



Ajmera Realty and Infra India Limited
Earnings Conference Call
February 9, 2022

Management:

Mr. Dhaval Ajmera - Director

Mr. Nitin Bavisi - Chief Financial Officer

Moderator: Ladies and gentlemen, Good day and welcome to the Ajmera Realty and Infra India Limited Q3 FY22 Earnings Conference Call. We have with us today Mr. Dhaval Ajmera the Director of the company and Mr. Nitin Bavisi the Chief Financial Officer. Please note all the participants' lines will be in the listen-only mode and once you ask questions only 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. Nitin Bavisi the Chief Financial Officer of Ajmera Realty and Infra India Limited. Thank you and over to you, Sir.

Nitin Bavisi: Thank you, Madam. Good afternoon everyone. We hope all of you and your loved ones are safe and in good health. I thank you for joining us today on the conference call of Ajmera Realty and Infra India Limited. To discuss the company's results for the third quarter and 9 months ended 31st December 2021. Before we begin, I would like to state that some of the statements in today's discussion may be forward-looking in nature reflecting our future outlook and they involve certain risks and uncertainties the company may face. The investor presentation based on the financial results adopted by the board has been uploaded on the stock exchange website and can also be downloaded from the website of our company. I would like to now invite our Director Mr. Dhaval Ajmera to begin the proceedings of this call. Over to Mr. Dhaval.

Dhaval Ajmera: Thank you, Nitin. Good afternoon and thank you, everyone, for taking the time to join this call today. I hope everyone is safe and fortunately for every one of us this COVID has not been too severe so which is a good sign for the industry, for the market, and all of us. We have been seeing that the vaccination drives have been going very progressively which is helping the business and the economic output to move in a positive direction. The economic recovery also seems to be gaining momentum especially with the real estate sector benefitting from the

positive business outlook. This shows the resilience of the real estate sector, especially in the residential segment. A positive outcome for this sector coming from the pandemic is that the population has not only started working from home, but they are also studying from home. But at the same time, we are also now seeing a lot of people have again started working back to their office space and workspaces.

So, it is becoming mixed baggage, but obviously with the work from home concept coming in the demand for houses is increasing and larger spaces are coming more into demand, with finer quality of homes with their own private studies space, etc. Larger homes along with facilities such as green space, walking trails, balconies, etc., and maintaining a healthy lifestyle is becoming a top priority and a greater demand for all home buyers today. Homeownership in a well-maintained society at better locations has become important to Indian families. At the same time, we believe that to some extent the demand for compact homes could also be improving considering the nuclearization of larger families.

Thus, we are very optimistic that the housing demand across all affordability segments is going to be very strong. The Omicron impact on the economy and the business operations was less severe and we are optimistic that the impact of the third wave would be very minimal and we are hopeful for better times ahead. The steady recovery together with benefits given to the real estate sector such as the one-time benefit of 50% concessions on the premiums which were to be paid by the real estate developers for their projects given by M.C.G.M and other government authorities has given a big boost to the real estate market and we have seen good surge of inventory coming up or the approvals taking place prior to 31st December 2021. Nevertheless, we were also not left behind and we saw this opportunity and we front-loaded the approvals of four of our projects primarily one is Wadala, one at Greenfinity, the second one in Juhu, and one at Sikova in Ghatkopar. All these will lead to sharper revenue visibility. These savings will be beneficial because our approval costs have been incurred and paid and reducing the burden of approval cost in the future, ultimately improving our cash flows.

By frontloading all these we have saved more than about 180 plus crores in these four projects itself. Since the last quarter of 2020, we are witnessing improvement in sales and registration, especially in the new launches. Steps taken by the governments of Maharashtra and Karnataka like the stamp duty waivers and the discount in stamp duties and concession in stamp duties have given a significant boost for the home buyers and this has seen great results in sales.

Coming to the MMR region in the Q4 of 2020 itself accounted for 51% of the 2020 sales volume. The positive uptrend continued in 2021 as well. The reduction in premium by BMC was very well taken by real estate players. This totaled to more than about 11,000 plus crores of collections, coming to the government before the end of December 2021. This move has also enhanced the viability of a lot of projects and it has given a bigger boost to the real estate market. With 2021 becoming one of the best years for real estate since 2017 we have seen improvement in unit sales and as per the latest CRE and the Colliers Report which was

published we saw that total housing sales volume in MMR alone from Jan to August 2021 was an impressive 1,33,000 crores which were about usually being around 60,000 crores of the same period.

So, it is more than doubled the sales volume that we have seen. The demand for the luxury segment has also bounced back and we have seen a significant demand incoming up especially in the South and Central Mumbai. Coming to the budget of 2022, the positive for real estate primarily, one being the allocation of 48,000 crores towards the affordable housing scheme, 60,000 crores allotted to a Har Ghar Nal Program, no increase in direct taxes, has been looked at one of the positive at least there was no incremental, and the digitalization of land records in future is going to bring a lot of transparency in real estate and this will be one of the greater positives in the long term perspective. Also, a 15% cap on surcharge on long-term capital gains will certainly aid to the long-term sustainable growth of this sector. On the residential side, we are seeing formalization of the real estate sector. While we are witnessing the broadening of the supplier ecosystem to some extent, the consolidation in the residential real estate market is set to go up further with the market share of listed and more established developers expected to grow in the coming years. Specifically coming to the MMR region which is one of the most exciting real estate markets, I would say the real estate players here have two important challenges to face.

One obviously is the land-related constraints, the land being very minimalistic in Mumbai and MMR region so definitely the cost of land always is on a higher side and secondly the preference of established local players who are always aware of the regional integrities of offering quality projects from their affordable prices. This is where Ajmera Realty has a clear advantage. We have been in the market for more than 50 years and now we have been one of the early creators of townships in the region. With many real estate players making this market primarily a re-development-led market, we as Ajmera have the advantage of owning in different suburbs of Mumbai, approximately about 20 million square feet for which the land acquisition is already been taken care of. This will allow us to keep on adding new projects to our portfolio. The projects on these lands are already set in motion with a robust launch of 7 projects measuring about 3.2 million square feet in different locations of Mumbai, primarily Wadala, Ghatkopar, Juhu, some in Central Mumbai and Pune over the next 15 months, giving us a combined estimated sales visibility of projects of these projects to about 4,400 crores. We have a clear launch visibility for the current quarter and the next year. 4 out of these 7 projects measuring about 1.3 million square feet are to be launched in FY22 itself, three projects are in Mumbai and one in Pune. The estimated sales value of these four projects is about 2,200 crores.

We will now focus our energy on the execution and deliveries of the same. We aim to scale up our cash flow generation and return to a greater extent with the help of these launches. On the acquisition front, we are very excited that we are going to launch two new projects in the coming future measuring about 900,000 square feet and also doing a tie-up with the private

equity fund for a financial closure as one of our projects. These will be announced soon once the deal is formalized, but just to give a small flavor of the same. These would give us further boost towards expanding our portfolio and launching our projects in a very aggressive and faster way thereby growing towards our main aim of growing 5x in about 3 years to 4 years from today. Wadala being our flagship area, our flagship project, where we started our first project in 1995 and we also developed the biggest 25-acre garden private garden handed over to the government, also the world largest dome theater being over there. We have seen over the last few years we have done sales of more than 2,000 crores, voluming to about 8,00,000 square feet of carpet area in Wadala itself.

I am proud to say that during the pandemic time we have recorded sales of 625 crores from Wadala itself, that is from the period of April 2020 to September 2021. We have already seen and delivered flagship projects like Ajmera Aeon, Ajmera Zeon, and Ajmera Treon. As we see that with this kind of development coming in the kind of location as Wadala enjoys we are seeing a huge potential in Wadala because probably this is the only location in Mumbai where it is connected through the freeway, through the Sewri Nhava Sheva link road which connects to the new airports. There are two metro lines which are passing by there is an existing monorail. It is connected to the BKC just in 10 minutes. Such is the infrastructure, viability, and visibility already enhanced and already there. This gives a great boost to the entire suburbs and with this moving, gives us more confidence, and that is why we are announcing another 500,000 square feet of the residential project which is coming in Wadala itself which will give us to about 1,500 crores of top line. This is part of our 100-acre master layout at Ajmera Island.

This will comprise about 540 residential flats of 2 and 3 BHK and we are highly in advance stage obviously with RERA registration already done, primarily all the approvals are in place and construction has already begun. As mentioned earlier, a 50% concession in approval cost has been availed. This will fairly derisk the entire project and we have got the entire approval of this project in our hands right today. We are also very happy to announce one of our acquisitions of a high-end residential projects in the prime area of Juhu in Mumbai. This will come to about top line to about 150 crores with 3 and 4 BHK apartments and I am also very happy to say that the approvals for this project have also been taken and we have already paid all the premiums, whereby taking the advantage of 31st December 2021. This project is acquired, catering to high net worth individuals and primarily being in the very high posh area of Juhu. This is already getting a lot of interest from a lot of buyers within the locality and we are very confident that this will be a good sell-out and we should be able to complete the project in the next two years' time. Ladies and gentlemen in the coming quarters we are very excited with the strong pipeline of our projects with more than about 7 projects in the next 15 months giving us a top line of about 4,400 plus crores. As a company, we are very optimistic about the real estate sector and poised to seize every opportunity to gain from the upcycle over the next few years. I now hand over the conference to Mr. Nitin Bavisi, our CFO to share the performance updates.

Nitin Bavisi:

Thank you, Mr. Dhaval. I would like to take you through the operational and financial performance numbers for the 9 months and the third quarter ended 31st December 2021. I begin with the operational performance first. In terms of our operational performance, we sold 216 units, with a sale value of around Rs. 310 crores over a volume of ~256,000 square feet for the 9 months ending 31st December 21. Our collections stood at Rs. 301 crores, with an improvement of 8% over a YoY basis. The average realization has remained steady at Rs. 12,000 plus per square feet. In terms of our performance for the quarter we have completed the quarter with a steady momentum in sales. We sold 77 units with a sale value of Rs. 108 crores, which is an increase of 19% on a QoQ basis. The volume of area sold is 87,000 square feet which is an improvement of 13% over the previous quarter. Our collections for the quarter stood at Rs. 83 crores, which is relatively lower due to the base effect. The average realizations have improved to Rs. ~12,400 per square feet improving by about 5% on a QoQ basis. In terms of financial performance let me put some light on our credentials. Our revenue stood at Rs. 305 crores which is around 12% higher on a YoY basis. We have achieved a good amount of traction in the profitability matrix as well. EBITDA stood at Rs. 80 crores and has improved by 7% on a YoY basis. PBT stood at Rs. 42 crores and has improved by 70% while PAT stood at Rs. 31 crores which is improved by 77% on a YoY basis. The EBITDA margin stands at 26%, PBT margin at 14%, and PAT margin at around 10%. Speaking on the quarter numbers the revenue stands at Rs. 70 crore, EBITDA at Rs. 21 crores. Our PBT stands at Rs. 13 crore, which is an improvement of 24% on a YoY basis and PAT stands at Rs. 10 crores which is an improvement of 23% on a YoY basis. There has been an impressive improvement in the margins which is a positive traction. EBITDA margins stand at 30% and have improved by 408 basis points on a YoY basis. The PBT margins stand at 18% and have improved by 994 basis points, while PAT margin at 14% and has improved by 738 basis points on a YoY basis. It is my pleasure to mention that our PAT for 9 months which is around Rs. 31 crores surpass that of the entire financial year 21 which was Rs. 30 crores last year. In the pursuit of our secured debt efficiency, which has always been the credential over the last few quarters, we have achieved financial closure of Rs. 300 crores which is at sub 10% for Codename Wadala, which is the next launch, positively impacting the overall cost of debt and bringing down the average cost of debt in our secured loan portfolio. The weighted average cost of debt as on 31st December stands at around 11.2%. Our project-level debt has increased due to front-loaded approval payments we paid, around Rs. 209 crore and our incremental debt over the last quarter has exactly been 200 crores, which is the basic and the moot reason for an increase in our debt. Our debt-equity stands at 1.3. The benefit of advance approval payment as mentioned by Mr. Dhaval Ajmera will accelerate the revenue recognition process, getting to sharper visibility. We have saved around Rs. 180 crore due to this particular one-time concession window available at the Mumbai market. We have strong visibility of Rs. 871 crores from our existing portfolio which is the ongoing projects. Last quarter we added the Greenfinity project, which has been eligible for revenue recognition, that particular project is progressing well. From our advance stage projects, we have a balance of sold inventory revenue which is at Rs. 23 crore and balance of unsold inventory revenue which is at Rs. 121 crores. From our mid-stage projects, the balance of sold and unsold inventory

revenue is Rs. 173 and Rs. 554 crores respectively. Coming to cash flow generation which has always been a preference over the other performance metrics, we have balance receivables from the existing project at Rs. 232 crores as on December 31st,2021. The estimated value of unsold inventory is around Rs. 675 crores the estimated balance cost to complete is 520 crores and debt outstanding at Rs. 149 crores. The estimated net cash flow which is going to be generated out of this existing portfolio is around Rs. 240 crores. We will continue to strengthen our balance sheet and improve the margin significantly as we move forward with our aggressive growth plans as narrated in the earlier section. On this note, I would like to conclude my remarks and would like to open the line for Q&A session.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Pankaj Tanna from Varun Investments. Please go ahead.

Pankaj Tanna: I just wanted to know on page 17 of your presentation you have mentioned Central Mumbai mixed-use is 7,17,000 square feet, is that when you say Central Mumbai you are reporting to Wadala?

Dhaval Ajmera: No that is besides Wadala.

Pankaj Tanna: Similarly you are mentioning for residence 6,42,000 that is also not Wadala?

Dhaval Ajmera: That is not Wadala these are two different suburbs in Central Mumbai.

Pankaj Tanna: So, where would that be?

Dhaval Ajmera: Well, we will reveal it. At the time we are just in the final stages of all the legalities and approval. So, once all is done, we shall definitely tell you.

Pankaj Tanna: And then you have mentioned Greenfinity, so you got a Greenfinity project in Bangalore or Bombay?

Nitin Bavisi: Greenfinity is the project which is at the Wadala location it is Mumbai based project residential. As we have mentioned in the further slides in slide number 16 also it is at the Mumbai location.

Pankaj Tanna: What is the status of the demerger for 1 is to 49 because the issue is on some shares for some demerger of 6-acre plot, what is your status on that?

Nitin Bavisi: We completed the equity shareholders meeting and we are progressing. We filed the last level of regulatory process which is the petition filing with NCLT due to only this current hearing being a slow kind of a thing. So, we are expecting somewhere in the middle of February to come on board and the petition hearing should be happening. We are progressing well with the regulatory process and that of the NCLT for the demerger.

Pankaj Tanna: So, by the next two, three months it should be done what do you estimate?

Nitin Bavisi: I said once it is coming on the board, it is plain vanilla demerger. Right from the main balance sheet of ARIL to the wholly-owned subsidiary we do not see much of the challenge and this should be completed sooner than later.

Pankaj Tanna: One last question is Codename Wadala that is on page 17 you mentioned Codename Wadala's total estimated saleable area is 8,06,000 square feet. That is in one tower or two towers?

Dhaval Ajmera: Two towers.

Pankaj Tanna: So, both the permission have been received?

Dhaval Ajmera: Yeah, both the permissions have been received.

Moderator: Thank you. The next question is from the line of Amit Joshi from JP Securities. Please go ahead.

Amit Joshi: So, the first question pertains to Wadala and Kanjurmarg, so what is the detailed plan related to Wadala micro-market and any timeline as such you expect to be clear and if you could also mention in regarding Kanjurmarg?

Dhaval Ajmera: So, Wadala as we told you that we have already done sales in the large when we started our phase of Ajmera Island. We have done sales of about Rs. 2,000 odd crores and we have delivered Aeon, Zeon, Treon. Now we are starting with the new tower over there and potentially we have left with another 4 million square feet, and if you look at our slide where we have given the analysis of Wadala as a market micro-market, the overall consumption of Wadala micro-market is roughly about 1 odd million square feet, if I have to say historically data putting together. So, we are seeing this being a very strong market and it is one of the favored destinations as I told you earlier regarding the infrastructure facility is available today. So, we are quite confident that our project also has been very favored, people are really preferring to buy in our project, so we are fairly confident that next 5 years to 7 years we should be able to really capitalize the entire sales. As regards Kanjurmarg is concerned, we are still evaluating and there are certain final issues of legalities and approvals which we are finishing. So, hopefully in the early next year or probably towards this year-end, we should be able to bring up a complete clarity on this and even we are working towards also so that we shall be able to give you, but we just want to clear everything and then bring this land to the table.

Amit Joshi: And we do have one commercial project coming up if I am not wrong so going forward what will be the portfolio mix between the residential and commercial and also if there are any plan changes in that?

Dhaval Ajmera: We want to, our aim is to have a good portfolio for commercial assets because we primarily see a lot of potential in commercial coming in the near future specifically for Mumbai as a city

with the kind of infrastructure which is coming all across Mumbai with Metro connectivity and Mumbai primarily, we are connecting a lot with MMR. We see a huge potential for Mumbai and Mumbai as a city for it to develop the demand and commercial markets. So, we are and the advantage to us is that with the kind of land bank available with us and with the kind of opportunities available, we are looking at earmarking at least 3 to 4 or at least 4 to 5 million square feet of commercial assets from our existing land banks. So, if I have to put in percentage terms it will be about 20 - 25% minimum and primarily Bombay is where we are targeting.

Nitin Bavisi: Just to add on to that in Wadala location this earlier question which we responded through demerger we are bringing the land parcel into wholly-owned subsidiary there we will be having the exclusive 3 million square feet of saleable area, which is going to be for the commercial development as such.

Amit Joshi: Sir I wanted to know where are we on the London projects after the last quarter update?

Dhaval Ajmera: London projects are almost towards the completion end, and we are hopeful to capitalize revenues probably by next quarter or early first quarter of 2022-23. So, in terms of our projects, there are four projects which are going on, two have been 100% completed, two are about 50% completed. So, we are looking at capitalizing the revenues coming from there to the tune of roughly about 70 to 80 crores in the next two quarters.

Moderator: Thank you. The next question is from the line of Jeevan Padma from Candy Floss Advisors. Please go ahead.

Jeevan Padma: My question is we have said that we are going to do 4,200 crores from this project pipeline can I know by when you think this revenue can be achieved, is it like three, four years, five years?

Nitin Bavisi: Let me address it in two parts. We have 1.3 million square feet which is the project which is absolutely in the launchable stage now. One being the Wadala which we have briefed and discussed, and a couple of other projects, which rather totaling four projects and which is having revenue potential of about Rs. 2,200 crores and another three projects which is the launch plans of FY23 which is also going to generate around 2,200 crores. So, this both the pipeline of about 7 projects is going to aggregate to 4,400 crores of top line and the sales revenue coming in at least in next three to four years.

Jeevan Padma: So, you are basically saying next four years we should be able to sell the complete projects?

Nitin Bavisi: Yes

Dhaval Ajmera: So, basically what we see is there is a strong, a good uptake of residential sales coming in all our projects and also the launches which we have done from last year onwards. So, this gives us confidence and the project approvals are also fairly advanced, thanks to this 50% concession

happening we have frontloaded and taken all the approvals for like four of our projects so which makes complete clarity on the project and it gives a definite timeline. That is why we are seeing clear visibility of revenues from these projects totally to about 4,500 crores coming in the next three to four years' time.

Jeevan Padma: And the second question is so by when you think are the cash flow from the overseas projects to come towards to the company it includes London as well as the Middle East?

Dhaval Ajmera: As I said in the London projects, both cash flow should come by this quarter the coming quarter, and the next quarter. As far as the Middle East the Bahrain project is concerned, we are hopeful to get this by 2023.

Jeevan Padma: So, how much would be Bahrain project cash flow?

Nitin Bavisi: Bahrain, we sold this particular project somewhere in last year and we received the down payment. We have the inventory entitlement of about 10,268 square meters out of which the cash flow is likely to come as and when the progress of the sales happens from that particular thing. We expect that particular repatriation should be over two to three years as we move forward with the execution and as well getting the inventory sold out. So, about Rs. 80 crores is our investment and over the sale of this particular inventory we should be getting incremental over and above the down payment which we received at the time of the deal, it should be another Rs. 110 crores, Rs. 120 crores. So in that case we should be having the repatriation of this largest and significant cash flow over the gradual manner over two and three years.

Jeevan Padma: So, basically, from UK projects are going to get 70 crores in next two quarters and Bahrain projects we are going to get 110 crores in next two to three years this was correct?

Nitin Bavisi: Yes.

Jeevan Padma: Why do you think that the Bahrain project will take two to three years to liquidate the inventory?

Dhaval Ajmera: So, Bahrain project primarily is ready to move market where, we see that the asset is over there is primarily sold when it is ready, as well as it is primarily it is a lease market. So, any investor who is going to buy that we are going to get our share basis ready stock so that is where we see our actual valuation of the stock coming in. Right now the project is fairly finished where the RCC was almost 80 odd percent complete. By 2023 we are seeing the project being completed and then we are hoping that towards the end of 2023 we should start getting sales advancement coming from our stock.

Moderator: Thank you. The next question is from the line of Bhagat Aryan from Fourth Capital. Please go ahead.

Bhagat Aryan: Just to mention this quarter investor presentation has been done extremely well as compared to the previous one it has been much clearer in all sense and it has been very easy to understand. Sir, I just have a couple of questions. One is on page 7 of your presentation you have mentioned collections have reduced as compared to before, can you please just elaborate the reasons for this?

Nitin Bavisi: As we have compared the collection with that of the Quarter 3 of FY21 which was the time when the pandemic relaxation started and as well as that point in time the stamp duty concessions were also around, and luckily we had a very good ready to move inventory and we had a huge sale coming from that particular ready to move in inventory and that too at a Wadala location. So, as we have mentioned about the base effect which was pretty high on that particular comparative period last year, we have a steady collection which is Rs. 83 crores in this particular quarter, Quarter 3 FY22.

Bhagat Aryan: Sir can you give us a color or more like an update on the private equity tie-up?

Nitin Bavisi: The private equity is very much at the documentation and it is actually the structure of the deal is that of acquisition and financing kind of a thing and we are almost on the last stage of the completion of that and consummation of that deal. We should be announcing very soon.

Bhagat Aryan: Sir one more last question, you have mentioned that about the 5x growth plan how and what would be the plans or your direction for the same, and what is the time in which you are targeting to achieve this?

Dhaval Ajmera: If you see internally as a company we have decided to have a 5x growth plan over the next three to four, five years. If I have to look at our project pipelines which we have announced and which are going to make where we are already showing that today our top line if I have to look at, last year top line it was around in the range of Rs. 350 crores, and with the way our projects are planning up we have around Rs. 4,500 crores of projects coming up over the next three to four years' time. Over and above that we are also constantly looking at new acquisitions and new tie-ups. So, as we said that just to mention our Juhu project which we got recently acquired, a new project launched at Wadala. So, all these are just planning up to our growth strategy and plus beyond this also we have about Rs. 850 crores coming from our existing projects which are currently going on Bombay, Pune, Bangalore etcetera. So, put together is about Rs. 5,000 plus crores. So Rs. 5,200 plus crores is what our top line is what is visible to us very clearly in the next three to four years' time. So, on average if I have to do over three and a half, four years is roughly about Rs. 1,200 crores. So, panning to Rs. 350 crores versus the 1,200-crore average, this shows our growth automatically to 4x, 5x from where we

are today. So, that is the growth plan plus over and above this is new acquisitions which we aim to at least do 2 to 3 every year.

Bhagat Aryan:

So, we believe that we are in line with the growth targets right?

Dhaval Ajmera:

Absolutely, with the current project only we are in line with our growth strategy, but we intend to grow even bigger than what we plan. So, definitely, we are moving towards that.

Nitin Bavisi:

And just to add on to this Rs. 4,400 crores worth of the topline and the revenue potential is completely on the lands which we are owning and we have the fully paid land in our balance sheet and as Mr. Dhaval mentioned that aggressive growth plans about the further asset-light acquisition through JV, JD and DM models which is also another strategy to compliment to the already development potential out of our own land. So, this is a complementary strategy to bring the next phases of our own land and as well to acquire asset-light and low investment acquisitions and throughput both put together should fuel my growth which is my aim of 5x growth from here on the base of Rs. 350 crores.

Moderator:

Thank you. The next question is from the line of Faisal Hawa from HG Hawa & Company. Please go ahead.

Faisal Hawa:

What is it that we will do now very differently to really drive sales because everybody is now open to the opportunity of real estate sales rising and so many developers coming up with new projects and stuff, so what will be we do differently to drive our sales?

Dhaval Ajmera:

So, primarily what we have observed in real estate is that the person who has been in the market for a longer period, who has delivered who has been in this space, and given delivery holds a very big advantage and these all puts together as a brand. So, if I look at Ajmera as a company, A we are listed players, so transparency beyond RERA also comes into a bigger picture, B we have been here since last 53 years delivered to more than about 3 crore s quare feet and handed over. So, our deliveries have always been on time and almost towards our deadline what we have matched, and thirdly we know with this kind of sales and with this kind of it gives us an advantage as a brand for people's preference. So, just as a live example if I have to say during the pandemic when our projects were there and during our peak times, we have seen sales happening in our project versus probably in and around the other places. So, this gives us an advantage as a brand to ensure that our capitalization of sales and value of sales comes at the right value, and obviously, with all these long term tenures coming we also have great and easy access to capital so which was very visible for one of our projects which the one which we are doing where we have taken as a sub 10%. So, while we put across where we have a lower cost base, we are trying to ensure we have the best of the cost which gives us the best of the margin and also sustains us to not really look at a very a big price increase, but give us healthy margin.

Faisal Hawa: The second question is sir are we applying technology tools like PropTech, etc., to really speed up approvals that is one, and do you have any data as to how many under 35 years people are buying our flat, and are you seeing any efforts from the company to make the brand more contemporary?

Dhaval Ajmera: So, to answer your question definitely technology is where we always keep evolving ourselves within our company, be it for construction, be it for marketing, be it for sales, be it for our operations everything. So, we have a full-fledged customized ERP system where our entire operations take place within our administration. Within the technology front for construction, we always evolve and get to do new technologies which help us bring a better quality product with faster construction, and thirdly we have an entire dedicated online marketing team that looks at the exact micro-market and does the marketing and sales accordingly. Today, we are seeing about 30%, 40% plus of our sales coming from online as compared to physical if I have to say. So, we are ever-evolving. To answer your question of 35 and under well it depends on the project the area, but I have to look at my bracket for sales buyers would be 35 to 45 and primary this would be about 60 odd percent plus in the overall scheme of things be it Wadala, Pune, Bangalore wherever. So, that is the range where the range of age where the buyers are today.

Faisal Hawa: And sir, ours is also a very large promoter family. If we balance power, are succession issues really fully addressed at this stage?

Dhaval Ajmera: Yeah, absolutely if you have to see today, we are a 53-year-old company with three generations of people together it has been kind we all have set responsibilities, set rules and that is how we operate and that is how we work. So, we have been together on this for the last 53 years and we intend and survive to be forever so that is how we have been working. Obviously, with all the promoter-driven, we have these professionals at every vertical sector of the organization be it purchase, be it sales, be it finance those are those all engineering everywhere we have the professional who micromanages or who does the entire day-to-day operations. So, it is a mix of professional and family-run business together, which we ensure is more transparently driven and not a family-driven company.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My question is on the Codename Wadala projects, so if you can talk about some timelines in terms of which quarter or month are we planning to launch it as well as what kind of sales are we expecting from the first-year sales and collections?

Dhaval Ajmera: Well, we are planning to launch this as early as this month as a prelaunch, and official launch of this project is some time coming in the quarter of April 2022. So, we are expecting as per our survey done and as per our just informal survey before we launch and speaking to a lot of

channel partners and network in our existing clients, we are expecting a healthy response to this, the results of which should be out very soon by the end of the quarter, or probably next result when we meet we should be able to plan and give you exact numbers, but we are quite positive about the sales over there.

Aman Vij: So, say if we launch in April 2022 so how long do you think it will take us to sell the whole inventory because this is a big number?

Dhaval Ajmera: So, we are expecting at least about 60 odd percent sales to happen in the next two years time and overall lifecycle of the project we are seeing 3.5 years. So balance 40% should happen in the balance one and half year time. So, our entire target is to have 60% to 65% sales happening in the next two years.

Nitin Bavisi: And just to add on to that this particular Wadala project where we have paid this under the 50% concession. So, a good amount of the cost has already been incurred and paid upfront and we are seeing that due to this upfront loaded approval cost paid we are saying the revenue recognition eligibility will be much faster than the normal course of the projects when it becomes eligible and mature for the revenue recognition. So, this particular special situation is going to be added advantage in the Codename Wadala project.

Aman Vij: We can say in FY23 itself we can recognize a good chunk of revenue?

Nitin Bavisi: That for a very much expectation, you are bang on to that.

Aman Vij: I just wanted to understand the demand side so our previous projects Aeon, Zeon, and Treon took much more time so what gives us the confidence to be able to sell this big project till say 3.5 years to 4 years?

Dhaval Ajmera: So, I will tell you Aeon, Zeon, Treon was in a particular cycle of real estate, where there were a lot of uncertainties coming within the business in terms of RERA, GST, demonetization, etc., which actually deferred or probably I would say made the transaction a little later as compared to normally what would have happened. But post-pandemic what we are seeing we are seeing a good surge of demand in real estate, and people's conversion time to buy has shortened or become less as compared to what it was earlier. As I mentioned in my speech earlier that we have done about Rs. 625 crores of sales during April 2022 to September 21 so that gave us confidence that this is now the market which is looking at one of the macro markets which is looking very strong and that is how we manage and we feel confident that we will be able to achieve these numbers of sales because eventually, we have a long list of sales to happen for our next projects too in Wadala. So, definitely, this will give us great momentum for it.

Nitin Bavisi: Just to add on that particular confidence index we have as I mentioned that we have paid the approval cost upfront about Rs. 160 crores for this particular project and we have already had

the financial closure done for this particular project which is at a very competitive and economical rate of interest which is sub 10% for Rs. 300 crores. So, we have the balance of the credit line available to pump in and put a good amount of momentum onto the project execution, and something which is very well executed gets sold out that is the mantra at the Mumbai market. So, we are very pretty confident of achieving our sales number in a great velocity.

Aman Vij: My final question is on the Central Mumbai launches and the approval. So sir you have talked about you should be getting the approval soon, but then it will take some time to launch also, so what is our target as of now in terms of launches for both the big projects, mixed-use as well as residential?

Dhaval Ajmera: So, one of the projects we hope to launch by between the quarter of April to June, July and the other project should be towards the last quarter of 23.

Nitin Bavisi: Anyway, this is both the project since the plans of FY23 launch and we are almost on the track to maintain that particular launch estimates as we speak now.

Aman Vij: The sales amount you have not mentioned approximately what realizations are we expecting in this say 7 lakh and 6.5 lakh square feet.

Nitin Bavisi: The entire 2 million square feet of this FY23 launch we have given the guidance of about Rs. 2,200 crores is going to be the sales potential out of these three projects of 2 million square feet precisely so that is the Rs. 2,200 is the sales potential.

Aman Vij: So, that was the confusion part because Central Mumbai realization should be higher than the Wadala so why is the sales potential not more?

Dhaval Ajmera: No this is Central Mumbai when we say is this Central not like South Mumbai this is the Central Suburbs of Mumbai. So, the realization is going to be lower than Wadala it is the sales realization value.

Moderator: Thank you. The next question is from the line of Aditya Salian from Money Life. Please go ahead.

Aditya Salian: So, I have some questions, so it is good that you have given project-wise sales and collection data, can you also share the cash flow or the surplus to be received from each project?

Nitin Bavisi: We have given in our press release the disclosure of the existing portfolio of this particular project which is the advanced stage and the mid stage project, net-net we should be having the Rs. 250 crores as I mentioned in my opening commentary. That is the cash flow generation post that we are expecting and as we move forward this is going to be the numbers panning out on the launches of FY22 where we have Rs. 2,200 crores of the top line sales revenue

potential and in FY23 also we have launches of three projects which has the sales potential of another Rs. 2,200 crores.

Aditya Salian: Can you give a region-wise break up of construction cost and realization?

Dhaval Ajmera: If I have to say Mumbai for sales the construction cost is on the constructed area which is usually 1 is to 2. So, if I have let us say 1 square feet to sell, I have to make 2 square feet to develop it in terms of my other amenities and parking, etc., which should be in the range purely construction should be in the range of around Rs. 4,000 plus per square feet. If I have to say Bangalore which should be in the range of about Rs. 2,800 to Rs. 3,200 per square feet and if I have to say Pune it will also be in the range of Rs. 2,800 to Rs. 3,300.

Aditya Salian: And also, I have a question on debt reduction, so how much of the debt reduction are you targeting and when and what is the targeted cost of debt?

Nitin Bavisi: As we have been giving our guidance on the debt reduction till last quarter, this particular quarter we have the incremental debt which is about Rs. 200 crores which is added to which is purely on the basis of the approval cost which is the one time 50% concession which we have to pay and we could have the pick out of the exactly Rs. 200 crores incremental debt or otherwise operating cash flow and everything is from the internal accruals. Going forward as we move on with an aggressive launch pipeline of projects definitely at a project level there would be incremental debt, but on the overall trajectory, given the generation of the cash flow from the existing project and the new pipelines of the launches, we should be having the trajectory of downward reduction into these existing debt which we have currently we are at 1.3x of the net worth.

Moderator: Thank you. The next question is from the line of Ankita Mehta from NRC Capital. Please go ahead.

Ankita Mehta: Sir I just wanted to check with you given that you also mentioned this in your opening remarks I just wanted to check on the third wave and how has it impacted us in terms of operations as well as the financial performance?

Dhaval Ajmera: So, COVID as we said in terms of really financial operations, COVID overall impacted to give a positive impact to the real estate market and that as I said earlier give us a good sales in our prime projects and especially Wadala which I said about Rs. 600 crores plus of sales happening during the COVID period. So, overall if I have to say in terms of business-wise, sales-wise COVID did not have a major impact on us obviously during the first wave there was a lot of confusion and chaos which eventually settled down in terms of construction and whatever things need to be done, but while during the second wave the two months was very severe and it did give us a little slowdown in terms of our sales and construction, but I think thereafter things are

moving pretty smooth and we are not seeing too much of impact in construction and development.

Ankita Mehta: And also another I wanted to check with you was a margin so how are we seeing margins moving from like what is the range we are targeting there?

Nitin Bavisi: Say with regards to the last quarter which we have seen the expansion in EBITDA and as well as the PBT and PAT margin which is significant over the 9 months that of the FY21 and going forward as we have this savings coming from our debt reduction which has done over last about 12 months to 15 months 50% concession of the approval cost which we have paid and such kind of savings should enhance our margins going forward and well execution of the projects in time should also enhance the further margins on to the projects kind of a thing and just to mention on a sequential quarter basis kind of a thing on the Quarter 2 of FY22 to Quarter 3 of FY22, we have the better price realization per square feet basis about 5% incremental one, which is giving us good confidence about the margin further traction going forward kind of a thing.

Ankita Mehta: And sir what would be the strategy related to pricing going forward?

Dhaval Ajmera: So, prices going forward will be depending on project-to-project, but definitely we are looking at aggressive numbers and aggressive sales so we are not going to hold on to our prices we will definitely be at par or little better than the market to ensure that we have a constant sales coming forward and as and when the product is getting delivered, we will be doing some bit here and there changes, but overall the strategies to keep on selling to have a healthy numbers.

Moderator: Thank you. The next question is from the line of Pankaj Tanna from Varun Investments. Please go ahead.

Pankaj Tanna: You mentioned the cost being roughly Rs. 4,000 to Rs. 4,500 for Mumbai so let us say on your page 14 you have mentioned Zeon having a realization of Rs. 17,600 so less Rs. 4,000 so your gross and other expenses aside you would have a revenue of about Rs. 13,000 to do the square foot mix?

Dhaval Ajmera: No as I said this is purely Rs. 4,000 is on the constructed area which is 1 is to 2 so primarily my construction cost becomes Rs. 6,000 to Rs. 7,000 on my sale portion. Point number two there is also the premium cost which has to be added on to this which we usually pay which is in the range of Rs. 2,000 to Rs. 3,000 plus there is interest and admin and other costs so that is how the entire breakup.

Pankaj Tanna: Ideally, but what I am just saying is that basically, you would probably put it as Rs. 4,000 is the cost, and probably your multiplying factor would be about 1.6 because if you put up took a concept of Bangalore you will get zero receipts because you say you are getting at Ahmadabad

and Bangalore you are getting Rs. 4,000 and Rs. 4,900 so if you put a multiplication factor of 2 you would be getting a net receipt of 0 so which is not possible. So, 1.5 would probably be a factor be a better factor to multiply your Rs. 4,000?

Dhaval Ajmera: As I said for Bombay specifically because we have a shortage of land and there are rules and regulations, your construction cost is higher in Bombay because your development to construction cost the ratio is 1.5 to 1.6x whereas in Bangalore and Pune that is not the case. So, what I mentioned of Rs. 2,500 to Rs. 3,000 is purely the construction cost. So, my sale price is Rs. 5,000 hypothetically in Bangalore my cost of construction is Rs. 3,200 and then I have to add the land cost and balance this amount.

Pankaj Tanna: You will see that your profitability is directly linked to the amount of interest you eventually pay so I would believe trying to reduce your loan would probably be the most profitable way to make money?

Dhaval Ajmera: Yes absolutely, so if you see in our last quarter, we have done about ~Rs. 230 crores of reduction of our debt. However, it is based on every project-to-project and you know when we have to premiums within Bombay market or whatever so we have to take working capital requirement. So, that is where it keeps on adding and reducing, but overall, our aim is to ensure that we reduce our debt to a massive extent.

Pankaj Tanna: So, I mean eventually when we are developing, we are effectively selling your property, but we are selling it not as overall and you are giving a value-added land. So, would it be better to keep more aggressive pricing and get more sales for the next two, three years to consolidate and have a very strong balance sheet?

Dhaval Ajmera: So, as I said only by reducing prices it is not necessary that we can do sales. If I say if I am today at Wadala selling at Rs. 27,000 or Rs. 28,000 if I made it Rs. 20,000 it is not necessary that I get great numbers. So, we have to balance it out to make sure that the prices are right and people have the acceptability of the price and the numbers work accordingly, so that is how we are managing. As I said I am not going to where the prices are Rs. 28,000 or Rs. 27,000 and make it Rs. 33,000 where you get a brand premium. I may do it for the last 10% of the value of my sales or for my project or whatever, but overall I want to ensure that we are at par with the market to ensure our numbers coming up great because we want to have, we have a strong pipeline of our projects coming and we want to have a healthy balance sheet going forward over the next four to five years' time.

Pankaj Tanna: I think you have been very clear about how we want to progress and one last question I will just add why is there so much fluctuation in your share price I incidentally own a lot of your shares, but it is wonderful to own them, but it also gives us a lot of heart attack last week it was 480 today this be a 95, so what is it what do you see I mean I am not asking for numbers but if you today talk about 90 acres in Mumbai proper and the way let us say on 6 acres that

you are developing at Wadala so I want to get a gross receipt of about Rs. 1,100 or Rs. 900 crores. So, we are talking about Rs. 130 crores an acre of your land, of course, value-added sales so Rs. 80 acres you should be about Rs. 10,000 crores so what is your market cap is only Rs. 1,100 - 1,200 crores.

Nitin Bavisi: Sir only for a change I would like to take the position of asking the question rather than responding so this is going to exactly my question to you to guide us that why there is a fluctuation.

Pankaj Tanna: As an investor, I am always a little worried when I see a Rs. 100 note on the ground why is it being sold at Rs. 10 so that gets me worried?

Dhaval Ajmera: Well, I think we have been coming to the market, people are looking at our results I think the time will come where our right valuation will start being looked upon and coming into play. So, we just have to wait and we have to keep on doing our work and I am sure the market will respond better to us.

Pankaj Tanna: As somebody is investing one always likes to hold on to a share which is rising.

Moderator: Thank you. The next question is from the line of Monika Arora from Share Giants Investments. Please go ahead.

Monika Arora: I just go to the results and all so I did not see any credit rating, do you have a credit rating?

Nitin Bavisi: Currently we do not have because the kind of lines which we have from the existing lenders with that of they have their internal diligence and their internal credit assessment on our account kind of a thing. Going forward as we move forward; we may have the instrument of that of the listed NCD and something of that definitely we will get the regulatory required credit rating and which should be disclosing those ones as for the transaction needs.

Monika Arora: Sir do you think that ESG is important for us and any ESG related activity or initiative you have undertaken?

Nitin Bavisi: So, we have been very mindful and already ESG being the very ongoing factor for us so whether it is environmental at a site level we are mindful about using the raw material which is environmental-friendly and giving us a value-added about that particular initiatives. Social definitely we have been doing under the CSR initiatives, helping the society on malnutrition and malnourished children at tribal regions. We have some tie-ups with local trust and the NGOs operating there and we are contributing to that particular social cause. We have another program which is where we are contributing to the water management program at Banaskantha at Gujarat. We are supporting the medical and educational needs because we believe that medical is the need of the hour when somebody needs that particular and

education is definitely forward-looking it will bring up the entire family through this next-generation education. So, these are the social activities. On the governance side definitely, we are supporting the entire governance practices we are also taking better global-based practices to move forward on a better disclosure as we have been complimented on this investor presentation giving all the disclosures and all the numbers. These are the initiatives and we will keep doing further improvisation from here onwards.

Monika Arora: So, we see that you have a huge potential land bank which is not yet announced like in a sense of any specific project how will be developing it is not yet announced, so can you give some additional timeline I am not asking about very specific plans like telling me your plans, but just a rough timeline what are you thinking about these land bank how are you going to develop them in future?

Dhaval Ajmera: So, primarily all these land as we said which has been owned we will bring upon the surface when the actual right time comes, but if I have to look at the overall scheme of things I think in the next 4 to 7 years I mean on a very higher side what I feel we will have most of these being announced and already up on the project to develop and at the same time we will also be parallel executing new projects, new tie-ups, new development with JV/JD and models and something like that which will keep our cycle rolling for acquisitions.

Moderator: Thank you. The next question is from the line of Shashank from Value Educator. Please go ahead.

Shashank: So, my question is on similar lines so you have launched about Rs. 2,200 crores of the projects in this financial year and we have a plan of about 2 million square feet development a launch is in FY23, so for FY24 the plan will be similar can you give some guidance FY24 if possible?

Nitin Bavisi: Sir regards FY22 as we have showcased that for four of the projects both the projects are like Codename Wadala and Juhu project we have paid our approvals and Codename Wadala we have got the RERA registration also we have the complete visibility of the launches going to happen in this particular Quarter 4 of FY22 kind of a thing and as well as regards the 1.9 million or 2 million square feet to launch in FY23 also we are on track and we should be announcing the project launches as we have the visibility and move forward.

Shashank: So, from this, about 1.9 million to 2 million launches which we were planning the revenue potential would be again Rs. 2,200 crores any number on that front?

Nitin Bavisi: The revenue potential is 2, Rs. 200 crores, and the revenue recognition process is always based on the execution lifecycle of the project. So, as for the cost incurred versus the budgeted cost kind of a thing will determine the percentage of completion and revenue will be recognized accordingly kind of a thing. Our guidance is that this particular project should be getting

completed within the period of about 3 years to 4 years and that is where the revenue will be captured in the income statement of the respective financial year.

Shashank: My second question is on the Juhu redevelopment project so in the future also are we planning some more projects on our redevelopment side?

Dhaval Ajmera: Yeah, as we said we are opportunistic, wherever and whatever we feel the right for our company and giving us a better valuation in a good margin we will be up for that. So, definitely, we are looking at projects and meanwhile, as we speak we are already in discussions with the few, hope to materialize soon and announce.

Shashank: Yeah, on this project you have mentioned that revenue potential is about Rs. 150 crores so what will be our cost if you can give some details?

Dhaval Ajmera: In the range of Rs. 110 crores to 115 crores.

Shashank: And my last question is on the margin front so usually you have mentioned that the Greenfinity project is having about 50% kind of EBITDA so incrementally our EBITDA margins from the Codename Wadala which we launch in this year and upcoming projects so incrementally our EBITDA margins will be better from here on?

Nitin Bavisi: In terms of rather than EBITDA margin I can guide you on the project level margin which is the Codename Wadala we should be expecting in the range of 35% plus kind of a thing and for Greenfinity we have always have better margins it is self-funded project kind of a thing.

Moderator: Thank you. Ladies and gentlemen as there are no further questions, I now hand the conference over to Mr. Nitin Bavisi for his closing comments. Over to you, Sir.

Dhaval Ajmera: Thank you very much. I hope everyone stays safe and we look forward to meeting you and hearing you soon for our next results till then take care and thank you very much once again.

Nitin Bavisi: Thank you, everyone.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Ajmera Realty and Infra India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purpose)

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