Real Estate as a Service Company

October 30, 2024

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai- 400 001
Scrip Code: 512008

Sub.: Earnings Conference Call – Transcript.

Dear Sir/Ma'am,

Pursuant to Regulation 30 (6) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith copy of the transcript of Analyst/Investor Meet held on Friday, October 25, 2024.

Pursuant to Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the above information is also being hosted on the Company's website at https://www.efclimited.in/investor-relation/investor-presentation/

Kindly take the above information on record.

Thanking You,
For EFC (I) Limited

Aman Gupta
Company Secretary

Encl.: As Above.

EFC (I) Limited
Q2 FY25 Conference Call
October 25, 2024

Moderator: Ladies and gentlemen, a very good morning and welcome to the Earnings Conference Call of EFC (India) Limited for Q2 FY 25.

We have with us today, Mr. Umesh Sahay – Founder and Managing Director of EFC (India) Limited and Mr. Nikhil Bhuta – Whole Time Director of EFC (India) Limited. As a reminder, all participants lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touch tone phone.

I would now like to hand the conference over to Mr. Nikhil Bhuta, Whole Time Director to give his opening remarks and discuss further on Q2 FY 25 performance. Thank you and over to you, sir.

Nikhil Bhuta: Thank you Steve. Good morning, everyone. Hi, I am Nikhil Bhuta – Director of EFC (India) Limited. I would like to extend a warm welcome to all of you for joining our Earnings Conference Call today. We greatly value your ongoing interest and support in our Company. In today's call, we will review our "Financial" and "Operational Performance" for the year until 30th September 2024. We will also highlight key strategic decisions made by our group and share our outlook going forward.

For Q2, EFC (India) Limited has achieved impressive financial results with consolidated revenue reaching approximately Rs. 171.08 crore and an EBITDA of around Rs. 84 crore and a PAT of Rs. 36.56 crore. For half year ended 30th September, 2024 EFC (India) Limited has achieved impressive financial results with consolidated revenue reaching approximately Rs. 276.36 crore and an EBITDA of around Rs. 133.59 crore and a PAT of Rs. 52.33 crore.

These results underscore our resilience, strategic focus and the management's unwavering commitment to driving the Company's growth. The financial breakdown reveals that the rental segment contributed approximately Rs. 89.20 crore, accounting for about 54% of our total revenue. In comparison, the D&B, the Design and Build Business contributed Rs. 77.24 crore, representing approximately 46% of the total revenue till 30th September, 2024. At EFC, we create synergies through our dynamic workspaces under the brand EFC, Sprint and Bigbox.

Additionally, we offer exquisite furniture through Ek Design Industries Limited and provide meticulous interior designing services on a turnkey basis under our Company, WhiteHills Interior Limited.

Starting from the managed office business sector, we have significantly enhanced our capacity in this quarter by increasing the leasehold area by around 175,000 square feet adding over 3,600 seats across four centers in four existing cities. We have set a strong foothold in eight cities in India, covering about 2.4 million square feet under management. We have now total 61 sites under our management across these 8 cities in India. The total seat capacity has crossed 50,000 mark. In addition to the concluded transactions, the D&B division has got an additional order book of more than Rs. 70 crore in their hands. One of the largest deal wins that the D&B has successfully secured during this quarter is a contract with the TCS of Rs. 18 crore plus.

In the furniture and manufacturing division, we have successfully completed our first ever order post our completion of commercial production on 20th September. This order book is strong and the furniture division is poised to achieve much better in the coming quarter. With this, I thank you all and I now open the forum for a question-and-answer session.

Moderator: Thank you very much, Sir. We will now begin the question-and-answer session. Anyone who wishes to ask any question may press "*" & "1" on your touch tone phone. If you wish to withdraw form the question queue you may press "*" & "2". Participants are requested to use handsets while asking your questions. Ladies and Gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Sahil Sharma from Columbus Capital. Please go ahead.

Sahil Sharma: First of all, I would like to congratulate the Management. It is quite a remarkable performance, like especially the board meeting for Results was for five hours from 9 pm to 2 am and then to attend the conference call at 9.30, it clearly shows your dedication to the business and it is reflecting in the fantastic performance in our best ever revenue and profits and most importantly the cash flows, which have really improved in the first half.

Sir, first of all, I wanted to understand the seasonality in the margins, just to understand why it is that our margins are typically the lowest in Q1 and then highest in H2, Q3 and Q4 and how is it tied to the business development cycle through the year?

Nikhil Bhuta: First of all, thank you very much and thank you for joining the call. With regards to your specific question, I would like to explain to you that the first quarter is the quarter where generally, for that particular financial year, the new sites that we have identified, those will add new seats for the Company, will get under construction during this period. These are the sites which we are taking from the landlord or leasehold rights and then obviously we will do a fit out at those sites and then they will come under development. So, generally, if you see in the first quarter,

the expenses, because all the standard expenses, maybe except for the rentals, will be on the higher side because the sites will not have come for occupation and they will come for occupation during the latter half of the quarter and then if you look at those seats, they will come for full occupation in the forthcoming quarters.

So, obviously, the seasonality is relating to the way the development cycle happens, so that typically all our development for a particular financial year happens in Quarter 1 and Quarter 2. Quarter 2 also, there is a substantial development but then also the benefit in Quarter 2 becomes that because there are Quarter 1 sites which have become fully live, will become fully available for billing during the Q2 and whatever sites which have come up for development during the Quarter 2, they will be partially available naturally and this trend will keep increasing in the ongoing quarters, let's say Quarter 3 and Quarter 4 onwards. So, I think it is not about the seasonality rather but it's about the way the development happens in each site and the way they come up for occupations and how the billing happens to them. So, the build-up happens over the quarters and accordingly, the profitability, income, everything builds up over the quarters basically.

Sahil Sharma: Understood, sir. Sir, my next question is I wanted to understand the general receivable cycle for all the segments which is rental, Design and Build and the Furniture business, what we expect because we could see that the receivables have come down from 120 crore in Q4 FY 24 to 60 crore now around in Q4 FY 25 and it would be nice to understand the normal receivable cycle and also request if possible, we could share the breakup for the receivables either now or in the next balance sheet update.

Nikhil Bhuta: Sure, sure. I mean with regards to your request for sharing the breakup for receivables for all the different segments, we will definitely take that note and we will show that as an independent piece of intimation. With regards to the receivable cycle in general for all 3 verticals, with regards to the vertical for rental business, the receivables are generally less than 30 days because what happens is, we generally receive the receivables in a year and maximum the clients would pay you during the first half of the month and then a few clients would probably come a little later.

So, I mean if you take out average, it is around 15 to 30 days maximum on the rental revenue side. On account of the Design and Build division is concerned, Design and Build division, it runs around average is about 90 days because what happens is, as you know, we have discussed in past that from the date we get a contract and the date we fully execute the contract and the final payment is released to us. That period goes from 0 to roughly around 180 days. The day the PO is received, then the designs are approved, then we go into execution. Once executions are moving on, then there are running bills which are submitted and the running bills which are approved and then when the PMC or the client really approves the final work that has been delivered and then they process the balance retention money that they have kind of kept under the contract.

With regards to specifically your question about why the receivables was larger in the financial end in 31st March 2024, again, the major reason was that, we have been doing this business for now close to 2-2.5 years and if you have seen that, it needs some time for us to establish ourselves in the business, create our own credibility, create our own standing so that we are able to serve now large customers like TCS and like Hobart of this world and earlier obviously, we had to, in order to remain relevant in the business, we were also taking contracts which were even smaller in size. When I say small means that, which are around 10,000 - 5,000 square feet development. Now, I am in a position that considering the kind of work that I am able to kind of attract, I am in a position to do much better, contract values where I am able to do more than 20,000-25,000 square feet for contract.

So, what that means is that I have been dealing with much more organized players where the cash flows and the availability is much more organized than what is available with some of the unorganized players. It is not the question of non-recoverability, it is about just the timing and that kind of had made that recoverability, the cycle increased a bit from 90 days to let's say 120 days in the last financial year. But this financial year, there has been great improvement and as you can see in the results, and this trend will generally continue going forward. With regards to the financial division also, it's a little too early to say, but typically, there also the receivables will remain between 60 days to 90 days. There is a quite a business that happens on an institutional level and that business, once a business happens with large institutions, you would appreciate that the receivable cycle, they would always prefer a minimum of 60 days and sometimes they go up to 90 days as well. So, that is where the entire receivable cycle works for us, Mr. Sahil.

Moderator: Thank you. The next question is from the line of Manohar Rao Yadav, an individual investor. Please go ahead.

Manohar Rao Yadav: My first question was, I wanted to understand a little bit on the SMREIT side sir, like now that we would list a subsidiary, and the owners would be the unit holders of the REIT. So, will the revenue recognition happen on the books of EFC or that revenue would directly go to the unit holders of REIT and we get the PAT and the margins increase? And also, is there any scope of recognizing the revenue from the furniture and D&B section because now the asset would be owned by the unit holders of the small REIT?

Nikhil Bhuta: Yes, Mr. Manohar, thank you so much and thank you for joining. With regards to the REIT that you are referring to, first of all, as you may know that the SMREIT that we are forming and registering right now with the SEBI, so all the assets that will be acquired at the SMREIT, they will be independent and they will not be having any direct link to the assets that our Company owns. So, what would happen is that means that we will be adding new assets to this under the REIT and these new assets will be managed by us as the manager to the REIT. Since under the SMREIT, the concept of sponsor and manager has been merged, you as also the sponsor

and the manager, we are supposed to contribute 5% of the total requirement of the fund for acquiring those assets that we were acquired under the SMREIT.

Now, out of the total assets that we have acquired, the revenue will definitely go to the SMREIT and it will be registered under the books in the SMREIT, but the management fees will come to us, which would obviously somewhere equivalent to the kind of margin that we are making under EFC. You got to appreciate that obviously, since the assets is owned by the REIT, then the assets revenue will also go to the REIT, but as far as we are concerned, we will be and to ensure a complete transparency, we did want to create a structure where the asset is leased to us and then we manage and then we pay only the rental to the REIT. So, the way the structure is created that the entire revenue transfer needs to go to the REIT as EFC, From an EFC standpoint, the asset under management will increase because if earlier I am managing right now, managing 2.4 million square feet under REIT, let's say we have acquired another50,000 square feet, another 100,000 square feet that will be added to the overall asset in the management and it will add to by bottom line, because the bottom line would remain almost the same for the services that we offer to the REIT. With regards to our dividend from the REIT, it would obviously proportionate to the investment that we make to the REIT, which will be 5% as a Company that we are going to meet. So, that is how the structure would work.

With regards to the D&B division and the furniture division, both these divisions can step and obviously will contribute in development of the assets whenever so required. Generally, because under the REIT, we will have to take already a rental deal generating asset, that means that those assets would already be furnished and those assets would already be kind of occupied with the right type of furniture, but yes, obviously, the asset would require repair, maintenance, asset would require refurbishments, asset would require replacement of the old and new age furniture and that would obviously be provided on a competitive basis by our other divisions to the REIT. I guess I have kind of answered your question, Mr. Manohar.

Manohar Yadav: Yeah, my second and last question, sir, is when I see the industry, sir, I see most of the competitors working under the managed aggregation model, where the landlord is a part of, the occupancy, They get based on the occupancy because they are doing the CAPEX. But I see our Company very unique here because majority of our properties are on a straight lead model, where we are giving them a fixed rental. So, prima facie of the managed aggregation looks to be a more safer model because the downside is protected. So, why we as a Company have strategically decided to do the straight lead model instead of the managed aggregation model?

Nikhil Bhuta: Yes. So, Mr. Manohar, as I said, I mean, most of the companies typically in our industry would work on a straight lead model. The revenue share model is not very something which is prevalent. Yes, there are a few companies which are in the market today and they are obviously working on the revenue share model and we can also work on that model, but we have in part used such models and have faced certain kind of difficulties which primarily, the difference of working styles, difference of expectations from the landlord and giving away larger share of

revenue to the landlord in compared to the amount of risk that we are taking. You got to appreciate, Mr. Manohar, that let us say even if I am doing under a managed aggregation model, I am supposed to commit contractually to the landlord, number one. I am supposed to commit a minimum fees to the landlord, minimum guarantee amount to the landlord. So, what difference I am making is that a bit of delta, which is, let's say, hypothetically, I am giving an example to you that, let's say, a particular property is going to cost you 100 rupees rental. Under the managed aggregation, you might be in a position to commit, let's say, 60-70 rupees as a minimum guarantee and balance 30-35 rupees as an upside, which would come later and that 30-35 rupees would not be the fixed amount. It would be as a percentage of your revenue or your profitability that would make the actual cost of your property going up from 100 to 125. Because, naturally, a landlord with whom you are sharing the risk and now he is bearing the risk, he is not going to give you at the same price at which he would have otherwise given on the street lease. So, it is a two-edged sword.

If we don't have confidence on the market, we don't understand the market, we don't understand the micro-market where we perform or where we operate, then it is better that we go for revenue share and even account for this little bit of risk that we are taking. Because, at the end of the day, when you are doing an entry, you are even doing a contractual commitment to the landlord. It is not a case that one fine day, you can just simply say to the landlord that, okay, fine, sorry, I am not able to fill the place, and I am leaving.

So, if you look at the commercials, you look at the contractual terms,

in our opinion, yes, one can argue that there is a minimum guarantee, but there is a delta, which is, we are covering by way of revenue share, but then on the other hand, I would like to bring it out to them that delta is hurting well to the Company because then it is taking away your margin. Because if your cost increases substantially on the rental side because of the managed aggregation model and the profit-sharing model, then your profitability at bottom would certainly severely head in it because there is no other place for doing the efficiency building and operational efficiency would be totally and totally where you can control those costs. So, I think that is what one has to appreciate, and we are confident of this model. We have been working with this model for more than 10 years now. Our sales teams and our marketing team is strong enough to be able to maintain an average occupancy of around 90%. And we strongly believe that we only take or add as much seats or properties that we feel that we will be able to continue to occupy them and sell them with a 90% plus occupancy and lastly, most importantly, as you know, there is more than 65 to 70% of the business is with big corporates, large corporates, which kind of are committed for a longer duration, so that my risk, which I am exposing myself with the landlord, is getting equally taken care by these large contracts where I have a 5-year contract with 3-year lock-ins and 4-year lock-ins. I hope I have tried to kind of explain.

Manohar Yadav: Thank you sir, and again congratulations.

Nikhil Bhuta: Thank you so much**.**

Moderator: The next question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: I just wanted to understand. So, I think in your balance sheet, you have got 247 crore of loans for first half and in your current assets. I just wanted to understand what is that?

Nikhil Bhuta: Yeah. So, the loan is primarily that we have taken to acquire the property that has been acquired by the Company. So, we have taken lease rental discounting facilities and the terminal facilities from the bank to acquire the properties. So, what has happened is that what this means is that right now, let's say, if I am paying rental to the… when we see opportunity where the EMIs become equal to the amount of rent which I am paying, plus minus here and there a bit, then we try to kind of acquire those property on our books through a lease rental discounting. Because what happens is that at least here, if I keep paying the rental, I am not building an asset. Here, by paying the EMI, instead of paying the rental, I am actually building an asset on my book. That makes our Company's… the balance sheet stronger, that makes our Company's ability to withstand any downside stronger. Because when you own those centers yourself, your ability to manage them and your ability to stand in the difficult times becomes much better.

So, those loans are primarily towards… you may know that there are 4 floors that we own at Marisoft IT Park in Pune, which is about 100,000 square feet and then we have acquired **43,000** square feet in Wakdewadi, Pune recently as we announced in past, as always, higher 80,000 square feet has been acquired. So, under this lease rental discounting model and that is largely the loan that is… which is there on the books of the Company.

Yash: Got it. And I think in the last call, we have mentioned that, our guidance is 350 crore, now that of 350 crore for the year. So, do you would like to revise the guidance given the strong performance that we have got in first half?

Nikhil Bhuta: 350 crore on account of the rental you are talking or on account of the overall performance you are referring to?

Yash: No, I think this was for the rental, but you can tell me if you have any plans for the overall including both the businesses.

Nikhil Bhuta: No, I think the business is doing really good and the way the trends are and it has been in the past also that quarter on quarter, the business is really performing and the order books are on hand for both the divisions, the D&B and on the furniture division and on the rental division it is pretty linear. So, the business is doing well with the seats getting added, seats coming up for occupancy. The business is growing, and it will continue to grow in a similar fashion. I mean, in terms of guidance, yes, we do stand by, that we will be able to achieve around 70,000 seats by

end of this year and, we will be able to achieve at least, if not more, 100%, improvement in our performance in the WhiteHills division as well. And naturally, in the furniture manufacturing business, this is the first year. So, we are certainly looking forward that we kind of capitalize and really build the business. The way the factory looks back on us, if you look at the factory, the way it is built and the way the entire infrastructure has come up, we are really hoping that it will deliver whatever all our expectations have been over the years.

Yash: Okay got it. Thankyou.

Moderator: The next question is from the line of Vineet from KISS PMS. Please go ahead.

Vineet: Sir, my question is with respect to the guidance. Like, just now you told you will be reaching 70,000 seats by the end of this year, right? In the Q2, you are adding 3,000 seats. So, how are we planning in the next half of the year? Like, will we be adding 20,000 seats?

Nikhil Bhuta: No, no. So, 3,000 seats is adding in the capacity this financial year, this quarter. And it is also going to get better because there are certain properties which have already been identified and one large property which is, a single property which is identified and which will come up for fit out in the third quarter, it is going to have more than 5,600 seats in a single centre. So, we have, a couple of such centres already identified. We have already reserved and booked, which is coming up for fit-out. So, we will certainly be able to, we already have the visibility and that is how we are talking that we will reach about 65,000 to 70,000 seats by the end of the year. Obviously, all the 70,000 seats will not come up for occupation during the third and fourth quarter. They will come over the period. But what we are taking as guidance is that by the end of this financial year, as of 31st March 2025, we are expecting to touch this mark of anything between 65,000 to 70,000 seats and that is the guidance that we are still committed and stand by right now.

Vineet: Okay.

Vineet: Another question is with respect to the segment wise economics, like can you explain me economics in individual segments and also for the furniture segment, can you tell me if we have any order book pipeline or how are we looking like? It has been one month, right? One and a half months since it has got operational.

Nikhil Bhuta: Correct. It has been about a month now and the commercial production has started and obviously, the things are picking up. The team has really worked very hard to kind of deliver the first order within the first quarter itself and then they are also in the process of building up their order book into different business verticals that we are working on and the order book is certainly looking pretty promising and we are, as we have earlier mentioned, that are targeting that we would achieve anything, I mean, the estimates and the projections that the same things are given is that we would definitely achieve anything around, 60 to 75 crore of revenue for

the furniture division. With regards to the margin that you are talking for the segments, both the rental and the D&B division, we have discussed in past that the rental division typically on a central level, we have a margin of about 3% and on a corporate level, it is about 25%. While in terms of the D&B division, average margins come around 70 to 80%. But, the division or the contracts where we have in a lot of difficult work to be carried out, let's say, where we are doing a contract for laboratories or research centers or any other contracts that are developing office infrastructure, which is pretty competitive, the margins improve significantly, which is more than around 24-25%. I mean this I am talking obviously the average numbers and that is what the broad margins are for both these verticals.

Vineet: Okay**,** And with respect to the outlook that you shared, like 100% growth in D&B segment and what was your guidance with respect to this rental segment?

Nikhil Bhuta: So, rental segment, as I have explained, that we are expecting anything about 65,000 to 70,000 seats.

We would certainly maintain our seat rate at 6250 minimum per seat and, right now, as you know, that we already have 50,000 seats. So, you are talking about 50,000 seats as already available for occupations for the entire next half at this rate, and the balance is another about 15 to 20,000 seats, which will get built up over the next six month time. So, on an average, let's say they will come for occupancy at about anything between 40% or so of the total seat, because on average, because they will come up for occupancy over a period of the next 6 months. So, that would be the broad number of seats that would get achieved and the rate that we are talking about is about, we will certainly maintain at least 6250 per seat and going forward, the rates would increase, because now, on average rates per seat for the new seats getting added are on an increasing trend. So, yeah, that is the broad guidelines, sir.

Vineet: Thankyou, For answering me.

Nikhil Bhuta: Welcome**.**

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

Rahil Shah: Sorry to press you again on this guidance thing. But I believe in the last quarter, you had said that you were looking to double your revenues in FY 25. So, it is still intact for the Company overall and in Quarter 1, your margins dipped quite a lot to 45%, which you have improved to 50% in quarter 2. We have also done around 55% to 56% in one of the last year quarters. So, can we expect the same going ahead as well?

Nikhil Bhuta: You know, in terms of target, yes. I mean, obviously, we are trying, pushing our best, and we are trying to achieve the targets which are set. As you can appreciate and understand that

under the D&B and the Furniture sector, not that 100% is in our control that we will be able to kind of replicate or achieve whatever is being set, targeted for the D&B. We can only commit to you about what order books on the hand and we believe that with the order books on hand on every quarter, we will certainly be able to achieve very good results for the D&B sector and also, similarly, since the Furniture sector has now become full-fledged operational for that sector as well, with regards to the rental, it is pretty linear, as I have explained in my previous discussion and going forward, you can certainly at least expect a full revenue for 50,000 seats, and obviously, partial revenue for the new 15,000 to 20,000 seats which are getting added. We are very aggressive. We are really working hard on the targets and hoping to achieve what has been set at the beginning of the year, sir.

Rahil Shah: Okay and the manufacturing, the trading of furniture, what percentage is it part of the revenue mix?

Nikhil Bhuta: So, as of now, it is insignificant, as I said, because it started just on 28th September. But by the end of this year, I believe it will certainly be around, at least if not more, but around 15% or so and year on year, it will definitely get improved and the target is that all the 3 divisions will at least do an equal business of 33% each. But this financial year, I presume, based on the target and the estimates, the furniture, manufacturing division would contribute around 15% to the total turnover.

Rahil Shah: Okay and lastly, the average rate per seat is what right now and you were saying that you see a trend of increasing. So, by what percentage would that be at the end of the year?

Nikhil Bhuta: So, if we are seeing the trend in the new centers that we are adding, the average rates are increasing beyond and around 6,500 per square feet. But if you look at the average overall rate, it is remaining around 6,250, because you understand that the previous seats which have been added were sold in and around this rate. So, the average still remains around 6,250. But with the new seats getting added more and more, and they are getting sold at a higher rate of 6,500 upwards, we will be able to improve the seat rates hopefully by at least when you take out the average by end of this year.

Rahil Shah: Okay sir. Got it, Thank you and all the best.

Nikhil Bhuta: Thankyou.

Moderator: The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Sir, I actually started following this Company recently. I wanted to understand about the margin guidance for this year. As in Q1 was a little softer on the margin side and Q2 has bounced back. How should we look at the second half for this year and sir, next year also, if you can please comment.

Nikhil Bhuta: So, as we have always maintained, sir, the quarter-on-quarter, the margins you will see different primarily because the building up of the seats and the building up of the margins on the business that we achieve on the other divisions like the D&B divisions and the furniture division. Once the seats are getting built up obviously and once all those seats are getting coming for occupancy, the revenue and the better occupancy rate would give you better margins naturally. So, there is an incremental rate, which will obviously average out around, as I explained to you, on an annualized basis at anything about 30% on the central level and 25% on the corporate level. But that is the kind of margins that one can really estimate and that is what our targets are always, that we estimate for a particular sector keeping in mind the day they come for occupancy and from that day to the if you can consider it on an annualized basis then that is the kind of margin that you kind of work around. As I have explained to you in my previous questions, that this betterment in the margins largely happens because the more seats have come for building purpose, more seats have come for occupancy purpose for the entire quarter.

Even if they come for building purpose, let's say only one month of the entire quarter does not make too much of a significant difference in the margins, but once the seats come, so obviously all the seats which have developed in the previous quarter, which is operational in the previous quarter will come for building for the entire upcoming quarter. So, naturally the upcoming quarter results will go to get better and better than the previous quarter from the rental revenue perspective. But overall margin, as I have explained, if you look at it on an annualized basis, that is the kind of estimates and that is the kind of margins that we at least make our sales teams and our operational team to work at, which is about 30% on a central level and about 25% on a corporate level.

Ankur Kumar: Sorry, sir, last year and in this first and second quarter, aren't the margins like 40-45% reach?

Nikhil Bhuta: So, as I said, for a particular quarter, there will be such kind of a situation. If you annualize the profitability for the last year, the average annual profit for the last year, net profit, I'm saying, not the EBITDA level after taking case of interest, tax, depreciation, everything, the net profit was around 15.76% or around 15%, I mean, broadly. So, I mean, that is the kind of margins that you generally estimate from our businesses on a combined level, because we were offered through these three different verticals. So, I mean, like I said, the annualized margin will remain around this while on a quarter to quarter, there will be obviously difference in the margin depending upon the seeds which have come up for occupancy, seats which have come up for billing.

Ankur Kumar: Got it, sir. So, you are saying about net profit margins and not EBITDA margins?

Nikhil Bhuta: Yeah, so earlier, what I explained to you is not the EBITDA margins, the net profit margins remain around, let's say, 17-18%, depending on a retail business side, on an average, if you look at on a consolidated basis, it remains around 15-16%.

Ankur Kumar: Got it sir, Thank you and all the best.

Nikhil Bhuta: Welcome**.**

Moderator: The next question is from the line of Shreyansh Jain from Electrum Capital. Please go ahead.

Shreyansh Jain: I have 3 questions. First one is regarding our Design and Build-out division team and the status of the merger that is pending and what was the basis of the valuation of the 545 crore?

Nikhil Bhuta: So, the merger status is that it is pending for an NOC from the SEBI as of now. We are expecting, based on the discussions that have happened, there are no more clarifications, I guess, which is required all the information and clarifications on the scheme have been submitted well. I mean, we are just following up very aggressively and rigorously and expecting any time soon. With regards to the valuation, at that point of time, obviously, the valuation was derived based on the contract in hand, based on the business insight and based on the projections that were created at that point of time, which were vetted by the registered valuer, a merchant banker. So, we took in two reports, one from a merchant banker and one from a registered valuer and those reports were used as a base for creating the valuation for both the respective companies and arriving at the swap ratio.

Shreyansh Jain: Okay and what is your team size in the D&B division?

Nikhil Bhuta: The team size in the division is more than 40 people and that includes your architects, that includes your designers and also includes your sales team part of it.

Shreyansh Jain: And second question, regarding ek design our furniture division, why have you only invested 76% and the investment of 25 crore that was shared, I think, somewhere. Who did that and who owns the remaining 24%?

Nikhil Bhuta: So, as of now, the Ek Design was an existing Company, which was owned by young entrepreneurs who were already doing this furniture manufacturing business. They have an engineering background and they have been doing very well in their business, particularly on the residential side and on the hospitality sector side and once we saw the opportunity, we used them to source some of our furniture for our office infrastructure requirement and we saw the kind of margins that they were able to generate and we saw the kind of quality that they were able to generate and the timeline they were able to convert the delivery to. So, we have acquired 76% from them and the initial capital which was invested was 5 crore rupees in the business. There was no secondary sales. This was a primary investment which was made into the Company to enhance their existing capacity. So, they were operating through a small manufacturing setup. That manufacturing setup was enhanced now to the three-acre land, three-acre area that we have now present at Fursungi and that 76% is acquired accordingly, the balance is owned by the them and other stake holders and with regards to the total

investment including also the working capital was only charged at about 25 crore, but the CAPEX which was invested is about 5 to 6 crore that has been invested by EFC (India) Limited, the major shareholder of the Company.

Shreyansh Jain: Got it, Thank you so much sir, All the best for the future.

Nikhil Bhuta: Thank you so much.

Moderator: The next question is from the line of Krishna Shah from Ashika Stock Broking. Please go ahead.

Krishna Shah: Firstly, Mr. Nikhil, congratulations on a great set of numbers. I just wanted to understand the market at this point. What is the kind of competition? What are the kind of players that you are facing currently in the geography that you are present?

Nikhil Bhuta: The managed office is a co-working business. It is getting crowded as you may see now also. With regards to the competition, yes, everybody has to create their own position in the market. Everybody has to create their own niche in the market. I was trying to say that in terms of competition, yes, the market is crowded, but the significant players are limited. As you could know that the players who are present there and who offers services across the major cities of the country are pretty limited. There are a lot of regional players and obviously they offer a lot of competition when it comes to the sales. But as we have explained in the past that our MD's vision is very clear that we need to create a larger catchment area. We need to work and operate at an efficiency where we are able to cater to the largest customer base that we can. That makes us in a position where we are able to sustain the kind of occupancy that we are referring to which is an average occupancy of 90%. Our MD is very clear that at the end of the day, you are offering an office infrastructure to somebody as a solution. You are taking care of those assets on behalf of the businessman enterprises, and we have to make it reasonable. We have to make it quality conscious, and we have to offer them the best set of combinations that we can offer on the pricing and on the quality. That's what we have been trying to do for all the years and that is where we keep working towards. I think all these integrations are going to help us in a great way and that kind of puts us a little differently than the competition in the market Probably we are one of the or maybe I can say proudly that we are the only one who is an integrated model. So, I think competition is there, it will remain. There is no business which will remain devoid of competition but one has to create their own positioning and that is what we are trying to achieve.

Krishna Shah: Got it sir. My second question is in terms of the average area per side that, we have seen, has increased from 25 to 30,000 per square feet in the last quarter to 35 and 40,000 in this quarter. So, does this mean that we are acquiring larger office spaces and how does that affect our occupancy level given we are looking at 90%? So, do we see any challenges in terms of leasing these out, the larger spaces?

Nikhil Bhuta: Yes, I mean there are obviously benefits in acquiring the larger economy of scale that we are able to achieve. We are, yes, acquiring or rather acquiring leasehold rights over the larger area. There are a couple of reasons to it if I can break it down. One is that we are now established in all those big cities very well.

So, we understand the micro markets of each of the cities very well and so our confidence of selling or filling those spaces in those micro markets in those cities has gone up significantly. Our sales teams understand the psyche of that business, psyche of that market and the broker network that has been created, the marketing network that has been created. So, we are now able to make use of getting a larger space, get better economy in sourcing the property because if you source a larger space obviously your ability to negotiate gets better, your ability to carry out the fit out at the best price becomes better. So, that kind of helps you in doing a lot of efficiency building. On the other hand, your question about our ability to fill and our ability to maintain occupancy, so like I explained, and since we understand this market now very well with our presence there for a significant period of around in almost each city for more than 5 years, we are able to understand the market pretty well and we are only kind of getting ourselves properties where to micro markets which are doing very good and are likely to doing good for the next 3 to 5 years. So, as you can appreciate in each city the micro markets also keep shifting but that is an estimate and that is the kind of business calls that every player in our business will have to understand where the market is going to get saturated or rather focused in out of the entire city. So, I hope I have answered your question.

Moderator: Ladies and gentlemen, due to time constraint that was the last question for today's conference call. I now hand the conference over to Mr. Nikhil Bhuta, Whole-time director of EFC (India) Limited for their closing comments.

Nikhil Bhuta: First of all, thank you. Thank you everyone for joining this early morning call and we are really thankful for all of your continued support. We appreciate that your engagement with us is really helping us to and encouraging us to do much better and better every quarter. As we move forward, we will be committed to driving growth and delivering value to all our shareholders. Should you have any further questions, please do not hesitate to reach out to us and have a great weekend and a great Diwali in coming week and lots of good wishes and good health to all of you. Thank you so much.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of EFC (India) Limited, That concludes today's session. If there are any questions that have remained unanswered due to paucity of time, request you to kindly send us the same to compliance@efclimited.in. Thank you for your participation. You may now disconnect the call. Thank you.