14th May, 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 Tuesday, 7th May, 2024 to discuss Q4 FY24 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: 2024.05.14 16:56:15 +05'30'

Prakash Makwana
Company Secretary

Encl.: As above

Arvind SmartSpaces Limited

Q4 FY24 Earnings Conference Call
May 07, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 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 touchstone 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.

Amit Sharma: Thank you. Good afternoon, everyone, and thank you for joining us on the Q4 and 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. Avinash Suresh, Chief Operating Officer; Mr. Prakash Makwana, Company Secretary; Mr. Divyang Kansara, Head Finance; 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.

Kamal Singal: Thank you. And very good afternoon to everybody. Thank you for joining us today to discuss operating and financial performance of Arvind SmartSpaces for the quarter and full year ended 31st March '24.

The Indian economy has continued to show remarkable resilience and its performance has had a profound impact on India's real estate sector. As we look back at the year which concluded and envisage about the future, the landscape of India's real estate sector appears both promising and dynamic. The trajectory that the sector has embarked upon over the last few years, sets the stage for unprecedented growth and transformation. With each passing year, the prospects of real estate sector in India firm up, guided by shifting demographics, technological advancements, and policy interventions. Preferences have evolved across all segments, from affordable housing to luxury properties. MIG and upper MIG now encompasses smart homes, sustainability, and community-centric designs, reflecting a shift towards integrated lifestyles.

What provides optimism about the organized real estate companies consistently outperforming the unorganized is the vast sectorial room waiting to be converted. Around 80 per cent of India’s real estate sector continues to be unorganized. As more urban home buyers seek to buy into gated complexes as opposed to standalone homes built by unorganized players, we see the share of the organized sector in India’s real estate sector growing faster.

The noteworthy improvement in our FY24 performance is due to this widening opportunity for organized real estate players, and more importantly ASLs ability to capitalise on this transforming sectorial reality.

We are pleased to share that FY24 has been a landmark year of the Company with milestones achieved across bookings, collections and business development. The Company has recorded the highest ever annual bookings of Rs. 1,107 Cr, a growth of 38% Year-on-year. Brand Arvind continues to be received strongly by homebuyers across newer micro markets. Our new launches including Uplands 2.0 & 3.0, Forest Trails, Arvind Orchards and Rhythm Of Life, contributed ~70% of our booking value for FY24. Our Bangalore presence remains strong with bookings of Rs. 420 Cr contributing 38% to the total annual bookings.

From a quarterly perspective, we had bookings of Rs. 323 crore growth of 32% Year-on-year. We launched Arvind Orchards in Bengaluru in Q4 where we sold entire released inventory for sale in the 1st phase worth more than Rs. 163 cr within 7 hours. Further, we launched Rhythm of Life, Laxmanpura towards end of Q4 where we achieved sales of over Rs. 70 Cr. in Q4, ~75% of the launched inventory.

Over the years that ASL has deepened its competence and insight into the horizontal property development niche. The company is being recognized as among the thought leaders in urban life quality; it is being respected for developing 'Designed to Inspire' homes; it is being recognised for its capacity to create a market and then occupy the largest share. ASL constructed world-class club houses first within its plotted developments, creating a very significant traction for buyers. The result is that every single of our properties has enjoyed a post-launch traction that has only grown, this has helped us generate progressively better realizations. Additionally, the result of this positioning is that our customers have become our biggest marketing agents. In FY24, 22% of the bookings were through referrals.

FY24 marked an orbital change in our Business Development efforts and we acquired new projects with an expected topline of ~Rs. 4,150 Cr as against Rs. 930 Cr in FY23. We have added four new projects in Ahmedabad, and one each in Bengaluru and Surat. We look forward to sustaining this momentum in the coming year as well and to some extent re-pivot towards the development of apartment projects. I would like to mention here that, while all the launches during the year were largely horizontal, the deliveries were majorly in vertical, high-rise apartments. So historically, we have developed both horizontal and vertical real estate and will maintain an equilibrium between the same going forward.

FY24 Collections at Rs. 876 Cr, a growth of 46% Year-on-year were the highest ever in the Company's history. Quarterly Collections at Rs. 215 Cr, showed a Year-on-year growth of 14%. This performance is result of efficient execution of the virtuous process of sales, registrations, construction and deliveries.

Now, moving on from operational updates to the financial highlights. In FY24, we reported a revenue of Rs. 341 crore, up 33% on a year-on-year basis.

EBITDA grew at 57% to Rs. 85.5 crore. PAT for the FY24 grew 62% to Rs. 41.6 crore. In Q4, we reported a revenue of Rs. 117 crore, up 27% year-on-year basis and EBITDA for Q4 grew by 38% as well to Rs. 28.6 crore. PAT for the quarter grew 67% to Rs. 15.5 crore.

Our balance sheet position remains strong despite expanding operations. Net debt decreased to Rs. (41) crore as on March 31, 2024, from a net debt position of Rs. (30) crore as on March 31, 2023. A crucial parameter in real estate reflecting the underlying business performance quite well is operating cash flows. Strong collections and profitability resulted in net operating cash flows of Rs. 458 Cr in FY24 and Rs. 98 Cr in Q4. We estimate an unrealized operating cash flow exceeding Rs. 2,563 crore coming from the current pipeline of projects.

As a company, the focus always remains on shareholder value creation. We are happy to inform that the Board of Directors have recommended a final dividend of Rs. 2.5/- per equity share and special dividend of Rs. 1/- per equity share, totalling to a dividend of Rs. 3.5/- per equity share of face value of Rs. 10/- each. This marks consecutive years of dividend distribution.

To conclude, with an all-time low inventory overhang and a decadal high average pricing growth, demand optimism in the residential markets is likely to continue in the medium term. At Arvind SmartSpaces, we have entered a virtuous cycle. The sustainability of our growth is derived from the fact that outperformance during the last financial year was not the result of a temporary arbitrage; it was the of result of a systemic maturing of operations and business. The complement of processes, systems, protocols and priorities now represent a base that will be scaled within the prudential financial discipline. We also believe that should any outsized opportunities emerge, we will be equipped to leverage the under-borrowed nature of our Balance Sheet. In view of this, we are optimistic of sustaining our momentum or raising our game should realities evolve. We are set to further deepen our presence in Gujarat, Bengaluru and Maharashtra.

With this, I'll ask the moderator to kindly open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take a first question from the line of Dhananjay Mishra from Sunidhi Securities.

Dhananjay Mishra: Congratulations on very strong operating performance and strong bookings and collection ever. So my question is with respect to last year, we had 4 launches. So how many launches you are seeing in this year in terms of our upcoming launches? And in terms of BDs, we had done very well in FY '24. So what is BDs your target? And thirdly, on HDFC Platform 2, we have only 3 projects. So what is the total investment till now? And this year what is your target on HDFC Platform 2?

Kamal Singal: First one is in terms of how many projects we're anticipating to launch during the year? The answer would be that, yes, last year, we had 4 and we should be doing anything like 7 to 8 project launch this year. It could exceed this number as well, but 6 to 8 is the minimum we are looking at launch, which includes phases, new phases of the existing projects and all new projects that we have in our pipeline.

The second question was related to HDFC platform. Yes, I mean, there, we have deployed around INR 300 crore of money. In fact, a couple of projects have already been executed and paid back to HDFC as a fund. The total opportunity that we had in the beginning of the year was around INR 900 crore, and although with only INR 300 crore have been deployed. We had 2 targets when we started the year. It was about adding INR 4,000 crore to INR 5,000 crore worth of projects, which we did actually. Now while doing so, 3 things happen simultaneously.

One is that we end up consuming INR 300 crore from the HDFC platform. The other is a very strong internal accruals, which we saw in excess of INR 400 crore have been generated and broadly that entire amount has gone into execution of newer projects. So in any case, we ended up deploying around INR 700 crore in new projects, including the HDFC platform already. And on top of that, we had a very heavy mix of JD that came our way and these are very interesting projects, large projects, long-term value creating projects where the margins are good and the capital deployment is pretty lean to that extent.

So on one hand, we could achieve our target of creating the pipeline. And on the other hand, the cost of capital has been kept at very low levels, and we underutilized the HDFC platform to that extent. Idea is to exhaust the platform this year. And obviously, this money which has been spared should get deployed in this coming year.

Dhananjay Mishra: Okay. So the INR 700 crore remaining maybe because we had a good internal accruals, so we have gone on our own and not many projects have been launched in this HDFC platform. So this year, we may target to deploy all that, right? And what is our presales target for this year?

Kamal Singal: Target for BD?

Dhananjay Mishra: BD as well as presales target for FY '25?

Kamal Singal: So as a generic this thing, we know that in almost all our calls, we communicate and target to grow by 30% to 35% in all the major operating parameters -- maybe it is top line, EBITDA, etc.. And that should hold true for BD as well. So we've achieved INR 1,107 crore worth of fresh sales this year, and we should grow 30%, 35% this year as well. We achieved INR 4,150 crore of projects, a new pipeline in this year, and that should also see something similar in terms of growth for the current year.

Dhananjay Mishra: And lastly, the more accretion will happen in vertical side? Or I mean, as you said that we want to maintain a balance, so...

Kamal Singal: So end of the day, it's about having projects which make sense both on the top line, bottom line, return on equity, return on time, return on effort, return on bandwidth, etc. . So as we are open to both the categories, it has so happened that horizontal is a little heavy for the last couple of years. But having said, we are equally focusing on vertical as well. As we speak, there are a couple of very interesting options being evaluated and finalized. So you will see a good amount of vertical projects getting into the portfolio very soon. So I mean, the target is to keep a balance, and you'll see that balance coming back in the coming quarters.

Moderator: We'll take our next question from the line of Pranav Manohar from RoboCapital.

Pranav Manohar: First of all, congratulations for the good set of numbers. My question is, so on a reported basis, what will be our revenue and EBITDA margins for FY'25-FY'26, if you could provide any figures?

Kamal Singal: So we don't give any specific guidance on the financial numbers. From MIS point of view, fresh sales, etc., can be understood from the growth that you are targeting, which will be 30%, 35%, I mean, in general sense. But I mean in that sense, we don't really give any guidance for the P&L and the financial numbers.

Pranav Manohar: Okay. So 30%, 35% is applied to basically all the major metrics, right? Is that right?

Kamal Singal: Yes, so we've been -- that's how the track record has been that's our effort, and that's what will strive to continue to do, yes, for sure.

Pranav Manohar: Right. And this is reported basis, right?

Kamal Singal: I mean operating and reporting both, yes.

Moderator: We'll take our next question from the line of Ritwik Sheth from One Up Financial.

Ritwik Sheth: Congratulations on a great FY '24. So a few questions from my end. Firstly, sir, one of the projects, Arvind Fruits of Life. You've mentioned in the presentation that we had acquired it and turned it around and given the exit to HDFC Platform 2. Just wanted to understand on these projects. I believe this is the first project that we have already returned the capital to both via the HDFC Platform 2. So just wanted to understand what kind of IRRs did both the partners make on this? And, yes, on that, mainly on the IRR, if you can give us some color, that would be helpful.

Kamal Singal: So I mean, Ritwik as you very rightly said, we gave exit from Platform 2, this is the first exit, although just before that, we gave HDFC exit from the first platform itself where we did a very large project with the name Arvind Greatlands, while the project still continues to grow and sell and give us very positive cash flows, HDFC platform has exited from there as well. So all in all, between Platform 1 and 2, we have now given exit to 2 projects out of the 3 that we've taken up from these two platforms.

IRR is specific information that we don't intend to share that is not still there in the public domain. And hence, it will still remain like that. But having said that, they have made decent money. Obviously, they have achieved their intended and kind of expected IRRs. And with this money, with the kind of arbitrage that a developer should have expected, we made disproportionate money on the share that we contributed when it came to investing in the projects. So it has achieved and more than achieved all its intended objectives, but to specify IRRs specifically something which is confidential between the partners and hence, it can't be shared.

Ritwik Sheth: Sure. Sir, where I was coming from one of the reasons was the OCF to presale for Arvind Smart is about 40% in FY '24. And if we look at other peers who are majorly into vertical high-rise are anywhere from 20% to 30%. So we are significantly above that figure. So would you attribute that higher OCF to presales because of the horizontal plotting, would that be a fair understanding? And the IRRs in these would be far higher than the residential because the time taken to turn these projects around is significantly lower? So I just wanted to -- I was coming from that angle. So wanted your thoughts on that.

Kamal Singal: Sure. Ritwik, you hit the nail on the head. Horizontal projects the way they have operated in the last few quarters, they are higher IRR to show direction, and they also generate cash flows in absolute sales a little faster than the vertical ones, in fact, significantly faster than the vertical ones, firstly, the lead time to launch itself is comparatively lesser. And then the payment terms as per that they are front loaded or either getting back loaded, which is the case for the vertical. So to that extent, yes, the cash flows have been boosted because of significant component of the horizontals.

But having said that, 40% of cash flows are extraordinary. They are quite high. And of course, this is a result of what we launch, how we launch, how fast we launch and how fast we collect it, etc. And within a given period, what was the ratio for horizontal vis-a-vis overall product mix. While it is great and we will achieve something which is extraordinary in that sense, it might not be the same on an average basis for, say, 3 to 4 years put together. And hence, a little first thing going here and things remaining more like a 25% thereabouts as free cash flow more like a steady-state situation, and that should how it should be countered. But yes, last year has been absolutely exceptional and great for us in terms of cash flow vis-à-vis sales.

Ritwik Sheth: Right. Got it. Okay. Sir, you mentioned that we'll have a balance of vertical versus horizontal. So would it be fair to assume that 25%, 30% would be vertical and balance would be horizontal? That would be a good mix?

Kamal Singal: Yes. I mean, eventually in the long term, maybe I mean, might even be 50-50. And in the medium term, it might vary anything between 1/3 to 50% and balance from this thing. So within a range of 33% to 50% vertical, the balance would change, could be.

Ritwik Sheth: Okay. Got it. Sure. And sir, 1 more question is on business development. You mentioned that 30%, 35% growth. So that translates close to INR 5,000 crore. So what would be the deployment for this INR 5,000 crore of projects to be acquired in FY '25?

Kamal Singal: So I mean, it can be looked into from many angles, so to say, what is available to be invested is around INR 600 crore in the platform itself out of INR 900 crore we have utilized INR 300 crore, so yet to be deployed. We are sitting on a INR 50 crore odd positive cash, and we're hoping that will also generate to INR 200 crore - INR 300 crore of free cash again this year. I mean just going by the average that you're talking about right now.

So almost INR 1,000 crore between HDFC, internal accruals, and a little bit of debt that will start adding this year even if it is as low as INR 150 crore, INR 200 crore, INR 300 crore. So we are talking about something like INR 1,000 crore to INR 1,200 crore getting deployed through these 3 sources. And that should comfortably give us a top line of something which is 30%-35% than what we achieved in the last year.

Ritwik Sheth: Okay. And would it be fair to assume that launches in the current year could be close to INR 1,800 crore to INR 2,000 crore depending on the approval and thereabouts?

Kamal Singal: Yes. I mean, broadly, the number you're saying is in the range of variability that we also would have in the mind, yes.

Moderator: We'll take a next question from the line of Ronald Siyoni from Sharekhan Limited.

Ronald Siyoni: Congratulations on a great set of numbers. Sir, on the BD pipeline, we have been a little bit slow during quarter 4 and yet we are talking about INR 5,000 crore in FY '25, and we were also looking for a deal in Mumbai. If you can hop upon what kind of deals we are getting? And whether any Mumbai deal is likely in the near term at least during H1 FY '25?

Kamal Singal: Yes. So I mean, as we said, we added a little more than INR 4,000 crore last year. And as we speak, as I mentioned in the beginning remarks, we're sitting on some very interesting projects in terms of pipeline being created, very decent progress already done on those 3 to 4 projects that we're talking about. They are still not announced because we still think that we'll cross the last hurdle of making sure that even the diligence side of it is all clear. But as we speak, the pipeline is very healthy. And we are very confident that a growth of around 30%, which makes overall pipeline to be more like INR 5,000 crore, INR 5,500 crore to be added this year should be absolutely achievable and enough and more funds are available.

Of course, it all depends upon what is the component of JD, etc. which remains the amount of money which might be required to be invested. But having said that, even a conservative estimate of what will come our way in the form of JDs and outright, the money is more than enough, so we are all set. Mumbai, yes, we have been a little conservative on a lot of projects and a lot of options are being evaluated. We keep coming close to acquiring 1 or 2 projects every now and then but I mean, it has not reached the finality, so to say. But we are very confident that within this quarter or next quarter, we should be able to acquire at least 1 or 2 large projects within the market of Pune and Mumbai put together.

Ronald Siyoni: Okay. Great. And on the debt side also, like INR 300 crore to INR 400 crore what we were expecting to raise during this year. So this will be towards the fag end it depends on the BD acquisitions we will be doing?

Kamal Singal: So naturally, any debt is a function of BD, and it's also a function of how we prioritize our cash outflows till the time, obviously, we have internal approvals and surplus is already available. We'll absorb them first in the BD. Then comes the debt from the banks because that's cheaper, effectively cheaper, and then comes the platform. So in this priority, we'll obviously consume these sources. And obviously, it will be spread over the entire year. It's not going to be happening in 1 or 2 quarters. All these deployments we spend INR 1,000 crore, INR 1,200 crore that we're talking about from these 3 sources will be spread over all the 4 quarters.

Ronald Siyoni: And lastly, on the Surat project, like will it be launched during quarter 3 or Q4? And whether it would be in phases? I believe INR 1,100 crore would be the project size. So have you chalked out any plans with respect to the phases and exactly when it will be launched?

Kamal Singal: Surat is a large project. Of course, such large projects are normally done in 2 or 3 phases. On the size of phase, phases can change and this can be little variable depending on what kind of response we get. So that's how it's going to be. We'll be launching 30% to 40% for the inventory in first phase and then see how the market goes and what kind of peaking, if it all needs to be done in the product, etc.

To that extent, we always remain flexible, but we would have detailed any flexibility to be incorporated into the product mix on a very handy basis. And we can see we normally do it on a run time so that if the sales momentum is there, peaking should not become intense and it should be a seamless kind of sequence, etc. So all that is being done. Our idea is to launch it more towards end of quarter 2, which might spill over into quarter 3, early quarter 3, and that's how the plan is.

Moderator: We'll take the next question from the line of Chaitanya Shah from Silverline Capital.

Chaitanya Shah: So my question is regarding the business development that you did this year and that you guided for next year. Now if you see there's a quantum jump in the business development, I think FY '23 was close to INR 1,000 crore, and this year was close to INR 4,000 crore. So shouldn't the launches also see such a quantum jump because you are anyways guiding for another INR 4,000 crore, INR 5,000 crore of business development for FY '25? So I just wanted to understand how you see the launches going in the next 2 to 3 years.

Kamal Singal: Sure. So eventually, it has to get evened out. What we require is the launch and it has to fall into one sequence and the numbers eventually have to catch up with each other. It's only for the hard date we are talking about 31st being the cutoff between financial year 1 and financial year starting the next. So to that extent, there can be some little mismatch here and there. Plus, this long-term value creation projects that we're talking about, and that's very heavy in our product portfolio, there, most of the launches happen in phases.

So when we say INR 1,000 crore top line, maybe spread into 2 or 3 projects of INR 100 crore to INR 200 crore each, that way. And hence, they will get launched in sequences, etc. But ultimately, you're right. If you're doing INR 4,000 crore this year, INR 5,000 crore next year, etc. And then if we keep growing by the same number, INR 6,000 crore, INR 7,000 crore a year thereafter. If that is a trajectory, obviously, this trajectory must match with a lag of a year or so into the new launches, and that's something that we'll be able to achieve.

So next year, you should be able to see some drastic movement and enhancements in our launches as well, which will obviously be a result of higher BD that we're doing currently.

Chaitanya Shah: Right. And I also wanted to understand, what are the trends that you are seeing in the land prices, particularly in Gujarat since you have a lot of horizontal development there. Are you seeing any sort of investment demand kicking in?

Kamal Singal: I mean, they are now comparatively stable. I mean, there is still some sort of appreciation happening in some pockets when it comes to raw lands. What is more important is that there is still a dearth of quality products hitting the market. So while in general, a raw land is still available and it is available at a price, which is now looking a little more stable. But there is still within our understanding, an unmet demand for good products. And that's where the traction is coming. That's where the demand is coming.

And from an organized player point of view, this is a huge market, which was otherwise untapped to sell land, which is not developed in a very great way with no great amenities, etc., was always there, but people had less confidence in them. And COVID, obviously gave a great boost to this product segment. These 2 things coupled into one meant that organized players who could add value, who could bring in amenities, who are credible, who can show and deliver what they promise on a piece of paper, for that, demand is very, very high.

Now demand coming from investors vis-a-vis retail. I think retail is still very heavy, 80%, 90% of what we sell is sold to people who are middle or upper middle class people. This possibly could be their first investment after their first home or maybe at best their second investment. So these are not investor, investors who would buy 10 units or 20 units to be sold very quickly at the earliest possible opportunity, etc. But these are more like consumption orientation to enjoy the property on a weekend and at the same time serving this property as an investment option.

So this is a little better than investment kind of profile. And hence, it is much more sustainable. Generally, the demand is widespread, and it's coming from, as I said, people who are investing into second or third properties, and that's the segment we are tapping and hoping. And it is quite robust at this point in time.

Chaitanya Shah: Right. And a lot of these horizontal projects that you've launched in the last 1 or 2 years, the sales velocity has been quite high. So what are the profit margins that you are expecting on the sales in general? Because I mean, since your cash flows will be faster, I'm assuming it would also improve your profit margins from what you reported in the last 2, 3 years, right?

Kamal Singal: Horizontal project typically is giving us over the last few quarters and the projects which are considered already and which are there in our portfolio have a margin of anything between 30% to 40% on top line.

Chaitanya Shah: This is the EBITDA margin you're talking about?

Kamal Singal: Yes. On horizontal. On an average basis, that we are more like a 25%, 26% as a company, but that's a mix of everything. But a decent horizontal project, plotting product should give us more like 30%, 35% as compared to 25% weighted average that we do, otherwise.

Chaitanya Shah: All right. And I just have 1 last question. The project called Rhythm of Life that you've launched, I think end of this quarter. It showed that the collection is just INR 1 crore on a INR 70 crore sales base. So just wanted to understand...

Kamal Singal: Yes, I agree with the question. In fact, this was an observation even I had before the call. So what has happened is that this project was launched just 2 days before 31st March. So we just very quickly collected very small amounts as booking amounts, booked them. And subsequently, the money has been received, which is 10% the value that we generate in that sense before we issued the bookings.

So it's just a function of we're not having enough time to collect the second thing, which happens within 7 to 10 days of booking being received with a nominal check of INR 1 lakh or INR 2 lakhs, INR 3 lakhs here and there. So it's just about 2 days that we had before the year ended.

Moderator: We'll take the next question from the line of Rakesh Wadhwani from Monarch Aif.

Rakesh Wadhwani: Many congratulations for great set of numbers. Sir, a couple of questions from my side. On the page in the presentation, Slide number 34, the operating cash flow that is the number is INR 2,563 crore. Just wanted to confirm this number is the cash flow that is going to incur to the Arvind SmartSpaces after removing the shares of partners? Is that understanding correct?

Kamal Singal: Yes, this number is after removing every liability and associated liability and potential liability on account of development, etc., including the landlord shares in all the JDs put together, yes.

Rakesh Wadhwani: Okay. And on that point only, that INR 2,563 crore also includes the revenue that we have expected from projects like NH47 in Ahmedabad as well as the Surat project?

Kamal Singal: Yes. I mean, all the projects that have been launched or that have been declared, in that sense, yes.

Rakesh Wadhwani: Yes. Okay. Okay. And sir, regarding the project launch guidance in the FY '25, sir, what we have talked, so what we have seen. In this year, we have like a projects acquisition worth INR 4,000 crore. I think most of the projects are supposed to be launched in this full financial year, except 2 projects which are very larger, first is Surat, second is NH47, which will be launched in the phases, like 2, 3 phases, as you mentioned in the previous in the con call.

So sir, I just wanted to know, I think we were looking around INR 2,500 crore to INR 3,000 crore launches in FY '25. Is that or am I missing something? Or is there a delay with respect to the launches?

Kamal Singal: So what we are targeting out of INR 4,000 crore that we already added, there'll be more like a INR 3,000 crore worth of launches will happen in any case. But some of them will have phases coming in. So when we say INR 2,000 crore and INR 2,500 crore thereabouts, that includes only the phases which will come out this financial year.

So to that extent, there might be an ambiguity of a fresh launch to the extent of INR 500 crore here and there. But broadly, you're right, out of INR 4,000-odd crore fresh things when we saw INR 3,000 crore worth of projects per se will be launched. Now how they phase out and how that number gets added can vary to a such extent, to a small extent. But otherwise, 3/4 of what we've announced will be getting launched as a bare minimum within this financial year.

So if we say that Surat is one project, and it should be launched -- it will be launched or not? The answer is yes. And hence, we can add either 50% of that in today's calculations or we can add INR 1,000 crore because the project has a potential arount INR 1100 to that extent.

So that's the ambiguity. Otherwise, we obviously are on track to launch most of what we've announced as BD in the last year.

Rakesh Wadhwani: Okay. One last question from my side. With respect to the BD, Sir, so as we have guided on the INR 5,000 crore and around kind of business development in the coming quarter. And in the previous year also in the previous con call, we have talked our focus will be more towards vertical now.

Sir, just wanted to know how things are working with respect to business -- pipeline because if we say we are working more towards the vertical, in order to launch a vertical project also, it takes 12 to 15 months to get the things clear from the local authorities and doing the base work. So I just wonder how the business is looking with respect to FY '26, FY '27, is my understanding correct? If it may not happen, we may short of the projects in that FY '26?

Kamal Singal: So I mean, dovetailing is important. This year, INR 5,000 crore, obviously will be heavy on verticals. So in our understanding, we could end up launching a vertical project depending upon its convergence status, etc., within a period of anything like 7 to 9 months, 10 months' time. And if we take a mean of 8 months, then whatever we acquire, finalize and sign off latest by the month of

June, July has a decent chance of getting launched within this financial year. And we are on track. I mean at least a couple of projects are such which should be able to meet these deadlines. And those are quite decent sized projects.

So to that extent, I think the target is that we launch at least 3 projects vertical during this financial year. And if that happens, the overall proportion of vertical will be quite decent as we look at this thing as on end of the year, '25. And thereafter, of course, the pipeline is becoming a little more balanced. And hence, you'll keep seeing intermittently both vertical and horizontal getting launched in a healthy proportion.

Moderator: We'll take our next question from the line of Akshay Kothari from JHP Securities.

Akshay Kothari: I just wanted to know regarding the Bangalore water crisis which happened off lately. A lot of our projects are on the outskirts. So how do we perceive this as a risk? And how do we plan to navigate the impact of this event?

Kamal Singal: So I mean, as such if you really ask me, Bangalore is going through a water crisis for the last 5, 6 years. And developers know this crisis possibly before anybody else in the city. Of course, residents gets impacted, but then we are working in outskirts, we're working in micro markets, etc.. And this problem greatly varies from one place to another. So when we say Bangalore, the situation is not very similar in all the areas in Bangalore. There are places where we are lucky. There are micro markets which are luckier. And there are areas which are very, very badly impacted.

Good news, as of now, as far as we are concerned, is that because we are a little more heavy on horizontal for the time being, we are not facing that kind of a crisis because it is not very construction oriented, basically land development projects and the amount of construction on a per GDV value, etc., is very nominal and has no major challenges.

Having said, this is one challenge that the city is grappling with. Solutions have to be found. And as of now, for developers, it is a function of cost. So if water is not sufficiently available on site or in the nearby site, etc., then water has to be bought from areas where you've got healthy throughput coming from the bore wells, etc., and you've to transport water from those kind of areas into the project.

So ultimately, at this point, and in foreseeable future, in the medium term, it's a question of cost. Otherwise, I mean it's not a question of life and death. But yes, it's a serious issue. It's an issue which is getting aggravated by every passing year. We are trying to become as water efficient as we can as developers. For example, 3, 4 years back, we were relying very heavily on normal conventional mortar for plastering, which consumes a lot of water, not only in the process but also for post application usage like curing, etc., and we are replacing those things with the premix mortars, etc., which does not need any water once the whole thing is applied on the walls.

So to that extent, quite a few innovations are coming, quite a few initiatives are being taken and conservation efforts are on. We are horizontal comparatively. And hence, the problem is less aggravated. But then we'll continue to devise strategies to make sure that there are no obstructions and we sail through this situation.

Akshay Kothari: Secondly, you did mention that we are re-permitting the development of apartments. So regarding that, in which geographies, we would be looking at vertical developments. I know, we historically used to do. But again, in which geographies, which will be doing? And are you seeing some sort of peaking of horizontal demand currently, the second holiday homes? And we would be looking for growth in verticals?

Kamal Singal: No, I mean, I have not understood the question fully, but let me still attempt what I've understood partially. So vertical projects will more be concentrated in cities like Bangalore, Pune and Mumbai where there is still a very, very healthy robust demand and persistent demand coming in. So our clear focus is on the city of Bangalore, Pune and Mumbai when it comes to vertical projects.

Akshay Kothari: Yes. So secondly, I was just asking -- so are we seeing some sort of -- again, in Ahmedabad, we are not looking for a lot of vertical projects. So what is the main reason?

Kamal Singal: So Ahmedabad, the way we see the market today in the proportion that we intend to invest, etc., and the lens that we apply on profitability, etc, it is making much more sense to remain horizontal, a little more heavy on horizontal. Having said that, it's not that we are not evaluating vertical in the market of Ahmedabad. We are obviously open to everything in every market.

Today, it makes no sense to invest in horizontal in Ahmedabad comparatively. And Bangalore is making sense of -- on both the projects. That's why most of the vertical that you'll see coming in the coming quarters will be in Bangalore. But yes, even in foreseeable future, we see more of horizontals happening in the city of Ahmedabad comparatively and less of verticals. But we are keeping an eye on both in any case in the city of Ahmedabad as well.

Moderator: We'll take our next question from the line of Kunal Ochiramani from Kitara Capital.

Kunal Ochiramani: Sir, do you see a lot of sales -- resales happening in your project and being invested in new projects?

Kamal Singal: Normally, we'll have a lock-in period of somewhere like 2, 2.5 years when we launch, especially in a horizontal project. Thereafter, of course, resales start happening. And the market is fairly liquid. I mean, we see people exiting. We see people entering in the projects that we would have completed. 2, 2.5 years is the time line by which we mostly exit or at least 90% exit in terms of the mass of execution, etc. And by the time we see it, I mean, transactions happening in the project. Yes.

Kunal Ochiramani: How much is the lock-in period usually?

Kamal Singal: It is between 24 months to 30 months. This is going to discourage very short-term investors. I mean, that's not sustainable and then it starts conflicting with our sales plan, etc. And our mix of investors is not very short term. They are not investor, investors as we just discussed a moment back. And hence, 24-month lock-in is something people are very happy with and it serves purpose from every point of view and every stakeholder's point of view.

Kunal Ochiramani: Sir, how much percentage is repeat sales? I mean, people from old projects buying into new?

Kamal Singal: So our referral sale is for the last year in totality is 22%. That is almost like INR 250 crore out of INR 1,100 crore came from our existing people and references there. Pretty healthy. And clearly, we are seeing repeat investments and investments through expenses coming from our existing customers across the projects. In fact, it is now contributing 25%. That also is a healthy proportion on the scale we are today. So all in all, digitalized referral is pretty strong, and they are one of the most important contributors to the sales that we are achieving at this point.

Moderator: 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. Over to you, sir.

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