, very exciting products, some very, very state-of-the-art villas, the best class architects are working even on this, etcetera. So it's one of the most ambitious and I mean, personally speaking, very, very exciting project that we are taking over. Being such a large one, we thought we'll do some test marketing here through some of our bigger channel partners. We've done that, and we kind of sold INR100-odd crores of inventory to figure out which class of -- I mean, when you're speaking of 500 acres, it's better to get a sense of what is actually better on ground as compared to what our assumptions were.

And it can be done in a closer circuit with people who have been working with us for a very long time, and that's what we did. The test market that we did, did very, very good. In fact, most of the parameters that we had assumed for the project turned out to be very, very right, in the right direction. And if there's a 5%, 10% fine-tuning to be done in product mix, sizing, etcetera, that's what we are doing right now. So all the blocks are being put in place for the launch of this project in the coming quarters, next quarter, and that's what it is. So very excited about this project. This test market has gone off very, very well. And we are fine-tuning everything, preparing everything, and this should be one of our biggest launch this year.

Amit Srivastava: What will be the price, sir, in the first phase?

Kamal Singal: So we'll launch may be INR500-odd crores of inventory when we launch this in the market formally.

Amit Srivastava: Okay. Sir, second question is on the -- in terms of the Sarjapur project. After the initial success in the project, the project is going slightly slower what it seems. Again, we have added incremental area into that project, which is more on a high-rise. So if I can I just wanted to understand the thought process that is it the demand of product profile is changing that we are going from the villas to the high-rise? What is happening in that project that momentum is not picking up when the market of Bangalore is doing it so well?

Kamal Singal: Sure. So as you may rightly said, this project is not doing as yet as we've been doing in other projects in terms of sales velocities. But having said that, it's a JD project. And the cash flows otherwise, in totality for us as developers is very, very healthy. Construction is in full swing. The product in our understanding and the understanding of the customers who have bought into it, is absolutely great. I think as the project is taking shape and people are seeing what exactly is coming up and a few of the other things that are coming up in the project within the boundary of the project as well, is creating some sort of momentum now and it should only improve from here onwards.

That's one part of it. As such, there are healthy cash flows and construction funding, etc., is not required from outside sources, and this is a self-sustaining project, which always is our first target to achieve in any deal. To that extent, we are quite satisfied in it. But obviously, there is a scope to improve this. We have been doing far better in other projects than what this project also is doing. And hence, we are all the time continuously elevating ways and means to improve from where we are on this project and projects like this.

We are confident that once this project takes shape, it's one of the finest products in the region. And the way we price it, the way we are building it, it should be a hit ultimately. We've seen some of the projects which has been slow initially. But then once they clicking, they really do click. I mean, for the information of you who have been tracking us for a long time. Uplands, for example, which turns out to be one of the finest, one of the most profitable cash generating projects, initially for the first couple of years was pretty slow to take off. But once it did, it really did well. So that is then we are happy.

Now in one of the portion of the land that comes under the JD, we have finally taken a call and that was the call we kept pending and that's why we didn't launch also, this one phase. It's not a big one, maybe 2 to 3 acres of land within the 19 acres' overall project. We always thought that this location could be useful for assisted living kind of a project and product. We evaluated that in great detail and taken a call that it will be appropriate for us to do an FSI oriented project there, high-rise project there, primarily targeting this segment of assisted living, etc.

So that's what we are doing. And this will be our first in Bangalore. And we are busy right now designing this project, etc. So this is not any significant change in what we had thought otherwise. But yes, I mean, today is the day that we are taking a call that we'll go with the high-rise project in this remaining portion of the land in the same project.

Amit Srivastava: Just on addition to this, basically, in terms of the demand profile, have you seen any shift from the premium project, luxury project to the villas to shifting in any of the product which is like affordable or any vice versa which is happening into the market? Or is it similar to the last year?

Kamal Singal: So, no significant change. If at all affordable, I don't see much of action happening there, especially in the market like Bangalore. So it's all about higher mid and a little higher than higher mid. That is a segment. So INR1 crore plus and maybe below INR2 crores is the most important segment. For us, because we are selling a lot of horizontal projects in the form of plotting, etc., there, the sweet spot remains at 75 lakhs -- rather INR60 lakhs to INR1.2 crores, INR1.3 crores, that exactly remains the same, we have been selling very consistently throughout our portfolio.

In fact, there are a couple of launches which are planned this year as well in the form of new phases of existing projects or otherwise. And broadly, the market is still doing very well. And hopefully, this remains the same way. There are no reason -- we don't see any shift happening there in that sense.

Amit Srivastava: Sir, last on our Surat project, sir, what is the status? When we are thinking of launching that project?

Kamal Singal: So Surat is under design, designs are almost getting finalized. Approval processes have started already in the right earnest. So it's progressing. We are hoping that within this year, we'll be able to launch this project. Things are moving as per plan.

Moderator: The next question is from the line of Shreyans Mehta from Equirus.

Shreyans Mehta: Congrats on a good set of numbers. So first question is on our launch pipeline. So if you could highlight key projects, which we are targeting to launch this year? And where are we as far as the approvals are concerned?

Kamal Singal: Sure. So mostly, we have Kalyangarh, which is one of the biggest as we said. We also talked about Surat already, which again is one of the biggest projects that gets launched this year. We have a comparatively big launch in Bangalore on high-rise side, which is Bannerghatta Road. So these 3 are the greenfield new big projects. Apart from that, there are quite a few new phases coming up of the existing projects, which includes Greatlands, Orchards, Uplands 2.0 &

3.0. So all that put together is quite a busy schedule when it comes to new launches this year.

Shreyans Mehta: Sure. And sir, any sense, I mean, would it be skewed towards the second half or we'll see it phasing out evenly throughout the year?

Kamal Singal: I think this year, again, is a year which is generally skewed towards second half, the way we signed up, the way we acquired, the way we started approval, etc. Most of the action will start happening and hitting the ground from second half of this year onwards.

Shreyans Mehta: Sure, sure, sure. Sir, second question is on our BD. We've been indicating closer to INR5,000-odd crores plus of BD. And so just wanted a sense where are we on that? So as you highlighted, Mumbai is one. So in case if you could assign a number and how much Mumbai could be in terms of BD? And how are we placed in terms of that achieving that INR5,000-odd crores?

Kamal Singal: So, INR5,000 - INR5,500 crores, we are absolutely, at this point, confident that we should be able to achieve. There are reasons to believe that there should be a number which is not out of our reach at all. We should be almost there. INR5,500 crores for the year is not something that we should be worrying about and all the blocks are in place for that. And Mumbai will be part of that. And definitely, 1 or 2 projects should come our way very soon. But INR5,500 crores, absolutely no worries on that.

Shreyans Mehta: Sure, sure. Sir, 2 last questions. One, in terms of the HDFC platform, the second platform. So how much have been utilized till now? And how much is pending?

Kamal Singal: Well, let me get numbers if they are existing right now. Mitanshu, if you could just get those numbers, please, for me.

Mitanshu Shah: Yes, yes. So we've utilized around INR150-odd crores and the committed funds are around INR300-odd crores of the total platform, of INR 600 crore.

Kamal Singal: So right now, the draw is quite low. But in terms of commitment in the existing pipeline, it is very healthy, more like a INR300 crores, but I'd rather suggest that after the call offline, if you could connect with the team, to get a properly dissected, bisected numbers on this because outstanding is one issue, which is a dynamic number.

Commitment is another number, which is for the projects which have already frozen and commitments taken. But full payments have not been released depending on the payment terms, etc. And the third is something which is still underutilized. So we'll give you a proper breakup of all these 3 components offline, and you can connect with Vikram or Mitanshu after this call.

Shreyans Mehta: Sure. Perfect. I'll do that, sure. And sir, lastly, on the P&L side, I understand it's a quarterly phenomenon, but this quarter, especially on the margin front, it's on a lower side. So are we confident of maintaining that throughout the full year? Or are there any one-off during this quarter?

Kamal Singal: So great point. Obviously, this quarter is low on margins and profitability in terms of EBITDA margins, PAT margins, etc. Now the answer to that is twofold: one is that it's a quarter where the booking values as compared to what the budget was is quite low just about INR70 crores, INR80 crores and most of the costs are periodical costs. Somewhere we are paying for growth, we are paying for the enhanced activity levels for all the launches etc and the way accounting standard works is that irrespective what you booked as top line which is a function of what you deliver the current expenses on the entire pipeline including the new launches etc comes within the same amount of period.

So the moment you say you booked less than what you should have idly done or in proportion to what you should have done the margins come under pressure. But the other side is that for the year as a whole once we catch up on the top line booking we should get evened out. There are no worries or unexpected things which have happened to the margins per se. And for the year as a whole, for example, Belair has to get into the books of account. This should happen in this quarter, for example, the numbers now suddenly increase. So this variability will remain, but generally we are on track on margins per se so no worries on that.

Shreyans Mehta: Great. Sure. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Dhananjay Mishra from Sunidhi Securities & Finance Limited. Please go ahead.

Dhananjay Mishra: Yes. So congratulations on very excellent booking and collections and as well as operating performance. So my question is that I mean out of unsold inventory we have close to INR600 crores to INR700 crores revenue potential. So in terms of launches we have said that NH47 will come in Q2. And just about whatever the launch pipeline you had in the next 8 months, so what could be the overall sales booking target for FY '25 like?

Kamal Singal: As you very rightly pointed out we are not a land banking company. So we will always continue to get lands and at the quickest possible time go to the market, hit the market and start selling it and liquidate the stocks at the earliest possible, create free cash flows and invest further. So that's what we were doing in the last 3, 4 years and we sell really fast. We don't keep a lot of land with us, etc.

So to that extent the unsold inventory values are low and we rely heavily on the fresh launch. This has been happening for the last 2 years in any case and that's how the business model is evolving. Of course, as we mature as the pipeline goes bigger and bigger to some extent this might change. But broadly speaking, if we're not land banking, then it's about fresh launches, acquisition of fresh pipeline etc which will remain important in our portfolio.

This year we think that if you were to book fresh X amount of money two-third of that should come from fresh launches and one-third of the total sales should come from sustenance and that's what we are doing and that is on track in that sense.

Dhananjay Mishra: So in that case would you be able to achieve INR1,400 crores kind of number against INR1,100 crores last year we did?

Kamal Singal: Yes. I mean we had some INR1,100 crores of sales last year and growing by 30% mean INR1,400 crores, INR1,500 crores which is the number. And we are on track for sure, the kind of launches which are there, the pipeline of launches and also the sustenance projects which are on hand I think this number is -- we are on track to achieve those numbers at this point.

Dhananjay Mishra: In terms of HDFC platform utilization, can you repeat the numbers how much we have already utilized?

Kamal Singal: We'll give these numbers, we will separate these numbers to all of you off-line, fine-tuning between these three, four categories that I just talked about a little while back, but we will give you those numbers off-line.

Dhananjay Mishra: Okay. But I mean this year because of the BD plans we have kind of INR5,000 crores we are going to create I think there will be substantial portion to be utilized if we add two, three projects from HDFC side?.

Kamal Singal: Yes, very right. As you said very rightly there are three sources. One is the internal accruals. For example in first quarter we generated INR100-odd crores although this year is a construction heavy year because we are doing a lot of construction on the projects that we launched last year which gave us very healthy cash flows and the inflows were very healthy on that account, but this year is also a year where not only launches are heavy like the last year, it's also about doing a lot of construction for the sales that we did last year. So that's one.

But in any case there will be healthy cash flows coming still. Second is the HDFC platform. And because the company is zero debt negative debt INR50-plus crores, possibly we can raise to the extent of INR300 crores to INR400 crores easily well within the conservative limits and significantly below debt equity of one etc. So these three give us almost in the region of INR700 crores, INR800 crores to be invested for the year.

INR700 crores to INR800 crores to be invested within this year which is exactly the target should give us a INR5,000 or INR5,500 crores of top line. Assuming that all of that or broadly most of that is going to be outright basis projects. On top of that there is always a possibility to get into few JDs and that should improve this ratio further, but conservatively speaking with an investment plan of this size to achieve a top line of INR5,000 crores to INR5,500 crores is looking pretty decent and achievable.

Dhananjay Mishra: And lastly in the Mumbai market as you indicated so what will be the nature of projects whether it will be JDA or some society redevelopment?

Kamal Singal: So we are generally exploring all the three options. Being a new market we will obviously prefer to remain asset light there. So general preference will go towards society development, redevelopment or JDA, etc, but otherwise in terms of exploring options we are open to all the three which is society redevelopment, JDs and outright purchase.

Dhananjay Mishra: Okay sir. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Ritwik Sheth from OneUp Financial. Please go ahead.

Ritwik Sheth: Good afternoon sir and congratulations on a consistent performance since the last few years. Sir, most of the questions have been answered. Sir, my question is relating to ROC and ROE of the company. Since we have been mentioning that P&L is not the correct metric to measure the profitability. How does one look at the ROC and ROE of our company where the capital employed is about INR500 crores as of March and we are generating healthy cash flow, but because of the P&L accounting standards it is difficult to look at ROC and ROE. So directionally if you can guide us how to look at these two numbers then it can be helpful for us?

Kamal Singal: I think you already hit the nail on the head when you said the real estate industry ROC, ROE, etc are a bit delayed to catch up on the actual business performance because of the accounting standard. We report what we did three years back in terms of sales and profitability while the real business is happening on a run-time basis which is today, yesterday and the last quarter. So that's how it works.

In that context, all of you are well aware that our current performance in terms of what is happening to the pipeline, what is getting added to that, what is the fresh sales, how the cash generation things happening, what is the operating level of efficiency happening, etc is more important generally speaking than the profit and loss appearing in the books of account as we see them for a respective quarter.

So that's all of us are well aware of that, but having said that I think this quarter our ROC if I can read the chart right is to the extent of 16%-odd which is also one of the highest in the industry. Mitanshu would like to say something about this one?

Mitanshu Shah: So basically if you look at -- I mean this should not be looked at quarter-on-quarter. This should be largely looked like companies which have done more sustainable business over the last half-a-decade or so. And if we put Arvind SmartSpaces their vis-a-vis the competition, I mean, we have been up from the chart actually with between 15% to 20% kind of ROCs actually. Industry has been somewhere around 10-percentage-odd actually. And we'll continue this performance going ahead.

Kamal Singal: So currently, ROC of 15% to 20% is the range that we are talking about here, I mean more like 15%, 16%, 17% and thereabouts. But yes, of course, you can vary between 15% to 20%. This is what we read from the past data and the current situation that we are talking about. Of course, future goals itself a little hidden. But yes, this is where we are on this. But you rightly said, there are other parameters which are even more involved than ROC per se to read as a stand-alone number for our industry.

Rithvik Sheth: Right. Sir, and 1 more question on the NH 47 project. We have mentioned in the presentation that we have done about INR95 crores private placement to a channel partner. So this will be sold by the channel partner or this will be sold by us? How does this part work?

Kamal Singal: When we say channel partner private placement, this is something that we have been doing consistently for some very large projects. So if the project size is too big. So if you are suppose to sell ultimately 3,000 to 4,000 kind of units in a project, then you want to do 200, 300 units of pilot run. And that you do only through a limited set of people who work with you consistently.

Now based on the actual bookings done by these people. This is not sold to the partners per se. This is booking done by your close network partners, they go out and they don't say that this is a launch, launch per se because we are not telling this to the public in general sense. We don't want to take the fizz out of the whole thing in that sense. But still want to test market through, say, 400, 500 people or customers that generally are interested in us through these partners.

So that's what we have done. This is essentially to validate the product, the size, the price and the interest. That's what we did. And it turns out that most of the boxes that we wanted to check have been checked through this test sale. This is actual sales done to end consumers. But the partners are very selected. Partners are a limited set. And the word has not gone out really in that sense to all the consumers and customers for this project in a limited way in that sense.

Rithvik Sheth: So this is like an exclusive kind of...

Kamal Singal: Correct. Exclusive but sold to the end consumers, advances received that kind of a situation that we have. We know the customers, the customers have been booked -- I mean all formalities are done, money received, checks received and those customers are customers already. As far as they are concerned, as far as our systems are concerned, this is already sold and a specific names and everything has been recorded as buyer-seller. So It's proper sales in that sense, from process point of view.

Rithvik Sheth: Okay. Got it. And sir, just what would be the ticket size like the starting ticket size in NH 47? And how many units would there be over the INR1,500 crores GDV?

Kamal Singal: Generally, we'll disclose this during the launch. But it has several products. There are low-end products in terms of pricing. The entire project is absolutely premium and luxury and stuff like that, but there are small products available. Those smaller products will be more like INR50 lakhs, INR60 lakhs onwards. But these are very small things within the product that we're talking about, and there will be premium, there'll be ultra-premium.

For example, there'll be villas, which will be called water villas on the edge of a huge lake that we're creating, so those could be exorbitantly expensive. But yes, when it comes to the smallest ones, possibly INR50 lakhs, INR60 lakhs, INR70 lakhs thereabout to start with.

Rithvik Sheth: Got it. And sir, just 1 last question. We maintained the launch guidance for INR2,500 crores in current fiscal year, right?

Kamal Singal: Yes, correct.

Moderator: The next question is from the line of Prem Khuranafrom Anand Rathi. Please go ahead.

Prem Khurana: Sir, first of all, congratulations for good set of numbers this quarter on operations side. I mean, I understand P&L tends to be lumpy. Sir, my question was with respect to the organizational restructuring that you spoke about in your opening remarks and I'll try and understand this a little better, I mean, in terms of how the decision making work? Because I mean, as I understand, real estate, I mean, it's more about capital allocation, right.

So now you have 2 CBOs, one for South and one for West and -- I mean it's not a problem with us as of now because our balance sheet is very, very clean and we have means to kind of augment our resources even further. But ultimately, eventually, there will be a push -- pull from both the CBOs to kind of get them or allocate them the maximum possible number, right, because they would want to deliver as much as possible in their regions.

So how is the decision-making work? I mean, if you get to have similar sort of opportunities in terms of guardrails, in terms of thresholds, would you predefine what would go to South and what would go to West or I mean that will be done on a case-to-case basis? And also, I mean, when I look at our management profile, I mean, we have Mr. Saurabh Agarwal as Head of Business Development, which is the HO profile. So how are the BD work? I mean, the deals be sourced by Sharvil's or Manoj's team or Mr. Saurabh would still be able to go and do it on his own?

Kamal Singal: Great question. Obviously, when you are dividing the business into different geographical regions, there will be competition between the regions, at least for the resource, which is the most case one out of all, which is money. That's what happens in any case. So even before we did this reorganization at the senior management level, essentially, the regions are working in any case and there were people and teams working, respectively, for their respective regions.

So there was a team, there always has been a team which is active in Bangalore, there has always been a team which is active in Ahmedabad. And obviously, there is a focused team working in Pune and Mumbai put together for a longest time now. So to that extent, this competition always has been existing. It's only that we are putting a little bit more clarity into the whole organization structure aimed at mainly to be more responsive, critical decision-making.

And at the same time, the most critical ones, the end-end selection, the finalization of our project irrespective of the region, etc., that call is taken centrally. The regions will pitch. They pitch, they explain and we do everything. But end of the day, the final call happens at head office. This is one area where our lens is possibly much more finer than the average industry lens that is normally applied.

God has been kind in properly sole the systems and process are working where every single project of ours till date has hit the market has sold well and there are no stuck ups, etc.. I think this is a very conscious effort apart from being lucky. But that's possibly one thing that we will continue to do it. Head office will remain absolutely involved and they will take the final owners call and kind of responsibility for doing or not doing a project. But region, obviously, for healthy reasons, should compete and they will continue to compete.

You also said specifically about the organizational structure. I think this organizational structure is something which is, again, a matrix structure, which you see in most of the companies, where while business heads for the region are responsible for P&L, etcetera, but they have to compete for resources. And there is a head office team, which works to scrutinize everything, every recommendation and finally taking a view. So sort of remains at the helm of everything when it comes to taking the final call from head office point of view in that sense. So nothing changes really on ground.

Prem Khurana: Sure. And sir, second question was on Pune. We have spent some time now, I mean, as I see it, we've delivered some inventory in Elan this quarter, which essentially completed 1 cycle in terms of scouting for a land parcel acquiring getting the project up and running and delivery. So that 1 cycle is already done with possible share your thoughts on Pune now in terms of our learnings and how do you see this market will scale up in the future? Because the 1 cycle and the pilot project is almost there now for you to get some full learnings from.

Kamal Singal: Sure. So we see Maharashtra as a market, which for us means Pune and Mumbai, MMR, so to say. And as you very rightly said, we have kind of wetted our feet in this market through Pune project a small 120-odd apartment, INR100-plus crores of top line potential, etc. So that's done really. Project has come out very nice. We are happy about what we've achieved in terms of quality, etc. And it has obviously given us a lot of insights into the regulatory environment the cost environment, the operating environment, etc.

And this gives us confidence that we can now take a next step. If you are treating Pune, Mumbai as 1 market, I think we are very close to taking the next step in terms of investing bigger and creating a portfolio which is meaningful for us. We have been a little slow in that sense -- in any horizontal market so to say. And that's what the strategy has been that we need to really significantly

-- we really need to understand nuances deeper and deeper before we invest anything substantial. But I think we've crossed the bridge in this market. And in the coming quarters, you will see a decent kind of action and stuff has been there.

And Pune and Mumbai put together, it should become meaningful in our portfolio in the next 1 or 2 years. As we have been speaking even in the last call, we discussed that long term, we want to see -- at least medium term rather, we want to see a 40-40-20 split; 40 South, 40 West, 20-odd percent coming from Pune and MMR. And in the long term can change and evolve even further. But today, we are saying that in medium term, it should be 40-40-20 or thereabouts between these 3 markets.

Prem Khurana: Sure. And 1 last question, if I may get your permission, for Mitanshu sir. This quarter we spent some INR60-odd crores for land acquisition. I mean, fair volume this would be for the additional area that we've acquired at Amod, I mean, Upland 2.0 & 3.0 the 42 acres of area? Or these are payments for the old acquisitions?

Kamal Singal: So the INR60 crores will comprise of several things actually. As you very rightly said, this additional INR42 crores is one of the major components but there are other additions as well which have happened during this quarter. We would have advanced a little more on other acquisitions. But yes, this is one of the major ones the 42-acre addition, which has come about.

Moderator: Thank you. The next question is from the line of Eesha Shah from Axis Securities. Please go ahead.

Eesha Shah: I think most of my questions are answered. I just wanted to understand for your Mumbai project portfolio, do we see the upcoming launches in the Central Mumbai area? Or are we seeing the outskirts of Mumbai as well, which would be the Thane-Ulwe area where the new airports are launching?

Kamal Singal: So I think in the last few calls, we made quite apparent that we are not trying to target to start with at least anything which is like a INR1 lakh per square feet or even a INR50,000, INR60,000 per square feet kind of a thing. So we're not really targeting Central Mumbai at all. We'll rather be focused on a INR15,000, INR20,000, INR25,000 kind of peripheral market. That's what our focus has been. And we think that this is a market where the pie is big and we could really differentiate ourselves and create that value that we aspire to do. That is one part of it. The other part is going even further into the peripheries and do something horizontal.

Mumbai has a huge potential and requirement and aspirations and capabilities and willingness to buy horizontal for a weekend, for leisure, for recreation those kind of things. And I think very broadly underserved market like this with so much of money being there. So these are clearly 2 focus areas: outskirts for weekends and peripherals, INR15,000 to INR25,000 kind of markets, more like a Mulund or areas around it, etc., Thane, Upper Thane those kind of things. But definitely not focused on Central Mumbai ultra expense, INR1 lakh-plus, INR70,000, INR80,000 plus kind of peripheral products.

Eesha Shah: Okay. So -- it will be land ownership, right? The weekend projects that you're talking about, that would be land ownership or those will also be in the JV redevelopment DM likes?

Kamal Singal: So we're open to all. I mean we are open to JD as we just discussed a little while back. JDs are quite okay. Redevelopment is quite okay. Society, we are not talking about slum here. We're talking only about private society development. And JD of course remain relevant. Asset light is one of our important part of financial strategy. So we'll prefer JDs and society developments a little more than outright purchase in Mumbai, which is a little more capital heavy on land purchases. But nevertheless, we are open to all the 3 and we work on all the 3 parallelly.

Eesha Shah: Okay. So we'll see a similar kind of margins for these projects as well, right?

Kamal Singal: Yes, of course. I mean margin-wise, I mean, we know that horizontal margins are a little different from the built-up margins. Of course, then the capital intensity also goes down and up accordingly. The product mix has its own dynamics and pretty understandably in that. So then we are targeting similar margins in each of the respective categories for this market as well as we keep doing it for Bangalore, for example. Bangalore we have verticals, we have horizontals, we have JDs, we have outright. So between these 4, 5 blocks, the message is clearly understandable in terms of where the margin should be and that's what exactly is something that we are targeting for the market of Mumbai.

Eesha Shah: Okay. And the last thing is for our future project mix, like, say, for example, 4, 5 years down the line, what are the kind of launches? Do we see more towards Mumbai and Pune market? Or will the same ratio continue more towards the Ahmedabad and Bangalore and a little bit towards the Pune, Mumbai market?

Kamal Singal: So right now, we are more like 50-50 between Ahmedabad and Bangalore. I mean, sometimes Ahmedabad will be 60 and Bangalore will be 40; and sometimes will be the other way around. We've just started doing a few things in Pune and Mumbai should just start now. But as I just said a little while back, medium term, we are targeting a broad categorization of 40-40-20, 40% each coming from Bangalore and Ahmedabad and 20% thereabouts coming from Mumbai, Mumbai and Pune together.

Moderator: Thank you. The next question is from the line of Amit Jain, who is a retail investor. Please go ahead.

Amit Jain: Just a couple of questions. So, sir, currently, we have 15 projects which are ongoing, 14 more are to be launched plus we will do some BD this year 6 to 7. So that effectively becomes 37, 40 odd projects. How many projects can be handled at a time? What's our capability like?

Kamal Singal: So I mean we'll rather read the capability and capacity in terms of number of handling projects more like when and how much do we invest in building these capacities and teams. We have been consistent about investing upfront in our teams and human capital. We are ahead of our time. So if we want to sell INR1400 crores, INR1500 crores this year, we know what it means in terms of the pipeline required, the BD effort, the launch effort, the sales effort and the execution effect, et cetera and accordingly build. So today, possibly, we will rather be preparing ourselves for a INR2,000 crores sales and other things falling in line accordingly, et cetera.

So we've been investing upfront. You would have seen quite a few changes, Mitanshu has just joined. He is the most senior person in our industry coming from Alembic. You would have seen Avinash 3, 4 years back. So the whole team is being created keeping at least 3 years ahead from where we are today and that's how we invest.

And you will see that this basically has been taken care in terms of creating those capacities and capabilities within this. So we are investing upfront, a very clear focus area.

We know that it's not only about acquiring projects, it's more about executing them. We have a fantastic execution record till date, but it doesn't give us any comfort to say that because we've done it in the past, the same can be done in future. A INR1,000 crores execution is orbitally different from a INR2,000 crores, and INR2,000 crores is orbitally different from a INR5,000 crores.

And each of these orbits require a very different kind of response to the environment and the challenges that it poses, especially for execution and that's what we absolutely recognize. Building team is the most important management KRA, and we are busy doing it. We're investing upfront, and we'll continue to do that.

Amit Jain: Sir, my second question is very project specific. So I was going through the slide and in slide, I could see that a few of the projects which have been completed for some time now, they are still unsold like Aavishkaar, around 22% of the inventory is unsold Megaestate, 57%. So what's our learning out of this? And how are we planning to sell off this whatever inventory we have and what are the timelines?

Kamal Singal: So, there will be a few projects. The entire inventory itself in our portfolio is not more than some INR600-odd crores left to be sold. And this little held-up inventory will be maybe 10% of that value, maybe INR60 crores, INR70 crores in total in the entire system, putting all these projects in 1 block. 10% percentages look high, but the values specifically are not very alarming. But having said that, we need to liquidate. There's no point in blocking this cash unnecessarily.

But in a business like Real Estate, if there's a project which holds up inventory for some little extra time, that's the reality of the situation. But as management, we obviously want to get rid of such inventory, we're taking steps to do that. In the overall context, and the proportion of the stock-up inventory, I think there is reasons to believe that it's quite reasonable well within our control. And whatever is this left over, I think we should be cleaning this off.

Moderator: Thank you. The last question for today is from the line of Akshay Kothari from JHP. Please go ahead.

Akshay Kothari: Sir, my question is more concerned with the strategy. So generally, Real Estate works in cycles and if we don't diversify, but there are certain companies who have actually diversified and made it more of a structural sort of things like annuity-based businesses. So if I take an example of Oberoi, it goes more in depth rather than going in breadth. So just wanted to know, since in Ahmedabad, we have a considerable standing and good name, are we looking to move for commercial projects, malls sort of projects wherein the annuity is much more structural rather than cyclical?

Kamal Singal: So it's a great question, especially from an investor standpoint, annuity-based portfolio does give a little more stability and visibility. But we have been consistently sort of discussing the fact that company remains very clearly focused on residential market, at least in the short, medium and longer term at this point.

This has many reasons, and it's a very thought-through kind of strategy this season. This has a lot to do with the cash cycles, the funds availability, the turnaround times and the expectation of growth and expectation of reinvestments from monies coming into the business from what we earn from the previous projects, given the lifecycle that we are in, given the situation that we are in, given the aspirations that we have in terms of growth and creating value for the shareholders, etc.

I think it's prudent to for us to utilize the scarce resource, which is funds or the money in the most optimal way. We think that at this stage at least, it's important to generate cash. It's important to invest faster and re-invest the same money at an IRR more like 20%, 25% rather than trying to have short-term cash flows, it will be significantly less in a yield-based business.

So while this importance of yield-based asset class is absolutely understood, it has its own merits. But I think our company will remain focused at least in the medium term on creating values by investing in products and projects which are more cash flow oriented, which gives us faster cash and can be invested and same can be invested at higher IRR than a yield-based business.

Of course, this is a strategy, and this is trajectory we've taken for today and for some few years going forward. But we'll keep evaluating it. At this point, it's very clear that we'll remain focused on residential buy and sell and liquidating stock at the earliest possible once we acquire any rights or land, etc. And I mean, annuity-based things are not a priority at this point but we will appreciate the fact that, that also is an important category per se.

Akshay Kothari: Because after a point when you reach certain scale, then this actually helps because currently, we are saying that there are times when unsold inventories will stay as unsold inventory for a lot of period of time. At that point of time, this will act as a cash flow cushion and help us to grow, that's what my concern. And secondly, sir, are we looking something around Lothal and Nalsarovar because I think Lothal museum is coming and Nalsarovar, there are some plans, big plans by the Ahmedabad Municipal Corporation?

Kamal Singal: Yes. So if you were to look at, Nalsarovar is a wider area, we already have quite a bit of presence. I mean wider 20-kilometer radius or thereabouts, I think we are already there in a very, very strong way And Adroda, which is uplands 2, uplands 3, and even Kalyangarh is not very far from this area. Directionally, this is the same in any case, a very strong presence in this area, Nalsarovar. Lothal is a little too far, it's further away from Nalsarovar in the direction that the city is taking, so will be not there. But, I think, if you want to go to Lothal, then Kalyangarh, which is NH 47 project, it's on the way.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Kamal Singal for closing comments.

Kamal Singal: Thanks a lot, everybody, for participating in this earnings call of Arvind SmartSpaces. And thanks again for your continued support. I hope we have been able to address most of your queries. However, if there is anything missed out on any of your questions, kindly reach out to Vikram, and he will connect with you offline and clarify to give further information as may be required. Looking forward to interacting with you once again in the coming quarters. Thanks a lot for your time.

Moderator: On behalf of Arvind SmartSpaces Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings. Since it is a transcription, it may contain transcription errors. The Company takes no responsibility of such errors, although an effort *has been made to ensure a high level of accuracy*