9th August, 2023

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 Thursday, 3rd August, 2023 to discuss Q1 FY 24 Results of the Company.

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

Thanking you,

Yours faithfully,
For Arvind SmartSpaces Limited

Prakash Bhogilal Makwana
Digitally signed by Prakash Bhogilal Makwana
Date: 2023.08.09 18:57:37 +05'30'

Prakash Makwana
Company Secretary

Arvind SmartSpaces Limited

Q1 FY24 Earnings Conference Call
August 03, 2023

Moderator: Ladies and gentlemen, good day, and welcome to the Arvind SmartSpaces Limited Q1 FY '24 Post Results Earnings Conference Call. 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. Thank you, and over to you, sir.

Amit Sharma: Thank you, Zico. Good afternoon, everyone and thank you for joining us on the Q1 FY '24 results conference call of Arvind SmartSpaces Limited. We have with us today on the call Mr. Kamal Singal, Managing Director and CEO; Mr. Ankit Jain, Chief Financial Officer; Mr. Avinash Suresh, Chief Operating Officer; Mr. Prakash Makwana, Company Secretary; and Mr. Vikram Rajput, Head, Investor Relations.

Please note that a copy of the disclosure 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, which reflects the outlook towards the future, which could be constituted as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces.

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: Good afternoon, and a very warm welcome to everyone present on this call. Thank you for joining us today to discuss the Operating and Financial Performance of Arvind SmartSpaces for the First Quarter ended 30th June 2023.

I would like to begin by sharing my thoughts on the real estate environment and broad highlights of the quarter. We then look forward to taking your questions and suggestions.

The Indian economy continues to move forward strongly, driven by the confluence of a large number of varied positive attributes and is widely expected to emerge as the third largest globally by the turn of the current decade. Factors such as formalization, urbanization, employment generation and mass affluence will certainly underlie the transitions likely to be seen in the country. These very trends also support the accelerated growth in the country's real estate sector as the need for both comfortable as well as aspirational homes continue to drive long-term demand.

As we all know, the real estate sector has already been experiencing a period of momentous growth. Most recently, the central bank's pause on rate hikes has improved borrowing conditions. Furthermore, historically low inventory levels have fuelled a sense of urgency among buyers, leading to heightened demand and this has further supported firmness in property prices. With a trend of improved household savings and higher disposable incomes, individuals now have greater financial flexibility and confidence to invest in properties. These combined elements continue to strengthen an already robust growth outlook for the real estate market, offering a promising landscape for both investors and homeowners. Prominent experts in the Indian property market are projecting a strong year ahead, with forecasts indicating a collective surge in sales of around 10-15% across the residential, commercial, and retail segments.

In a market that is consolidating towards organised corporate developers, Arvind SmartSpaces Limited represents a new age Indian real estate company synonymous with design, brand, governance, trust, legacy and track record. We have distinguished ourselves not just by scale but by scope. Not just by size but by style. We are engaged in the development of distinctive customer-centric properties – spacious and aesthetic – that are designed to enhance the quality of life of its customers. We enjoy strong scalability in horizontal and vertical developments, across targeted geographies of Ahmedabad, Bangalore and Pune. We have achieved a critical mass in operations marked by healthy profitability and operating cash flows. The Company is net debt-free, among few Indian listed real estate companies to enjoy this distinction. These distinctive capabilities are the result of an overarching commitment to our philosophy: 'Designed to Inspire.' Our transformative philosophy makes us confident of capitalizing on the sector opportunity in a meaningful way while maintaining financial discipline.

Coming to our Q1 operational performance, we delivered 14% YoY growth in sales booking at Rs. 135 crore, which was largely driven by sustenance sales in ongoing projects. While sales are expected to accelerate through the rest of the year on the back of further impetus from new launches and project additions, we are pleased to share that we recorded our highest ever quarterly collections from customers for the third straight quarter. Q1 collections increased by 54% to Rs. 204 crore, which took us beyond the Rs. 200 crore milestone for the first time in or corporate history. This, we believe, is an important achievement from our organizational perspective – given that it allows us to accelerate the virtuous operating cycle of sales, construction and delivery to create a positive ecosystem for our brand among real estate customers.

More recently, we have added two new horizontal multi-asset township projects added in South Ahmedabad spread across 704 acres with a top-line potential of about Rs. 2,300 crore. Both the projects are signed under the joint development model enabling low capital intensity and higher returns. NH 47, South Ahmedabad is spread ~500 acre with a revenue potential of ~Rs. 1,450 crore and our economic interest is 50% revenue share. Bavla, South Ahmedabad is spread ~204 acre with a revenue potential of ~Rs. 850 crore and our economic interest is 55% revenue share. We have also signed a Development Management (DM) agreement to develop a 16 acre township at Moti Bhoyan, near Ahmedabad with a potential of Rs. 116 crore. In Ahmedabad alone, we are now actively developing approximately 50 million square feet through our ongoing and planned portfolio. With the addition of these new projects, we are poised to expand our presence even further and solidify our position as a leading real estate development company in Ahmedabad.

Now, moving on from operational updates to the financial highlights – in Q1 FY24, we reported revenues of Rs. 67 crore, up 11% YoY. Adjusted EBITDA for the quarter was higher by 19% YoY to Rs. 16 crore whereas Profit After Tax grew 11% YoY to Rs. 8 crore.

Our Balance Sheet position remains strong despite expanding operations. Supported by strong generation of Operating Cash Flow – amounting to Rs. 111 crore in Q1 – we closed the quarter with a net cash position of Rs. 87 crore. Our Q1 Operating Cash Flow was more than half of last full year's cash flow, allowing greater operating flexibility and creating the potential for driving further growth on a robust balance sheet. This strong position has been reached despite sustained outflow of business development activities. Further, we estimate an unrealised operating cash flow exceeding Rs. 2,100 crore from completed, ongoing and yet to be launched projects.

To close, I would like to reiterate that while the industry demand supply remains healthy, consolidation and corporatization continue to improve prospects for branded players. A strong brand, expanding geographical presence, innovative product mix, prudent capital allocation and pursuit of operational excellence should allow Arvind Smartspaces to continue its trajectory of profitable growth. We look forward to drive scale with new launches and project additions across Ahmedabad, Bangalore, Pune and MMR.

Moderator: Our first question is from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Congratulations for the entire Arvind Smart team for executing this large 704 acres project of Rs. 2,300 crore. That is what we have guided, that the business of close to Rs. 5,000 crore we are embarking upon, and I think it's a great achievement on that count. So my couple of questions.

My first question pertains to the initial -- this Rs. 2,300 crore, I think we have already included that number in our cash flow estimation close to Rs. 500 crore has got added. So just to get a sense that, to my mind, it is not on the HDFC platform. And what is the initial investment until the launch stage that will be required to bring these projects on ground? And when can we expect the launch of these 2 large projects.

And the second question pertains to specifically in the Bangalore project, Sarjapur and all the launch, which was -- we were expecting in Q1 has got a little delayed. So if you could explain us when can we expect that now? And what are the time lines for that launch? And because of that little presales numbers are close to Rs. 135 crore, a little short of our expectations. So what is now the guidance for the FY '24 in terms of achieving the presales numbers, the growth that we guided initially of 20%, 25%? Is it still on or not? So that is the second question.

And third is the project pipeline. We have already done this Rs. 2,300 crore. So what sort of further project pipeline that you are envisaging for this FY '24 or maybe FY '25 will be really helpful, sir.

Kamal Singal: Thanks a lot, Bajrang. I take your questions one by one. And you're right that these 2 large projects, new projects in Ahmedabad are not under HDFC platform. And whatever nominal investments are required in these projects will be done directly by us and HDFC platform will not be a partner in this. So that's one, because both these projects are joint development projects.

And the second part of the question regarding how much we need to invest in these projects. The simple answer is that because these are joint development projects, hence, the initial investment is going to be very, very nominal. And obviously, that means these are going to be very, very asset-light projects, very similar to what we've been doing in Uplands or Highgrove, etc.

The next question you had was about the launch time line of these projects. While these are very large projects, we have already started very, very aggressively designing and planning these projects. These are large master plans and multiple products like plotting, like villass, like recreational facilities, etc. are being planned on these. And hence -- but I can assure you that these are coming sooner than later.

On the first one, which is the smaller the two, around 200 acres, should be launched at least Phase 1 of that project should be launched in the next 2 to 3 months' time. That's the target internal. And we are hopeful that, that should be achieved.

The other one possibly can take a few more months because we are getting into some international architects and designing the project keeping a very long-term plan in mind. But we're still trying to see if we can launch this within this financial more like in the Q4 of this year. So that's the launch time line for these 2 projects.

Yes. On the numbers, INR135 crore has been achieved in this quarter. But you might have noticed that broadly this is sustenance sales. In fact, sustenance sales has come out to be a little better than what our internal predictions have been. But yes, we have not launched any new project for this quarter. But as we build, some of our launches are a little back-ended for the year, but we are very hopeful and we are working towards the objective of achieving our stated objective of achieving growth at the rate of 25% to 30% over previous years in most of our parameters, and we are very hopeful that this should be achieved and we are working on it. So target remains the same. No change there as such, a little low on the Q1 numbers, yes, but that's broadly sustenance, but back-ended launches are planned and they are moving as per our expectation, and they should hit the market as new plan from here onwards. So broadly, we are still keeping the same target, and we should be able to achieve it.

Further, your last question, I guess, pertains to the overall investment and project pipeline. If you recollect in the last call, we said that the idea is to invest around Rs. 1,000 crore in total this financial year. We are moving very fast on this, currently as we speak, we've just announced these 2 projects, but the pipeline is strong. Quite a few things are happening and we are at a fairly advanced stages of a few of those projects. And we are quite hopeful that this target of spending Rs. 1,000 crore should happen within this financial year. So that's also looking like broadly on track.

Moderator: Our next question is from the line of from Ritwik Sheth from One-Up Financial.

Ritwik Sheth: Yes. Sir, you have given upcoming projects from Slide 16 to Slide 23. My question is that there are quite a lot of projects, 6, 7 projects which are in pipeline, 2 of them, which we have acquired recently. So what kind of launches we can see for the rest of the year from FY '24? You just mentioned that it's planned to be back-ended, so can we expect 3, 4 projects to be launched from the 7, 8 projects in pipeline in FY '24?

Kamal Singal: You're right. I mean quite a few projects are listed in the presentationFew of them that are in any case planned to be launched. Sarjapur Villa project is almost ready to launch because of changes in the administration, etc., last few things are happening and it should be launched any time from now. So that's one.

Then we are also targeting to launch Doddaballapur in next few, maybe a couple of months or thereabouts. That is also slated to be launched there. Greatlands remaining phase has to be launched. This will also come within a couple of months or 3 months' time from now. North Bangalore is another project which we are targeting to launch. So that's upcoming, and it should be launched within this financial year in any case.

Apart from that, the 2 new projects, which we just announced, one of them should be launched in next 2 to 3 months' time. The other one is targeted to be launched more towards the end of the year, and we are pushing to ensure that somehow it is launched in Q4 of this year. But nevertheless, the first one, 200 acres Bavla should be launched in next 2 to 3 months' time from now. So broadly, most of the projects that you see as upcoming are coming under launch in next few months.

Ritwik Sheth: And just one follow-up from previous participant's question on the investment. You mentioned that we're looking to invest Rs. 1,000 crore in FY '24. So obviously, this includes HDFC as well, right, HDFC investment?

Kamal Singal: Yes.

Ritwik Sheth: Just wanted to clarify that. And sir, last question from my end, we are looking to foray into MMR, mainly in Pune. Pune, we have a project and in outskirts of Mumbai as well. So any progress on that front?

Kamal Singal: There is nothing much that can be shared at this point in time, although the activity level and the engagement levels with the market for the pipeline and for the project acquisitions, etc., is very, very hectic here. Not in a position to really specifically talk about something because they are not finalized yet.

But yes, the team is out there in the field. We are evaluating quite a few projects, both in Pune and MMR. And hopefully, within this year, we should be able to start a couple of such initiatives in these 2 cities.

Ritwik Sheth: And just one last question. So, this investment of Rs. 1,000 crore, bulk of that would be in Ahmedabad and Bangalore and some of that would be in Mumbai, Pune -- MMR, Pune. Would that be a reasonable understanding?

Kamal Singal: So if I were to recollect our earlier discussion maybe in the previous one or the previous to previous call, we have kind of planned to invest 40% each in Ahmedabad and Bangalore in the medium term and around 20% in MMR and Pune. Pune and MMR is a bit low because we want to make sure that we are firm-footed in these two markets, and we build cumulatively on our experiences there, treating these markets as local ones and hence, the proportion. So in the medium term, just to reiterate, 40-40-20 should be a broad plan in these 3 cities.

Moderator: Our next question is from the line of Biplab from Antique Stock.

Biplab: Sir, my first question is, can you give us some insight on life cycle of a plotted or a Bangalore project in terms of time line and cash flow. I'm basically trying to understand how horizontal projects depend from, say, mass housing vertical in terms of cash flow and time line. So this is my first question.

Kamal Singal: You're talking about a typical plotting project in Bangalore, right? If, for example, Greatlands could be 1 of the benchmarks there. That's what you're asking, generally.

Biplab: In general, sir, just trying to understand how the cash flow comes? How the cost goes? How long it takes for the project to be delivered and how quickly the cash flow -- I'm just trying to understand that part, a timeline as well as cash flow. Typical project, any project sir that you can give as a typical project.

Kamal Singal: So typically, a large plotting project will have phases because you aggregate lands in phases only unless you have something like 100-acre aggregated in one shot before you launch, which normally in a company like ours is not the case, we would rather prefer to ready first 30, 40 acres for Phase 1 launch and simultaneously continue to add more land as we go ahead. That's what we've been doing in particularly every project that we are doing of this nature.

So assuming 30 acres to be off phase, that phase gets consolidated or purchased first from the land standpoint. And then it goes into approvals, conversions, etc., which takes 6 to 8 months' time in getting all the approvals. Post launch, the process is not very long, and the cash flow cycle is not very long, 30 to 40 acres should get developed in 18-odd months' time from launch, and that's how it gets delivered. And in that sense, cash flows ideally, if we sell 100%, should come 100% in 18 months from the launch date. So maybe 8 to 9 months of approval cycle and 1.5 years' time to launch and sell and get the cash flows in. That's the typical phase of a plotting scheme. And if Phase 2 for that matter starts in 6 months from the Phase 1 of launch or whatever, then it gets dovetailed with the similar time lines thereafter.

So this is a typical cash flow launch and kind of completion cycle for a typical plotting grid. Of course, these are better days, good days and hence, sales cycle is shorter. We end up selling faster than what it used to be a few years back. And hence, cash flow cycle is restricted to the development cycle, which is 18 months. Otherwise, it could be 3 months to 6 months here and there. And in any case, we should be able to wrap up some projects in 24 months, if not in 18 months.

Biplab: And the second question is, just trying to understand the HDFC platform. So suppose you have projects in HDFC platform, which have been launched and those projects started generating cash. So, what happens to the net cash flow, in the projects of those HDFC platforms. Are they distributed among the shareholder or those net cash flows that flowed back into the projects or business development in the platform?

Kamal Singal: So there's a pre-agreed waterfall mechanism in the agreements with any platform, including HDFC. So whenever cash starts pouring in, obviously, with the kind of velocities that we are talking about in a plotting scheme, our cash flows are much faster than what we could spend having spent money on land already on development of cash flow, incremental cash flows are very small. So you end up having surpluses almost from day 1 of your launch. That's what has happened in 3 or 4 plotting projects that we would have launched in Ahmedabad and Bangalore, both together.

And those cash flows will start going to the partners of the platforms based on a pre-agreed formula and waterfall mechanism. So they start getting repaid, principal and interest simultaneously as we go ahead in the projects.

Biplab: So both you suppose there is a surplus cash flow of Rs. 100 crore from net projects, and that project won't be needing money. So you will start distributing as per the pre-agreed waterfall mechanism. And you will get some amount and they will get some amount, right?

Kamal Singal: Correct. So we'll keep paying and repaying immediately once the cash flow starts getting generated. And obviously, that is repayment of the loan under that specific SPV for that specific project. Otherwise mother agreement, which is a platform remains as it is and we keep drawing money for the future next projects as we keep agreeing on new projects like we are doing right now. But I mean, from the point of view of repayments, yes, project-wise we keep repaying as project-specific cash flows are generated in the platform.

Biplab: And is there any priority cash flow distribution to HDFC and/or is there kind of skewed distribution. I'm just trying to understand, are the sales first and then you or there is a skewed distribution. How is it, sir?

Kamal Singal: That mechanism varies from platform to platform. For example, on priorities of cash, etc., Platform 1 will be very differently configured as compared to Platform 2. And as the risk-return ratio would be expected to move in case we give more priority to the outside of the partner, then obviously, the ultimate returns are supposed to be lower. And if the priorities are similar and same and balanced in favour of both the partners, then comparative cost will be a little higher compared to the first model. So this varies from platform to platform.

And in this case, what happens in the current platform, if you were to talk specific, we also have a DM fee that we charge on top of the cash flow arrangement in the waterfall arrangement, which comes thereafter. Of course, everything is broadly subject to cash being generated in the business. So these are kind of long-term infusion capital in that sense. And before such distribution starts, we are allowed to take out our DM fees from the platform per se, assuming that to be a cost of managing the project per se for Arvind.

Biplab: Sir, just one final question on this. So sir, when do you think the distribution from this platform would start coming to Arvind SmartSpaces? Because -- what I understand most of them are horizontal projects. Whatever you have invested and launched or to be launched, you would soon start generating enough positive cash flow. And so by when do you think and that will give you a war chest for further business development in the name of Arvind SmartSpaces? So just trying to understand, when do you think this money or the cash flows from this platform will come hitting Arvind SmartSpaces?

Kamal Singal: So cash flows have already started coming in. I mean, Arvind gets quite a handsome cash flows already from these launched projects. Greatlands, for example, apart from what we are paying to HDFC, there is significant money left for us to retain and invest and spend on various activities. So that's what is happening at this point in time.

In fact, based on the formulas and based on the agreements, we would have loved to pay even more to HDFC but then there is a formula defined. So we have enough and more money to be kept for us and to invest. So that's happening already.

In the other project, for example, Fruits of Life, again, we've generated quite a bit of cash flow already. And in fact, those cash flows instead of paying back to the platform, we have agreed that this will be straightway invested into some other projects and project is already acquired. And in this case, I guess this is a Doddaballapura Road. So we've already invested surpluses which have come to the platform and Arvind otherwise into the next project from the platform point of view. So rather than repaying and taking money again, we just reinvest it into the next SPV already.

Moderator: Our next question is from the line of Prem Khurana from Anand Rathi Shares.

Prem Khurana: So just one question on the way we think about project additional business development. So when I look at the quarter, we have done 3 transactions to very large layout, wherein the execution cycle would run in years, and you will also be required to probably deal with a cycle or two as well. And at the same time, when I look at the transaction, fairly small, I mean, generally, I mean the threshold that we look at in terms of absolute profitability, Rs. 116 crore with 10% share.

So I mean I understand the IRR will be infinite because you won't be required to put in any money, but then at the end of the day, you would have to commit some time from your management band to be able to manage that as well. So how do we think about when we are evaluating these projects, large layout versus question wherein the IRRs would be extraordinary. Do we tend to have different sort of hurdle rates when we are evaluating large layout versus a small quick churn projects?

Kamal Singal: So it's a great question. Couple of things that we are very, very clear about are, one, profitability. We don't want to be adding projects just for the sake of top line, it has to make sense to us in terms of returns on effort. And hence, a project addition has to make some material difference to our bottom line. And that's one prime criteria that we keep doing. And that's what is reflected in our numbers versus simply where the margins are fairly healthy and each and every project makes a lot of sense to us in terms of how much it earns, vis-a-vis the size of business that we create. So that is one.

The other is also the size of the project even if in percentages returns, 25%, 30%, etc. , but if the size is not great. And if, again, that goes down, the return on effort, as you very even pointed out, is not commensurate with the effort and the time and the bandwidth that we are supposed to be using on a project at a location, very, very pertinent.

Now while we have been doing this every single time, in this case, the numbers look comparatively smaller and they are looking, in fact, too small to start with. But the idea here is that DM is going to be a small component of our overall plan. This is just about second project out of maybe more than 25 projects that the group has taken up in the company where DM has been done. DM generally is low on absolutes. But then here, this phase of project that we have taken up in a larger, larger township that is otherwise owned by the owner, this phase is small. But the idea is that if we can just test market it and if you can set the proof right for this project for the landlords and for us, then there is a potential for this to become bigger and almost the same size as Forreste. Forreste as you know, is a 5 lakh square yard of township and we are not exactly clear on what is the development potential of this specific thing exactly, but of course, it has to be much bigger than what this project looks like today. And if it makes sense to us and the landlords, then obviously, the idea is to make this specific location and this specific project much bigger than what it is sounding.

So all in all, we are very conscious of this. We have been doing it like that, and this is how we are building the company. And this will be our prime criteria of taking any new project. And the mantra is to also ensure parallelly that return on effort is equally healthy as compared to the absolute for the proportion and percentage that we look at while evaluating a project.

Prem Khurana: Sure. And sir, just trying to continue on this, I mean, let's say, if I had to ignore the ample timing because not exactly compared with the other two. We have one which is 500 acres and there's another 200 acres. So the time lines would be different in terms of execution cycles, so the guardrails or hurdle rates where you generate target, would these be different with these 2 projects because one is where to spend more time?

So which is you need to do more work, I mean, in terms of assessing risk and wherein the other one wherein it's 200 acres. I mean, the execution cycle on a relative basis would be smaller or shorter than the other one, the other 500-acre project, so which is -- I mean the predictability could be somewhat better. So when you're evaluating these, would your guardrails or hurdle rates change with these 2 sort of projects given the size and the time that it will take you and the risk assessment that you need to do?

Kamal Singal: I mean I think it's like saying that if you direct a movie or if you are a director in cinema, how much time you will spend if you were to do a 1-hour movie or a 2-hour movie. I mean at the end of the day, it's about the passion and the connectivity you have with what you do. And hence, to that extent, there is a threshold of effort which is required, irrespective of whether it is making a little less financial sense or more financial sense. It's about screening in the first go whether or not you want to do a project, whether it is worthwhile doing or not. But thereafter, you can't be proportionate in the efforts and the attention that is required for a project.

Every project requires time. Every project will require attention and energy and the passion and that's what we do. Once the project is taken up, I think it goes through the same rigor of execution, design, controls, etc. as a big or a small project. So comparatively, yes, you are right, but that's a selection criteria. Once it is part of your family or one of the members in your larger family as a project, I think it deserves almost the same amount of attention that comparatively bigger would need.

So, in the short term, this is a constraint, but we would rather love to treat every single project with the same amount of rigor and vigour. Long-term projects are long term, but then they get launched in phases. To that extent, the effort also get kind of scattered throughout the longer life span of such projects. And hence, it's not that disoriented an effort required on larger projects on a per square foot basis or a per crore basis of margin, etc. So it is a natural hedging and natural spread in that as well. But having said that, the project is a project and it needs attention in design, it needs attention in execution, etc., and that's what we do.

Prem Khurana: Sure. And sir, in terms of geographic spread, I understand very large, I mean as far as Ahmedabad is concerned, the scope for us to kind of go deeper into Ahmedabad and further, Bangalore also. I mean we are present, and we are trying to have go deeper into that market. MMR, we are still planning to kind of build the pipeline and even Pune seems to be kind of where we've been focusing for a while now. But I mean, given the fact that we're planning to spend Rs. 1,000-odd crore, and I'm assuming when you do PDM and it will be a combination of outright JVs, DMs, Rs. 1,000 crore seems to be a fairly large number of kind of invest and spend.

Any markets other than these 4 that you would have evaluated in the recent past? And you would be willing to kind of go and try that market. I mean, for instance, I mean, we are one of the best when it comes to horizontal developments. And when I look at Gurgaon, at least for some time now, it seems like, I mean, there's demand for independent flows, plotted developments. And I mean the way it's been with the NCR in the past, right? I mean people there seems to be willing to accept or receive developers with proven track records. So would you be willing to kind of explore markets like NCR or for that matter, let's say, Hyderabad wherein people are willing to accept branded players with delivery track and don't mind paying a little extra to have that delivery comfort.

Kamal Singal: Sure. I mean, it's a great question in that sense. It's basically a question about balancing between width and the depth, right? There are opportunities all around us. One way to look at it is that all opportunities are right out there and we spread ourselves. But then are we spending too thin? That is a question that one needs to answer.

And the second answer and the second way to respond to this question is whether we are deep enough in the market that we are operating or we are targeting at this point, which are these 4 markets, to be forced to look around and go beyond these. So, the answer is that, yes, if you were to at this point in time with a Rs. 1,000 crore in our pocket, if you were to start looking around everywhere, we will be spreading ourselves too thin. And hence, it's a red flag.

The other way that I said is whether we have penetrated deep enough for us to feel saturated. The clear answer is no. Today, we have some 6, 7 active projects in Bangalore, I think we can easily double them. Having 12 to 15 projects active in Bangalore is not -- even that is not deep enough. You know the kind of numbers our competitors are doing there. And I think we have to target something like that. I mean, we still have to go a long way doing that.

MMR is an ocean, we're not even a drop, because we have not yet started. Pune, we are equivalent to a drop in the ocean and we test to expand. And Ahmedabad by the way, is one of the fastest growing and the kind of figures that we are seeing in Ahmedabad and the kind of investments which are flowing in.

And some very, very specific things happening make us extremely bullish about the city in general, which is not only about the growth that this country in general is experiencing, but also specific Ahmedabad triggers are very, very strong. And a couple of those triggers actually get materialized. Then the growth and the opportunity here we see is extremely large. Again, we are not too big in Ahmedabad. But of course, it is one of the largest in terms of area being developed on a year-on-year basis. But I think there is still enough, and more depth left in, by the way not even almost touched the high-rise segment of Ahmedabad. Ahmedabad, we are known horizontal large townships, golf, very high-end villas, mid-price villas, etc. We are just about scratching the surface of Ahmedabad, and still it is taking up some decent numbers for us, but I think significant scope to go deeper in Ahmedabad still left for us.

So I think we'll, in the medium term, only focus on these 4 markets. As a general knowledge and understanding and the dynamics, etc., we'll keep having a look at every single market being in the industry. But medium term, I think we'll be very, very focused on these 4 markets.

Moderator: Our next question is from the line of Rishikesh Oza from Robo Capital.

Rishikesh Oza: Sir, with respect to the launches for this year, are we looking to launch more than Rs. 2,000 crore worth of projects for FY '24?

Kamal Singal: Are you asking this about the total top line projection of those specific projects which are under launches?

Rishikesh Oza: Yes. Yes.

Kamal Singal: For sure. Yes. We should be launching Rs. 2,000-plus crore, yes.

Rishikesh Oza: And this should be totally our share, right? Like this includes the one that we have acquired and also the Sarjapur, Doddaballapura that we are going to launch.

Kamal Singal: In JVs, we normally would have something like a 50% to 60% share and thereabouts. But the top line, obviously, is all ours. It all comes and sits into our books of account because we own more than 50%, etc. So, from the numbers and our books and balance sheet point of view, these will be the numbers coming into our books of account, Rs. 2,000-plus crore.

Rishikesh Oza: Okay. And with respect to the revenue recognition, my second question is about revenue recognition point. What revenue are we looking to recognize this year? Or how much deliveries are we looking to do in this financial year?

Kamal Singal: Revenue recognition, I don't have the numbers to give guidance on. Maybe you could offline get in touch with Ankit, he will probably go through the query and figure out what is shareable, etc. with you. He should be able to help you to the extent he can on these numbers.

Moderator: Our next question is from the line of Naysar Parikh from Native Capital.

Naysar Parikh: Yes. So on the completed projects, can you give us a sense of -- we want to get a sense of what are the margins on just the completed projects. How are -- on the recent complete projects and do we see that trend continuing for the projects that we're going to launch and complete in the next 1 to 2 years?

Kamal Singal: Sure. So our margins generally at EBITDA level, historically, I don't have a very specific exact numbers, but historically, they are more like a 25% and thereabout range, the EBITDA margins. And current portfolio is broadly following the same trend. If you want to do no specifics project-wise, etc. I think they are there in the presentation or we don't share that. I mean Ankit if you could just be specific on this?

Ankit Jain: Yes. So project-wise margin, generally, we do not share. But having said that, we have clarified that a typical plotting project has X type of margin. Horizontal has Y type of margin versus a vertical. So with all the product mix which we have currently, we forecast that our margin should be 25% or more. That is what the guidance we've always been giving.

Kamal Singal: And historically, that has been the trend. I mean we are 25% and more on an average basis across projects which are completed or which are even currently under execution. From project to project there could be a little variation here and there, but on an average, we can broadly say that this is the kind of margin that we are kind of earning. And the strategy today of selecting projects is broadly the same.

Naysar Parikh: Got it. My second question was you spoke about the geographic expansion, but are you at any point in time considering to go lower down the rung in the sense for Tier 1 towns or something like that? Is that in the plan?

Kamal Singal: Not in the short term, not in the medium term. Absolutely focused on these 4 markets for the time being, at least in the short to medium term. And then to think about the rest of things, of course, then the Tier 3, etc., will be following the rest of Tier 1, Tier 2 first. So yes, at this point, no.

Moderator: Our next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities.

Dhananjay Mishra: Just one question. This Rs. 1,000 crore we are going to invest with HDFC. So how much money already invested and from those, what kind of revenue potential is already created and how much money you're going to invest more? And what kind of potential you see? I mean that is -- overall, you get Rs. 5,000 crore or revenue potential. So already -- how much money already invested?

Kamal Singal: So, we have confirmed and committed to a Rs. 300 crore project from the platform already. And the balance around Rs. 600 crore is yet to be done for the rest of the year. And in addition to that, some of our own investments will also flow and that will add up to Rs. 1,000-odd crore.

And you are right that in total, we are looking at something like of Rs. 4,500 crore, Rs. 5,000 crore of top line. It greatly depends upon the product mix at the end of the day. What is more important for us is to make sure that if Rs. 1,000 crore generates Rs. 4,000 crore to Rs. 5,000 crore and if that Rs. 5,000 crore gives you a 25% margin, then the margin that you earn from Rs. 1,000 crore is around Rs. 1,250 crore.

So, what is extremely important for us is to make sure that we earn an EBITDA of Rs. 1,200 crore and thereabouts. But the same money of Rs. 1,000 crore if it is invested in plotting project, for example, it gives significantly less top line, maybe more like a Rs. 2,000 crore to Rs. 2,500 crore. And if we invested the entire Rs. 1,000 crore into a vertical project kind of segment, then Rs. 1,000 crore gives you almost like Rs. 6,000 crore.

So on an average, at this point, the projects that we have taken so far under the platform are more horizontal and plotting and hence, top line might not be that great. But in fact, they might be outperforming on this Rs. 1,200 crore bottom line per se or the EBITDA per se because plotting is turning out to be a little bit better in terms of EBITDA margins for us.

And hence, to that extent, we are fairly on track on our margins. Do we have specific numbers on the Rs. 300 crore that we did, what is the kind of Ankit?

Ankit Jain: Yes. So out of the platform, we have committed Rs. 300 crore in Doddaballapur and Fruits of Life projects. And so far, the revenue potential for both these combined together is Rs. 800 crore.

Dhananjay Mishra: And margins?

Ankit Jain: Margins -- project-wise, we are not giving project-wise, but they will be better than -- there'll be more like Rs. 1,250 and more on a Rs. 5,000 crore top line. A little bit better than that.

Dhananjay Mishra: And upcoming projects, which -- where we are maybe in advanced stage in which we make moves in Q2, Q3 or Q4, So those will be on vertical lines or horizontal lines only?

Kamal Singal: I think we are wanting to create a fair amount of balance between the 2. And going forward, I think you will hear from us both kind of projects being announced, vertical and horizontal both. Horizontal, of course, remains a great focus area for us. But at the same time, I think we'll be adding a few very exciting vertical projects as well.

Dhananjay Mishra: Okay. And lastly, in terms of -- I mean, you said that cash flow from one project, which will start immediately that can be invested for new projects. So in that sense, because our share is close to Rs. 350 crore and because of this reinvestment, overall balance sheet size will not stretch much, that is a fair understanding?

Kamal Singal: Stretching of balance sheet size in what sense you said?

Dhananjay Mishra: Debt side, I mean our overall debt will not increase much when we create these kind of pipeline, let's say, Rs. 5,000 crore, Rs. 6,000 crore in next 1 year. So our overall debt size -- I mean our balance sheet will not increase much because of this reinvestment strategy.

Kamal Singal: Yes, reinvest, in fact, will ease out the debt cycle if at all, as such we are negative today. But what happens when we reinvest, it means basically, our money and their money comes back to us in the platform with margins and profitability. Right? And that gets reinvested into the newer projects.

To that extent, it is debt free in the essence, right? Apart from money getting reinvested and our money with margins getting reinvested in the same proportion as we had. And to start with the platform is not a debt product for us. And our own money with the margins is getting reinvested in the same platform. So it doesn't really add to the leveraging our debt levels and hence it actually helps in that.

Ankit Jain: But the idea is not to keep the debt levels at a negative, and we will continue to leverage the balance sheet to optimize the returns.

Kamal Singal: Today, it is negative, not a great idea. Of course we have to catch up with the investment cycle and make sure that this surplus is getting invested in the fastest possible instance that will happen. And at the same time, within very, very conservative and reasonable limits of leveraging, we'll be taking some bank funding so that there is an optimum level of capital and leverage and un-leverage going into the business and create value for every stakeholder.

Dhananjay Mishra: But our net debt will never cross Rs. 500 crore mark. I mean, for at least next 2 years perspective?

Kamal Singal: At this time, it's not something like anything more than that. We have always said the same very statement that, if at all, we will never cross more than 1:1 debt equity. And in practice, we have never actually crossed more than 0.7 or thereabouts. So I think even when we start leveraging, it should not be even close to 1, it should be less than 1, but 1 is stated red flag for us.

Moderator: We take our last question from the line of Shivam, who is an investor.

Shivam: Sir, can you give us the guidance for FY '24 presales, what you are targeting?

Kamal Singal: As a matter of policy, we don't give guidance specific. But just to repeat what I've been saying through various calls, we have been growing at a fairly consistent, healthy pace, and that growth rate in terms of top line, bottom line, EBITDA, fresh sales, etc., which are the most critical parameters to evaluate and understand the business and its trajectory. We've been growing at something like a 25% and a little more than 25%, 30%.

So the idea is to continue with that momentum. On a higher level in scale today, I think we are putting all the blocks in place to ensure that in a percentage growth, we maintain that. And we are putting all efforts and resources at this point to ensure that we do that.

Shivam: And sir, are there any pricing trends increasing in Ahmedabad market? Are the prices increasing in the real estate market in Ahmedabad?

Kamal Singal: Prices generally have gone up. Our prices generally have firmed up. In fact, there is a general trend of built-up property and land-based properties, both appreciating more than 7% to 8% or more like 10% in certain cases that we would have seen in the last 1 year. And that trend is still quite active. So yes, prices have gone up, and they are still on a trajectory of going a little more up at this point in time.

Moderator: Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions, I would like to hand the conference over to the management for closing comments.

Kamal Singal: Thanks. On behalf of the management, thank you, everybody, for participating in the earnings call of Arvind SmartSpaces and for your continued support. I hope we have been able to address most of your queries. However, if we have missed out on any of your questions, kindly reach out to Vikram, and he will connect with you offline on any pending questions or queries or suggestions. Look forward to interacting with you once again next quarter. Thank you very much for sparing time. Thank you.

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

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