11th November, 2026

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

**Security Code : 539301**
**Security ID : ARVSMART**

National Stock Exchange of India Ltd.
Listing Dept., Exchange Plaza, 5th Floor,
Plot No. C/1, G. Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai - 400 051.

**Symbol : ARVSMART**

Dear Sir / Madam,

**Sub: Transcript of conference call with Analysts / Investors.**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are attaching herewith transcript of the conference call with analysts / investors held on Friday, 6th November, 2026 at 12:30 PM IST, to discuss Q2 & H1 FY27 Business and Financial Results of the Company.

The same is being uploaded on the website of the Company.

Thanking you,

Yours faithfully,
**For Arvind SmartSpaces Limited**

PRAKASH BHOGIBHAI MAKWANA

Digitally signed by PRAKASH BHOGIBHAI MAKWANA
Date: 2026.11.11 12:47:57 +05'30'

**Prakash Makwana**
**Company Secretary**

Encl.: As above

#DESIGNEDTOINSPIRE

# Arvind SmartSpaces Limited

## Q2 & H1 FY27 Earnings Conference Call

## November 06, 2026

**Moderator:** Ladies and gentlemen, good day and welcome to the Arvind SmartSpaces Limited Q2 and H1 FY27 Post Results Earnings 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 star then zero on your touchtone phone. I now hand the conference over to Mr. Satya Prakash Mishra. Thank you, and over to you, sir.

**Satya Mishra:** Thank you. Good afternoon, everyone, and thank you for joining us for the Q2 and H1 FY'27 Results Conference Call for Arvind SmartSpaces Limited. The financial results for the quarter and related presentations were uploaded to our website as well as on the stock exchanges. Hope you had enough time to go through it. Before we begin, let me introduce the management team.

Joining me today on the call is Mr. Kulin Lalbhai, our Chairman; Mr. Priyansh Kapoor, our Managing Director and CEO. We also have Mr. Amit Chamaria, the CFO of the company. Please note that anything said on this call that reflects outlook towards the future should be construed as a forward-looking statement and must be reviewed in conjunction with the risks that the company possesses. I would now like to hand over the call to Mr. Kulin Lalbhai for his opening remarks.

**Kulin Lalbhai:** Thank you, Satya. Good afternoon, everyone. It's a pleasure to be here, and thank you for joining us for the call. Our performance in H1 FY '27 has been encouraging with bookings of INR1,338 crores, registering a growth of 120% on a year-on-year basis. This nearly covers 90% of full year FY '26 bookings within the first half of FY '27, suggesting a great year ahead also in terms of bookings.

This reflects the strength of our development portfolio, sustained customer demand, along with progress we have made in building a scalable sales engine and a robust business platform. The

Indian economy continues to demonstrate remarkable resilience and structural strength, reinforcing its position as one of the most compelling growth markets globally.

The Indian real estate sector has also demonstrated considerable resilience amid an evolving global environment. Geopolitical uncertainties, particularly the developments in West Asia, volatility in crude oil prices, currency fluctuations and inflationary pressures have created challenges for the broader economy and increased cost pressures across the construction value chain.

However, the sector's underlying growth drivers remain firmly intact. Three structural forces continue to shape the long-term trajectory of Indian real estate. The first is urbanization. The second is formalization, supported by regulatory reforms. And the third is India's growing position as a global hub for talent, technology and capital with the expansion of GCCs. With this, the nature of residential demand also keeps evolving.

Homebuyers are increasingly prioritizing quality, design, location, amenities, wellness and the overall living experience. At Arvind SmartSpaces, we have consistently sought to anticipate these changes and evolve our business in line with the changing dynamics of the market. One of the defining strengths of our journey has been our willingness to adapt intelligently to emerging opportunities.

Whilst remaining anchored in our core values of quality, integrity and customer centricity. Recognizing this transition early, we have proactively strengthened our capabilities and expanded our presence in the vertical residential segment. Over the medium term, we expect vertical developments to constitute the majority of our portfolio mix.

Our focus remains firmly anchored in the mid- to premium residential segment, which we believe represents one of the most compelling long-term opportunities in Indian real estate. Demand in this segment is increasingly driven by fundamental life stage transitions, including first home ownership, family formation and lifestyle upgrades rather than speculative cycles alone.

This provides a more sustainable foundation for long-term demand. In this evolving market, we believe the real differentiator will be the ability to consistently deliver superior customer experiences. Brand equity is not built merely through advertising and marketing investments. It is earned through quality, consistency of delivery and customer trust.

Our Net Promoter Scores, referral-led bookings and repeat customer engagement reinforce the strength of our customer relationships. We are also investing in stronger digital marketing and lead generation capabilities, leveraging the Arvind Group's long-standing understanding of customer behavior and brand-building expertise.

We believe the next 5 to 10 years have the potential to be the most transformative phase in the company's history. Our focus will remain on accelerating cash flow generation, disciplined capital allocation, deepening our presence in our focused geographies, strengthening our vertical development capabilities and delivering differentiated residential experiences.

The opportunity before Indian real estate is significant, and we believe Arvind SmartSpaces is well positioned to participate meaningfully in this growth journey. As we move forward, we remain committed to creating enduring value for our customers, employees, shareholders and all other stakeholders. With that, I would like to now hand the call over to Priyansh, who will take you through our operational and financial performance in greater detail. Thank you.

**Priyansh Kapoor:** Thank You, Kulin. Good afternoon, everyone, and thank you for joining us today. Firstly, wishing you all a very Happy Diwali. The second quarter of FY '27 has been a very strong one for Arvind SmartSpaces with the company recording its highest ever quarterly presales and collections performance. During the quarter, we recorded bookings of over INR906 crores, which is more than double compared to INR432 crores in Q2 FY '26.

This reflects the strong underlying demand for our projects, the strength of our brand and our ability to consistently deliver products aligned with evolving customer preferences. The quarter's performance was driven by a healthy mix of contributions from newly launched projects, which accounted for approximately 65% of our bookings and sustenance sales from the existing portfolio, which contributed the remaining 35%.

As Kulin mentioned earlier, we have consciously invested in strengthening our sales and distribution network, enhancing customer engagement and building our marketing capabilities. These initiatives have helped us establish a more consistent sales engine. During Q2 FY '27, we successfully launched 2 projects, one each in Bengaluru and Ahmedabad.

Both launches received encouraging response, further strengthening our presence across these key markets. One of the key highlights of the quarter was the successful launch of Arvind Sylva, the Green Reserve in Bengaluru, which marks an important milestone in our residential development journey.

Within just 30 days of its launch, Arvind Sylva recorded bookings exceeding INR500 crores, representing approximately 60% of the project inventory by value. This encouraging response validates our market selection, our product positioning as well as our strategic expansion into the premium high-rise residential segment in Bengaluru.

It also reinforces the strength of the Arvind brand and our ability to identify and capitalize on attractive development opportunities. Alongside the new launches, our existing projects across Gujarat and Bengaluru continue to contribute meaningfully to bookings through sustenance sales.

The continued traction across our plotting portfolio further demonstrates the diversity of our offerings and the strength of our established customer franchise. I would also like to draw your attention to another important development. That is the progress on our decentralized operating structure, which we started to implement a year back to support the next phase of our growth.

We have progressed substantially on establishing a dedicated regional leadership structure across our 3 key markets of Ahmedabad, Bengaluru and MMR with greater ownership and accountability for business development, sales, execution and profitability. We firmly believe

that this organization reinforcement is essential to provide a solid backbone to support rapid growth of the organization.

We are now beginning to witness the benefits of this transition. With decisions being taken closer to individual markets, our teams are better positioned to respond to customer requirements, identify opportunities and drive execution. The strong sales performance during the quarter, alongside our expanding development portfolio gives us confidence that the operational capabilities we have been building are translating into meaningful business outcomes.

On the business development front, we continue to strengthen our project portfolio during the quarter. We added a new residential high-rise project on Sarjapur Road in Bengaluru, with an estimated top line potential of approximately INR470 crores. Post this, our cumulative business development potential added during FY '27 has reached approximately INR3,100 crores as on September 2026.

Our approach to business development continues to remain selective with a focus on project quality, attractive returns and efficient deployment of capital. During H1 and Q2 FY '27, we reported collections of INR754 crores and INR418 crores, respectively, registering a year-on-year growth of 77%.

Our continued focus on construction progress and collections enabled us to generate net operating cash flows of INR152 crores during the quarter and INR233 crores during the first half of FY '27. Our existing project portfolio provides strong visibility on future cash flow generation.

We remain focused on efficient execution, timely project delivery and disciplined working capital management to progressively convert this opportunity into cash flows over the coming years. Let me now move to the financial highlights for the quarter and first half of FY '27. For H1 FY '27, the company reported revenue of INR475 crores as against INR242 crores in the corresponding period previous year, which is a growth of 96%.

EBITDA for H1 FY '27 increased 3.5x year-on-year to INR197 crores, while profit after tax registered fourfold growth to INR120 crores, reflecting a significant improvement in overall profitability. Turning to our quarterly financial performance. We reported revenue of INR157 crores during the quarter.

EBITDA grew 46% year-on-year to INR45 crores, while profit after tax increased by 25% to INR23 crores, reflecting an improvement over the corresponding quarter previous year. Despite the ongoing investments towards business development and expansion of our project portfolio, our balance sheet continues to remain healthy.

Net debt stood at INR200 crores as on September 30, 2026 compared with INR215 crores as on June 30, providing us with adequate financial flexibility to support our growth plans. Further, our existing project pipeline provides estimated unrealized operating cash flows of INR5,197 crores, offering strong visibility on future cash flow generation.

Our confidence in the residential demand outlook remains strong, driven by healthy absorption across key markets, encouraging performance of recently launched projects and a robust pipeline of planned launches. This provides a strong foundation for achieving improved presales performance during the year.

Accordingly, we are revising our FY '27 bookings growth guidance upwards from our earlier stated range of 35% to 40%, which was about INR2,100 crores to INR2,200 crores to the range of INR2,600 crores to INR2,700 crores, translating into 70% to 75% year-on-year growth. Further basis the pipeline of the projects that we are evaluating, we are confident of meeting our business development aspirations with a strong likelihood of achieving the upper end of our stated guidance of GDV addition of INR4,000 crores to INR5,000 crores during the year.

This upward revision reflects our confidence in the demand environment, the strength of our upcoming launch pipeline and the continued contribution expected from a sustenance sales portfolio. This also fortifies our strategic direction of focusing on the 3-city strategy with a deep focus on execution and customer centricity. We also reiterate our EBITDA margin guidance in the range of about 22% to 25%. With this, I would like to conclude my opening remarks and invite the moderator to take the session forward for question and answers.

**Moderator:** The first question is from the line of Jainam Shah from Equirus Securities Private Limited.

**Jainam Shah:** Congratulations on a really good set of numbers across P&L, even presales and everything. Sir, just starting with the 2H part, as we already upgraded the guidance, what all launches we are targeting in which markets? And what could be the size and what could be the time line for the same? And anything we have launched in the month of October?

**Priyansh Kapoor:** Right, Jainam. So Jainam, we had earlier guided for about 6 launches during the year, and we have already done 2 launches in H1, which was about INR1,250 crores worth of inventory. So in terms of the booking value that we are looking to launch with the 4 projects that are work in progress is about INR2,200 crores to INR2,500 crores that we will be able to bring to the market. In terms of the split, we are looking at getting two projects in Mumbai in the second half. And we are also working on two projects in Bengaluru that we should be able to bring to the market in H2.

**Jainam Shah:** Got it, sir. Just one thing on the margin part as we are guiding 20% to 25-odd percentage margin. But whatever we see in the P&L, it is always gross margin upwards of 70-odd percentage, EBITDA margin upwards of 40-odd percentage, despite no major revenue booking with the completion that -- with a little completion on a quarter-on-quarter basis, large revenue might be recognized going forward. So any reason for you guiding this range, whereas our overall numbers have been very strong as compared to what we have been guiding consistently?

**Priyansh Kapoor:** So Jainam, I think, very good question, and we have been delivering consistently better margins than we have been guiding. However, I think when we give this margin, this is, I would say, what we form as the basis of our underwriting. A lot of price growth in the previous years has actually added a lot to the bottom line, and we've been very efficient with

our cost control. So that is reflected very well in our bottom line, but we try to guide in terms of what we are actually following for our new underwriting.

**Jainam Shah:** Got it. Got it. And sir, on those launches that you rolled out 1 Mumbai and 2 Bengaluru, all these 3 would be largely in the fourth quarter or there will be something coming up in the third quarter as well?

**Priyansh Kapoor:** So we are working on getting some final stage approvals on the project. So we are not currently sure whether we'll be able to bring them to Q3. So maybe I think towards the last month of quarter 3 or we will probably see them in Q4 in terms of our numbers.

**Jainam Shah:** Got it. So probably this year, our presales number would be somewhat of even say, 2x of the last year -- near to 2x of the last year. Going forward, how do we see growth on a higher base given the launches heavy year? Will it be stabilized in a year and then again grow? Or we would be continuing to see maybe 15, 20, 25-odd percentage of growth for next 2 to 3 years time from the base, let's say?

**Priyansh Kapoor:** I think we have given a long-term growth guidance of about 30% year-on-year. And I think this year is, I would say, it's more like a reset year, which probably allows us to be at a different base with the multiple city getting built in. But I think retaining that 30% growth rate even over the number that we achieved in the current year should not be a very challenging thing with the multi-city and project portfolio diversification that we are looking at.

**Jainam Shah:** Got it, sir. Sir, just last question from my side. We are doing good in terms of presales, collection, launches and P&L as well. On the BD part to sustain this growth trajectory, what kind of steps and what kind of activities that we are doing to make sure that this growth trajectory continues?

Along with that, there would be some kind of initial outflow that you will be doing for the outright and for some kind of investments in the JV, JD as well for the redevelopment as well. So basically, how do we -- are going to manage our 2 things, which is BD as well as along with you making sure that balance sheet doesn't go stretch and to make sure that the growth happen at around this percentage of 30% that has been guided?

**Priyansh Kapoor:** Understood. So I think we are very, very conscious of capital discipline. So if you see one, I think we are looking at project portfolio mix, which is a mix of JDs as well as outright. So in the medium term, we want to maintain a 70-30 focus towards JD to outright projects in terms of the GDV that we add. So that brings capital constraints, in fact, makes it quite comfortable there.

And when we are looking at sourcing, we have -- like I said, we have actually created a good city model now. We have regional leadership in place across all cities. I think that is also reflecting in the quality of the sourcing of the deals we have. And if you see the consistency in BD last year also, we locked about INR3,100 crores of stock.

And this year, in H1, we've already done something similar. So we feel quite confident that we should be able to get our guidance of about INR4,000 crores to INR5,000 crores in the current

year. And I think with the steps we are taking, this is something that we can continue to replicate while maintaining capital discipline.

**Jainam Shah:** Got it. Sir, just 1 follow-up on this. You already established a very good brand in, let's say, Ahmedabad, for Mumbai and Bengaluru. Bengaluru, of course, we have been -- we have launched some of the projects. In Mumbai, our brand visibility might not be there. How do you say, establish yourself for the 2 newer markets given that there has already been a very large competition from very large developers over there? So how do you see yourself from, let's say, 5 years back till today in these 2 markets and probably 5 years going forward in these 2 particular markets?

**Priyansh Kapoor:** So I think if you see, Jainam, our story, I think it's a very measured and thoughtful growth. So if you see our Bengaluru number this year already, when you're talking about while launching new markets, Bengaluru is contributing 50% of our sales for H1. And last year, Ahmedabad was about 70%, Bengaluru was about 30%. So even with the base expanding, this is the first time Bengaluru itself as a market has crossed more than INR600 crores for us.

So we believe I think the overall corporate brand actually has acceptance all across. That gives us, I would say, good entry in each market. And then I think with the quality of the product selection that we are doing and I would say, our entire sales and distribution setup that now we have started to build, I think we are fairly confident that replicating this model even in Mumbai should not be as difficult, backed by, of course, the good quality products that we are looking at bringing into the market.

**Moderator:** The next question is from the line of Amit Srivastava from 360 ONE Capital Private Limited.

**Amit Srivastava:** Congratulations on the team for excellent performance on operational side. My first question is in terms of the business mix, which is going to be there. This year, whatever the project we have signed in BD that has come from the JDA. And now the volume-wise mix is almost 78%. So structurally, you have given some indication that it should be 70-30?

So can we expect that whatever the future we are looking at this year will come into the own projects? And second is, given the current balance sheet strength, what is the kind of business development potential we have to generate even in the next year on an overall basis, considering that the net debt and the debt to equity as well as the OCF generation, sir?

**Priyansh Kapoor:** Right. So Amit, one, I think when we say 70-30 that we want to maintain in terms of GDV addition for JD to outright, I think that is over a medium term, sometimes very difficult to time it in individual years. So this is, I would say, our 3-4 year distribution of GDV. And every year is also a function of the kind of opportunities that are available in the market.

Other than -- I would also want to remind, I think, other than, of course, our own cash flow, we have a platform availability with HDFC. That also gives us sufficient firepower beyond the current balance sheet, where our debt equity still is actually 0.26, far below our stated comfort. So we have sufficient room available there as well.

And largely, I think our belief is that even at the current scale, I think supporting about INR1,000 crores of land outflow every year, I think, is not very challenging with the mix of the operating cash flow that we are generating and also ability to take some debt over a period of time. So -- and we are within that particular comfort range even if you see our H1 numbers.

**Amit Srivastava:** For INR1,000 crores, you said that investment, sir, for the new project?

**Priyansh Kapoor:** That's correct, close to that.

**Amit Srivastava:** Okay. And second, sir, when we are looking at in terms of the positioning of our products like in Mumbai, we are coming out 2 projects which we are launching. So basically, when we go into that particular market, when we are going to launch this product, how we are positioning ourselves in terms of the brand in that particular market, in terms of the pricing, in terms of the product which we are going to launch? Like in our Arvind Sylva, we have got a very strong response in Bengaluru. So what has worked in that project? And effectively, if we compare in Sarjapur, how is our product pricing in that particular market, if you look at in that, sir?

**Priyansh Kapoor:** Right. So if you see our Sarjapur project, we actually sold it at about INR12,600 a square feet, which is generally, I would say, considered to be on the premium end for that particular market. So when we come to Mumbai and when we are looking at our project there, the positioning and the customer segment that we are targeting, I would say, is the premium category. So we are not doing the super luxury. We are not doing, I would say, the affordable category.

We are targeting what we call and define as the premium category homes. So essentially homes between INR2.5 crores to about INR5 crores in terms of ticket size in Mumbai market. And I think where we feel very confident is the quality of the location one that we've added and also the quality of the product, the design and the thoughtfulness that's gone into building amenities, which we believe will resonate with people when we bring it to the market.

So that gives us confidence that what we actually did well in Sylva, we can replicate, of course, the same strategy with a very different kind of product keeping in the context of the Goregaon market. So gives us good confidence that we should be able to achieve our numbers there.

**Amit Srivastava:** Okay. And just 1 last please, if we look at in terms of the numbers, how would be the delivery in the next 6 months in terms of the bookings, which is going to be delivered and in terms of the construction spend for this particular next 6 months?

**Priyansh Kapoor:** So from a construction spend perspective, if you see we have been seeing a very rapid growth actually across the portfolio. So largely, I think we've almost been doubling the pace at which we have been seeing our construction outflow. We have not been putting out very specific guidance on what we will be able to hand over immediately. But our construction spends have actually more than doubled over the previous year. So that is something which we believe will start reflecting in the delivery time.

**Amit Srivastava:** Okay. Any numbers you want to give, sir, for the construction spend?

**Priyansh Kapoor:** So nothing specific right now that we want to put out as a very specific number to -- from a construction point perspective. But largely, I think what we are on track as per our plan and doubling compared to what we were doing over previous year. And offline, otherwise, if there's some other clarification, we can help you with that offline.

**Moderator:** The next question is from the line of Harsh Pathak from Motilal Oswal Financial Services Limited.

**Harsh Pathak:** Congratulations for the very strong performance for the quarter. My first question is on the operational thing that we have improved. So this quarter, we have seen along with the very strong new launches, even the sustenance have revived. So what improvisations have we taken at the operating level to revive this?

**Priyansh Kapoor:** So Harsh, I think, one, of course, we got these 2 launches coming in, which, in fact, we managed the process quite efficiently. Both the launches -- both these projects, if you see are actually less than 1 year old acquisition. One was about 7, 8 months ago and the other one about 9, 10 months ago. So one, I think the way we ran our process in terms of managing the design approval very efficiently, that actually helped.

Secondly, I think what we are building overall in terms of our sales and marketing engine. And I think the consistency in terms of sales that we are able to achieve as a result of having a sales team, which is very thought out. So I think the organization reset that we have been speaking about, I think that is also reflecting in more consistent quarterly sustenance sales.

So last year, INR600 crores is what we had done on sustenance for the full year, which was actually our best ever sustenance performance. If you see in H1, actually, we have already done better than that particular number. So I think that is a reflection of overall this reset, combined with, I would say, also how well the market is also responding to the product offerings that we are putting out.

**Harsh Pathak:** Understood. And since this year's growth target, we have revised upwards to INR2,600 crores to INR2,700 crores, can we expect the medium-term target of maybe around INR5,000 crores hitting by maybe FY29 something like that? Are we on the right track to achieve growth at that rate?

**Priyansh Kapoor:** I think, like I said, we believe, I think we can continue to grow at about 30% even on this particular base. So something like a INR5,000 crores, I think, is something which we can actually reach in the medium term. So we are fairly on track to build our organization to that particular scale.

**Harsh Pathak:** Understood. And when I see your estimated operation cash flow slide, there is INR12,000 crores of inventory that we are carrying. So this year, presales is moving closer to INR3,000 crores mark. And so what is the inventory that the company is willing to maintain so that with our growth aspirations, we'll be able to comfortably meet our presales target? So what is the step-up in the BD required to maintain that kind of a comfort on the sales visibility? So this year of the current run rate of INR4,000 crores to INR5,000 crores of BD that we are targeting, how much should this increase to maybe in the next 2 to 3 years?

**Priyansh Kapoor:** So I think generally, if you see, I think for a company at our stage, the BD that we are actually doing has to be definitely much higher than the replacement rate. So if we are looking at about INR2,600 crores, INR2,700 crores, theoretically, any inventory that we were actually adding more than that gives us a chance to continue with the growth rate.

But because we are looking at, I would say, growth being higher in the first few years and like this year is a reflection of that, we needed to do some extra BD and hence we are looking at INR4,000 crores to INR5,000 crores of build-out. I think a INR12,000 crores number probably does not give a very, very clear picture from the monetization perspective because many of these actually are fairly large projects, like we have said in the past also, which are going to be developed over multiple phases.

The good takeaway from that is the distribution of the inventory. Now if you see our portfolio, we have almost 25% to 40% actually in each of the 3 markets that we are operating in. So it gives us a diversity. But our sense is, I think we need to continue to add at least INR4,000 crores to INR5,000 crores every year to be able to maintain growth consistency in the medium term. Post that, I think probably after a few years, we'll see how do we need to reset this kind of a number.

**Harsh Pathak:** Understood. And my next question is on the MMR move that we are going to make in H2. So on the pricing front, since we are going to launch our first project here, how do we see pricing versus the respective micro markets that we are going to launch? Are we going to do some competitive pricing? Or are we looking to launch at the market rate? How we are thinking around that?

**Priyansh Kapoor:** So I think we will be in the range. We want to -- of course, I think -- we believe, I think, we can get some premium because of the brand and the kind of product and positioning that we have gone for. But I think at the same time, I think we want to be competitive. So we will -- when we are actually very close to the day of the launch, we generally have a process where we will do our assessment on the price and the feedback that's coming in from partners.

Basis that we will decide, but we will want to be competitive to ensure that we are accepted well in the market. But more than only pricing, I think it's a combination of the quality of the offering overall. That's what I believe the customers in Mumbai will value the most. So we are working on getting that absolutely right.

**Harsh Pathak:** Understood. And my last question, if I may. Since we are ramping up our growth really well. So what would be the ideal milestone at which we'll be starting to think of a fourth market, maybe any other region? What is the milestone that you are thinking of on this front?

**Priyansh Kapoor:** So I think, Harsh, I would say we have not created an absolute specific number in our mind that this is a number after which we go to the fourth market. I think it's a question of overall the maturity of the organization, how deep we are able to establish in all the markets that we are.

Currently, our belief is, I think, another 3 years, we should be deep enough in Bengaluru and Mumbai as well, where these are self-operating units. Maybe that will be the right time for us

to potentially evaluate a fourth market. If there is a support market, which is just beyond which can be managed from these cities, maybe like in case of Ahmedabad, we manage Baroda from here. So something of that sort can happen earlier. But otherwise, I think adding a new market, we will probably take a call after another 2, 3 years.

**Moderator:** The next question is from the line of Pankaj Sachdeva from Avis Capital Limited.

**Pankaj Sachdeva:** Congratulations on the great set of numbers to the entire team. I have 2 very quick questions. Rest all got answered. One is our inventories have expanded to almost like INR2,700-odd crores. So if you can just give us a little more color on what is the breakup of this inventory in terms of early-stage land banks and the construction side? That's one. And the second question I have is, what is the sustainable margin profile we are actually expecting in, say, H2 of FY '27? And if you can have -- give us some guidance on FY '28 also, H1 was more almost like 42-odd percent, if I remember correctly. That's all.

**Amit Chamaria:** Yes. Thank you for your question. I believe in the first question, you're talking about the inventory that you see on our balance sheet, which is about INR2,700 crores. Is that correct?

**Pankaj Sachdeva:** That's right, sir.

**Amit Chamaria:** Yes. So that inventory is a combination of all of the projects that we are carrying on our books. And as you know, most of our projects are JD oriented with very little outright. So most of this inventory that we see, a very small portion of that is corresponding to the land payments that have been made. A large portion is also corresponding to the construction and the overhead spend on those projects.

A number of these projects are close to completion. So that's why you see the number accordingly. If you refer to the page where we give details of our project portfolio, there you would see that a number of these projects are coming to a closure. So that's corresponding to the number of the INR2,700 crores.

**Priyansh Kapoor:** And on your second question on the sustainable margin profile. So while I think Q1 was extremely strong because of one specific project that we recognized revenue. But you see our quarter 2, which we have just reported the numbers for, we reported a PAT margin of 14%. I think this is largely in range of the guidance that we have been actually putting out. So we believe, I think this is something which is a reflection of our portfolio and our medium-term strategy.

**Moderator:** The next question is from the line of Surender Singh from My Equity Sherpa Private Limited.

**Surender Singh:** I have 2 questions. One is, I like your overall thinking, how you are aligning business for bigger size with time. The question is about our overall thinking and ground guardrails we have created by which we ensure that the time lines we promised to hand over the projects to our clients, they are done in the most optimized manner. So if you can give a couple of examples, which will help me to understand it, it will be really great?

**Priyansh Kapoor:** Sorry, I did not get the question clearly. You're saying the time lines that we promised to our customers for the projects?

**Surender Singh:** Yes, handing over the projects, right? So in real estate, usually, we see that there is a lot of delay because of XYZ reasons beyond us, right, due to external factors. So I'm just wondering our management of our company, what kind of overall thinking they have and the kind of ground level guardrails they have put in place by which we get early indicators and we can do course correction around it?

**Priyansh Kapoor:** Understood. So I think that's a very relevant question, and I think this is finally the core of the business that what we promise, are we able to deliver on time and actually at a promised quality to the customers who actually put their faith. So I think this is something which we are very, very focused on.

Like I said, one thing that we actually monitor very, very closely is what is our cost of construction outflows that are going in, and we review this by projects. We look at this by every region. So we are monitoring performance against the commitments that we will have for individual project plan.

And we have a very strong operations team, which is driving this on a day-to-day basis, not even week-to-week because this is absolutely something which needs to be monitored on a day-to-day level. And there is governance at senior levels to ensure there is enough intervention, enough tracking to ensure that we are focused on this particular thing. And this is reflecting in the way we are seeing our construction outflows.

And if you look at our numbers closely, you will actually see the outflows that are going in towards construction, which are visible from the last year to the current year. There is a sharp uptick. This is also a reflection of the enhanced focus and the organization build that's happening on the operations side. So we remain, I think, quite vigilant in terms of ensuring that we don't slip on this parameter because this is the most important one for us.

**Surender Singh:** Okay. And the second question, sir, the kind of accounting this particular sector has to follow, it is difficult to measure the performance of the business even on a yearly basis because the net profits or the overall top line is driven by the accounting rule, which makes it very lumpy. So I'm just wondering that what kind of early indicators you use to judge that the capital is invested capital is going to earn the right kind of return for us in, say, a block of 3 years or 5 years?

**Priyansh Kapoor:** Right. So I think you're right, actually, accounting is because of the project completion method may not give you the right picture immediately. But if you see, I think a combination of various parameters, in particular, the OCF that you look at, actually, that gives you a very good indicator.

And if you see our current year numbers, we are almost at about 30% of our collections are going towards OCF, it's a good indication over the medium term of the margin profile, how your projects will operate. So if your construction outflows are on track and your collections

are on track and you're generating this kind of an OCF, it's actually indicative of the kind of profile of business you are operating at and which is for us currently as per our plans.

**Surender Singh:** Okay. Sir, I was in particular, looking for an alternative for, say, return on equity, which usually we see for the efficiency of our overall business, right? So do you have any thinking around that return on equity? How do we measure at your level?

**Priyansh Kapoor:** So I think return on equity is something, again, if you were to look at purely accounting base, then actually this again, brings the same problem of the project completion method. So that's why we have some of these parameters, which can give us a real-time performance of the project before the accounting revenue actually hits. And one, like I said, is cash flow.

Other than that, of course, we have quite a few internal parameters, how we look at our own asset management, which gives us those early signs whether an individual project is actually behaving well. And real estate finally, from an accounting perspective is actually a combination of various projects which actually reflect the performance overall. So our own early signs and monitoring gives us that particular clarity.

**Kulin Lalbhai:** Just adding one thing here that the holy grail from an internal capital allocation in this business is the IRR hurdle rate, which we have for our business. So in all our projects, we typically always have a 25% IRR hurdle. If we keep deploying capital at that kind of hurdle rate, finally, it will lead to very strong OCF generation.

Ideally, the ROCE -- underlying ROCE should also be close to that number. But because of the part completion method -- again the full completion method, it doesn't become visible in the financial numbers, but that is how we deploy capital. So we keep deploying capital at 25%, then at scale, the ROCE will also be close to that number.

**Moderator:** The next question is from the line of Deepak Purswani from SVAN Investment.

**Deepak Purswani:** Just Wanted to check it out on the strategy part. See, if I were to look into the earnings growth journey, I mean, from March '22 to '25, we -- our presales grew at a faster pace and then there was some moderation. Now we are again accelerating in terms of the growth. But just wanted to check it out in this journey, right now, we are in the mid of the cycle versus the previous when there was an earlier cycle. So for this growth, we have to do incrementally business development at a faster pace. So just wanted to get the sense, what are the guardrails we are maintaining so that profitability is intact, especially when we are looking into this growth journey?

**Priyansh Kapoor:** Right. So Deepak, I think -- one, I think if I were to pick up from what Kulin also mentioned. So we have a very clear defined framework for approving any new deal that comes in and IRR of 25%, like you mentioned, is something which is sacrosanct when we look at any individual deals that we are approving.

So in this growth journey, we are quite conscious that the quality of the deal that comes in on any of the financial parameters that cannot be diluted. So all the new deals that we are adding

are keeping that particular lens in mind. Overall, from a capital discipline perspective, to reiterate, like you said, we are still heavy on the capital-light side.

So it ensures that at an institution level, we are not getting into a very heavy or bloated balance sheet. So I think that is something also we are quite conscious about. And coming to your point on cycle, I think the -- you're right, actually, maybe we could be on the more advanced side of the real estate cycle now.

But the growth rate that we are putting in mind and keeping the 3 cities that we are entering, I think we have a sufficient room to grow that we can continue to grow at a healthy rate that we have been guiding for without, I would say, doing any of the super ambitious or I would say, deals which are diluting our P&L in any way. So there is enough room to be able to add good quality land, good quality deals for the growth aspirations that we are setting up for our medium term, the next 3, 4 years.

**Deepak Purswani:** So I mean, just continuing on this part, see, I mean, from a cost escalation point of view, there has been a very sharp cost escalation, especially in the last 6 months due to geopolitical. But if I were to look from the mid-cycle point of view, the price rise in most of the micro market would be very limited. So in this context, what would be our key strategy and in terms of the underwriting the project that profitability is intact, if you can share perspective on that.

**Priyansh Kapoor:** Look, I think very good question. So I think one principle we've been following in particular for our underwriting of our projects, especially in this cycle, we are not reliant on too much of price increases. So that is something that we are conscious about. So we assume and we actually underwrite basis the price which we feel confident on today. So we are not really dependent on price increase to be able to manage our P&L.

On the cost side, we've in fact probably, in fact, started provisioning for more on inflation as well as on contingency in the last 1-1.5 years. So as a result, even impact what we have seen in the commodity hike in the last 6 months is not translating on too much of an impact on our P&L because of the amount of buffer that we have in the inflation and the contingency bucket in the underwriting we have done in the recent past.

**Deepak Purswani:** Okay. And finally, just continuing on this part, see, incrementally, when we are accelerating our growth, more and more has to be on the vertical development side, right? Our portfolio has to tilt more towards the vertical development side. In this context, what are the key changes internally we are trying to make so that our execution cycle could improve, especially on the vertical project development side?

**Priyansh Kapoor:** You're absolutely right. So if we are looking at this growth, and we've also said that over a period of time, while today, our portfolio is 65-35 horizontal, we will eventually want to reverse it over the next 4 years to have 65% towards vertical over the next 4 years. Keeping in mind, I think we are already strengthening when we started working on our organization build, I think this was something which we were quite focused on.

And last 1, 1.5 years, the quality of the teams and the people who come from background who understand this particular space well has been a key tenet. Plus, I think all our internal

processes, the way we look at design, the kind of partners we work with, I think all that is actually now aligned towards this particular strategy.

And something like I said, maybe the recent launches, if you see Skycrest in Bangalore, you see Sylva in Bangalore, which are vertical projects. I think that is reflected in that particular strategy. Even Ahmedabad, the kind of partners we're working with, they are known for doing vertical projects in the city. So quite conscious of the shift that we're making, and we are putting in place the pieces from internal teams perspective, partners, and our own processes to be able to achieve this transition without too much of difficulty.

**Moderator:** The next question is from the line of Jainam Shah from Equirus Securities Private Limited.

**Jainam Shah:** Just one thing. If you see our trajectory over the last 4, 5 years, excluding this particular year, a particular quarter or a year has always been influenced by a significant launch of a particular project in that particular quarter of the year. Our sustenance sales after the launch would have been very limited?

Whereas we see this particular year, the sustenance sales in the Q1 as well as in the Q2, excluding the Bangalore and Ahmedabad launch, it has been good in the good range overall. And of course, for any real estate company, sustenance is also something that can drive the growth for the company over the longer period of time. How do we see changing our perspective from launch lead presales to a sustenance presales over the next year or so?

**Priyansh Kapoor:** I think so, Jainam, this has been a very key focus of our, again, build and the shift in terms of our strategy. If you recall last year, I think around quarter 4, we started saying we want to start clocking about INR200 crores from a sustenance sales in every quarter. And if you see our H1, we've already done about INR745 crores from sustenance.

So we have had a substantial shift, so where we are actually now getting almost to INR300 crores a quarter from sustenance alone. And as we bring many of these new launches, I think our ability and even having the right stock in terms of being able to, because sustenance is a combination of your own processes and also the quality of the inventory that we put out.

I think both are actually moving well in tandem. So we feel confident that sustenance will be a meaningful part of our portfolio. And I think this is gradually taking shape. I think it's going to be visible more and more after we do some more launches in all the 3 markets that we are currently operating in.

**Jainam Shah:** Wish you a Happy Diwali for the team.

**Priyansh Kapoor:** Thank you. Wish you a Happy Diwali.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Priyansh Kapoor for closing comments.

**Priyansh Kapoor:** Thank you, everyone, for participating in today's earnings call and your continued interest in Arvind SmartSpaces. I hope we have been able to address most of your questions today.

However, if there is anything we may have missed or if you may require any further information, please feel free to reach out to our Investor Relations team, who will be happy to assist you. Thank you once again for your time and continued support. We look forward to interacting with you all once again in the next quarter. Thank you. Wish you all a very Happy Diwali.

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