



“Arvind Infrastructure Limited Q4FY16 Results Conference
Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Arvind Infrastructure Limited Q4FY16 Results Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' 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, Arvind Infrastructure Limited. Thank you and over to you, sir.

Kamal Singal: Good Afternoon and also A Very Warm Welcome to all the participants To This Conference Call which is being organized to Discuss the Fourth Quarter Financial Results for 2015-16 and the Financial Year 2015-16.

We are very pleased to connect with you today post declaration of our audited results through this concall. Today, we have announced the Financial Results for Fourth Quarter and for the entire Financial Year 2015 & '16 ending March of '16. The 'Investors Presentation' is based on this Audited Financial Results and that has been uploaded to our website for further reference.

Now, we will go through the Numbers first... please note that the numbers that we are going to discuss here are all consolidated numbers and they are latest. For this quarter we had a total revenue of Rs.91 crores against Rs.31 crores of the same quarter last year and Rs.6 crores for the immediate preceding quarter of the same year. For the financial year ending March '16 we have achieved a consolidated revenue of Rs.115 crores as against a total of Rs.87 crores for the full financial year '15 and the total consolidated revenue accordingly have gone up by 32% year-on-year. On the EBITDA side, Q4'16 is Rs.30 crores as against Rs.15 crores for the same quarter last year and Rs.3 crores for the immediate preceding quarter; EBITDA for the whole year 2016 stands at Rs.37 crores as against Rs.25 crores for financial year '15 and consolidated EBITDA grew by 46% year-on-year. Now, let us come to PBT. PBT for Q4 '16 has been Rs.27 crores and this is against Rs.14 crores for the same period last year and negative of Rs. (-0.49) crores in the immediate preceding quarter and consolidated PBT for the full year FY'16 stands at Rs.27 crores and this is as against Rs.17 crores for the last year. On PAT side for the quarter PAT is Rs.18 crores against Rs.9 crores for the same quarter last year and it was negative Rs. (-0.57) crores for the immediate preceding quarter; for the full year consolidated PAT stands at around Rs.17 crores against Rs.11 crores for the full year FY'15 and PAT again improved by 62 % year-on-year basis. So that is as far as the broad numbers are concerned.

On the Projects side: We have till now completed four projects and the names of those projects are Arvind Alcove, Megatrade, Parishkaar and Trade Square. All these four projects are located out of Ahmedabad and they measure approximately 2 mn.sq.ft. that the company has delivered till date.

Currently, the company is executing 6 projects and the names are Arvind Sporcica and Expancia. These two projects are based out of Bangalore and Arvind Uplands, Citadel, Beyond

Five, Megaestate, these projects are in Ahmedabad. All these projects put together measure around 11.65 mn.sq.ft.

The company is currently operating mainly out of two cities in and around Ahmedabad and Bengaluru...when we say Ahmedabad, basically Ahmedabad and Gandhinagar put together, these are twin cities but otherwise these are in these two locations.

The company also has an immediate pipeline of around 3 projects which are at various advanced stages of finalizations and we hope that these get concluded and they become our active pipeline in near future.

Just dwelling a little bit more in the numbers and to recap financial year 2015-16: Turnover is Rs.115 crores against Rs.87 crores of last year; EBITDA 32% and EBITDA for the previous year that is '14-15 was 29%, so it holds around 29-32% in the last couple of years.

I can also update you on some of the major highlights of the year which has just gone by: Company has recognized revenues from one of the major projects which is Sporcica in the last quarter of the financial year 2015-16 and all those numbers have reflected in the last quarter itself and besides that we have received occupancy certificate, building use permissions, etc., for projects like Expancia, Megaestate, etc., during the financial year.

Our performance for the year shows that we are pretty committed towards steady growth, that is anchored by the strength of the Arvind brand and competencies that give us edge. We believe that Indian economy is gradually but steadily improving and interest rates will continue to decline although they are not declining as fast as you would have loved but nevertheless they are going down gradually and it helps GDP at a comparatively stronger footing, all these three factors which are broadly macro factors, they are expected to give a fillip to the Real Estate market in general and I think the company is very well poised to exploit the favorable conditions and they get advantage of that.

Now, I am ready for taking the questions if the house has any.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Sreeraj Mehta from Value Quest Capital. Please go ahead.

Sreeraj Mehta: For the current quarter how much revenue would have been recognized from Sporcica and how much revenue would have been recognized for Expancia and can you give the details for the full year as well?

Kamal Singal: The total revenue recognition for the year is Rs.115 crores, out of which Rs.89 crores has come from Sporcica, Rs.18 crores from Citadel ...Citadel is a project based out of Ahmedabad, Parishkaar and Trade Square has given Rs.5 crores, Megatrade which is our left over inventory

of one of our projects has given Rs.2 crores and Expancia Rs.1 crore from Bengaluru. So this is the breakup.

Sreeraj Mehta: Then Sporcja still would have close to Rs.30-odd crores of revenue recognition and Expancia around Rs.15 crores. Would that be correct?

Kamal Singal: No, it will be more than that; Sporcja out of the sales which has already happened only 52% has been booked as of now, so total sales is Rs.166 crores, out of which Rs.89 crores has been booked, that is the number.

Sreeraj Mehta: Can you give some light upon what is happening with Uplands, how has been the sales velocity, how is the market, just some brief color on that?

Kamal Singal: Uplands is one of our most prestigious projects; it was launched last year and we had first round of so to say a major launch whereby we open launched 282-units, out of which 101-units have been sold till date and the value of those units is Rs.242 crores. Now, it has been a very-very encouraging response and we are very bullish about the project. On execution side, the project is taking very nice shape and execution right now is happening in full swing. We are planning to have second round of one more major launch sometime in July and August, but as of now the project response and customer feedback has been very encouraging.

Sreeraj Mehta: If I look at the balance sheet item, our receivables have gone up from Rs.7 crores to Rs.65 crores. Can you tell us what dramatic increase of that much receivables?

Kamal Singal: I have with me our CFO – Mr. Mehul Shah he will just take this question.

Mehul C Shah: This is because the revenue of the Sporcja has been recognized for the first year, so this is a difference between the revenue recognition and the amount collected; as a result it is appearing as a debtor, because the collection of the revenue recognition is pending.

Sreeraj Mehta: Have we given clients the possession?

Kamal Singal: No, Sporcja is right now in the middle of execution and the delivery is expected to happen in 2018, right now out of 13 slabs that we have to do in this project, comprising multiple blocks, 6-7 outflows have been casted, so we are almost like somewhere in the middle of execution but this is sales based on the accounting standard where we have spent the threshold limit and the sales has appeared into the books of account and accordingly those sales which have come into account, the full payments will come as and when the project gets completed in that proportion only, that is why there is a disproportionate increase in the receivables.

Sreeraj Mehta: For Uplands when you mentioned that you have sold slightly higher than 100 units, what will be the sales value of those 100 units?

Kamal Singal: Rs.242 crores.

- Sreeraj Mehta:** For entire project as and when we launched over next 5-years, what is the kind of revenue we envisage to collect?
- Kamal Singal:** The only problem in putting a finite number is that you only know about the product mix and the intensity of construction for the phase you have launched. Now, depending upon the responses and depending upon the market reactions and acceptability of various products mixes, you will keep fine-tuning it, for example, in a Luxury Villa project, the density of construction can vary from an FSI of say 0.25 to all the way as high as say 1 FSI. So, as of now to put a number on the top line is difficult but given the current this thing, we have launched only Villas and going forward suppose if we were to launch some more dense construction oriented projects like Villaments or high end apartments, etc., then the top line will dramatically go up. So difficult to put a number on that, it all depends upon how different product groups fair and which product group takes more of the land that we have under the project.
- Sreeraj Mehta:** If I look at the other current liabilities, that has gone up from Rs.36 crores to Rs.76 crores. Would it be fair to assume that most of it would be customer advances?
- Mehul C Shah:** It is mainly the company has borrowed some money during the last quarter, it is a short-term borrowing.
- Sreeraj Mehta:** It is not customer advances?
- Mehul C Shah:** No.
- Kamal Singal:** Significant component of that is short-term borrowings that the company has taken in the last quarter, but yes, of course, there could be certain components which can be clubbed under customer advances, but I think broadly significantly it is short term loans taken from the banks.
- Sreeraj Mehta:** Just one small request from our side – if the presentation that we had done in October, if at least every six or eight months we can update that presentation and give incremental information to the investors, that will be very helpful?
- Kamal Singal:** Sure, your suggestion is taken and Mehul will review and we will review the suggestion in that light.
- Moderator:** Thank you. The next question is from the line of Dhaval Dama from Equirus. Please go ahead.
- Dhaval Dama:** Just wanted to get a sense of which projects could come under revenue recognition for you in FY'17 like you mentioned that right now Sporgia is going on, so do you think that some portion of Uplands could be recognized during FY'17 also that you have sold?
- Kamal Singal:** It depends upon the expenditures and progress with the projects. Of course, the other projects including Sporgia, once Sporgia has come into books of account, it will keep giving these

numbers till the time inventory lasted and sales is over and the same is the case with other projects as well, but Uplands being a very large project, let us see, it can come into the books of account, but it all depends upon the actual progress on site which is a function of how much money we are able to spend vis-à-vis the total expenditure planned but at this point of time we can say that it can come, it cannot be set for sure.

Dhaval Dama: Are we looking at some phase wise revenue recognition, Uplands also like say maybe you launch the first phase right now and the rest of the project is also launched in phases?

Kamal Singal: Yes, that is a logical way of doing it and that is what should be done, this is the right way of doing it, we launched Phase-1. So within Phase-1 if it qualifies for the numbers we recognized, we should be able to recognize.

Dhaval Dama: Another question on your upcoming project at Changodar that is if I note on called as Megapark, just wanted to get some clarity and what is the JV structure also over there because if I note on it is JDA right where the land belongs to someone else and we are developing the project and selling it, just wanted to know have we launched it and how that project also could progress?

Kamal Singal: Yes, as you very rightly said, Megapark is industrial shed cum plotting project, it has a total area of around 85,000 sq.mtrs., it will have built up shed for the small scale industries and it will also have industrial lands which is fully developed with all amenities, etc., to be sold to the potential buyers to set up their industries there, it is a joint development project whereby land is contributed by the land partners and they as usual get a revenue from the top line on actual basis and that is how the project is structured.

Dhaval Dama: If you do not mind, can you give us the share arrangement like say you might be having 20-25%?

Kamal Singal: This information generally we are not able to share being a very specific business related information.

Dhaval Dama: So for Megapark, if I have the approvals and everything been received and have we started sales over there?

Kamal Singal: Megapark as such the land has been converted into the non-agriculture land, that is the major part of the approvals, etc., and certain other approvals which are required are also there in place. So broadly the procedures are over. We might take a couple of weeks, maybe a few more weeks to put everything together and we hope that we should be able to launch this in the next one or two months time.

Dhaval Dama: Are they putting any timelines by which we want to complete Megapark?

- Kamal Singal:** Megapark also is at a very nascent stage; it has just started activity on site and this is again a JD kind of arrangement and we are yet to launch it formally in a big way, any project of this size has to be completed within 2.5-3-years but that is a general guideline for any project which is of this kind of a size in this kind of a product and hopefully this is the potential timeline.
- Dhaval Dama:** It would be great if you can give some updates on Beyond Five also?
- Kamal Singal:** Beyond Five is a large project, it is essentially a very land oriented plotting project and it has more than 7.5 lakh sq.mtrs of land, again, this is a joint development kind of structure, obviously, this will also have multiple phases and total more than 800 units are supposed to come up, in this maybe 80 to 85% of the approval process is over and land aggregation process is over, we are waiting for last few things to be tied up and then we go in for a major launch about this project as well during the first quarter itself. That is what we are hoping or if not first quarter maybe second quarter to be on the safer side, but that is how the project is.
- Dhaval Dama:** If I am not wrong in Beyond Five we are looking to sell quite a bit of plotted land?
- Kamal Singal:** That is right.
- Dhaval Dama:** On your website, that shows a project called as a New Haven which is JV with Tata. So is it on the books of Arvind Infra or how is it?
- Kamal Singal:** No, this is shown in Arvind Infra book, it is a project which is happening on the land belonging to Arvind Limited and it is a joint venture between Arvind Limited and Tata Housing Smart Value Homes and it is not going to reflect anyway in our books of account.
- Dhaval Dama:** In Sporcia, what would be our total estimated sale value when the entire project gets sold?
- Kamal Singal:** Sporcia has estimated top line of around Rs.225 crores.
- Moderator:** Thank you. The next question is from the line of Pravin Uthappa from Cachet Innovations. Please go ahead.
- Pravin Uthappa:** Firstly, I had a question about your execution capability. If you could just give us an idea about how has been the past execution and have you met all the deadlines in the past and do you currently also have the same execution deadlines going further?
- Kamal Singal:** On the project completion side, as I discussed in the initial remarks, we have executed four projects which are Arvind Alcove, Megatrade, Parishkaar and Trade Square and I am very happy to note that we have been able to deliver our projects on time and the quality of the respective products and the product segments has been quite appreciated by the market. We have a very strong and capable team in place, as I just mentioned, we are operating out of two cities – Ahmedabad and Bengaluru – both are headed by two very senior industry professionals

to take care of execution. As of now, we outsource construction activity per se from reputed contractors but then the entire design, controls, project management, quality assurance, compliances, etc., is all concentrated as a knowledge block within the organization as in these are in-house conference. So, I am very confident that not only do we have a very strong track record out of the projects which are already delivered but also the current projects are very much on track, not only on timeline, in fact, there could be a couple of projects where we are ahead of timelines, and we have a very capable team in place and the team has been together for the last few years and I think it is something that we are very proud of as of now.

Pravin Uthappa: There was an unrecognized revenue last year of Rs.420 crores. So I just wanted to have some color if that has been created?

Kamal Singal: This is a dynamic number. Unsold inventory and inventory which has been sold but not recognized in books -- these are two very important parameters to observe. The first parameter which is inventory sold but not recognized in the books of account tells you that this kind of a sale per se has been closed while it is going to take a little time before execution catches up and these revenues can be recognized in books of accounts. So healthy pipeline is a good indicator. Now, the other side is the inventory which is not sold. It has both positive and negative sides to it -- a very high level of inventory unsold is obviously a negative, you can sit on piles of inventory but at the same time you should always make available to the markets, enough inventory which can keep the sales ticking. So if there is a vacuum in terms of availability of stocks, then obviously your MIS sale goes down, which is not a very healthy sign to keep the pipeline robust in terms of unrecognized sales. But I think as far as we are concerned out of whatever we have launched we are at a fairly-fairly healthy levels and in most of our bigger projects which have reached certain amount of maturity in terms of times and execution from Sporgia for example or Uplands for example, Expancia for example, they all thrust a very healthy level of sales and the leftover inventory or the inventory whatever is to be sold given the timelines that has gone back for respective projects is well within very manageable limits.

Pravin Uthappa: So you are saying that this unrecognized revenue is just a pure management of inventory and it will be recognized in the future, right?

Kamal Singal: That is right.

Pravin Uthappa: I just wanted to have an idea, if you could tell me the average land and construction first for the completed projects and is it a ballpark number?

Kamal Singal: I can give a ballpark about say one kind of project which could be Sporgia like project. In that kind of a scenario, you will have land cost of around Rs.50 crores and you will have a top line of Rs.225 crores, you will have construction of around Rs.105 crores and you will have gross margins of around Rs.60-70 crores but then you have to take away certain central overheads, etc., So that is broadly the breakup of land, development and the margin.

- Pravin Uthappa:** Development... how much you mentioned?
- Kamal Singal:** Rs.100-105 crores for that kind of a project. Obviously, it will vary dramatically depending upon that location, etc., But then if you were to take one ballpark... I do not know how you can apply that ballpark in any situation because situation will vary dramatically from one product to another, but that is how this could be a very-very broad idea.
- Pravin Uthappa:** Just wanted to have an idea if you have plans to move out of two cities concentration now in Ahmedabad and Bengaluru?
- Kamal Singal:** Obviously, we are operating out of Ahmedabad and Bengaluru right now and we believe that there is enough and more depth which is there in these two markets for us to expand in the medium term and Real Estate as we understand we think it is a very local business rather than spreading ourselves too thin, too fast, too horizontal in a short span of time we would rather do a steady job and make sure that we understand the geography, the dynamics involved, the customer locations, etc., So in our case the path that we have chartered out is slightly conservative and hence in any case we believe that the two cities have enough depth for us to give reasonable growth or the growth that we have set for ourselves in the medium term but having said that we are observing on several other cities and we keep evaluating a lot of options from time to time. As we speak we have gathered quite a bit of information about cities like Pune or Mumbai, etc., but then the focus again to minimize the ticket size, the risks involved, etc., we will continue to focus on these mini-metros so to say or the Category-2 cities like Ahmedabad, Bengaluru, Pune, etc., So as we speak, we are looking at Pune and those kind of markets and it is not ruled out that we will venture into a city like Pune, etc., but yes, we will be a bit conservative on that in the medium-term.
- Pravin Uthappa:** Any timelines if you would want to do it in this fiscal or the next?
- Kamal Singal:** As I said, while we are open to the idea, we keep evaluating, etc., but in the coming financial year major focus will remain within these two cities and we believe that these two cities have enough depth for us to continue on our growth path.
- Moderator:** Thank you. The next question is from the line of Hitesh Kumar from Emanation Partners. Please go ahead.
- Hitesh Kumar:** Sir, for the three major projects that we currently have ongoing Sporcica, Uplands and Megaestate, can you just throw some light on what would be the timelines for the construction, say, what percentage would be completed in FY'17 and FY'18?
- Kamal Singal:** Sporcica is a split project, the delivery is expected to happen by middle of '18, so obviously we will have to complete it before that, so that is as far as Sporcica is concerned. Any other land oriented project like Uplands or Megaestate, these have to be done in phases. So putting a timeline for all the phases put together will be difficult but as we said we have already

launched a very significant portion of the Phase-1 at Uplands and construction has started there, etc., and there also the timeline to complete this project is around 32-36-months from now. So that is when the entire Phase-I comprising of more than 280-odd very-very high quality luxurious villas to be delivered. So that is how we can basically plan. This information is in the sense of it taking around 3-years' time for now to complete.

Hitesh Kumar: So 41 lakhs sq.ft. out there, you have already made a sale of about 18 lakhs sq.ft. and you will continue to launch this in phases. So, within Phase-1 itself, you will split this 41 lakhs across the next three years?

Kamal Singal: There is a small clarification in this number of 4 million and 1.8 million, etc.; the way you sell villas in Ahmedabad is a combination of land plus construction and hence this figure is a composite number of land and construction put together and obviously Phase-1 which has this entire 4-odd millions of land plus construction put together is to be delivered within three years and Phase-2 when we launch, etc., is a question in the time and we will depending upon the progress and as we move ahead on Phase-1, etc., we will keep taking those calls and launch incremental phases as and when the market allows and as and when we feel more comfortable about it.

Hitesh Kumar: So whatever bookings we have already done... that is 1.8 million, when handover for this would be expected?

Kamal Singal: This is within three years as I said from now.

Hitesh Kumar: How about Megaestate?

Kamal Singal: Similar timelines.

Hitesh Kumar: Just a while back you had indicated that Megaestate is again a joint venture project, but then on your information memorandum, the economic interest on this project is shown to be 100%. So ...

Kamal Singal: No, there are two different projects – one is Megaestate, other is Megapark. Assume you are talking about Megapark, there is a JD deal, we just share the top line percentage, but otherwise the entire revenue gets recognized in our books of account.

Moderator: Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.

Darshit Shah: Can you let me know what is the total inventory of the revenue could not get recognized in the amount?

Kamal Singal: The total inventory which is sold and not recognized as of now is Rs.344 crores.

- Darshit Shah:** Can you give me if possible projects wise detail of this Rs.344 crores?
- Kamal Singal:** This is Rs.77 crores of Sporca; Rs.19 crores of Beyond Five, a couple of crores of Citadel and Megaestate; and Rs.242-odd crores of Uplands.
- Darshit Shah:** In Uplands, can you give me the details of how many villas we sold in current financial year?
- Kamal Singal:** We sold Rs.56 crores worth of inventory in this year. It was launched last year just before this year. Cumulatively it is 101 units sold at a value of Rs.242 crores.
- Darshit Shah:** In terms of number of units sold this year would be how much?
- Kamal Singal:** This year 20 units.
- Darshit Shah:** There is a similar kind of a project launched by another Real Estate developer called Safal Group. If I look at kind of top line and the kind of inventory sold, majority of them have been sold when we did the soft launch a year or probably before that. So just want to know, competition is going to create these kinds of projects, is there a sufficient appetite to get this high cost villas getting absorbed, is there such kind of multiple projects being launched by other developers?
- Kamal Singal:** It is a good question. In fact, the other projects that you referred launched by Safal, I think these are very different projects and products, that project is a 9-hole 200-acres all, etc., and primarily aimed at the weekend home category for the investors and people who want to have fun at the weekend whereby they can go, playing golf and stay overnight and come back, etc., In our case, the project is almost like 50:50; 50% being targeted towards people who can actually live there as first home and 50% people could invest in the property for a future use. It is an integrated township. While the other project is not an integrated township, it is just a pure play residential development targeting weekend villas. Now, in that context we do not see a direct competition between these two products and in fact Uplands has been a very uniquely positioned and place project in the market and we do not see any other direct competitive project or the product that we are offering there.
- Darshit Shah:** You are pretty confident of selling the remainder units in Phase-1 in next couple of years?
- Kamal Singal:** Oh! Yes, in fact, the response has been pretty great and we are very hopeful it has several unique provisions and it differentiates from a lot of other people. In any case a township of this size under the township policy which has integrated sort of facilities and all that, does not exist in Ahmedabad, all other townships under that flexibility exist only for a product which is oriented towards apartments and built-up areas, etc., while this one is a very horizontal, accessible, first home potential kind of a township.
- Moderator:** Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari:

Broadly, can you elaborate a little bit on our USP, our strength with some years of experience, the law which is changing towards organized players becoming stronger, would you say something about how Arvind Infra's vision is now nearer to materialization, something broad?

Kamal Singal:

It is a very good question in the sense of how we look at the whole business and what are our strategies and where do we see our strengths and where do we need to put more focus on, etc., We have set five strategic pillars for ourselves – the first being we want to remain very asset light... low in CAPEX model. That is how you would have felt during our discussions that a lot of our projects are happening on JD model. Now, how do you make a JD model work? It comes from a very basically inherent strength which is on one side the brand that we have, the credibility and the trustworthiness and the legacy of Arvind as a brand which exists in many cities and that brings us more options and credible options whereby we restrict our balance sheet size and we remain asset light. So that is one way and one strength where we see very significant competitive advantage that exist for us. On the other side, after having leverage on Arvind brand, that being our second strategic pillar, we also have an intention and strategy to have overall lower risk portfolio. When we say lower risk portfolio it basically means that the product that we choose, if we are able to choose a product in a way that they do not fluctuate too much with the demand cycle and economic cycle that we face, then obviously you derisk your business model per se, and that is why in a very focused way we are trying to do more of residential space which obviously organic demand of residential space fluctuates much less as compared to demand for an IT or IT Park or commercial kind of businesses. So that is a third pillar of our strategy. The fifth pillar which again flows from the philosophy thaws and the legacy of Arvind is to create innovative solutions to the customer requirement in the way we design products, the way we design and deliver our services, etc., We have taken several initiatives and in fact in Ahmedabad we can very proudly claim that we have set quite a few benchmarks in terms of what kind of products we are offering, for example, we have tied up with the best-in-class partners like Disney is there, we have taken their brand and we are creating very specific sort of facilities around Disney, they are themed around Disney, we have hired the best of architects and designers from around the world, we are hiring artists for a first time in this city which will bring in very contemporary art to be supplemented with very great designs of the products, etc., So innovation and the product design is another focus that our company has. So all in all, conservative approach towards business in general sense, leveraging on Arvind's brand and playing with innovative designs, etc., is the hallmark of current business model. The last one could be very low financial and operating leverages. Financial leverage you would have realized or you would have observed from the numbers which are shown in the presentation we have debt-equity ratio of around 0.63 as of now and we will remain conservative, we have no intention of putting any money borrowed or owned to create land banks. Our idea about land is to treat it as a raw material which is to be converted into finished material as soon as possible. So we earn not out of speculative land appreciation but we intend to earn out of the product that we can create on those lands that we acquire and hence this also results into lower leveraging on the financial side and keeping the balance sheet very light and low CAPEX kind of a situation.

- Sunil Kothari:** What type of working capital should we keep in mind say now we are executing roughly Rs.100-150 crores revenue per year, maybe that is the size. So this will be some percentage or something can be understood as a working capital requirement?
- Kamal Singal:** Real Estate is a very typical business in that sense. We hardly have any CAPEX, right. So whatever money which is coming or going in the form of land... land itself is working capital right, for us it is a stock-in-trade so to say and same is the case with the construction and other things. So whatever inflows and outflows you see are basically inflows and outflows for working capital and CAPEX are very-very limited, they are hardly anything. So to that extent, as of now the total deployment of funds in the overall business is Rs.180 crores and that is in total deployed as investments into land which is working capital or construction which is again working capital.
- Sunil Kothari:** These promoters now contribute through warrant almost Rs.80 crores. Does it help us for more working capital?
- Kamal Singal:** As I just said, our borrowing levels are very-very reasonable. It is just 0.63 and we have got a very robust pipeline of projects, etc., in any case. Significant portion of the money which is coming from the new capital infused by promoters will actually go for acquiring more projects just to ensure that the growth path is steady and more aggressive. So that is how the plan is.
- Sunil Kothari:** As you ramp up, roughly this 25-30% operating margin can be considered as a sustainable level?
- Kamal Singal:** If you keep doing good job, if you do your things right, these are sustainable, of course it does not come on a flatter, but I am sure with the capable team it is sustainable and doable on a very consistent long-term basis.
- Moderator:** Thank you. The next question is from the line of Dhaval Dama from Equirus. Please go ahead.
- Dhaval Dama:** Sir, just wanted to ask, if am not wrong on Uplands the Golf Course is already ready and what is the amount that we have spent on the same?
- Kamal Singal:** It is a very interesting question, but, yes, you are right, that the Golf Course is ready per se. But this entire development of Golf has two major components – one is the Course itself and the other is the Golf Club; construction of Golf Club has just started but the course is open or it is ready to play.
- Dhaval Dama:** In total, what would be our budgeted cost for this Course and the Club if you can share?
- Kamal Singal:** I will not have this exact breakup of cost, etc., right now and it might actually be difficult to share that specific information out of a project segment.
- Dhaval Dama:** If I am not wrong, in Beyond Five we have done some tie-up with SMASH also, right?

- Kamal Singal:** Yes, we have a tie-up with SMASH.
- Dhaval Dama:** It would be great if you can elaborate something on that also, are we looking at it also has USP to sell our product?
- Kamal Singal:** Yes, definitely it is a USP, it has many other USPs like it also has an Executive Golf Course and very elaborate Club House and other facilities designed by Woods Bagot and all that. But, yes, SMASH is also USP and we are not bringing the entire Smash, obviously, in a residential scheme you do not need to have a full-fledged commercial smash set up here, but what we are doing is we are bringing certain elements of Smash and that is where the license is for, we have already in talk with them in terms of what exact element should come which will make more sense for the kind of product that we have and those elements obviously are under discussions and very soon we should be able to figure out exactly out of if they have got 100 odd options or the products within their bouquet what all makes sense for us. So obviously it is a passivity that we have to pick and choose because we have a constraint of size, money or whatever you want to spend within the given residential development kind of a space. But yes, it is definitely a very-very important USP for the project.
- Dhaval Dama:** You said that the total estimated revenues from Uplands over a period of time would be something close to Rs.1200 crores. If you can just let us know what would be the total estimated revenues that you are looking from Beyond Five also over a period of time?
- Kamal Singal:** This Rs.1200 crores also needs to be taken with a caution that if we were to continue with the kind of product mix that we have right now it amounts to a number like that, but it could be less or more than that, depending upon how we proceed for the significant Phase-2 and Phase-3 of the project, these are very long-term projects and product mix can be tweaked if we can change top line in a significant way while we might have a better or constant bottom line. So it is just an indicative number on a hypothesis that this is going to remain the way it is today, but then obviously it can change. But in general, about Beyond Five we have a land of around 7.5 lakh sq.mtrs of an area in the land. One can assume that it should be in excess of maybe Rs.500 crores is the top line because there we are not doing any construction. It is a pure play land to be sold after development.
- Dhaval Dama:** Uplands... are we looking to change our product mix also for Phase-2 and Phase-3..., to do some Residential Buildings?
- Kamal Singal:** Right now, we are focusing on what we are doing which is premium, very luxurious, large and medium size villas and that product is doing pretty strong and good. Now, if the markets were to develop more and better in future maybe there could be a scope of further enhancing the construction levels to bring in products like Apartments also, but as we speak we are focusing on the products that we are doing right now and let us see how future pans out and there is also some possibility of thinking on other products as well in case they are found to be relevant in future.

Moderator: Thank you. The next question is from the line of Arvind Solanki from Moni & Sons. Please go ahead.

Arvind Solanki: After attending this conference, I wish to ask you that what exactly the company is concentrating is that volume is vanity, profit is sanity and cash is the only reality. So company is going to spend a lot of money to earn the money. But it is going to keep the balance sheet very light. So can you throw some light on the dividend policy which the company has in the mind... whenever you make the money how the money will be distributed to the shareholders?

Kamal Singal: It is a good question. As far as the broad strategy is concerned, we obviously are a rosy-focused company, we want to maximize returns on the overall capital employed. That is where we want to concentrate and that is why we believe that an asset light model can, is possibly the only way to optimize return on capital employed and once you are able to do that obviously shareholder value is going to go up. Now, on the dividend side, I think this being a kind of start-up, we just got listed a few months back, I think the company is in a very strong footing; we have been profitable, we have had very healthy margins on EBITDA, PAT and EBIT levels. So, being a start-up, I think it will be a bit premature to comment on the dividend policy. Lot of internal accruals that we. On one side we said we do not want to leverage our company too much. So that is one constraint on the growth to a certain extent. So obviously the next choice is the internal accruals to fund and augment growth.

Arvind Solanki: Being in the Real Estate, there are two possibilities of the verticals -- backward or forward integration As I consider the forward integration can be having our own engineering or construction unit and the backward integration can be about the land. Does the company has any core competency of buying the land and selling the land..trading in land?

Kamal Singal: Absolutely not, we are not and we possibly will never do land trading per se, there can be a situation where we buy land and for some reason we sell, that is not to be dismounted, but as a business model, we are not looking at land trading per se, that is #1, so backward integration in that sense is ruled out. On forward integration of having our own construction company is also ruled out because we believe that these are two very different businesses – either you can be that or there can be two very different independent arms within a company or otherwise, but these are two very-very different businesses and hence we do not see any possibility in the medium and long-term to get into construction oriented business for ourselves where we do construction for others.

Arvind Solanki: What is the one line summary I can have for Arvind Infrastructure in Real Estate, like what is the uniqueness which it will try to create over a period of time?

Kamal Singal: We will build pride for ourselves and build joy for our customers – it is our punch line.

Moderator: Thank you. The next question is a follow up from the line of Hitesh Kumar from Emanation Partners. Please go ahead.

Hitesh Kumar: Like how you have shared the cost structure for Sporcchia project, would it be possible to share the estimated cost structure for the other ongoing projects as well?

Kamal Singal: At this point of time, we are not giving specific cost dynamics and data on the projects; however, you still will have data available on the website project wise which gives you the total areas, the total sale value, etc., maybe you can refer to the 'Investors Presentation' which gives you a fair idea about the whole situation but beyond that possibly it is not prudent for us to ...

Hitesh Kumar: I was just referring to the Slide #21 wherein you are sharing the project completion and percentage. I just realize that in the Uplands you have already constructed in the Golf Course. So there would have already been some investments made into that particular project which ideally should have appeared in the project completion percentage, right?

Kamal Singal: No, this project completion is basically the completion which is reflecting in the financial books of account as per the accounting norms. This recognition starts only after you spend 20% of total construction which is budgeted. Obviously, in case of Uplands we have not hit that limit of 25% spend on the construction side vis-à-vis the total spend envisaged and hence this will show zero only here.

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

Kamal Singal: I thank everybody for a very fruitful discussion, it has given us also some important inputs in terms of what perspective investors look at the whole thing and I am sure this can be use for us to refine our strategies and keep growing the way we are. The company is at a very strong footing. We have anchored ourselves in the market in a way that the future looks good and we hope to continue the same ways. Thank you, gentlemen to all of you once again for sparing time and being here.

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