“"Arvind SmartSpaces Limited
Q4 and Year Ended March 2019 Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Arvind SmartSpaces Limited Conference Call to discuss financial performance of the company for quarter and year ended March 31, 2019. We have with us in the call today Mr. Kamal Singal, Managing Director & CEO, Mr. Sourav Hazra, Chief Operating Officer, Mr. Mehul Shah, Chief Financial Officer, Mr. Prakash Makwana, Company Secretary. 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 "*" then "0" on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Kamal Singal, Managing Director and CEO. Thank you and over to you Sir!

Kamal Singal: Thank you and a very warm good afternoon to all of you. It was a pleasure to connect with you all once again this time to discuss financial results ending Q4 of 2019 and also the full year results of 2019 for the company. Today we have announced the results for both these periods. We have already uploaded the investors' presentation at the company's website, so any detailed information, which might be required after this call can be accessed from there. Coming back to the results per se to start with, the company has recorded revenue of 262 Crores for the year ending March 2019 against 198 Crores of the previous year, although it shows a growth of 30%, but the caveat here is that these two numbers are not comparable accounting standards change in between and the current financial year numbers are based on project completion method or part completion.

Nevertheless, for the period we have ended the year at 262 Crores of topline with an EBITDA of 70 Crores against 65 Crores for the previous year again not comparable. EBITDA margins are 27% on the topline of 262 Crores as we just said and consolidated PAT is at 31 Crores, which 12% of topline. Quarterly numbers are topline at a level of 113 Crores against 104 Crores for the previous period the same period last year, an EBITDA of 34 Crores against 31 Crores in the previous financial year same quarter. Now, this is as far as the financial numbers are concerned. Generally, the company has performed very, very nice in the previous year in terms of several key important indicators. Two important indicators that we go through and we control and try to look at are the MIS sales that the company does and other is project pipeline in terms of much unsold inventories left with us for the period.

MIS sale as we call it for the period ending March 31, 2019 for the whole year is 277 Crores, which is a significant jump over the previous period, so we have in fact never thought a figure of more than 125 and 150 Crores odd in the last few years and this year has been a phenomenal year in terms of booking fresh sales, so that is one very positive, which is coming. We have seen this traction coming in, in the last few quarters starting from second quarter onwards itself and hence these numbers. In terms of inventory, which is unbooked in a very important parameter we have Rs.612 Crores of unbooked sales, which is already done, which is yet not affecting the books of account from the pipeline point of view. So, these two are the important indicators.

Coming back to the market and how we are doing, what is happening, whatever critical things happening in the company in various markets, as we speak we have further kind of consolidated in Bengaluru. Bengaluru sales have been quite steady across three projects that we are selling right now. We are also on the verge of launching one new project most probably in this quarter. Approvals are almost in place and RERA application will happen post approvals, which generally takes 30 to 45 days so by the end of this quarter or early next quarter that one project should be launched.

Another indicator that I would like to share with you is the number of units available, which is the net pipeline, net of sales and how it is growing. So, last year as of April 1, 2018, we had some 1300 units, which we unsold. Today we have around 2597 units, which are unsold, so pipeline has grown by almost 80% and we intent to continue doing this growth in pipeline till the current financial year also ending as on March 31, 2019 rather 2020. Bengaluru is steady as I said, market is steady. There were quite a few regulatory issues we got sorted out including RERA, GST, etc. GST while he said settle down almost during the year, but then last minute there were some changes again in the form of input credits going away and net applicable rates were coming down correspondingly that change while in general it is a good change, this removes one of the major bottlenecks for at least the sales in the minds of customers in terms of having a perception that there have been too much of GST on unsold inventory, but nevertheless there is a little bit of uncertainty and disruption in the normal sales flow, but we have come through that and it is the period of ambiguity is over now and the business is normal as usual. What this change has done is that it definitely needs no gain no loss situation in overall context of affordability of houses. Again the loses are basically compensating each other, but it definitely takes this mental blocks away from the minds of customers where they would rather not buy WIP projects, which are not completed and prefer to have inventory, which is ready assuming that they are paying more GST on the under construction project, so that at least mental block has gone, which should help in further streamlining in the sales process and we should have less peaks in terms of sales when it comes to choosing between the completed and incomplete projects.

Other things are broadly in place, affordability of houses is possibly at the very best in the last five years while the incomes have increasing, economy is looking at 6% to 7% growth consistently for the last two years. Housing prices have remained stagnant and correspondingly at a macro level land prices have also not really increased and input prices are fairly constant to that extent affordability in terms of number of months' income required to buy a house has gone down and hence there is overall improvement in demand cycle and we think that this stand is further getting consolidated. Another important development in the business has been our entry in Pune, the entry is small, it is a small niche project that we are doing to vet our feet into the new market, test it out and see how the market behaves for other specific dynamics, etc., so it is a very cautious approach that you have taken in terms of not exactly doing something very big or investing really big in that market to start with. We have started a project on a JD basis where the total size itself is around 120 odd units with a similar topline of around 120 odd Crores and you just kind of hit the market. Initial response has been good and we now think that this market can be further consolidated and we can put a little bigger bets in the near future in Pune as well, so if and when we do that we will then be active in these four cities Bengaluru, Ahmedabad and Gandhi Nagar being the earlier ones and this is one of the four cities where we will be operating. So this is broadly how it is. I will rather leave the space open now for you guys to have question and answer session, so that we can rather address the queries that you might have on the results or otherwise any other aspect of the business, which comes to your mind. Over to you!

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Nikhil Vaishnav from VD Investments. Please go ahead.

Nikhil Vaishnav: Sir, my first question related to Skylands, after FY2018 we hardly recognize any revenue in Skylands and in Megaestate also, so what could be the reason for this?

Kamal Singal: The accounting standards have changed now from last year onwards, so earlier it used to be based on part completion method where you could book the sales and profits and revenues, etc., based on the percentage of project, which is completed, so while the overall project is not completed we could still in proportion book for the sales as it progresses. Now, the standards have changed and only when the project gets 100% completed that you can book the sales, revenue, etc. So, these two projects as you mentioned are not completed and hence they will have to wait before they can be recognized in the books of account.

Nikhil Vaishnav: What is the status of Beyond Five land issue and this land issue is affecting our revenue because there is some sort of decrease in booking value?

Kamal Singal: Yes, so this is one project, which was started last year. We had explained in terms of few aspects of land not getting resolved, this is a huge land parcel in a very valuable land parcel that we have got into with marginal investment, which is going to be a JD project, land is owned by somebody other land owners and we have the development rights on this. We had launched this project and after that few issues propped up and as a matter of precaution we stopped selling and we gave the buyers options to take their money back if they wanted to or they can stay invested in the project if they thought that it is worth waiting for them, so initial sale has been very, very small, some customers opted to take their money back, which was anyway very small amount in the initial booking and a few of them have stayed back because they know that as the land is there and some development has already happened, etc. We are waiting for resolution of this land issues with the land owners and we are hoping that in the next one or two quarters and we have been very hopeful of resolving this issue within this financial year and launch the project that is the reason you are seeing a little negative on the revenue side of this project. This is result of some of those cancellations, which would not have happened.

Nikhil Vaishnav: Are we coming with residential project in Mumbai and have we taken some decision on Hyderabad?

Kamal Singal: We have been looking at these two markets very actively although we remain very conservative about extending into newer and newer geographies we have just added Pune last year. We think that Bengaluru, Ahmedabad, Pune, etc., these are very deep markets and we can obviously go deeper and penetrate into these markets more and that itself gives us an opportunity to grow in the short-term, but of course for the medium term we have to keep any eye on markets like Hyderabad and Mumbai. Hyderabad is an interesting market. There are challenges in that market, but we are constantly in touch with the ground realities of that market and we are adding to our knowledge base in terms of what kind of land products, consumers, references, segments, etc., are there and similar is the case with Mumbai, so while there is no immediate plans to enter in a very short term, but these two markets are on our radar and once we have some reasonable opportunity and at the same time once we think that we are stabilizing the existing markets new market like Pune, possibly one of these two markets is our next target.

Nikhil Vaishnav: How many projects we will be launching in FY2020?

Kamal Singal: FY2020, we should add to our project portfolio to the extent of three to four across Bangalore and Pune, etc., so may be four most likely during this financial year.

Nikhil Vaishnav: And one bookkeeping question, our inventory has increased to 626 Crores from previous 350 Crores in FY2018, so what is the reason for this increase?

Kamal Singal: So, this is the new launches, I mean this is the pipeline getting increased the value of that, I mean this is what we have been able to achieve in the sense of creating the bigger pipeline despite record sales is significantly higher than last year. The pipeline is increasing and we intent to further increase this pipeline by more than 1000 units by the end of this year that is how the cycle keeps on becoming bigger and bigger.

Nikhil Vaishnav: Thank you Sir. That is, it.

Moderator: Thank you. We have the next question from the line of Sunil Kothari from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Just a clarification on this segment, which we have mentioned in press release that we have adjusted 80 Crores return earnings, if you can explain in may be simpler language, what exactly we mean to say?

Kamal Singal: So, Mehul will explain that to you. Mehul is the CFO of the company. It is a recent entry, which is adding due to the new accounting standards wherein we have to write back a few of the earlier booked revenues and profits because of the change in accounting standards, but Mehul can take you through in little more detail and discuss this about it.

Mehul Shah: Initially up to March 31, 2018 we can recognize the revenue based on the percentage completion method. As per the direction of Ind-AS 115 we have to recognize revenue based on the contract completion method once we received the BU as well as we handed over the possession to the customers, so this 80 Crores is the net impact on the profit that has already been recognized in the past year based on the PC method. So, the profit will again come back into the profit once we got that milestone like we received the collection we handover the possession of that particular project. So in a way if I want to rephrase this, this 80 Crores is the money, which is part of those revenues, which were recognized earlier, but because of the change in methodology this will have to be again reinstated in the coming years and this money belongs to projects, which were earlier recognized based on part completion, but these projects are yet to be completed and hence when we recognize based on new standard the fully completed project revenues anything which was recognized earlier in the previous accounting years, etc., that has to be called back, so that is the adjustment we are talking about and this new issue is with the accounting of all the players in real estate and everybody has to do the same.

Sunil Kothari: Understood and the second thing, what it means is this 260 Crores consolidated revenue is the revenue, which we recognize of the project, which fully completed and delivered also?

Mehul Shah: Yes, that is right. You are absolutely right.

Sunil Kothari: The last question is you are targeting 1000 Crores revenue in next four years that is annual revenue we want to book that is what we mean to say?

Mehul Shah: It is more about booking the revenue, I mean real estate while the cycle keeps on going up every year if the company is growing, etc., especially in the light of new accounting standards where you can actually start booking things significantly later after you launch, you sold, etc., unless you completed the projects and you handed over possessions formally to the customers nothing comes in the books of account, so if I do something great today it will be started reflecting into the books of account four to five years hence, so what is more important from the performance of the company and from analyst and investors point of view is to see what we are doing today, which is important for us to build numbers going down five years from today and that number actually is how much the sales the company has completed, so we would rather like to take this number in the context of how much we sell every year, for example, this year we have sold 300 odd Crores, 270 odd Crores, these numbers should be touching somewhere around 1000 Crores after four years.

Sunil Kothari: The booking value of sales you said is 277 Crores for this year, which we are trying to reach near 1000 Crores maybe in the next three, four, five years?

Kamal Singal: Yes, that is right.

Sunil Kothari: Thank you very much.

Moderator: Thank you Sir. We have the next question from the line of Heer Gokhlani from Isha Securities. Please go ahead.

Heer Gokhlani: My first question was regarding this target revenue of 1000 Crores how do you plan to achieve this target like, what kind of projects we need to undertake to achieve this target in the next four years and in this process what can be the sustainable margin?

Kamal Singal: CAGR of around 30% to 35% over the existing levels of the fresh sales give us around 800 to 1000 Crores sales after four years from now and that is the broad mathematics of this. We have been growing at a CAGR of 30% to 40% in most parameters as we speak for the last three, four years, five years' time. This is the momentum that we want to maintain. How we will reach is a function of how many projects that we can launch in the coming period. The building blocks actually start with the project pipeline, so we have a strong pipeline. The plan is to add three to four projects within this financial year and similarly we have mapped out in terms of how many projects we will be launching in subsequent three more years, so if we add anything between three to four projects this year we are on track or to achieve this 30% to 35% CAGR on the booking and similarly we will have to keep repeating this every year down the line and we are hopeful that the current strength of the balance sheet including the debt equity ratio, which is extremely conservative, we have enough resources and if business keeps following the rate it has been doing in the last few years this kind of a growth and addition in pipeline is possible.

Heer Gokhlani: Sir, the margins were sustainable during these years?

Kamal Singal: Yes, so margins as a very broad number they are suppose to be anything between 27, 28 to around 30% of EBITDA or the gross margins. Normally we do not take projects if they have less than that. We rather take the projects, which are in excess of 30% to account for some little negatives here and there, but most of the projects rather every single project that we have been taking is operating at in between 27, 28 or 30% kind of margins and that results into the kind of growth that we are talking about.

Heer Gokhlani: Sir, my next question is like since we have entered the Pune markets, so what kind of a segment are you targeting Pune in the near term from the perspective of residential and commercial projects and if you could give like rough idea of the average realization in that market?

Kamal Singal: So, Pune for us will be Bengaluru 2 basically, so whatever we have been doing in Pune we see lot of similarities between the two markets. The customer segments are similar, the buyers are similar, the profiles are similar, these are young high earning individuals related to IT or services, etc., so a person who earns anything between 3 to 4 lakhs a month can afford a house, which is worth 70 to 80 lakhs and the EMIs are less than 30% of his monthly income, etc., all those parameters, which basically work in Bengaluru and in terms of price segment maybe they are the lower mid end of the market where a 2BHK cost around 70 to 80 lakhs and 3 BKH around a crore that is the market we will attack. We will rather be anything between 60 lakhs and 80 lakhs and in some cases touching a crore of rupee, but mostly hovering around 60 to 80 lakhs category, which possibly is the most doable segment at this point of time. There are segments, which are even lower than that, so there are lot of kind of excitement in the industry about 30 to 40 lakhs product as well, but we see our niche to be more suitable for 60 to 80 lakhs category given the specifications or given the minimum kind of mandating even other thing we would not give to our customers, so as of now this is what we have been doing in Bengaluru for the last several years and we have understood the segment, we have perfected the segment in terms of costing revision, customer communication, etc., and we think that there could always be some exceptions, but broadly it is going to be the same strategy in Pune as well.

Heer Gokhlani: The average realization, like rough idea?

Kamal Singal: I think between Rs.5000 to Rs.6000 per square feet.

Heer Gokhlani: So, like basically you are not targeting the luxurious segment, the affordable segment is what is on your radar?

Kamal Singal: Yes, sure these are mid priced, affordable could even be lower, it will be 4000 also, but yes mid priced and we are not really targeting very specifically luxury segment unless a very interesting opportunity comes our way, which has not been looked at very actively per se very proactive manner, but we are generally going to be focused on mid priced Rs.5000 to Rs.6000 per square feet product.

Heer Gokhlani: Next question is regarding the Ahmedabad market; so can you just give a brief idea of what kind of traction you are seeing right now in the Ahmedabad market?

Kamal Singal: So, Ahmedabad is a market, which for us is a little in the extreme size, we are doing some very high and very luxury kind of products where Villa starts from anywhere between 2.5 Crores to 10 Crores, 15 Crores, etc., with golf and other kind of things and at the same time we do very affordable things where an apartment starts costing at around Rs.25 lakhs.

Heer Gokhlani: Sir, in the commercial side in Ahmedabad if I am not wrong?

Kamal Singal: Not commercial, but yes, industrial plotting, etc., we have two projects, so that is a very difficult segment because we come from this place and we had as a group lot of exposure to industry as a segment so that is why we have done this and we will be doing this in Ahmedabad, not in other cities, but primary focus even in Ahmedabad has been residential only, which is a stated kind of strategy. In Ahmedabad both these schemes of affordable and high-end luxury are doing fairly well for us. Mid price actually is a little stressed in Ahmedabad today as we speak 1 Crores and 1.25 Crores segment is quite oversupplied and the economy at this point of time in terms of affordability, etc., are not that great. They are not as great as what we see in the markets of Bengaluru and Pune, so Ahmedabad to that extent an upper mid price is a little stressed market today.

Heer Gokhlani: Sir, just one last question regarding Ahmedabad market, there is possibility you to give us the average selling price realization in Ahmedabad, which you are seeing right now, which you saw in the last year?

Kamal Singal: This is for us or for the industry generally speaking you are saying?

Heer Gokhlani: Like you can give both perspectives, but preferably for your company?

Kamal Singal: There are two very different products and it depends really upon which segment we sold how much, there is one segment, which is as comparative as Rs.3000 per square feet that we realized in our affordable housing project and on the Villa side the way we sell is absolutely not comparable because it helps on the basis of how much hand in a Villa goes and each Villa has different kind of measurement of the land, but all in all we have increased prices to the extent of 10% to 12% in the Villa segment and we have just launched affordable housing, so there is no increase and there is no reference really speaking about the affordable one.

Heer Gokhlani: Thank you so much Sir. Thank you for answering my queries.

Moderator: Thank you. We have the next question from the line of Ritwik Sheth from Deep Finance. Please go ahead.

Ritwik Sheth: Firstly, we launched three projects in FY2019, so is it possible to give us how much did you spend on these new launches, the cash outflow for these projects?

Kamal Singal: In terms of land investments and initial working capital?

Ritwik Sheth: Yes, land investments or advances or the partner who owns the land getting in the approvals and all the cash outflow for these projects?

Kamal Singal: So, we have Oasis in Bengaluru that we launched. The land investment is 60 Crores and the second project is Aavishkaar, which is an affordable housing projecting in Ahmedabad land value was around 40 Crores there and there is a project in Pune that we launched recently this is a JD project, but upfront investment in land is around 15 Crores there 60 plus 40 plus 15 is around 115 on land site total and maybe we would have drawn something like 15 odd Crores put together in these three projects on execution and 15 to 20 Crores on these three projects so far.

Ritwik Sheth: So, our cash outflow for these launched projects would be around 130 to 140 Crores?

Kamal Singal: Yes, around that number. You can get exact numbers from the presentation.

Ritwik Sheth: We have collected around 210 to 215 Crores for the financial year?

Kamal Singal: No, this is the value of booking maybe you are referring to in these projects or otherwise, but total yes.

Ritwik Sheth: Total cash collected?

Kamal Singal: Right.

Ritwik Sheth: And what would be the other construction cost and other related cost for FY2019 for all the other projects?

Kamal Singal: So, that is available on the investor presentation. Please go through the investor presentation, this will give you a complete cash flow breakdown in terms of where and how much cash came from, and how it was deployed in the form of one opex land purchases and the balance construction cost and incremental borrowing that we have taken on the capital side, so you just go through one of the sheets.

Ritwik Sheth: I refer into slide 23 and 24?

Kamal Singal: I think so it is going to 23, 24, 25. These slides will give you exact numbers and reconcile numbers from that perspective.

Ritwik Sheth: Sir, what is the total investment till date Beyond Five project?

Kamal Singal: Beyond Five will be around 35 to 40 Crores and again, this must be there in the presentation, but again a ballpark number is 35 to 40 Crores including land and some initial development activity setting, site office, etc., so around 35 to 40 Crores what we would have used.

Ritwik Sheth: Sir, you mentioned earlier in the call that we will be doing around four projects in Pune and Bengaluru for FY2020, so should you assume a similar kind of size of the projects 200 to 300 Crores of project, which will cumulative be around 1000 Crores of total sales value potential from these projects?

Kamal Singal: Yes, may be one of these three or four projects would be a little smaller, so I will moderate the number to around 150 Crores of investment in the new launches and sales figure more like 750 odd rather than 1000 Crores, but then these numbers depend upon whether we get into JD arrangement or outright buy arrangement, so if it is outright then the total topline, which comes to the books of account is comparatively smaller to the extent of proportion to the investment, but if they are JDs then for a comparatively smaller amount of money, which goes into initial investment in land, the topline was the number that you create as a pipeline figure, so the numbers can obviously vary from 700 Crores, so maybe 1000 Crores between these two to four projects that can be taken on the basis of JD or outright basis, so it is a little variable, but yes you are broadly okay in that.

Ritwik Sheth: Going forward to sustain this 35% CAGR on our sales volume of around 300 Crores we would have to increase the number of projects as well, which have been launched, so should that be commensurate to the sales guidance that we have given over the next three to four years?

Kamal Singal: Yes, we have mapped in terms of what kind of cash, etc., will be required to acquire three four projects during this financial year and if and when we achieve that we do that we are well on course to achieving these intermittent milestones, which will be spread over a period of four years, that is how it is panning out.

Ritwik Sheth: So, four years down the line we could be looking at around 1500 Crores of launches and 600 to 700 Crores from other new launches and another 200 to 300 Crores from the existing portfolio that is brought assumption right?

Kamal Singal: Yes, that is right. I mean, every project will be having a topline of around 200 to 250 Crores on an average basis. We are talking very broad numbers here, but yes, I mean you have to generalize every thing then yes, a project gives you Rs.250 Crores of topline if you are launching 3 to 4 every year for the next two to three years then every year we are looking at 750 to 1000 Crores topline launches and that is how it gets radius.

Ritwik Sheth: That is, it from my side. All the best and thank you.

Moderator: Thank you. We have the next question from the line of Sameer Chheda from Vama International. Please go ahead.

Sameer Chheda: Sir, we wanted to understand what are the inventory, the inventory level has gone up significantly, so how do you see the sales happening in this year?

Kamal Singal: We just put that question a while back, this should be seen more in the context of increase in pipeline rather than seeing in the context increase in inventory or this is nothing but new launches and new inventory coming into the books of account despite we sold significantly higher number of units and value of inventory, etc., etc., in the previous year ending March 2019, this represents significant jump in the pipeline and the launches, etc., which we intent to further consolidate by the end of this year.

Sameer Chheda: Sir, in Beyond Five there has not been much movement, so 35 to 40 Crores we are blocked over there, do you see any progress happening or is there a way to extend this?

Kamal Singal: We are quite hopeful that in the next one or two quarters we should be on track and this project should be launched, but having said that this is the most likely event and not really 100% sure about it, but yes, we are very hopeful this time.

Sameer Chheda: And in Uplands do you see movement happening in the phase 2 is still pending?

Kamal Singal: Uplands is doing very good. We have been selling at a decent pace there and the margins are very decent. The project is otherwise doing very well. It is now becoming a brand name in Ahmedabad and who is who of Ahmedabad knows about this project will be keep getting quite encouraging words and kind of feedback and sales, etc. This year we have taken some very aggressive targets from this project. We have very decent inventory there to sell and relates quite good work, which has been done so far. We have already clocked a cumulative sale of around 340 Crores in this project. We are very hopeful that it will be well above 400 Crores by the end of this year that we want to cross in terms of cumulative sales in the project.

Sameer Chheda: And phase 2 when do you think you will be launching?

Kamal Singal: It is now not about facing it, one integrity township. It is only about inventory to be opened, etc., so in a way it will be coming too many phases, etc., but it is more like small, small batch is getting opened depending upon which segment is selling better, what size is selling better, etc., so we always do that. Generally, we are a little counter intuitive in the sense that we see higher value inventory moving faster than the lower value there because most of the buyers are kind of very rich people and they obviously do not want to buy small and hence significant proportion of the sale is happening in bigger size Villas and hence we keep this facility of peaking with the project and product as we now and then, so it is not about phases really, it is about small, small kind of segments that we keep launching and selling.

Sameer Chheda: Sir, this 31.92 lakhs, which is there, that could go up to what is the potential of the whole project like?

Kamal Singal: So, the phase 1 number you are referring 31 lakhs?

Sameer Chheda: Yes.

Kamal Singal: So, put together it will be almost the double, so what we would be selling will be more like 5.5 to 6 million square feet that we have to sell.

Sameer Chheda: Additional if I say 20 lakhs square feet would be coming up this year or it will take two more years like?

Kamal Singal: This will take a little bit of time. It has been planned in a way that sales velocity should be in the range of 50 to 70 Crores every year from these projects a long gestation, very big project on a very big parcel of land, so we keep opening newer and newer inventory and we have enough to sell for the next three, four, five years. I think the project is still going to take a good four years to complete and sell, so every year we expect that 50 to 100 Crores sale should happen every year in this project and hence asking in terms of how much time we will be taking to sell everything there may be four to five years is a good sort of estimate of that.

Sameer Chheda: Thank you Sir.

Moderator: Thank you. We have the next question from the line of Hrudayam Verma from Augment Catalyst. Please go ahead.

Hrudayam Verma: Sir, just wanted to understand the breakup of the financial assets that we have in the balance sheet, so right now on the asset side we have about 44 Crores of noncurrent financial asset and 53 Crores on the current financial asset, so can we have a breakup of that if possible?

Kamal Singal: So, Mehul will take you through this number.

Mehul Shah: So, you are talking about the consolidated numbers?

Hrudayam Verma: Yes, consolidated.

Mehul Shah: So, you are referring to financial assets?

Hrudayam Verma: Slide 25 the noncurrent financial assets and the current financial assets.

Mehul Shah: The current financial asset it is 53 Crores 82 lakhs you are referring.

Hrudayam Verma: Yes. That 100 Crores is basically invested somewhere?

Mehul Shah: Basically, it is some land advance that is given to our partners and JD deal of Uplands that 33 Crores is that.

Hrudayam Verma: As part of the agreement we have paid advance to?

Mehul Shah: These will be land advances in the land payments broadly speaking.

Hrudayam Verma: Both right, I mean the 44 Crores and 53 Crores right?

Mehul Shah: Yes.

Hrudayam Verma: Sir, the inventory breakup, you can sort of give the inventory breakup?

Mehul Shah: Inventory breakup you are asking in terms of project wise inventory and all that?

Hrudayam Verma: Yes.

Mehul Shah: You will have a very detailed sheet in the investor presentation. We have seven to eight projects and on each project that amount would be different. You can leave your contacts and we can share that information with you.

Hrudayam Verma: Thank you Sir and just one last question. Sir, the coming year, how much cash we are planning to deploy, any rough ballpark figure that you can give?

Kamal Singal: In the new projects?

Hrudayam Verma: Yes, new projects and obviously the ones that we have already launched not just new projects?

Kamal Singal: So, whatever you know major capex on the projects, which have already launched is already done. Now we are almost approaching a steady state so there will not be any significant further investment on those projects. The current cash inflows from the customers and the construction expenses will not be too different from each other. They can be marginal things here and there, but on the new projects there may be around 150 Crores is the ballpark that we are looking at.

Hrudayam Verma: Thank you Sir. That is, it from my side.

Moderator: Thank you. We have the next question from the line of Jigar Shah, Individual Investor. Please go ahead.

Jigar Shah: Sir, thanks for taking my question. Just wanted to know what has been the average project IRR so far?

Kamal Singal: So, we on an average we work on a pretax IRR of around 25% in most of our projects, Uplands kind of very high-end project will be a little better than that maybe more like 30%, but mostly we are on a 25% to 27% IRR on a pretax basis.

Jigar Shah: And what are we targeting going forward?

Kamal Singal: Similar numbers.

Jigar Shah: Thank you so much Sir. That is, it from my side.

Moderator: Thank you. We have the next question from the line of Sunil Kothari from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Sir, my question is to Mr. Singal, broadly during the last two years' Indian economy and particularly our segment has faced so many challenges like demonetisation and then RERA and GST and all these changes, so compared to last two to three years, what is the current situation you are observing and how you feel this, this will help us to navigate this from a very small organization to a very sizable and very respectable name?

Kamal Singal: Sure, all these changes are broadly trying to achieve one single objective of creating a formal side of industry. The formal side or formal segment of industry I mean more corporates to participate and more organization refers to take bigger share of the market, etc., I think through all these initiatives and policy tweets, etc., generally the objective is getting achieved, very small guys with less professional setups, etc., are finding it more and more difficult to survive and sustain. People who are with corporate backgrounds and people who have backing of an impressive brand and legacy of business, etc., are generally expected to be doing better, they are better equipped to do compliances under some various stringent regimes like RERA, etc., but you know these kind of regimes actually give us a better pedestal to operate from and we are in a significantly better position to compete with the local entrepreneur driven kind of developers. We inherently had some disadvantages, which are now getting overcome because of these compliance requirements, which are now forced upon all whosoever is getting development phase, so to the extent of this and even GST, etc., people like us, so the brands like us, so the players like us are better quipped, we are seeing the traction in the market. It is helping both ways, one in the form of execution, comfort that the customer has and from the pure compliances point of view to avoid ability complications going forward, we are better placed and we are seeing the kind of traction, which we have. At the same time because of this lot of landlords and the entire community of landlords feels that it is not a great idea to try development themselves and they now are more keen to rope in partners who have established presence and brands and who have more importantly software or the software site of organization, which can take care of all these ability demands and requirements and the same time how much formal player in industry rather than individual driven business, so to that extent both side land side and the sales side and the compliant side I think the business is going to grow. Generally, the economy is doing good and hence growth is expected and on top of that agri sector obviously will outperform and perform significantly above the averages of the industry for the year as a whole and hence I think we are in the sweet spot where not only can we benefit from the general growth is expected and also we are hoping to benefit from the way we are organized as compared to the rest of the industry.

Sunil Kothari: So, are you getting a feeling that this 2019-2020 will be better than 2018-2019 for real estate market in general and in particularly for you?

Kamal Singal: Yes, we are very hopeful. The revenue improved only in the last four, five quarters, we are consolidating, we are getting into bigger trajectory of growth and pipeline, etc., that is organic, for macro if your question is with respect to the macro environment yes, definitely most of the challenges are behind us, they were trajectory challenges they were not challenges per se, but when migrated from a non GST to GST or non RERA to RERA, demonetisation, etc., so I think those were good long-term measures, short-term they had to create and they did create hiccups here and there, but all those things are quite settled now. I do not see any negative impact at this point of time and demand cycle is looking up to that extent we are very hopeful and in fact we are more hopeful this year than we were last year and last year being one of our record years as such.

Sunil Kothari: Sir, one more point is on this profitability numbers, previously we were able to achieve 30% to 30% plus EBITDA margin and our bottomline profitability was far better, now it has fallen to almost roughly I am saying 6% net profit all 265 Crores topline we have done

31 Crores not 5%, 6%, but roughly 12%, so this profitability there is any scope to improve the scale up our size and generate more revenue?

Kamal Singal: Yes, I mean you are right to the extent that we are today at 12% PAT margin as we see the numbers and used to be more like 14 and 15, so there is a couple of percentage point drop visible at the net profit level and similar is a drop at EBITDA and other levels, but this is not really reflecting any difference or the variation happening between what we were doing earlier and what we are doing right now, this is attributable to the new accounting standard only and even from that point of view it is not that our margins are lower than what they used to be stated as in the earlier regime, it is about a method, which has now got converted into C4 kind of environment from an average costing regime, so earlier if on an average rate is earning 30% we were suppose to book the sales and cost in that proportion and report profit on an average basis. Now, in the new regime but you sell the earliest is to be reported earliest and hence because we started reporting projects like portion appliance for the first time in the new regime what margins you see pertains to the prelaunch and the launch stage numbers, the sale numbers belong to those specific units while the cost is taken on an average basis, so obviously the margins as we report for the same period are lower at this point of time next year the same project for the inventory, which is already sold as they get handed over to the customers during this current financial year, this show a significantly improved margin because that is how they will average out to 30%, so it is basically saying that you are reporting a little less profit this year, but then you have enough and more to report higher next year, averaging a very similar number to what we have been reporting in the earlier regime, so it is basically about C4 kind of environment being followed instead of average kind of environment ultimately project average will get averaged out.

Sunil Kothari: Sir, last question is currently we have booked the revenue worth 260 to 265 Crores, so can we expect 30% to 35% revenue booking growth also in this current year?

Kamal Singal: So, that is what the management effort has been and that is what this 30% odd growth is what we target I mean every single investors presentation and discussion that we have had, we have been saying that this is what our target has been and yes, we are putting all the building docks in place to achieve this target of around 30% odd.

Sunil Kothari: Wish you good luck. Thanks a lot.

Moderator: Thank you. We have the next question is from the line of Ritwik Sheth from Deep Finance. Please go ahead.

Ritwik Sheth: Sir, just one followup, out of this around 170 Crores from the three new projects launched in FY2019, what is the cash collected from these projects?

Kamal Singal: The new projects you are saying?

Ritwik Sheth: Yes, the new projects Oasis, Aavishkaar and Elan we have sold around 170 Crores?

Kamal Singal: These are very initial stages of booking and under the new RERA regime unless you get into register sales, etc., you cannot achieve more than 10%, so around, I mean if I were to give you a combined ballpark it is around 16 to 18 Crores that we would have received, you can get the exact numbers from the presentation or you can just ask offline, but ballpark is around 18 odd Crores that we would have.

Ritwik Sheth: Sir, whenever we launch a new project in the 6 months to 1 year, we will be getting 10% is that safe to assume?

Kamal Singal: For six months, it should be around 10% to 15% and by the end of the year it should be more like 25% odd depending upon progress and of course every thing is depending upon how much we are going to progress and that is a function of how many, density of hard work you come across, so there is a lot of hard work, which comes in the initial progress goes down etc., etc., so but if you are looking at a ballpark yes six months 15% odd and 1 year 25% odd, so we have good average.

Ritwik Sheth: Sure, thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Kamal Singal for closing comments. Sir, over to you!

Kamal Singal: I would like to share with the group here is the announcement of maiden dividend for the company this year, we have just announced or rather proposed by the Board of Directors a dividend of Rs.1.5 per share, which is 15% obviously subject to for the approvals by shareholders, etc., being the final dividend, but we are very proud to say that we have been able to get this confidence from operations and business point of view that we have for the first time declare dividend after we got demerged from the parent almost like four years back and we hope that this performance continues for the company.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Arvind SmartSpaces Limited that concludes this conference. Thank you for joining with us. You may now disconnect your lines.