



**“Arvind SmartSpaces Limited Discussion on Financial
Results for the Quarter and Year Ended March 31,
2021, Conference Call”**

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**MANAGEMENT: MR. KAMAL SINGAL – MANAGING DIRECTOR AND
CEO, ARVIND SMARTSPACES LIMITED
MR. ANKIT JAIN – CFO, ARVIND SMARTSPACES
LIMITED
MR. PRAKASH B. MAKWANA – COMPANY SECRETARY,
ARVIND SMARTSPACES LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Arvind SmartSpaces Limited discussion on financial results for the quarter and year ended March 31, 2021, Conference Call. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamal Singal, Managing Director and CEO. Thank you and over to you, Sir.

Kamal Singal: Thank you very much and a very warm Good Afternoon to all the participants, thanks a lot for sparing the time. Last quarter ending March '21 and the year ending Mar'21 has been very different kind of business environment that we have all faced due to pandemic. It has been in many senses a challenge and at the same time, it has been very exciting to tag through all these challenges and achieve whatever we had set out in the beginning before the crisis really started. If I were to come back to the numbers and kind of divide the numbers in two different segments, operationally the business has seen some tremendous traction and the journey post wave one of COVID has been very exciting and we have achieved quite a few milestones after the first wave really faded, which was post Q1 of '20-21, but at the same time execution definitely slowed down to certain extent and even as per plan, we have not really completed any project in the last one year and hence whatever sales has appeared in the books of account only represents the incremental sales from the projects which were earlier completed. From a basket of nine active projects, we have not completed any project specifically this year and hence the financial numbers are showing quite a bit of weakness so to say.

Coming to the operation side first, which is obviously the good news first, the fresh sales has seen tremendous amount of growth. For the quarter, sales number has been 207 crores against 135 crores last year same quarter with 53% of increase and even collections have been great and very sound 134 crores against 59 crores for the last year same quarter. For the full year, these two numbers are equally exciting at 529 crores of fresh sales against 286 crores last year and overall collections of 326 crores against 246 crores last year, so we achieved quite a few milestones, for example, fresh sales crossing 200 crores in a quarter is a milestone, collection achieving 135 crores in a quarter is a milestone. Similarly, 529 crores anything more than 500 crores of fresh sales in a year is a milestone and collections of more than 300 crores also is a great milestone, so in fresh sales for the quarter 53% and 85% growth almost double as compared to the last year is in a sense a reason to feel very satisfied about what we have achieved operationally in the last one year and in the last quarter. Momentum really started after the wave one really faded and from then onwards, right from Quarter-2 onwards through Quarter-3 and the last quarter we have seen some very tremendous amount of response to lot of products and projects that we launched, and that has resulted into these very impressive numbers. Somewhere during the year, we never thought that the business and projects will bounce back this fast, but with lot of efforts, with the right products hitting the market at the very time, and some other strategies like pricing etc., and the location above all has made it possible for us to gain a very positive traction in fresh sales.

Now, coming to the books of accounts, as I said the number there are not really great, we have not really completed any project and based on the new accounting standards as we all know unless the project is completed, numbers will not reflect into the books. Based on that, the quarterly sales number is 64 crores against 135 crores last year. EBITDA is 15 crores against 28 crores last year, PBT of 9.4 against 22 crores and PAT of 6.6 crores against 14.7 crores last year. Full year numbers also show broadly the same trend. There is a 50% reduction in the sales numbers for the year at 149 crores against 299 crores and an EBITDA of 41 crores for the year as a whole against 89 crores last year. EBITDA margin was broadly the same at 27% against 30% last year, PBT at 14.5 crores against 65 crores last year, and PAT for the whole year is 8.7 crores against 39 crores last year, so we have seen across 54% and more decline in most of the parameters top line and bottom line etc., so that is how the year has panned out, but as I said we are very excited about what is happening currently and what has happened in the Quarter-4 of last year and the year as a whole in terms of operating parameters.

While sales and EBITDA etc. are subdued in books of accounts, but on MIS basis for the fresh sales the number have only shown some very great promise. At the same time because collections have been very strong and execution was only reasonable, I mean there were disruptions etc. Our working capital debt has gone down dramatically and that is our debt-equity ratio has also gone down to as low as 0.56 now and the net debt is now at 167 crores and even that includes investment activity and if you were to reduce that also from this then the working capital debt-to-equity ratio would be more in the region of 0.41 or thereabouts, so all in all good collections, good sales, good amount of traction in all the projects that we launched and most of the projects have sold extremely well, received by the market very, very well and the momentum continues, that is the oral story. Now maybe we can take questions. If anyone of you have any questions to ask, you are most welcome.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We have our first question from the line of Ritwik Sheth from One-Up Financial. Please go ahead.

Ritwik Sheth: Good Evening Sir, thank you for the opportunity, I have few questions, firstly what is the pending construction cost for the projects on hand?

Kamal Singal: Thanks for the question, I am also joined by Mr. Ankit Jain who is our CFO and Mr. Prakash B. Makwana who is our Company Secretary. Are you talking about the total cost of all the projects put together to complete, if I have understood correctly?

Ritwik Sheth: Yes Sir.

Ankit Jain: We generally do not share project wise pending construction cost at a project level, however, we can connect individually and clarify more, but all in all if we were to look at broad top line versus the pending collections, we can estimate that roughly the pending collections as well as the pending top line which is yet to be sold from the existing launched project will be close to Rs. 1800 odd crores.

- Ritwik Sheth:** My question was total construction cost for the company, like all the projects put together not on a project level?
- Ankit Jain:** Total construction cost put together for all the projects which are already there, so on the ongoing projects we have the total construction cost which has already been incurred up to FY '21 is close to around 670 crores.
- Ritwik Sheth:** Okay, and what would be the pending construction cost?
- Ankit Jain:** The pending construction cost in that would be approximately close to about 700 to 800 crores including the land, because there are certain land payments which are on a JV model, so we consider that as a part of the operating cost.
- Ritwik Sheth:** A follow up to this is what would be the receivables on the area that we have already sold, we have sold roughly I guess approximately 1700 crores, so we would have got in majority of the money but for the project which are under construction what would be the cash yet to be collected from this booking value?
- Ankit Jain:** I can give you a broad sense, it will be in excess of 500 crores for sure.
- Kamal Singal:** Yeah, if you are trying to assess the overall pipeline in terms of value, there are three numbers which are important, one is the sales which is done but collection which is yet to come, then the sale which is yet to happen and then obviously the cost of construction which we are supposed to do that gives a fair idea about the gross margin, I think offline we will share this data, but broadly we are very comfortably maintaining our margins barring 1-1.5 percentage point here and there which varies in any case from quarter-to-quarter or period-to-period, but I think once you have a sense of the top line that we are having as a pipeline in terms of whatever is launched and whatever is not launched etc., which is very much part of the investors presentation also which will be uploading very sooner, maybe we have already done that, the margins are fairly consistent, so from there also you can really get a sense of what is the kind of value the pipeline that we have right now.
- Ritwik Sheth:** Sir, in the initial remarks you mentioned that construction cost was a bit subdued because execution was not as due to COVID, so if you can share what cost did we spend in FY '21 and for FY '22 and '23 what visibility do we have to increase this construction cost?
- Ankit Jain:** Generally, we do not share costing details in that much detail and that is why we cannot comment, we can connect individually and resolve all the questions.
- Ritwik Sheth:** Sir, my next question is on we mentioned that we have entered into the first project with HDFC, so what would be the terms and conditions and when do we expect to launch this project and what would be the size of this project?
- Kamal Singal:** As you see, this is our first project we are doing under the platform that we announced sometime back, in fact it was announced pre-COVID and COVID obviously delayed everything and we

also wanted to play a little conservative in terms of acquiring and investing new projects under a very uncertain times that we had last year, but eventually things sorted out and we have invested in one large project in Bangalore. There we intend to aggregate around 50 acres out of which 30 acres is already purchased and the balance is under acquisitions, it should be done in next few weeks, that is the idea and once that is done, because this is a land and land-oriented product and essentially we will be doing a very large plotting scheme, we have done quite a few such developments in Ahmedabad and we do have that kind of experience to do the area development kind of projects, that is what we want to replicate there with a very, very state-of-the-art club etc., but then it takes a little longer time to get all the approvals in place, the land has to be converted, and certain other process have to be completed, that should all be done by the last quarter of this financial and that is when we want to launch this project.

Ritwik Sheth: Okay, so approximately a year from now or a bit earlier?

Kamal Singal: Yeah, less than a year, we are into May is ending and we want to launch it somewhere around February or March, but a lot depends upon how COVID wave two, wave three unfolds, right now Bangalore is obviously closed, offices are not working or working at a very, very thin strength and hence Government process are getting a little stuck up, but we are hopeful that in next 15 to 20 days, things will change dramatically and once that happens, we have sufficient time looking at the current situation and hoping that going forward things will improve from here onwards, we should be able to launch this project before the year ends.

Ritwik Sheth: What would be our investment in this project and what kind of top line we can expect from this project?

Kamal Singal: Once we acquire the entire 50 acres it will be around 125 crores.

Ritwik Sheth: Of Arvind SmartSpaces?

Kamal Singal: 125 crores is the total investment out of which approximately 25 crore is ours and 100 crore should come from HDFC as we speak that is the understanding, so under the platform we are doing 80:20 investment and that is how this project is also configured and the top line maybe Ankit can just recollect the number and take it out from the records and tell you.

Ankit Jain: The expected top line from this project is going to be around 380-390 crores.

Ritwik Sheth: Sir, at current run rate you have done very well on the balance sheet in such a difficult year, but with this kind of cash flow of approximately 90 to 100 crores at operating level, what is the kind of projects that we can look to add on a yearly basis especially on a residential project because if I see the split right now, it is approximately 50% of the projects are residential and 50% are plots, villas, so if you can throw some light on what kind of projects you can acquire and whether our target focus is pure residential or it will be a mix of residential and plotting, villas and such projects?

Kamal Singal: Correct, so as you very well said we are doing two major categories, one is standalone 4 acres or 5 acres kind of a land parcel where we do 500 to 600 apartments ranging from maybe Rs. 50-60 lakhs to Rs. 80-90 lakhs, that is our major product mix when it comes to apartment segment and we do that in Bangalore. Then we have second product which is horizontal product, within horizontal we have two different products. First is the villa product where we do large developments of 4 to 5 lakh square meters, we have couple of products already in the market and selling very well there, however, within this villa product also we have some very high end ones and the medium priced villas which are around 1 crore or so. Then the third product is plotting product, again there we have launched one very large project in Ahmedabad and that has also sold very, very well. We want to replicate the same in Bangalore. The township which has been developed and kind of club house which has been delivered in Ahmedabad sets the benchmark in that area and for the new project generally speaking in Bangalore that is the idea what we want to do. Now, as you have seen post COVID, there has been a very specific liking for horizontal products, which means little more investment in land and significantly less investment in construction which obviously takes some part of risk of construction cost etc. out of the equation. We want to continue our focus in that segment, but having said that we obviously will remain very open to the apartment kind of product also, but there will be little more focus on horizontal products which will be blocking and villas, in Ahmedabad, Gandhinagar, and Bangalore.

Ritwik Sheth: Okay, so in the near term you are focusing more on the horizontal products?

Kamal Singal: Correct.

Ritwik Sheth: Any sense on what kind of projects that we can add on an annual basis to our existing pipeline in terms of our internal accruals and some leverage that we can take on our very light balance sheet?

Kamal Singal: So obviously as you said balance sheet has become very, very light and we also have investments lined up through HDFC platform so as far as training is concerned, we are quite reasonably placed there, there is significant scope to raise that. At the same time, there is a scope to raise capital also through HDFC and otherwise. We are right now in the middle of finalizing everything and we are working on this, we will very soon come out and let everybody know in terms of how we take our investment decisions in near future. Times have been very uncertain, last six months-eight months, so there is comparatively little less activity on the investment side that we have seen, but that was a conscious call that we took but going forward I think now there is reason for us to augment the pipeline and I think balance sheet allows us to do it and we have the sources, which can now be pooled and put in to investments, so we will come out with the plan very soon and let you know in terms of what exact are the details, but we are working on it in a very focused way.

Ritwik Sheth: Sorry Sir harping on this again, is it possible to assume that we can add projects in the range of 700 to 800 crores of top line in a year with our capital operating cash flow and even leveraging the balance sheet, could it be a fair assessment like projects like HDFC platform and another JV

projects and buying lands that we have been buying for standalone residential like you mentioned 5-6 acres with 4-5 lakhs square feet in Bangalore, so would it be fair to assume that we can get in projects over 700-800 crores per year going forward?

Kamal Singal:

I can give you generic response to this, it might be really different as far as specific things are concerned for our company, but looking at the balance sheet that we have in front of us and looking at the tie-ups and other kind of capital which is being explored including HDFC I think Rs. 700 crores worth projects mean couple of projects only. If you could just do this calculation based on the vanilla four acre product, I think balance sheet allows us to do that very comfortably, but obviously money is not the only factor when it comes to adding the products, we have been conservative and we want to remain conservative in terms of evaluating land parcels. We think that every land parcel is almost like a marriage, it is a long-term commitment, not only into the land but also for subsequent investments that goes into a land, and hence we will just because we have flexibility and we have resources, it does not mean that we will hurry it up, but having said that it should not be difficult, were you have this kind of a balance sheet and do this number.

Moderator:

Thank you. We have the next question from the line of M. Kothari, an Individual Investor. Please go ahead.

M. Kothari:

Thanks, congratulations for the solid set of numbers, my point is how April and May month have been panned out in terms of bookings and do you think that we would be able to maintain the margin and have you taken any price hikes going forward given the cost have escalated?

Kamal Singal:

Generally before the quarter ends we are in the middle of execution right now, we are not in a position and we do not generally comment on the ongoing business cycle, but having said that obviously wave two has come in and lot of lockdowns are there both in Ahmedabad, Gandhinagar, and Bangalore etc., so it might have little impact as we saw last year same quarter, but I think this time Governments have been wiser and everybody has been wiser and the lockdowns are not as tight as they used to be in the first wave, so the impact will definitely be there, but it should not be as high as it was last year, so we hope that the quarter will do reasonably okay, but then we are in the middle of quarter and it is very difficult to predict how the things will pan out from here onwards, hopefully, it should do better than what we did last year for sure.

M. Kothari:

Going forward do we see any further equity dilution because of the fund requirements?

Kamal Singal:

I will not call dilution or otherwise, but definitely we keep exploring all the sources which includes equity, promoters have infused equity twice, Managing Director has infused equity recently, so all sources, debt has gone down so there is a significant scope of raising debt, HDFC platform is giving us money, so we are kind of exploring and effecting quite a few options. We are aggressively kind of exploring more and more options for that. Dilution might not be a great word, but we definitely are exploring all sources.

M. Kothari: Do't you think so that because of our conservativeness, we are not able to have that level of debt and you know constantly having raising equity, increasing our profits but you know as far as EPS is concerned, we are not getting that level of growth?

Kamal Singal: That is a very interesting observation and we know and we are aware of this fact that has gone down dramatically and it does not help in terms of return on equity, but that is also more to do with little less aggressiveness that we had in the last one year about acquisition of projects because we wanted really to for the things to settle down in the COVID and I think the strategy has paid off. We concentrated on whatever we had and doing the right product and hitting the market right etc. and clearly focus on that rather than sparing too thin in uncertain times, but having done that and having achieved what we achieved in terms of fresh sales and launches and very, very good response which came in, I think this is a great time to recover, great time to consolidate and great time to now strengthen the pipeline and try to recover the loss time that we did in the last one year, but of course we have been conservative in the last one due to uncertainties of the pandemic, but this year should be different. Of course we are aware of the fact that too low a debt or debt equity is not going to be helping us and hence we will do something about that as well and although we will remain generally conservative, but within that conservatism I think there is a scope to increase our debt to improve return on equity etc. and that is also something that we will be focusing upon in times to come.

M. Kothari: The last question is so going forward, can I expect that Arvind Smart is getting more expertise in front of horizontal land expansion rather than apartment, so going forward the focus would be more on a horizontal landscape rather than apartments and that?

Kamal Singal: I think the situation cannot be straightjacketed like this that this product is better than that or vice versa, I think things change and markets change and demands change, they are all dynamic, consumer is dynamic, the products are supposed to be dynamic to suit dynamic requirements, so we will remain very open and agile, we do not want to put us into hard jacket to say that this is what I will do and this is what I will not do, but having said that in Bangalore for example till date we are only doing apartments and they are sold extremely well even in the last quarter you see Skylands has shown some great traction and the product has been delivered beautifully and customers have liked it, so we are not going to be losing focus on apartments for sure, but having said that short-to-medium term it looks like that it is a good option to put a little more focus on horizontal, that is what we have done in the last one year, that strategy has paid off. I think there is still some time that we can continue on this strategy, of course we need to remain open and agile and adjust ourselves based on market situation. Going forward three to six months, definitely horizontal will be our focus, but we are not averse to taking apartments as well.

Moderator: Thank you very much. We have the next question from the line of Anirudh, an Individual Investor. Please go ahead.

Anirudh: I had two specific questions, now you said that you have an 80:20 joint venture with HDFC in this plotted development in Bangalore, am I correct on that?

- Kamal Singal:** Correct.
- Anirudh:** Now, this would be in the form of equity from HDFC right, I joined a little late in the call, so I am sorry if I making you repeat it?
- Kamal Singal:** I think we have shared quite a bit of information on HDFC platform and old platform in the earlier calls of the last few ones that we had, but I think you can offline connect with the team, they will give you more precise information. This is essentially the instrument I guess is OCD, but you can get more information on that.
- Anirudh:** Now, the other thing that I want to know is, this is a separate entity, correct that you have created for acquisition of this land?
- Kamal Singal:** Correct.
- Anirudh:** So there is a share of revenue that you would get from this particular entity in some 60:40 share or something like that or that particular revenue share is in the form of 80:20 itself?
- Kamal Singal:** No, the revenue will come entirely to us because the entity purse is 100% owned by us, OCDs are given within the entity to HDFC or rather the fund that HDFC operates, but otherwise the entity is 100% owned by Arvind and managed by our team.
- Anirudh:** Roughly what is the turnaround time from the day that you finished the land acquisition till the day we are able to do let us say about 60%-70% sales, what would be the timeline roughly, I would want to know?
- Kamal Singal:** So two different products, in an apartment situation where lands are...
- Anirudh:** No, I am talking about the Bangalore project.
- Kamal Singal:** This specific project should take around anything between nine to 10 months of approval time.
- Anirudh:** Now, the other thing I wanted to know generally there is quite a bit of plotted development, so like because if I look at Prestige, Purvankara, Apurva has Apurva land a whole bunch of guys, so like you do not foresee that this would be like again too much of competition going in nine months or you think all that is with the location and everything, you think you can handle all that?
- Kamal Singal:** There is always competition, there is no doubt about it. The other side the way we look at it is that post RERA, demonetization, and even the pandemic, I think lot of the small timers will vanish and there will be a very significant sort of consolidation which will happen in favor of corporatized and more formatted development if I may say so, now for those eight, 10 or 12 people I think the pie is so big that each one of them can survive because it has to consolidate and end of the day,

- Anirudh:** I am just saying it will not be too intense in the next one or two years is what I am asking?
- Kamal Singal:** One or two years for a product mix to be valued I think it is a very long term, we look at it in a very microscopic way every two months, so we will keep adjusting our strategy accordingly, but as I said in the previous conversation that next three to six months there is scope to kind of digest more products in the same category or similar category, but it is also about location, it is also about humanity, I mean I think one product which Bangalore needs to see is plotting scheme, I mean we are doing average stuff there, but Ahmedabad is a much more evolved market for that and the kind of quality that Ahmedabad has delivered, I think Bangalore needs to see that and we will be able to set great benchmarks there and I mean competition yes, it is always Welcome and it is always great to have, but I think it is enough and more scope for us and others to exploit.
- Anirudh:** What is the level of operating margins with most of these horizontal developments like generally speaking?
- Kamal Singal:** Operating margins in terms of percentage to sale or?
- Anirudh:** Yeah percentage to sale, roughly is what I am asking.
- Kamal Singal:** It varies really, even these products do not have a generalized kind of margin structures but around 30% is something that one can consider.
- Anirudh:** So 30% you should be able to maintain even with these things right, that is all I wanted to know?
- Kamal Singal:** It varies as I said.
- Anirudh:** That is okay, maybe 20, maybe 35 that is okay, somewhere in that range.
- Kamal Singal:** Most of our projects, even the apartment projects are in excess of 25 and more like 30 and these should be maybe couple of percentage better only, they are not less than that because obviously you will take little more time to hit market and apartment products is generally able to hit the market in six months, this product might take nine to 10 months and hence margins have to be little more to maintain IRRs to that extent margins are better.
- Moderator:** Thank you very much. We have our next follow-on question from the line of Ritwik Sheth from One-Up Financial. Please go ahead.
- Ritwik Sheth:** Sir, on the Forestte project, it is a DM project for us, so what kind of top line share we should expect to receive from this project?
- Ankit Jain:** As you rightly mentioned it is under DM model, the share which we expect is 10% of the top line over a period of time.
- Kamal Singal:** In DM we do not have any cost obligations neither on land nor on construction nor on overheads etc., it is a pure play 10% of top line that we get as a profit.

- Ritwik Sheth:** Right, so we will be receiving this as a fee on our consultancy for our designing and approval and everything?
- Kamal Singal:** Right.
- Ritwik Sheth:** Sir, on the HDFC platform, can you share with us what kind of project level matrix is possible for this project, just to get an sense of what is the kind of returns that we can get from HDFC platform on a particular project?
- Kamal Singal:** Whether it is HDFC platform or otherwise, projects remain the same with outside world, so I do not think just because HDFC is there or not there, project's earning capacity will remain the same and obviously the bar there is pretty decent as far as we are concerned, we do not generally take any project below an X IRR on an EBITDA level, and HDFC projects will be very similar to that and as I said the first project is a horizontal one and hence margins there will be very much in line with what we have been doing for such projects like Uplands or even Forrester in general sense, so margins are supposed to be quite okay, they will maintain.
- Ritwik Sheth:** So I was actually coming from the angle of if you are investing 20% in the projects, so does that mean that we will have 20% of the revenue and 20% of the margin?
- Kamal Singal:** Specific commercials as per our policy we do not disclose, but obviously that is not the idea, if you are entering as a developer into any sort of arrangement, it is reasonable to expect that we will have disproportionate returns through the capital debt we will invest. There is a waterfall arrangement where obviously the investor gets equitable returns up to X level and the moment we cross the threshold and disproportionate money starts flowing into our kitty, the developers kitty for that is a fairly established model in industry and that is exactly what we are doing and it is quite remunerative but at this point of time as per policy, we cannot disclose specific commercial but it is in line with the normal platform arrangements that anybody would have, and there has to be a sweat.
- Moderator:** Thank you very much. We have the next question from the line of M. Kothari, an Individual Investor. Please go ahead.
- M. Kothari:** Actually I could not get the margin picture, so can you please throw some light on it, on both horizontal and apartments, on both the projects?
- Kamal Singal:** The margin details will be very clear from the investors deck in my understanding, this will have lot of information at project level and otherwise, so if you can kindly have a look at the investor presentation in detail it comprises of quite a few details, you will get a fair idea and if in case you still need more information specifically on a specific project maybe you can get in touch with us the investors cell including Ankit who is there on the call and the contact numbers are also there on the investors presentation, you are most Welcome to ask more detailed questions there, margin specifically and otherwise.

Moderator: Thank you very much. We have the next question from the line of Sunny Agrawal from PNBISL. Please go ahead.

Sunny Agrawal: My organization is PNBISL, and thanks for the opportunity, Sir my question pertains to general industry outlook, I mean on one hand we see a lot of media article saying that some of the smaller builder are in trouble and inventory are still at a higher level especially in Metro markets like Mumbai, Delhi, etc. and on the other hand, we see bullishness and better operating metrics from all the listed real estate companies, so would like to understand what is happening in industry and what is your perspective from next three to five years?

Kamal Singal: It is a great question to ask and I think this is one paradigm, which is shifting dramatically in the last couple of years and I think we are at a cusp where industry will see lot of changes happening at a broader level. RERA obviously was the first major change and then came demonetization and now the pandemic. I think RERA has changed the rules of the game and now onwards we only see consolidation happening, in fact in my own experience I can tell you that the amount of construction which was done for example in Ahmedabad our home market by smaller developers would have shrunk by more than 30%-40%, I mean there is no data to support it, but on ground we can feel that. The bigger ones, the better ones, and the more organized ones are obviously taking much bigger a share. I think this trend will consolidate, it is already happening dramatically. Profitability apart in terms of pure numbers and top line growth, we can see that most of the well-organized, corporatized, or listed or even otherwise players are doing much better and lot of the smaller ones are kind of vanishing. This is a trend which is not specific to India, I think India has been catching up on this off late.

You see and compare this trend with China for example, in China maybe top 5% developers command more than 85% of the share of the market. India has remained very fragmented, but the trend has now well and truly caught up and it is going to be very, very visible, I mean it is happening at this point of time maybe with little less visibility, but it is going to be very, very visible in very near future that is what we are seeing and that is what we are experiencing. Customers also prefer to buy from brands, they want to buy from corporate kind of set ups and developers, they do not want to risk their money, earlier they did not have many choices in the corporate kind of set ups, now they have choices, they have some great brands as we all know who are doing this business not as an add-on, not as an adjacency but as a primary business, Arvind being one of them and you know all the other names, and this trend is going to be further getting consolidated, so when demand is shifting towards one segment of the suppliers or the developers, then obviously they will show better numbers and with very formatized system driven, process driven companies, obviously they will be able to handle requirements of the RERA or the markets or the sales etc. much better and obviously these kind of players can invest in technology that we have been doing very specifically because a corporate will always take a long term view on value creation, it is not about making quick money here and there, it is about creating value for the shareholders. If the focus is on creating value for the shareholders, obviously it cannot be short, it has to have a very long term vision and commitment both and that is why I think this trend is very, very understandable and this is what is happening already. When you say this is already is happening, it means that the consolidation is happening in terms

of demand getting shifted to these segments of developers and the other segment obviously is some sort of having troubles and that should continue.

Sunny Agrawal: Sir, just to add on to that, does this mean that over the medium-to-long term, the organized sector will have better bargaining power with all the building materials, is it fair to understand?

Kamal Singal: Building materials, there are two things, one is the land supply, I mean land deals and CAD options or DM options, obviously that deal flow is improving for organized developers for sure and that is a huge positive and that is something that we have also been able to exploit within our portfolio and we are very hopeful that deal flow is improving and will improve forward for this kind of developers, when it comes to pricing of materials that we buy, I think it is more of a function of volume. Whether it is a private sector, I mean private company or a listed company little less organized or more organized company I think volumes matter and there obviously if we can consolidate volumes, the price of which lead to that extent will improve for anybody.

Moderator: Thank you very much. We have the next question from the line of Anirudh, an Individual Investor. Please go ahead.

Anirudh: I have the next question which is have you seen the interest range for construction finance for reasonably well run businesses like yours softening in the last one year assuming the base rates have gone down, so do you think that is still on, and number two, what is the status on general liquidity for construction finance as we speak?

Kamal Singal: Developers like us of course when we are saying that we reduce our working capital by almost 100 crores in the last one year means that we did not need much of a construction funding, most of the products have thrown enough and more cash to rather reduce our working capital and hence we have actually reduced our lines etc. Of course we need growth capital, but as far as construction is concerned, the requirements have been very small or rather the net-net borrowings have gone down dramatically, but having said that interest rates for as an industry information I can share that interest rates on construction funding etc. has not really come down. In fact in the middle of wave one they went up dramatically by almost 2% to 3% while home loans rates etc. have come down and other industries have come down dramatically, they have softened quite a bit, but construction funding rates have not really come down, they actually went up dramatically, they corrected little bit and even now I think they are little higher than pre-COVID levels.

Anirudh: Like what is the outlook going forward, I mean it kind of is unsustainable right, I mean to have such high interest rates and the whole world is awash with liquidity?

Kamal Singal: That is correct, but I think it has, I do not think the cost of money in general sense is going up or it has gone up, it is very industry specific kind of thing that we are witnessing right now, various institutions have tightened up liquidity for this sector rightly so to avoid any sort of a bubble or getting funding for some distressed asset or potential distressed assets etc., those tightening have resulted into these kind of anomaly and I think this should correct and come

back to pre-COVID levels in next three to six months' time, but then obviously it depends upon what kind of policy assumptions and statements and stance is taken by various comment and semi-comment parties and banks etc.

Anirudh:

So going forward, let us say in the next two years assuming sales are going up, the perceived risk comes down, the general perception of risk about all these developers become better and you are able to differentiate yourself as a more organized, nice, well-run, systematic group, you think over the next two years the cost of money should gradually start coming down as the risk perception keeps coming down and the perception of the industry as such, I am sure the growth will do very well over the next two-three years, so with all these put together you think the cost of money comes down and that should lead to better profitability over the next two-three years, I am just asking your view it necessarily does not have to happen?

Kamal Singal:

I mean in my understanding any organization, well-run business should be able to achieve it. We have been able to achieve some very decent cost on our funding etc., but having said that the funding in the overall context is so low that interest as a component is important of course, we cannot ignore, even a small cost is a cost which should be reduced but having said that, we also have a decent margins at the top itself at gross profit levels. We will maintain that, that is very important aspect going forward, but yes there is definitely a scope of at least reducing two to three percentage points on the interest side and that should get corrected in times to come.

Moderator:

Thank you very much. As there are no further questions from the participants, I would now like to hand the conference over to Mr. Kamal Singal for closing comments. Over to you, Sir.

Kamal Singal:

Thanks a lot everybody for sparing time, these times that we have seen in the last few quarters and even going forward has been challenging, but exciting nevertheless. We are very encouraged, motivated, and enthused about what has happened in the last few months and we hope that this momentum will continue. There are reasons to believe that we are very well poised to exploit the conditions that we are in. We are working very aggressively on building the pipeline now, having lied low in the last 12 odd months due to pandemic. We are here to scale up this business, we are doing everything which is possible to take this business to the next orbit. As we speak we have achieved quite a few milestones in terms of sales, corrections etc., but I think this is just an intermittent milestone that we are talking, but going forward everything should consolidate further and we are obviously exploring options so as to debottleneck the capital cycle and investment cycle into the company while keeping reasonable conservatism at the balance sheet level, that is what we will do. We will not be overtly aggressive about leveraging, but having said that under leveraging is an issue that we very well appreciate and we are poised to address that very soon. That's about it, so far so good and thank you very much once again to all of you for sparing time. Thank you.

Moderator:

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