"Arvind SmartSpaces Limited Discussion on the Financial Results for 2nd Quarter and the Half Year Ended on 30th September, 2017 Conference Call"

13th November, 2017

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Arvind SmartSpaces Discussion on the Financial Results for the Quarter and the Half Year Ended on 30th September 2017. 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 this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

On this call, we have present Mr. Kamal Singal - Managing Director and CEO; Mr. Mehul Shah - Chief Financial Officer; and Mr. Prakash Makwana - Company Secretary.

I now hand the conference over to Mr. Kamal Singal. Thank you and over to you, Mr. Singal!

Kamal Singal: Thank you. Good Afternoon, Everybody. First of all, let me thank you all for being with us on this concall to share more information and interactions on our Q2 results for FY 2017-18. We have announced the results a few days back for the second quarter.

Just to recap, the results, the consolidated revenue for the quarter is Rs. 31.63 crores against revenue of Rs. 22.70 for the corresponding quarter. And EBITDA stood at Rs. 11.70 crores against corresponding EBITDA of Rs. 6.51 crores and profit after tax is at Rs. 4.72 crores against a corresponding figure of Rs. 2.08 crores.

So all-in-all, this quarter has been quite satisfactory, and this is as per what we had planned for the quarter.

Although I will have a slight amount of caution on the numbers in terms of percentages and in terms of ratios to profitability, etc. it looks slightly off the positive side, for example EBITDA to the sales or PAT to sale etc., is very high in terms of ratio. And there is a specific reason for that, in general we are achieving what we normally achieve which is 25% to 30% of EBITDA and around 10% of net profit margins. But because of one specific sales and realization which happened on account of one of our projects which we exited last quarter, which was a slum upgradation project called Sanjay Nagar where we did slum upgradation, etc. and have got some TDRs from the Government in lieu of that. A major portion of that sales was booked in the last quarter and there the profit margins had been very high, extraordinarily to the extent of around 50% in terms of EBITDA and normally we get around may be 30% or so. So that spikes the number in terms of profitability this thing. Hence, there is slight amount of higher PAT and higher EBITDA ratios.

But all-in-all, the rest of the numbers are quite in line and they are as we had expected. Now, from the current quarterly numbers let me just take you through the market side. Some a little bit of our understanding in terms of there we see market going in what exactly has been happening in the last quarter and going forward.

Generally, the market is coming back to some sort of steadiness after a couple of very strong headwinds in the form of demonetization first and RERA second and obviously, GST also created some little bit of may be very small amount of things here and there but major headwinds have been coming in the form of demonetization and RERA. I guess for the formal sector, demonetization was not that big issue. Although it at least created some little bit of stagnancy in demand in the short-term because of overall people had less inclination to spend on real estate but generally speaking that has helped the formal sector in the normal sense/. But RERA did create some short-term interruptions on account of the way we could book the same is the time that it takes to get the existing projects registered, etc.

We have completed on that I mean Bengaluru (Bangalore) for example there were two such projects which needed to be registered and it took a little bit time for us to do all that and then only sales has just resumed a couple of weeks back. But during this process general promotion activity, let us say activities were held up. And same was the case in Ahmedabad also, Ahmedabad was slightly because administration here was slightly more responsive and hence the process got completed pretty fast and the loss of time in terms of resuming the sales for ensuing projects was not very high. Bengaluru (Bangalore) took a little longer. Bengaluru (Bangalore) even now as we speak while the projects are registrar and there is no hindrance in resuming the sales and started booking the sale etc. But till date there is a huge amount of ambiguity about the format of agreement to sell which is ATS which we have to execute between us and the buyers. That format is yet not finalized by the Government and hence technically speaking, we should not demand more than 10% of the money before we execute ATS and ATS obviously depend upon Government finalizing that draft. So there is a little bit of stalemate that is going on the payment side for the new sales but never the less have resumed and business is coming to normal.

But yes, these two - three things have created some little sort of negative impact on the sales for the last few weeks or months. But going forward both these are very positive in terms of how we look at them as a long-term variables or factors and the way they are expected to affect our industry. RERA obviously is great for us, we already see some little small time one-off kind of developers not being able to comply with a lot of regulations and requirements of RERA and hence, that is good for players like us who in any case were in that zone where such compliances are not that difficult to do. At the same time GST is going to impact some little advantage in terms of cost. However, broadly they will be nullified with the slightly higher form of end user tax which is GST which replaces VAT and service tax but all-in-all while **(Inaudible) 7:52.0** cost may be will go down but slightly four developers for end consumers, the cost might not come down because this will be more than compensated or broadly compensated by an incidents of around 12% of GST on the final product. But still because forcefully the full sector is coming under formal way of doing business, etc. because GST and the whole value chain coming in the tax sort of is good for people like us who in any case were paying all the taxes. So in any cases buying all the things after paying taxes, etc. so one it has given us a level playing field and two, generally speaking the compliance is noting which are coming out of RERA requirements to facilitates slightly better position.

So all-in-all while there were headwinds I think we are probably coming out of those issues and future looks better.

Now, maybe we can take questions. Yes.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. We have the first question from the line of Mr. Sameer Chheda from Vama International. Please go ahead.

Sameer Chheda: Basically, I would like to know what is the progress on Uplands I mean, are we seeing sales going up or be of this GST and stuff we have a stand still over there?

Kamal Singal: Uplands I mean, because of Uplands also one of the project which obviously waiting for RERA registration, etc. and being township it was comparatively a bigger issue so to say but all those formalities have been completed. We have got RERA registration and sales have just resumed. As we speak, we have sold 117 units of Uplands and top-line is Rs. 287 crores and sales has actually picked up nicely after the registration which happened last month and project per se is progressing very rapidly the first set of customers who have bought into the project they will be delivered their units I mean the first lot of delivery will start from December of 2018 onwards. And we are actually quite comfortable on that schedule and possibly we can prepone some of the deliveries if the customers were to demand that. So all-in-all the project is going along very nicely and sales has just started picking-up.

Sameer Chheda: Sure. And this revenue recognized is just Rs. 112 crores, so do we see in the next two quarter, would that go up significantly?

Kamal Singal: Revenue recognition will keep moving out of the unrecognized revenue that we have on this specific project will keep moving in the proportion of the expense that we incur and we are incurring expenses to the extent that is required to deliver the project as per schedule. So, you are right while there is significant amount of money which is unrecognized in this project but then sales will keep into the books of accounts gradually as and when expenditures keep on happening and this will keep happening gradually.

Sameer Chheda: Sir, what is the percentage of revenue we have recognized till date, now?

Kamal Singal: Around 45%.

Sameer Chheda: And construction has happened up to what percentage?

Kamal Singal: This will be 10% I mean this is exactly the proportion of construction that would have happened and that is why we are able to recognize this percentage as the sales.

Sameer Chheda: But we have collected like more money as 80% or 90% we have collected.

Kamal Singal: On an average what will be our collection? Maybe around 50% - 55% money would have got collected by now.

Sameer Chheda: Okay. All right. Any upcoming projects after this, sir?

Kamal Singal: Yes, I mean of course there is a pipeline and there is a target we have already procured one project in Bengaluru (Bangalore) which is at Tumkur Road, this is right on the Tumkur Express Way, this will be around 7 lakh square feet of construction area that kind of a project that is already purchased and it has come into our books of account and we are hoping that this should be launched in first quarter after completing all the formalities to RERA and approval, etc. as per the plan that we have, we intend to do at least two more projects, project closure within this financial year after Tumkur Road.

Sameer Chheda: Okay. More project and in Bengaluru (Bangalore) or in Ahmedabad?

Kamal Singal: I mean definitely one in Ahmedabad and the third one we have options both in Bengaluru (Bangalore) and Ahmedabad. So we are just trying to evaluate and fine tune the project numbers as the pipeline is there and project has been identified but it is a question which one we pick-up and that process is on. So, one in Ahmedabad for sure, and the second could be either in Ahmedabad or Bengaluru (Bangalore).

Sameer Chheda: Sir, one more question, Beyond Five is more or less similar to Uplands, the size and of course, more bigger size but again second-hand bungalows kind of thing. So, what do you see over there because I think there is no much happening over there? It is big project.

Kamal Singal: Yes, it is a big project, and these are the projects require a little bit of time to complete this land aggregation because the money in these kind of project lies actually in land aggregation per se, it is a JV project to start with. The project land acquisition is completely to the extent of around 80% - 85% or maybe it is litter more but we are still trying to sort out the balance land portions while a lot of planning and other things have been completed on this project but for this land outstanding issues it has not been formally launched and we are hoping that once this is completed, we will be launching it very soon. But it is not like an Uplands project. Because Uplands we do not sell any plots at all while Beyond Five actually a plotting slew which equally good or equally luxurious as compared to Uplands so while the club house or a golf and other amenities and roads and street lighting and other things will be of as high quality as an Uplands but we are not forcing people to buy villa there. People can do their own villa and we are giving them fully developed plots. So inherently speaking it is a very different product from our point of view with lower investments in construction and lower lead time, etc. once we start this project it will be very simpler and quicker to execute this project and exit out of this project as compared to an Uplands we are doing a fully built-up villa and individual value of a unit is very high comparatively.

Sameer Chheda: So what it the terms of the joint venture and how much have we actually put in money?

Kamal Singal: You are talking about

Kamal Singal: Beyond Five. Exactly. Yes, I mean basically it is structured in a way that 55% of our revenue goes to the landlords because it is predominantly a plotting kind of a thing and the major component of cost is land only. And development cost to that extent is comparatively low and broadly 45% will be our share of the revenue from which we will spend money to develop and to earn our margins.

Sameer Chheda: And till date how much have we spent on this project?

Kamal Singal: Very little because we have not formally launched there is no significant amount of money that has been spent. We have just kept the site office, etc. ready and some basic access work, etc. has been done on the site. But beyond that there is no significant money which has been spent. I mean if you were to go to site you will feel that our Tumkur project is coming up here with the office being ready, etc. but beyond that you don to really started the development work inside per se.

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

Sunil Kothari: Sir, my basic is during last three years - five years we are progressing really well but the scenario was totally different, some three years - four years back there was no indication of any RERA, this type of compliant disclosure and transparent way of booking. So, can you throw some light on medium-term to long-term how you see this change which may be affecting a lot of small developer and builder and how it can transform Arvind? And in that scenario, why Arvind Infra should not think about progressing a little faster and in a bigger manner, just your thoughts.

Kamal Singal: Sure. I think, you have asked two questions. One is on the impact regarding the impact of the RERA, etc. on the business in general and specifically, on that we are very clear that RERA and similar regulations whenever they come it is good for the industry in the long-term and even the medium term. And so for people who are in organized sector their compliances per se is not an issue. We anyway comply with all the requirements approvals, etc. so it is not a big issue per se for us. Not an issue rather we look at it as an opportunity. It should actually result into lesser competition from our unorganized sector which could bypass a lot of requirements which a normal good quality standard corporate builder will not try to do and hence, it is great to have regulations, it gives us level playing field. And hence, we are competitively slightly better place as compared to what use to be before RERA sort of scenario. Same goes with the GST that people who are in formal sectors obviously will be able to better utilize GST regime because they can take credits, input credits much better than our company who could buy raw material on cash for example. To that extent again, so we see that in medium-term and long-term this is all good and especially for us and also in general for the industry it is all good, all these tips, there were headwinds. I think we have crossed the worst. We are ahead of the most turbulent times which obviously is there whenever a change as big as these come but then that is part of the process and the worst part of the process is over what we understand and hence this all good. The second part of the question is related to how Arvind can increase the pace of growth, etc.?

Sunil Kothari: Actually, sir in this scenario the way it has change, when we launch our unit we have some objective during next five year what to do and how much we can do but looking this situation, do you think that another five year it can be totally different size of opportunity and are you seeing on the ground actually any lower competition, people are now not going to some builder and coming to Arvind Smart something is happening on the ground.

Kamal Singal: Absolutely, that is what we are saying that on ground all the formal sector companies corporate group's will benefit because of formalization of economy so that is definitely there and we definitely I mean it is too early to say that okay, we have concluded that, we have started getting it. All indications are that we will and we should get benefit of this formalization of economy. But I think it will be a little premature we are may be in the first and second month of all these changes to say or claim that these have started coming in and we have started feeling them on the ground may be a little premature. May be by the next call this question can be answered better in more concrete way. But we are very confident that what is expected purely because of logic is what will come on ground in very near future.

Sunil Kothari: And sir, you find this opportunity different now size compare to last three years - four years that we never thought about these things. So on those things say let us say five years - ten years you feel there is a bigger opportunity for Arvind?

Kamal Singal: See, let us look at the opportunity in two dimensions. One is the macro opportunity and then there is a micro opportunity that Arvind might have. Of course, Arvind will have a better opportunity because of RERA, etc., because we are placed in that segment which benefits from these. So that is already discussed but then real estate is a function of how the macro environment moves how employment moves, how economy grows, so I mean while the opportunity is good, it needs economy to do better, it needs a lot of employment to generate. We sell a product which is highly dependent upon how the overall economy does. How many people get newer jobs and what is the proportion of increase in income, etc. there have been a little bit of strain in the last two - three quarters on all these fronts on the macro side. But then we also know that there are some very strong green shoots coming up and all these efforts which were kind of a little disruptive demonetization and RERA, etc., despite all that the economy has been moving and registering some decent growth per se. Now, once the economy establishes and once the economy over comes all these headwinds we are very helpful that there are incidents in the economy to take the next leap and do faster than what it is doing today and undergo circumstances people like us to complete the loop in the micro side, people like us will be better placed to exploit the situation, so we are very optimistic about the whole thing.

Sunil Kothari: And sir, my one more question is, on Slide #52 we mentioned about Arvind Bengaluru 4, land areas 3.65 acres, we already bought. So what is the cost of this land? And is this a change in strategy? Normally we prefer JV or tie-up, not buying lands and all. So something on this?

Kamal Singal: Yes, I mean this Bengaluru 4 is the last one that we acquired, we were talking about it a little while this will be the pipeline project. This is around Rs. 50 crores land which we bought outright. We have a strategy to have a very so to say decent mix of JVs and outright deals, so that you are there in JD or JV kind of set-ups also, at the same time there is a very solid own land parcels which we have explored. When we say own land parcels it only means that we buy land and it is quickest possible time frame we go to the market and start selling it. We do not buy any land at all to keep them as land banks that is not our strategy at all. So the moment we buy, we start counting interest on that land and we want to hit the market at a earliest that is what the Tumkur Road project is but having said that we will always keep a very healthy proportion of both JD JVs / owned land kind of projects. In Bengaluru (Bangalore) so far, we have not done JV/JDs, both of the JV/JDs have happened in Ahmedabad, Gandhinagar. But Bengaluru (Bangalore), we wanted to take a slightly more cautions route where we have 100% control over the lands and we have 100% control over the timelines and execution, etc., and hence so far we have not done that. But having said that now, we have got four projects in Bengaluru (Bangalore) including this Bengaluru 4, we have not still named it. Now, I think, we have understood the market enough, we have executed enough, we have a healthy pipeline and the volumes in sales and construction activity has reached a certain level which gives us comfort that basically means that we can now start looking at JDs also in Bengaluru (Bangalore) having done four projects. So we are now actively looking at JDs as well as outright deals in Bengaluru (Bangalore) also but Ahmedabad in any case we do both the kinds of deals, outright purchases and JV/JDs.

Moderator: Thank you very much. We have the next question from the line of Sagar Parekh from Dip Finance. Please go ahead.

Sagar Parekh: Sir, first question on this Sanjay Nagar slum upgradation, how much revenue have we book this quarter and any further revenues remaining to be booked?

Kamal Singal: We have booked Rs. 11 crores of sales and this was broadly the leftover of the projects, we booked some money in the previous quarters also but this was a leftover and we sold the leftover TDRs during this quarter. And nothing is left really. I mean, we executed it, we have handed it over, TDRs were made available and we sold it in two or three quarters.

Sagar Parekh: Correct. So now everything is over, right all the TDRs?

Kamal Singal: Yes, I mean as far this high margin thing is concerned, it is over, yes.

Sagar Parekh: Okay. So in this Rs. 1,100 rights you have got 50% EBITDA margin so that is about…

Kamal Singal: Yes, I mean normally, in equivalent sort of project we would have earned Rs. 4 crores of EBITDA while this would have been around 5 crores to Rs. 5.5 crores of EBITDA so this would have boosted the numbers by may be Rs. 1.5 crores - Rs. 2 odd crores in overall context.

Sagar Parekh: Correct, got it. Sir, my second question, if I look at your Uplands project, I just calculate the average price per square feet it is coming up to about Rs. 1,400 per square feet. It is much lower considering its Gandhinagar am I right in my calculation or Rs. 1,400 per square feet.

Kamal Singal: Yes, you are right Rs. 1,400 on the face of it looks to be too low but this is the most premium project that we are doing in our entire portfolio. The way we price it is that you have a land component when you sell a villa in a township and you have a construction component. Because these are very big villas may be around may be 1,000 square yards of land, 2,000 square yards of land, etc., in the outskirts of the city so land goes around Rs. 11,000 a square yard. So these are lands where the typical land price will not be more than Rs. 2,200 per square yard - Rs. 2,500 per square yard or Rs. 3,000 per square yard but the value addition is almost like 4x and you sell it at around Rs. 11,000 odd currently. Construction is charged at around Rs. 2,500 per square foot which has a decent margin of 30% to 40% again on the actual construction cost of the villa. So all in all this project becomes very profitable and villa actually cost anything between Rs. 2 crores to around Rs. 10 crores. Now in outskirts of a city like Ahmedabad, a villa averaging Rs. 3 crores to Rs. 4 crores, etc., starting with may be Rs. 1.5 crores to Rs. 1.75 crores to all the way up to Rs. 10 crores is a very decent number and this actually is a very premium product. But when you average it on a per square foot basis the land component is pretty high in each of the villas which is just around Rs. 1,100 per square foot kind of number the average looks like Rs. 1,450, etc., but otherwise it is a very-very premium product.

Sagar Parekh: Okay, got it. the cost of villa is Rs. 2 crores to Rs. 10 crores, so the average realization per square feet would be upwards of Rs. 5,000 to Rs. 6,000?

Kamal Singal: If you were to calculate that only based on what we do in terms of constructions then yes. But then you know the total area is depicted were in the form of total construction area in square feet and the land area in square feet. So on both when we put together, it looks like Rs. 1,400.

Sagar Parekh: Got it. So basically our total estimated area of 3 million so the 32 lakhs is the total estimated area that is includes land as well as…..

Kamal Singal: Land and construction all the square feet put together. You are right.

Sagar Parekh: Okay. So we have any kind of break-up? How do we model this basically, because we have already booked 20 lakhs out of 32 lakhs?

Kamal Singal: Yes. So Phase-I will move in the similar proportion only that right now the realizations are low because this number includes soft launch and pre-launch, etc. but if you were to just factoring the factor in the current prices that we are selling at and a little bit of increase going forward as the project is near competition, we are hoping that the top-line will be around Rs. 450 crores of Phase-I.

Sagar Parekh: Yes. So Rs. 450 crores is the actual potential top-line from this project the entire 32 lakhs…

Kamal Singal: Only Phase-I, this project is bigger.

Sagar Parekh: Okay. So Phase-I is Rs. 32 lakhs, am I right?

Kamal Singal: That is right, yes.

Sagar Parekh: So Rs. 32 lakhs can stretch Rs. 450 crores of top-line?

Kamal Singal: That is right. I think the Investor Presentation will have these projections, if they are not there this will be the broad number, I mean you can just see in proportion and add-up some little premium because the existing ratios and averages of realizations are inclusive of soft launches and initial lower prices that we launched at. Generally, speaking if you just give a little bit of margin we are at Rs. 268 crores booking value. So Rs. 450 crore looks very decent number to assume.

Sagar Parekh: Okay, fair enough. Sir, my last question on the Bengaluru (Bangalore) project you said, Rs. 50 crores is the total purchase value of the land of 3.65 acres and that you mentioned will be launched in first quarter of FY 2019?

Kamal Singal: No, in first quarter, calendar quarter of 2018.

Sagar Parekh: Okay. So Q4.

Kamal Singal: Q4 really speaking, yes.

Sagar Parekh: Q4 F 2018 will be the launch of this 7 lakhs square feet Bengaluru (Bangalore) residential.

Kamal Singal: That is right.

Sagar Parekh: And two more projects you said will be launched in the coming quarters.

Kamal Singal: Not launched, we will be acquiring, we will be finalizing.

Sagar Parekh: Acquiring, okay. So how much money are we planning spend for these two land parcels approximately?

Kamal Singal: Around Rs. 100 crores.

Sagar Parekh: Rs. 100 crores, more?

Kamal Singal: Yes.

Sagar Parekh: How do we plan to fund this?

Kamal Singal: We just completed our first round of preferential shares that money came in the last quarter that has brought and kept our debt-equity also within very-very reasonable time. But going forward the way we planned is that all these Rs. 100 crores will be a combination of internal accruals, raising of little more debt and equity whenever required. Our debt-equity has been very-very descent as of now?

Sagar Parekh: You are not planning to do further fund raising?

Kamal Singal: As of now all the three routes are open. We are open to all the ideas, I mean we know that the company needs capital to expand and expand a little quicker than what we have been doing and for that all three options are absolutely open – funding through our own internals accruals, debt and further infusion in the whatever **(Inaudible)** that we possibly could. But yes, you are right all the three options are being evaluated and whatever it needs to fund thee Rs. 100 crores and more going forward we have all the plans in place and we are working on those plans.

Sagar Parekh: Sure. Then what is our total land parcel currently?

Kamal Singal: No, Arvind does not have any land bank, we do not create any land bank, I mean if we have got a land or if we have contracted land it is supposed to be getting into the business immediately, we do not incur any interest on any land at all in our portfolio.

Sagar Parekh: Correct. So right now, out of all the projects that are operational or will be launched so one is this Sporcia project where it is our own land in Bengaluru (Bangalore), the second one is the Skylands one where it is our own land, so these are the two were out of the current projects where we own our land and third one you mentioned I this Rs. 50 crores which we bought in Bengaluru (Bangalore) which you are launching in first quarter so apart from all three these three projects any other project where we have our own land because most of the things I see are through JDs?

Kamal Singal: Yes. I mean in Ahmedabad broadly we have JDs on the bigger parcels where townships are there. So strategically it makes a lot of sense for us not to lock very big amount of money in a land parcel. So our Rs. 50 crores to Rs. 60 crores ticket fits well, we can buy and quickly execute and exit so that is what we have been doing in Bengaluru (Bangalore) so far. But for the larger parcel our current 40 odd acres for a project like an Uplands or Beyond Five, etc., we do not invest in, we rather prefer the JD because you do not unnecessary lock such a huge amount of money for a very long-term. But even in Ahmedabad we are looking at land parcels which we could own also, if they were to be in the ticket of Rs. 50 crores to Rs. 60 crores and we also are open to now doing JDs in Bengaluru (Bangalore). So you might actually see one or two outright purchase really in Ahmedabad which will be opposite to what we have been doing so far generally speaking, and you might actually see one or two JDs happening or JVs happening in Bengaluru (Bangalore) which we have not been doing the other way around. So that is how it is.

Sagar Parekh: Okay. And Beyond Five and Megapark the average realization is about Rs. 500 to Rs. 800 per square feet which is basically both of these projects are just the sale of plots right?

Kamal Singal: Yes. Megapark so far has been broadly industrial plotting scheme and the plotting sells at around Rs. 5,000 - Rs. 5,500 per square yard of land and same is the case with the other one.

Sagar Parekh: Okay, got it. And what can we assume as cost of constructions in Ahmedabad and Bengaluru (Bangalore) both separately?

Kamal Singal: That varies dramatically for an Uplands it will be very different as compare to what an affordable housing scheme would cost and that is the case everywhere else but a midsized project on an actual build up are should be around Rs. 1,500 Rs. per square foot - Rs. 1,600 per square foot.

Sagar Parekh: Okay. So then we can safely about 25% EBITDA margin at the project level, right? 25% to 30%.

Kamal Singal: Yes, I mean, that has been our benchmark we have been following this.

Sagar Parekh: Okay.

Kamal Singal: Yes, 25% EBITDA margin is a very decent number to assume. Generally, we are anything between 25% to 30%.

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

Sameer Chheda: I want to ask you said Rs. 450 crores is what we can expect from Phase-I, I understand Uplands is a JV project with land owner I think, 50-50 sharing in land revenue and 100% construction to us. So can you bifurcate out of this 450 how much be towards land and how much to construction?

Kamal Singal: So if you were to just take a very simplistic thumb rule for you to do your numbers, of the total top-line around 25% will go to the landlords. So if it says Rs. 600 crores, so Rs. 150 goes to them and Rs. 450 crores remain with us. That is a very-very decent accuracy this projection can be made up. Of course, it depends upon what is the land price and break-up, etc., this will just complicate your understanding. But I think, for your purpose you can very safely assume that 25% of top-line in this project goes towards land, the rest is with Arvind which is spent on account of development, construction and profits.

Sameer Chheda: Correct. So this Rs. 287 crores is a booking value we are taking, does it also include the 25% of the land bank?

Kamal Singal: Yes, these are full numbers because ultimately the entire top-line is reflecting into our books of accounts. So out of say around Rs. 300 crores; Rs. 75 crores will be there's and Rs. 225 crores will be ours.

Sameer Chheda: Okay. So how do we pay them? I mean does that also come in the P&L?

Kamal Singal: Yes, it comes into P&L, this land cost like any other project whatever is payable to the landlord comes in the books of account as a cost.

Sameer Chheda: Okay. And that is paid progressively as you recognize the revenue?

Kamal Singal: That is right. That is right, and it does not distort the numbers at all because on Rs. 268 crores the margin again will be in the region of around 30%. So on Rs. 268 crores we will have a margin of around 30% again here. While if you were to see these numbers in the context of what is our components, our margins are very high. But because they are booking entire top-line and on that entire top-line we are having an approximately 30% margin again in this project. So that way it represents the rest of the projects in terms of understanding the overall profitability numbers and top-line and bottom-line numbers.

Sameer Chheda: Correct. And now we have inventory of around Rs. 11 lakh square feet in Uplands and December 2018 means approximately a year to go do you see that booking coming in by that time or will it go beyond the completion?

Kamal Singal: No, I mean Uplands is not a project where we want to or we intend to complete the project irrespective and then simultaneously sell. See, the development work is on the verge of completion before 2018 the entire place will be up and developed. All the common facilities, roads, street lights, etc., but we broadly do construction of villas based on the actual sales. So while the first lot of say 120 - 130 and 140 whatever we will be selling by that time would believe ready by end of 2018 it does not block any of our cash flows at all and hence, it is something like a property which is reduced like a shop that you have, half of the work is done. Whenever a person comes we say we will deliver in one and half years, two years' time and this is the cost of the project. So it becomes a very-very cash positive thing from the point that we are in right now because the development expenses are all over, cash flows are all done, you do very small incremental expenditure on the cash flows side say Rs. 40 lakh - Rs. 60 lakh to do the construction and you get some Rs. 2 crores - Rs. 2.5 crores cash inflows for that one specific villa. So having achieved the milestone that we have achieved, going forward this is how we will continue to do and this give us two benefits – one is you do not block here working capital unnecessarily. Two, you still have flexibility to do little bit of changes inside, etc., because these are high value things and people have their own taste to that extent and if you were to hard core everything from the world go, it takes that kind of flexibility away from you. So less blocking of working capital and having flexibility and design, etc., it makes a lot of sense for us.

Moderator: Would you like to make any closing comments, sir?

Kamal Singal: Thank you very much for being here on this call. The last quarter has been good, and we have been able to maintain the performance and going forward we think that the momentum will be maintained. There are some headwinds here and there and there have been some extraordinary items of profitability which came in the last quarter but beyond that in the medium-term to long-term, we see a healthy sort of business environment coming back and we should be able to maintain our performance. Thank you.

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