ARVIND SMARTSPACES

www.arvindsmartspaces.com

12th November, 2022

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

Security Code: 539301
Security ID : ARVSMART

To,
National Stock Exchange of India Limited
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 Monday, 7th November, 2022 to discuss Q2 & H1 FY23 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
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Arvind SmartSpaces Limited

Q2 & H1 FY 23 Earnings Conference Call

Nov 07, 2022

Moderator: Ladies and gentlemen, good day, and welcome to Arvind SmartSpaces Limited Q2 & H1 FY '23 Earnings Conference Call. We have with us today on the call. Mr. Kamal Singal, Managing Director and CEO; Mr. Ankit Jain, the Chief Financial Officer; Mr. Avinash Suresh, Chief Operating Officer; Mr. Prakash Makwana, CS, and Mr. Vikram Rajput, Head - Investor Relations.

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

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

Kamal Singal: Thank you, Rutuja. Good afternoon. A very warm welcome, Diwali, and New Year greetings to everyone present on this call. Thank you for joining today to discuss the operating and financial performance Arvind SmartSpaces for the second quarter and the first half ending September 30, 2022.

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

We believe the current upcycle in the housing market is likely to remain intact, and we see several factors contributing to this. Demand continues to benefit from the lifestyle changes where consumers are looking to shift to projects with contemporary amenities, upgradation to the large homes and increased adaption of hybrid work models, work from home, etc

We believe the current upcycle in housing market is likely to remain intact and we see several factors contributing to this. Demand continues to benefit from lifestyle changes, where consumers are looking to shift projects with contemporary amenities, upgradation to large homes, and increased adoption of hybrid work models - WFH or Work from Anywhere. Housing prices have increased across cities and absorbed well by consumers so far. The salaried class and end users are driving demand in mid-income segment. Luxury market also continues to do well and history tells us that luxury real estate generally picks up in an upcycle. Improved affordability across cities on account of subdued prices and decadal low interest rate has been driving housing demand in the past few years. However, interest rates have been moving northwards successively in the last few months. While interest rate hikes have not impacted demand significantly, we remain watchful.

Consolidation and formalization of the sector continues to play out with organized players especially the listed and leading ones consistently gaining market share. We believe developers with strong balance sheet shall thrive and continue to grow larger. In line, our aim is to be amongst India's top ten real estate players. We have the balance sheet, brand, geographical presence, product mix, capital allocation strategies, operational excellence and digital capabilities to successfully achieve this milestone in the medium term.

Coming to our quarterly performance. Q2 has been an eventful quarter for the company with traction across business development, launches and bookings. Booking performance remained healthy despite a seasonal muted quarter, with a momentum across sustenance as well as new launches.

During the quarter, bookings grew by 3% year-on-year to Rs. 189 Crore. Two projects were launched in Ahmedabad, the first being Fruits of Life, which witnessed an overwhelming response with the entire launched inventory of Rs.90 Crore sold within 36 hours. The acquisition to launch cycle in this project is noteworthy, which was just about 3 months. The second project was Forreste 5. This is the fifth phase of a large project called Forreste, and this was launched towards the end of the quarter, and it has also witnessed a healthy traction with the higher price realizations. Our Q2 financial year 2023 collection stood at Rs. 113 Crore as against Rs. 161 Crore last year, where collections have been subdued this quarter. However, we expect them to improve meaningfully with some of the important milestones getting achieved and completed in the coming weeks and months.

Business development, as you know, continue to remain the top KRA for the leadership team here. We are happy to share you details of acquisition of our 9th and 10th projects in Bangalore. We acquired a new project admeasuring around 27 acres of land with a potential top line of around 250 Crore plus at Doddaballapur Road under HDFC Platform 2. Further, we acquired a new project admeasuring 18 acres of land with a top line of around 150 Crore near IVC Road North Bangalore. This project actually is getting close to or rather adjacent to the first one that we have been doing in Devanahalli and is fully owned by the company. This is not under the platform. This is 100% owned by the company. There is a potential opportunity to increase the size of both these projects significantly by 2x to 3x subject to technical, analytical diligences, and we are very hopeful that this should be done.

Bangalore is our second home, where Arvind Group has significant operations and human capital. Over the years, Arvind SmartSpaces has leveraged the group’s brand equity in Bengaluru and has built a meaningful presence there. We continue to deepen our market share there. With these acquisitions, we now have 4 projects in Bangalore lined up for launch in the upcoming months and quarters.

While on Bangalore, let me bring attention to our digital capabilities. Arvind SmartSpaces Limited has launched a digital sales platform for its project – Arvind Bel Air in Yelahanka, Bengaluru. The platform enables users to experience different units from inside as well as experience actual views from the balconies which are shot at location using a drone. In addition to this, the user is able to view the available inventory and select his desired unit as well as see the entire cost break-up. This brings in a lot of transparency and trust in the entire home buying process.

We are excited with the progress of our partnership with HDFC. Within a short span of 2 months, we have already added 2 projects to our portfolio through this platform already. The 27-acre project is the second acquisition under the newly created HDFC Platform 2. You would remember that under the first platform, we had already acquired a project in Bangalore.

Moving on from operational updates to the financial highlights. In H1, we reported a revenue of Rs. 111 Crore, up 110% on a year-on-year basis. EBITDA for H1 grew by 32% to Rs. 20 Crore. PAT for the H1 grew 132% to Rs. 12 Crore. In Q2, we reported a revenue of Rs. 50 Crore, up 96% year-on-year. EBITDA for Q2 grew by 34% to Rs.9 Crore. PAT for the quarter grew 79% to Rs. 4.8 Crore. Our balance sheet position remains strong. As on September 30, 2022, our net debt remains negative at 11 Crore. However, the company has started leveraging its balance sheet with the introduction of gross debt this quarter, mainly for the new acquisitions. We have significant headroom to raise fresh funds, while maintaining a very healthy debt equity ratio and other parameters when it comes to leveraging the balance sheet.

Another notable development this quarter has been the exercise of 28,50,000 warrants of ASL entailing an investment of Rs 29 crore by myself. After several years at the helm of Arvind SmartSpaces, my commitment and belief in the Company has only increased. This investment of personal capital highlights my confidence in ASL's growth trajectory. It is also a reflection of the underlying value in the company given the milestones achieved to-date, as well as the opportunities that lie ahead.

To conclude my remarks, real estate sector prospects remain very strong with a cohesive improvement in demand, supply and prices across markets that we are operating and otherwise. The housing cycle has remained very positive, especially for organized players with established track record of design and execution. We look forward to leveraging our brand and a strong balance sheet to further expand our portfolio of projects in our focus markets of Bengaluru, Ahmedabad, Pune, and of course, we are now entering MMR as we have said before and we are putting efforts towards that. The remainder of the year should witness an improvement in our performance across parameters, and we expect to end the year on a very strong note.

Thank you. Now over to the question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Chaitanya Shah from Silverline Capital. Please go ahead.

Chaitanya Shah: My question is regarding the Slide #50 in the presentation that has been uploaded. Could you just give some brief on the acquisition target that you mentioned that you are targeting Rs.5000 Crore worth of acquisitions in the next 12 months? So, could you just give a brief on that?

Kamal Singal: Yes. Sure. So the new platform with HDFC is worth Rs.900 Crore, out of which Rs.600 Crore is to be invested by HDFC and Rs.300 Crore is to be invested by us from internal accruals and otherwise. Historically, we have noted that we have a multiple of around 5 to 6 between the top line cumulative and the amount of money invested in land. So, Rs.900 Crore should give us a number of around Rs.5000 cores and thereabouts. Although the primary target of acquiring any project is to consolidate and add up to the bottom line, of course, the free cash flows and EBITAs and PATs, etc., and generally, we have been speaking about a margin or an EBITDA level margin in excess of maybe around 25%. So, Rs.5000 Crore should give you anything more than or something more than Rs.1250 odd Crore.

Now what can happen is that depending upon the sequence of projects which are acquired, you might sometimes take more horizontal project initially and then migrate to the verticals and vice versa. As we speak, we are on course to achieve this Rs.5000 Crore through an investment of Rs.900 Crore. All the initial bunch of investment itself, where the top line corresponding to investment is on a little lower size, but the margins are even healthier than what our target of Rs.1250 Crore. So actively investment is in line with these numbers of Rs.5000 and Rs.1250 Crore of margins per se, and both the projects that we have acquired under the new platform is in line of that.

Ankit Jain: Just to add, while Slide #50, what you are looking at Rs.5000 Crore is just some of the areas. Overall, this summarizes our business strategy in terms of what do we want to be, where we want to be focused, in which segment, in which geographies, and one of the segments, one of the pillar is sound capital allocation, since we have signed a platform with HDFC, which we have announced last quarter, within that platform, we are expecting a top line potential of Rs.5000 Crore. There will be other areas besides the platform, where we will continue to add to our project portfolio and that will be our top line completely.

Chaitanya Shah: I understand, and the reason I asked this question is, looking at one of the other slides, the Slide #24, also in your presentation. The total sales done by the company, including the ongoing projects we completed. The launch is close to Rs.6000 Crore. So, when we talk about addition of new Rs.5000 Crore, that is a very big addition to the current size that the company is operating in. So just in terms of business development, in terms of the management bandwidth, what has been changed, and what gives you confidence that you will be able to handle such a big volume in such a short period of time?

Kamal Singal: So, you are right. I mean, of course, the company is in the middle of an orbital change and trajectory is changing. That is very clear from the numbers But the good news is that in the last couple of years and especially post-pandemic has shown us that company each year, both from management bandwidth point of view and resourcing point of view, and HDFC platform has given us that impetus in our capital structure where money is now not a constraint, which always used to be the case even otherwise before the platform and others elements kicked in.

Money has been infused by promoters and KMPs, and also this platform is working and helping us leeway on that. So, bandwidth, yes, we have ticked this box and we have acquired some of the large ones in Bangalore for the first time in the last couple of years. The team has been further strengthened. I mean, today, if you look at the critical resources that we have and the kind of experience that the team has now is very qualitatively different from what we used to have, and we know our KRAs. We know what we need to do to do that, and that is what we are working on.

As I said in my initial address, also that the KRA for the senior leadership team is to add projects and that is clearly our focus. So, we are very confident, and we also can share with you that the pipeline of projects is very healthy. Of course, we are very, very choosy. Of course, will remain very, very conservative. Of course, we will be very, very cautious, while money is there and resources are there. We do not want to be in a hurry to doing anything which is faster or which is not as prudent as it should be within the realm of conservatism and caution that we always exercise, and that is why you will appreciate it. Every single project till date has been performing well, cash positive and broadly everything is in an autopilot mode where projects have recovered their money or investments very, very quickly, and then on, the cash flows are getting generated. In the last couple of years, we have seen that happening very clearly. God has been kind and the team has been working wonderfully to ensure that every single project is performing, and we are not getting stuck on anything that we have taken up. We want to remain this way, and this means we will be a little conservative and remain conservative, and that is how it is expected to turn out.

Chaitanya Shah: My last question is on the current global backdrop of recession and even domestically overall data touch 9% or in some cases, even exceeded 9%. So, what is your view on the real estate cycle as of today, especially because we have a very aggressive growth plan?

Kamal Singal: As of now, if you see in the short term, we do not see any major worry. The momentum is great. The market is great. The sentiment is good, and people are looking at real estate, both for consumption and as an investment option in a very aggressive way. In fact, we have seen traction across our products. Some of the products are luxury, some of the products are mid-priced. Some of the products are investment. Some of the products are very, very consumption oriented.

I mean, let us take our Fruits of Life, for example, it is an investment product essentially speaking. Maybe the actual use of the product will come 5 to 10 years hence, and that has done so very well. At the same time, our Bel Air is selling robust, very strong and very consistent. So, we see traction across. Interest fees have moved up from more like a 7-plus percentage to 8%, 8.5% now, which obviously is something which we should be keeping in mind. But I think, as I said in the previous call also, so as long as it does not cross 9%, there are no big worries because 7%, 7.5% was an exception. 8.5%, 9% is not an exception. It should not impact in very significant way.

Beyond that, of course, there are ways and means that one has to think of and a little bit of a price escalation or the cost escalation in that sense. In a long-term real estate cycle, it is good to increase costs gradually, and that also makes people take their calls early. They take their buying decisions early, and that is what is happening. So, we are not overly worried at this point in time. We see short and medium-term to be stable. Interest rates, nevertheless, are broadly okay at this point. We do not see any dramatic things happening. Rupee has depreciated, but it might become stable from here onwards or might remain consistent from here onwards. So, we are okay at this point in time, and we are, of course, are keeping an eye on what happens from here onwards.

Chaitanya Shah: Okay. Thank you so much.

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

Ritwik Sheth: So in the opening remarks, you mentioned that we are looking to be among the top 10 real estate players in India. Did I hear it right?

Kamal Singal: Yes. Correct.

Ritwik Sheth: And this will be a part of what you have mentioned, strong balance sheet, brand HDFC tie up, etc. ?

Kamal Singal: Yes.

Ritwik Sheth: Okay sir, all the best and thank you.

Moderator: Thank you. The next question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: Yes. Sure. Sir, I have 2 questions. One, pertaining to our bookings guidance for the year, and if you could put some number for, say, FY2024, FY2025, and second, you are talking about entering the MMR region. So just wanted your thoughts on one of the reasons why you want to enter the MMR market, number one, and number two, would it be pure play land acquisition? Or are we looking at JV, JD or redevelopment mode as far as MMR market is concerned?

Kamal Singal: Sure. I mean, as a policy, we do not give guidance per se on the critical parameters. We have been achieving a certain amount of trajectory in terms of growth in all these critical parameters. Historically, last 3 to 4 years have been robust. We have been growing in between 30% to 40% in the critical ones. Our idea is to keep growing at that rate going forward. So, that is something which possibly can be worked on based on the trends that we have achieved, and this is what we continue to strive and achieve. That is one.

Regarding MMR, yes, we have been very, very conservative when it comes to horizontal expansion across geographies more than a decade of operations, and we have been kind of going deeper and deeper in our home market of Ahmedabad and also our second home, which is Bangalore. Bangalore, today, we are very strong, and the pipeline is strong, and the visibility is strong and the amount of investment which are right now happening is also an indication that there all the building blocks are in place to go deeper and deeper, and of course, that market can take bigger.

But having spent more than a decade in these 2 major markets, we think now is the time that we could explore Mumbai, Maharashtra in general, but Mumbai and Pune in particular. To do that a few quarters back, we entered Pune to understand the environment. We have one project which is up and running. We have learned the nuances. We have learned our lessons there. We have understood the environment there, and we now feel very confident. This is now the time possibly to take the brand extension into MMR and Pune in general. We are very aggressively now looking at Pune and MMR both to have this as a growth engine.

So, with this addition, maybe we will have 3 geographies, and we are putting a very strong team of execution, project development, etc., in these markets. So, the simple reason is that Mumbai gives us one additional market. Second, having penetrated deeper into the existing market, it is now appropriate for us to expand in the third one. Before we move into any market, we want to make sure that we are deep enough in the previous ones, and the third one or the fourth one should be deep enough for us to have that setup, which can take care of volumes which are appropriate for us given our size.

So, MMR makes very natural sense, and by the way, the way our brand is recalled very well in South, especially in Bangalore, we feel that our group base in Gujarat based in Ahmedabad and very, very strong from other business point of view and even otherwise in Bangalore. Mumbai and Pune will give us very similar advantages. Pune, for example, is an IT-driven market, and our core consumer is that consumer, which has an income bracket of Rs.30 lakhs to Rs.40 lakhs. They can spend Rs.1 lakh to

Rs.1.5 lakh in EMIs. They have already bought a house where they are living, but they can invest in one more of a similar size for end consumption or for rental or as an investment portfolio, etc., and the disposable income ratio is all there, and that fits into our overall segmentation, pricing bracket, etc.

And the broader characteristics of the market also matched there, and besides that, Mumbai has that brand recall, Arvind, in a very significant way. We have done our test marketing. We have done our studies and analysis there in some of the macro markets. We find that Arvind can resonate in a very significant way, the way it happened in case of Bangalore as well. So, these are the clear reasons why we should be there.

And the last part of the question is about whether we want to do acquisitions, JV and JD, etc. I think we will do everything. We are currently looking at everything. We can buy out. We can obviously do JVs, and we are looking at that, and JDs, of course, is one of the most preferred route that we want to take. MMR means a lot of money when it comes to acquiring land parcels. JDs make more sense. Maybe you will see the component of JD to be healthy eventually once it all settles down.

Shreyans Mehta: And sir, last, if I may squeeze in. You talked about that currently, we are at a comfortable leverage. So just wanted to understand till what levels can we go? Is there any number which you are looking at in terms of leverage or absolute number?

Kamal Singal: So, I mean, today, the net debt is still negative. I mean having a decent amount of money in the last 2 quarters outside the platform. I mean, within the platform, we are still negative. So, we have got a lot of headroom to raise funds through debt. Historically, we have been telling and we have been targeting to not go beyond 1:1 on debt equity, but that is not the only criteria to look at it. But on actual basis, we have never touched even 1. So, while we will keep that target in mind that we should never be more than 1:1, we hope that we will always remain significantly below 1:1. So maybe more like a 0.7, 0.8 or something. That is what is there in our mind.

Shreyans Mehta: Got it sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Kirthi Jain from Canara HSBC. Please go ahead.

Kirthi Jain: Sir, first of all, congratulations for newer business development activities, which you have taken. Sir, my first question is with regards to our collections. Sir, our collection at Rs.115 Crore, when we see that our sales, Bavlu has happened Rs.90 Crore, where we would have collected full money. So, excluding Bavlu, we have collected only 25 Crore, or how we should read about the collection, sir?

Ankit Jain: Yes. So, we give project-wise collections, which is there on the other slide on the quarter 2 synopsis. Bavlu collection because it is only a launch quarter, so we initially collect only limited sums, and hence, we have collected close to Rs.5 odd Crore out of the Rs.116 Crore.

Kirthi Jain: Sir, my second question is with regard to the 2 new projects where we have highlighted that we can increase the area by 2x to 3x, subject to technical and legal feasibility. So, sir, my question is the land parcels have got negotiated or the price is also under negotiation? Or how is the situation, sir, with regard to the newer prospects in the Doddaballapur and the newer, Devanahalli projects, sir?

Kamal Singal: Sure. These are horizontal projects, and we always have something called a critical mass or the critical size of the project. Unless we hit that threshold, we do not call it as a project. We do not get into aggregation directly. Of course, it is done through some of the aggregators and some of the people who are primarily responsible to do that, and we put our penny only when we see that the critical mass is happening in first shot. For example, Doddaballapur, in one shot, we did some 27 acres. 25 acres was the minimum we had set a condition because we know that once it crosses 25 acres, the project is on.

We are not stuck with 10 acres in that location, which is neither here not there. It cannot be used for a high rise at least at this point in time. It might be the case in a couple of years, but not today, and plotting for 10 acres is too small a thing to get into and execute and create something which is interesting for the consumer. So, the moment we saw that 25 acres is ready, we did 27 acres in one shot, and we know that the project is on and that is how we are telling the market and everybody that this project is now on. Same is case with the other one, 18 acres.

But all these projects and acquisitions are such, where the idea is not to stop at 25 acres or 18 acres, etc. For example, the first project in Devanahalli started with something very similar, 25 acres, 26 acres and today, it has crossed 50 acres, and idea is to make it even bigger. As you make the projects bigger, it becomes more and more financially viable and profitable because the land, the backside keeps coming cheaper and faster, etc. So that is what we are targeting. Idea will be to do 2x and even more, both these projects. But as is, we are happy with the size that we have already got, and this means that our targets and our profitability and our configurations and our projects are on with the size that we have acquired already, and there is a very strong chance of adding a very significant amount of land in these projects.

Kirthi Jain: Sure, sir. one of the things which we envisage compared to other real estate companies that we want to be a factory sort of a real estate company. Sir, when do you see a big launch pipeline kicking in for us, sir, like Bavlu has done? But like continuously monthly one project getting launched for us, when will we see that, sir?

Kamal Singal: So, if you really see last quarter and this quarter call, we launched couple of projects over the last 3 months, and as you very rightly said, we have to do it over and over and over again. That is in place. We have started doing it and delivering on that already, and the idea is to keep doing it, and if you were to touch Rs.5000 Crore from the platform, then obviously, we will have to keep doing it. The new project is giving Rs.250 Crore, Rs.500 Crore or maybe we will start looking at slightly bigger ones from here onwards. But that should start coming into the market very soon and the team is working on that.

Kirthi Jain: Sure, sir. Sir, my last question with regard to business development pipeline, how is the pipeline looking, and any target if you can guide for business development, what we are targeting for the next 6 months, and the second question is with regard to the launches. What is the launch pipeline for this next 5 months, sir? These are the 2 questions.

Kamal Singal: Sure. The platform money, which is Rs.900 Crore has to be deployed in the earliest. We already have the money that is our contribution with us. Those lines and those surpluses are all there in the company already, and of course, HDFC money is available. So, it is a question of getting the right projects, getting the right options and we being convinced technically and legally on those and then acquiring them. As we speak, the pipeline is fairly strong. The list is bigger than what we need, and hence, it is a question of scrutinizing them and picking and choosing from the options, which are broadly already kind of created.

As of now, the commitments, etc., are pretty healthy, and we are very, very confident and hopeful by before the end of this financial year, we would have committed our entire Rs.900 Crore, and there are great indications to suggest that this will be achieved. On the launch side, yes, we should launch our first project in Devanahalli any point in time, anytime from now. Then we are also hoping that Sarjapur villa project, we should be launching before the end of this financial, which is on track and now on track and should happen, and apart from that, at least 1 more launch is something that we are working on within this financial. So, between today and next 4-odd months, there should be 3 large launches.

Kirthi Jain: Thanks a lot sir.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on a good quarter. My first question is on the Mumbai and the Pune market. So, you are looking to make an entry in Mumbai market and consolidate further into Pune market. So what kind of gross development value projects in this financial year are you looking to add from the Mumbai market?

Kamal Singal: So, see, we are not keeping any specific number in mind. For example, Pune, we took a little while before we said, okay, now we are on, and now we want to add and invest significantly there. To that extent, Pune will be easier to consolidate, and that is what is happening. We will be a little conservative in MMR in acquiring new projects. But definitely, we want to make a start with at least 1 or 2 projects in MMR within this financial year from the land acquisition point of view. But we are not really working on any very specific number out there. It is about starting and starting it well, starting it on a very strong footing, and that is where we believe that 1 or 2 projects to be committed with this financial year will be a great idea in a new market.

Parikshit Kandpal: Sir, how are you looking to do? I mean, are you going to buy outright or JD, JVs in these 1 or 2 projects from the capital allocation point of view?

So, what could be the investment in land? Or will this largely be assets like JD, JVs or redevelopment? So how is your strategy, and how are you thinking about the MMR market to start off because even a smaller sized project could be Rs.200 Crore to Rs.300 Crore GDV? So, just wanted some color on that.

Kamal Singal: Yes. Great question. As such, in the medium-term, we want to do all the 3; JV, JDs and outright, and our idea is not to invest more than, say, Rs.100 Crore to Rs.150 Crore in a location on an outright basis, which is pretty small in MMR, right, I mean, as you say. But a JD, JV with this kind of investment could be a very, very decent size to enter. So naturally, it will be more prudent to believe that first couple of projects might come through JV, JDs. But at the same time, we are investing Rs.150 odd Crore in a new land acquisition on our own. So as of now, all the 3 options are open. We are working all the 3. Let us see which one clicks first. But of course, we will not be investing too much of our own money in the very beginning in Mumbai, as you said, very right.

Parikshit Kandpal: By the financial year end, if you are able to close couple of projects, 1 or 2 projects, if you had 2 projects. So, each project has sales potential. So, is it right to assume that by this year-end, we will have about anywhere from Rs.250 Crore to Rs.500 Crore of sales potential as new projects getting added from Mumbai?

Kamal Singal: Yes. I mean, a project not giving Rs.250 Crore and thereabouts is something which is too small in any case. So definitely, the target would be to have a couple of such projects and a total top line potential of Rs.500 Crore is very realistic, and this is something which we should be able to achieve, and this is the kind of target which is there in our mind, for sure. It could be a little more. I mean suppose JD comes where the top line is more than that and the initial investment is less than maybe Rs.150 odd Crore, it is possible. Through JD route, we should be doing more if couple of such deals happen. But irrespective of whether it is JD or outright purchase, our top line of around Rs.500 Crore from MMR in this financial year from the point of view of new acquisitions and commitments, yes.

Parikshit Kandpal: Second question is on the plotted development. So, the sales value of these looks to be a little conservative. If I see 27 acres or the 16 acres, 17 acres, so is it like you are working on, because realization-wise it looks to be fine, but FSI seems to be much lower. So, are these going to be very low-density development like even in plotted? I was wondering if these numbers are very conservative.

Kamal Singal: These numbers per se from the square footage point of view are pretty accurate. I mean, for example, Bangalore, 1 acre will give you 55% to 56% of saleable area and that is what is depicted in the numbers. So, when it comes to 1 acre gives how much, that is the case. Because these are plotting projects, you do not build on them and there is no buildup area calculated. It is about land sales and land sales proportion is 55% to 56% of the total land available. That is why the number looks, I mean, sounds less. But at the same time, there are locations where we also could do hybrid, maybe Phase 1, Phase 2 remains the way we have depicted at this point in time. But Phase 3, once the overall development happens, once people can get the look and feel of the place there, possibly then we can add villas or low-density construction thereafter, and when that happens, and of course, that is also there in our mind, and when that happens, the saleable area will suddenly start going up for the same project.

Today, the numbers that we have shown are based on pure and pure 55% to 56% of plotting to be sold, but there is an upside of adding built-up products at maybe Phase 3 or Phase 4 of the same projects. We have not projected that far for the same location and the same project, that is definitely a possibility to a certain extent in the later phases. But today, they are plotting projects mapped and predicted and forecasted that way. But whatever is projected, that is very relative for the product mix that we envisaged at this point in time.

Parikshit Kandpal: So, because when I see the 50 acres in Devanahalli and 1.1 million square feet salable is just about 20%, and you have given an indicative top line of Rs.380 crore. So, if 1 acre is about 1 lakh square feet, so 50 acre is about 5 million, and we have given 1.1 million, so about 20%. So, I was wondering why it is so low.

Kamal Singal: For per acre, it will be about 23,000 square feet approximately. So, 23,000 square feet into 50 acres will work out to about 1.1 million.

Avinash Suresh: And this is more than 50% by the way, not 20%.

Parikshit Kandpal: Okay. Got it.

Ankit Jain: It is 55%.

Parikshit Kandpal: I was comparing with residential. group housing. Sir, then my last question. So, a lot of BDs happening on plotted. So, any outlook on group housing? So how do you want to ramp up the medium on the group housing? So, you did mention about Mumbai housing that Mumbai will add to the group housing part of the gross development value. So, if you can just touch upon how do you intend to ramp up your group housing portfolio?

Kamal Singal: Yes, very, very good question and very good understanding the product mix. We are very well aware that while we have more than achieved our profitability targets from the product mix, which has been acquired in the last couple of quarters. The projects are extremely good. Land acquisition prices, etc., have been very, very attractive. We have clearly gained an advantage in all the markets that we have acquired land in, in terms of the pricing we can offer, and we can easily outprice competition and still maintain very healthy margins out there.

But when it comes to the top line, they are low, and hence, we need to add some bit of inventory, which is built up and group housing, etc. That is where the entire focus has shifted already, and we are now from here onwards looking at adding the buildup projects through acquisitions, JDs and JVs. Because buildup projects involve more working capital, it has more contingent liabilities or commitments. Liability is a little hard to add, but commitments, if I were to say, of course, the proportion of JDs will now start increasing with the focus on buildups and that is what we are doing, and you will see some few things happening in the coming weeks and months on that.

Parikshit Kandpal: Thanks Kamalji and all the best for the future.

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

Dhananjay Mishra: Just wanted to understand this. We have close to Rs.2000 Crore revenue potential from this business development, and you indicated that 2 or 3 more launches is expected in next 5 months, and then we have Rs.200 Crore of sales potential left from the completed and Rs.800 Crore from ongoing. So overall, Rs.3000 Crore worth of sales booking is still left from all 3 categories. So, what could be this year number in terms of sales bookings and next year? Because I guess, next 15 to 18 months, we would be able to close all sales booking from at least these projects?

Kamal Singal: Yes. To give you that number, it is a little difficult and that kind of becomes a guidance, which we do not give. But as I said in the very beginning, we have been growing at 30-odd percent and mixes of 30% year-on-year the last several years, and that is where we want to land in terms of sales. We had Rs.600 odd Crore last year, and of course, we want to grow from there onwards this year and thereafter. So, we are hopeful and we are working towards an objective of maintaining the growth rate that we have achieved in the past and that should be around 30-odd percent. So that is where we are.

Dhananjay Mishra: So, I mean closure to Rs.900 Crore to Rs.1000 Crore is possible for this year?

Kamal Singal: I am bad mathematics but I am sure you can do that.

Dhananjay Mishra: And these all projects will be completed because most of the projects are plotted development? So, for next 3 years, can we expect the completion of all, at least announced projects, including the business development projects?

Kamal Singal: I think projects will take less than 3 years for sure. I mean, yes, in terms of sales, they are very quick. Bavlu is one example, the Fruits of Life and the other ones also here in Ahmedabad, Forreste is not a plotting really, but more like our horizonal. Highgrove has been another, Chirping Woods is another example. So, we take significantly less time than 3 years to sell but completing it should be a couple of years and thereabouts.

Dhananjay Mishra: And on HDFC platform, what is the size of project we already have out of this Rs.5000 Crore potential you are talking about, like HDFC Platform 1 and 2 put together?

Ankit Jain: We have already shared that in Slide #23, where we have mentioned which project is under HDFC Platform 2. HDFC Platform 2 is a newer platform where so far, we have acquired 2 projects. One is Fruits of Life, which is partly launched and partly yet to be launched, and the second is Doddaballapura project.

Kamal Singal: So, I will tell you a number, between Platform 1 and 2 HDFC platform would have created a top line of around Rs.500 Crore to Rs.600 Crore in the bag already. Yes, Platform 1 and 2 together. So, this includes Fruits of Life, Doddaballapur Road, and this includes the first project in Devanahalli. I mean, we have not disclosed the name. But these 3 projects put together for the land that is already acquired and about to be launched in various stages of approval, etc., is around Rs.550 Crore to maybe Rs.600 Crore, more like Rs.600 Crore to Rs.700 Crore.

Ankit Jain: That also project-wise, we have given in the Slide, one is Rs.380 Crore. Second is Rs.250 Crore.

Kamal Singal: Yes. So if you add these 3 projects, this will add up to that number only. So, you need to add Devanahalli, you need to add Doddaballapur Road and Fruits of Life.

Dhananjay Mishra: And sir, just one suggestion, if we can start giving monthly sales number, which other real estate companies are giving. That will be helpful for track.

Kamal Singal: Noted your suggestion. We will see what the possibilities are and how we can go about it.

Dhananjay Mishra: Thank you all the best.

Moderator: Thank you. The next question is from the line of Faisal Hawa from H G Hawa & Co. Please go ahead.

Faisal Hawa: So, what is the kind of land bank that the Arvind Group has, which this company can also utilize going forward just like a large industrial conglomerate like Godrej and Mahindra have advantage to their real estate companies, and do we plan to further get into any kind of warehousing or industrial plotting projects also?

Kamal Singal: Answering the second one first. Our focus will remain on residential space. But within residential, we will do all the projects or products, which is mid-price, luxury, high-rises, villa, townships, plotting, etc. So, within residential, it will be very, very widespread, but the focus remains in residential. We are not intending to do any warehousing in stock or even offices. There can be some adjacencies, which might necessitate or make it logical for us to have some component of these things within a project, but primary focus remains residential. What was the other question?

So, we do not own any land banks. This company is an independent entity. Any lands that the flagship might have and if we were to get into any sort of arrangements like we have in one project, which is Forreste. It is done purely on an arms-length basis, where we compete with any other developer who could be potential developer for that particular land for Arvind Limited per se. But otherwise, our model is not relying on land banking. For us, it is important to hit the market at the earliest possible time once the land is acquired or the land rights are acquired. We do not keep any land in the waiting. So, there is no land bank.

So, it is like as somebody just said during this call, that it is more like a manufacturing mindset where land is raw materials and idea is to add value, an idea is to exit and sell it at the earliest possible time, and the KRA for the entire team and the group is to see that we hit the market once the land expenditure is incurred. We hit the market at the earliest and bring in development profit rather than speculative profit. So, there is no land banking strategy at all.

Speaking on the current status on this, all the land parcels, all the major investments are already selling apart from the ones which would have got acquired in the last few months because they are under approval processes, and approval processes, it takes 6 odd months. In certain cases, 8 odd months. But beyond that, we do not have any land, which is not getting approved, or which is not under the effort of hitting the market in general sense.

Faisal Hawa: What actually arouses my curiosity is what is the kind of USP, or what is the kind of differentiating factor that we will have in MMR and Pune and Bangalore, where the Arvind brand name may not be so well known? So, what is the kind of USP that we will get there to really make our sales faster?

Kamal Singal: We can take an example of Bangalore. One is that, generally speaking, organized players after the GST came into play, demonetization happened, RERA came in, I think there is a general tailwind for the organized players, which have access to structured capital. That is what we have. There is a great space for players who have a very strong balance sheet and who are not overleveraged. That is something which we have. There is a very high degree of appreciation and preference in the consumer's mind for a player which is branded, which has a legacy, which has a trust factor attached to it and which also has a track record. I think we check all these boxes on that front as well. Arvind as a brand is close to so many people in their daily life through the brands we do. I mean, Tommy is a household name. CK is a household name. Arrow is a household name, and we have got a very large presence out there.

I will disagree a little bit on the brand recall in markets like Bangalore. In fact, it is the other way around. We knew that we would find resonance. We knew that we would find echo there. But when we really entered, we found that the echo and the resonance was much higher than what we would have anticipated. People knew us, people appreciated it and people jumped on to that brands they are going to buy from a player like us, and we were very quickly able to get into that league of top 5 or 6 in Bangalore.

By the way, Bangalore is one of the most organized and a market dominated by very organized, disciplined and better of the lot developers across the country, so to compare, and we were very quickly able to get into that kind of a league. So, we see a very similar potential in Pune, very similar market, and we are going to be hitting with very similar product mix there, and Mumbai is a market where the brand recall is one of the highest for Arvind. Of course, there is a Gujarati element to it. But more than that, our brand side, our other business side, they are very, very strong in Mumbai, as well as we had this place in Bangalore and hence, this should be the case.

Faisal Hawa: And sir, what is the kind of sales velocity we will see, actual sales where we take the delivery? Is it fair to assume that by FY financial 2026 or something, the sales velocity actually comes to something like Rs.2000 Crore? I am not asking for a future guidance. But are we planning for that kind of a business plan?

Kamal Singal: So, one way to look at it is the organic growth that we are delivering. So, that is anywhere in the range of 30%, 35%, 40% on top line and fresh sales, etc. Of course, the idea is to continue doing it and rather consolidate further. One major ingredient or the resource required is capital, that always we have been selling healthy. We have been seeing the traction. We have delivered a lot of stuff in the market already and hence, the presence is all there, we are going deeper and deeper. But of course, you need more money to invest if the whole deal was to be bigger or the whole cycle was to be made bigger. That is one big where we worked hard in the last few quarters. HDFC platform is one of such examples where capital side constraints have been removed. Once that piece is in place, we think that the growth trajectory should be achievable, and if we continue to grow in terms of percentages, the way we have been growing and even better that to a large extent or to at least some extent, we should be able to hit the 1000 and 2000 trajectory very soon.

Moderator: Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Congratulations for good numbers. I am sorry, I joined a bit late, if my question is repeated. But just I am bifurcating my question into 2 parts. One is the growth that you are building on, let us say, the Rs.600 Crore number that we did last time without any platform sale of HDFC, and the second is that the HDFC platform that we have embarked upon, and I think we have guided almost Rs.4500 Crore to Rs.5000 Crore kind of revenue potential from this Rs.900 Crore investment that we are doing. So, what that Rs.600 Crore number that probably we can think of growing over the next 3, 4, 5 years? That is one that you are doing without any capital inclusion from HDFC, and the second is the HDFC platform by what timeframe we expect that this entire Rs.4500 Crore to Rs.5000 Crore kind of number can be launched and ultimately be delivered? So if you could guide on that, will be really helpful for us.

Kamal Singal: So, I mean, as you very rightly said, Rs.900 Crore to be deployed, the first milestone to deploy this Rs.900 Crore in the market. That means the project is identified. Preliminary diligence is done. Commercial negotiations are over and some sort of a binding agreement is already signed, with some money a token or a little more than a tokening stake. That means both the parties are committed, and now it is just a question of completing the diligence in more detail. Once that happens, which should not be more than a couple of months after the first stage is clear, that the project is actually acquired and announced.

Now we are very hopeful, and the team is working around our objective where before the end of this financial year, we would have committed this entire Rs.900 Crore, and as we stand today, the progress is pretty healthy and decent, and this gives us confidence that this will be done before the end of this financial. Assuming that this will be done before March of 2023, in next 1 or 2 months, all these deals, value Rs.900 odd Crore should be signed, acquired and the land should be in our name, and from there onwards, of course, in a sequence of when this project is acquired and what is the nature of the project, approval cycles vary from 3 months to 9 months.

So the real impact of HDFC investments in terms of fresh sales will start coming from the second half of next financial, that is for the ones which are getting close now and between now and March. But having said that, couple of projects are already acquired like the Fruits of Life. It has been acquired. It has already been sold. The cycle became too small. But possibly, this is an exception. We cannot do it over and over again, but a couple of those can happen in this trajectory and as they can be coming into the books of account. Not books of account, in fact, sales sooner than the timeline we just discussed. But on an average basis, I think towards the end of first half, early second half of next financial year is when the real impact of a lot of what we are doing until this new platform will start reflecting in the fresh sales, so to say.

Bajrang Bafna: And this Rs.900 Crore number is without any leverage, right?

Kamal Singal: Yes.

Bajrang Bafna: With leverage, we can go up to maybe Rs.4000 Crore to Rs.5000 Crore, right, by leveraging this Rs.900 Crore.

Kamal Singal: Yes. This is without leverage, for sure.

Bajrang Bafna: Yes. Because your equity contribution may not be 20%, 25% in each and every project and rest could come through other sources also. So, this Rs.4000 Crore or Rs.5000 Crore kind of ultimate sales value that we will build up by investing Rs.900 Crore. So, I am just asking what timeframe that you are keeping in your mind that I have to adjust that entire kitty of Rs.900 Crore, 3 years, 4 years, 5 years? What is something that is back in your mind that, that is the compulsion and which I have to deliver that entire investment of Rs.900 Crore? So, I am just trying to understand that part from a longer-term growth perspective.

Kamal Singal: So, our horizontal project, which is essentially a plotting project should be rotated 100% within a time span of maybe 24 months to 30 months. That is one, and a build-up project should take anything like, more like 45 months to 48 months. That is what we have been doing in the past and plus/minus 20%, 10% here and there in terms of number of months, it should happen. If you are asking me the question of reinvestment, of course, it will be faster in case of plotting. It will be even longer for build-up, but within a range of 30 months to 48 months, everything we rotate depending on which project we are talking about and how many we take of which kind.

Bajrang Bafna: Yes, Kamal sir, because what I am just trying to sense, once you adjust the Rs.900 Crore, you will definitely get a lot of pressure from again, HDFC, to go for the next platform. So that is what the broader thought process that I am going to sense from your compulsion that I have to adjust this platform money at to what timeframes. So that is the understanding that I wanted to have.

Kamal Singal: Yes. So the idea will always be to quickly get the money back from the investments, redeploy them, and of course, the relationship with HDFC has been very, very deep and great and widespread. We started with a normal transactional relationship of they providing us credit, and then it became entity level or the parent company level investment that they did. They became 8% owner of the equity into the parent company itself and then we signed the second platform Rs.900 Crore. But the idea is, of course, to invest, earn, reinvest, etc., etc., and that is what both the partners hope to continue doing.

Bajrang Bafna: Got it sir and all the very best for your future growth. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, this will be the last question, which is from the line of Faisal Hawa from H G Hawa & Co. Please go ahead.

Faisal Hawa: Sir, how are we really leveraging technology to seal the deals faster or to meet the construction faster, and are we deploying some kind of prospects for faster deployment of home loans to people? Is HDFC helping us with that, too?

Kamal Singal: Your question was not fully audible, but I broadly got the gist of the question. It is essentially a question around how well or to what extent technology is being used or can be used to open various kind of aspects of business, which includes BD or construction or getting funding, etc., faster. But I think we are one of those players, and I am very proud to say that we are early adapters of technology in this business space. We had the portals, customer portals up and running almost a decade back even before the biggies had done it. So customers could have a look at project sitting at their home, they could print their own receipts, they could get their statement of account without talking to anybody at all in the company. To that extent, we did a long, long time back.

Today, we have evolved significantly, and one proof of the pudding is that we sell in excess of 25% and sometimes hitting 35% and 40% of our sales coming through digital platforms, where there is no broker, there is no middleman. That is not even reference sale, etc. This high proportion of sales coming from the digital mode basically tells us about a lot of hard work and initiative, which has been taken at the back end. Arvind is a retail group per se. We sell a lot of chairs, lot of shoes, lot of other things through various retail businesses we have, and we have learned our lessons there.

We know that space and we know how to put the entire structure, the back office, the IT backbone, which monitors your demand funnel, your supply funnel, which optimizes your working ratios, conversion ratios, where the ops could be going off the track, where your convergence could be going off the track, where your recruitment that is getting, the working into the project must be going wrong or right. So, all those retail specific tools are in place and working very, very efficiently in our sales engine, for example, and that is one of those examples.

Coming to construction, for example. Now when we say deliver fast, it involves a lot of technology. It involves a lot of assets which are directly or indirectly linked to technology. For example, are your designs, right? Are they modeled right? Have you used enough and more models to make sure that what we are planning is efficient from not only cost point of view, but also from a durability point of view, from the speed point of view. So, all those things, we are very, very active on.

Our ERPs are fully stabilized. We are on salesforce, which is one of the finest. Today, I can tell you out of 50 hoardings, which are there in the city of Ahmedabad for the project X, which hoarding is doing better because on that hoarding, if one phone number is given and when the customer dials that number, my ERP knows that this hoarding is working to this extent and the other hoarding is not working to that extent. If there is a creative appearing in your mobile for a project, which belongs to Arvind and if you call back or if register your interest through that creative, I will even know that for project X, the creative, which has villa printed is working better than for the same project a creative where you see clubhouse image.

So, what I will do is that in the real time, on a weekly basis, I will say, okay, why do not use more villa images and less of clubhouse images, for example. So, there are so many ways and means and areas that it is almost it is exhilarating. It is exciting for us to do all this. We just talked about the sales engine where you could just climb up virtually on the floor you are looking at, in the apartment that you are looking at, come out in the balcony of apartment you are seeing, you see the real-time images shot through drones, etc. You then say, okay, I like it, Vastu is this, sizing is this, location is this, directions are these, and then you say, okay, block this, pay some Rs.21000 or Rs.50000 on the spot and block it for 3 days and then be offline to get more detail if you want it, or go ahead and see, I want to make the booking payment, having blocked the unit for 3 days there.

So, this entire backbone of technology which involves drones, which involves 3D mapping, which involves modeling, which involves banking, which involve payment gateway, which involves inventory to be linked, which involves your ERP systems, so everybody knows that this is locked through that online portal and hence, it cannot be sold to the other party, and once this is unlocked, it is made available online once again in the real time. That is another aspect of doing things, using technology as a piece. So, we are very happy where we are, but there is no time to sit back. It will only improve and it has to continue to improve and we will definitely be setting benchmarks in the industry on technology usage in various ways that we conduct our business.

Faisal Hawa: Thank you so much for answering my question so well, I really appreciate.

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

Kamal Singal: Great. On behalf of all of us, thank you, everybody, for participating in this earnings call of Arvind SmartSpaces and for your continued support. I hope we have been able to address most of your queries. However, if there is anything missed out or if you need any further details and questions you have, kindly reach out to Vikram, who is here in this call with all of us and you can connect with him offline. Look forward to interacting with everyone in the next quarter. Thanks a lot.

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.
