EFC (I)

Operator: EFC (I) Ltd. Q2 and H1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

To discuss this quarter's performance, we have from management Mr. Umesh Sahay, Chairman and Managing Director; Mr. Nikhil Bhuta, Whole-time Director; Mr. Uday Vora, Chief Financial Officer; and Mr. Aman Gupta, Company Secretary.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website and stock exchanges.

I now hand the conference over to Mr. Umesh Sahay for his opening remarks. Thank you, and over to you, Mr. Sahay.

Umesh Sahay - Chairman & Managing Director: Thank you. Good morning, everyone. Thank you for joining us for EFC Q2 FY27 earnings conference call. I would like to begin by thanking our shareholders, investors, customers, and business partners for their continued trust and confidence in EFC.

I'm pleased to share that we have continued to maintain encouraging business momentum during the second quarter, supported by our enterprise relationships, execution capabilities, and the growing strength of our integrated business model.

Our three business verticals—leasing, design and build, and furniture manufacturing—continue to provide us with complementary growth opportunities, enabling EFC to participate across the commercial workspace value chain.

Looking at the broader industry, the underlying market opportunity across all three verticals remains encouraging. India's office market recorded approximately {? 60 ?} 66 million square feet of absorption during the first nine months of {? 2024 ?}. In design and build, growing office demand, expansion of GCCs, global capability centers, and investment in data [trails off] In India, furniture worth approximately 25-29 billion is expected to grow steadily with increasing preference for organized and quality-focused manufacturers. This trend reinforces our confidence in the long-term growth potential of our business.

An important trend we are witnessing is that enterprises are increasingly prioritizing flexibility, efficiency, and speed of execution in their workspace decisions. Businesses today want the ability to expand, consolidate, or reconfigure their office requirements without significant upfront capital commitment. This creates strong opportunities for professionally managed workspaces. EFC's asset-light leasing model, which does not depend on ownership of the underlying real estate, allows us to address this evolving requirement while maintaining a focus on scalability and capital efficiency.

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Our design and build capability further strengthens our ability to deliver high-quality commercial spaces efficiently, while furniture manufacturing expands our participation in the broader interior and furnishing market. Together, these businesses position EFC as an integrated workspace solution provider rather than merely a conventional office leasing company.

During the quarter, we have also taken important strategic steps, including our proposed corporate restructuring and the acquisition of Ultrafresh. These initiatives are aligned with our broader objective of building a more focused, integrated, and scalable organization. Nikhil will elaborate on this development shortly.

As we look ahead, our priorities remain clear: strengthening our enterprise relationships, maintaining execution excellence, improving capital efficiency, and pursuing profitable, sustainable growth. Our ambition is not simply to build a larger EFC, but to build a stronger, more competitive, and more valuable EFC—one that delivers consistent performance and creates long-term value for all stakeholders.

I remain confident in the opportunity ahead and in our team's ability to execute our strategy. Thank you once again for your continued support. With that, I would now like to invite Mr. Nikhil Dilipbhai Bhuta to take you through our key business developments and strategic initiatives. Thank you, Nikhil.

Nikhil Bhuta - Whole-time Director: Thank you, Umesh. Good morning to all our investors, analysts, and stakeholders.

Umesh has spoken about our performance during the quarter and the larger vision that [trails off] I would like to take this forward and discuss three important aspects of our business.

First, how our individual businesses are progressing and contributing to the overall platform.

Second, the strategic decisions we have taken, particularly the proposed corporate restructuring and acquisition of Ultrafresh.

And third, how these initiatives are helping us build a stronger, competitive position and create opportunities for sustainable growth.

Business performance and operational progress can be summarized as follows.

Let me begin with our business performance. During Q2 FY25, we continued to focus on strengthening our operations across leasing, design and build, and furniture manufacturing.

Starting with our leasing business, this remains the foundation of our platform and an important source of recurring revenue. We continue to benefit from our established presence across multiple cities and our relationships with enterprise customers. What is encouraging is the changing nature of our customer demand. Large enterprises and GCCs are increasingly looking for partners who can offer not only quality office infrastructure, but also flexibility, consistent services, and the ability to support their expansion across locations. Our experience in operating managed workspaces and understanding enterprise requirements puts us in a good position to address these opportunities. Our focus is not simply on adding more seats; it is on improving utilization, strengthening customer

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relationships, and ensuring that every center contributes meaningfully to the overall business.

Now coming to the design and build turnkey contracting solution segment, this business continues to be an important part of our growth strategy. Over the years, we have developed capabilities in commercial interior design, turnkey execution, project management, and MEP services. Today, these capabilities allow us to participate in a wider range of opportunities, including enterprise offices, institutional projects, and multi-locational assignments. An important aspect of this business is that it is increasingly developing independently of our leasing operations. We are not relying on [inaudible] with external customers and participating in larger execution opportunities. This is important because it allows us to address a much wider market, while also strengthening the execution capabilities of our overall platform. Being a project-driven business, the timing of execution and project milestones can influence performance between quarters, but our focus remains on maintaining a healthy pipeline, delivering projects on time, and protecting execution quality.

Now moving to the furniture manufacturing vertical, this is the business where we see considerable long-term potential. Through {? Ek Design ?}, we have been building our manufacturing capabilities, expanding our product portfolio, and strengthening our presence in institutional and customized furniture solutions. Our strategy has been to develop this as an independent manufacturing business, while also supporting the requirements of our leasing and design [trails off] Scale, capacity utilization, procurement efficiency, and product mix will also be important drivers of profitability. We believe that the investment we are making in this vertical can help us create a stronger and more diversified manufacturing platform over time. Our CFO will cover the financial contribution and performance of each of these verticals in greater detail.

I would like to dwell a little on our integrated business strategy. Now I would like to explain how we look at this business strategically. At EFC, we have always believed that growth should come from building capabilities that strengthen each other. Let me give you a simple example. A company may initially approach EFC for managed office space. As that company expands, it may require a larger office, a customized fit-out, or furniture solutions. Because we have capabilities across these areas, we have an opportunity to serve that customer at multiple stages of its growth. Similarly, a customer who first engages with us for a design and build project may subsequently become a customer for our managed office or furniture business. This creates opportunities for cross-selling, deeper customer relationships, and better utilization of our resources. Importantly, it allows [trails off] to grow independently while benefiting from the capabilities of our larger group. That's the real advantage of our model. We are not dependent on a single business or a single source of growth. We are building multiple businesses that can create opportunities for one another. This integrated approach also helps us improve execution control, procurement efficiency, and customer service.

I would now like to look at the corporate restructuring that we have proposed through the demerger filed with the NCLT.

Coming to one of our important strategic initiatives, which is this proposed demerger and corporate restructuring, I would like to explain the thinking behind this decision because we believe it is important for investors to understand its long-term relevance. As our workspace business has grown, we have developed two distinct operating models. The first is our leased-premise managed

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office business, where our focus is on managing workspaces, serving enterprise customers, and generating recurring operating revenue. The second is our owned-property business, where we identify suitable commercial properties, acquire or develop them, improve their utilization, and operate them as income-generating assets. Both businesses have attractive opportunities, but their capital requirements and return characteristics are different. Our view is that as these businesses become larger, they should have a structure that reflects their respective operating and capital requirements. Under the proposed arrangement, the leased-premises managed office operation will be housed within EFC (I) Ltd., a standalone listed company, while the owned-property operation will remain within EFC Limited, the wholly owned subsidiary of EFC (I) Ltd. The objective is very straightforward: greater business focus, clearer capital allocation, and improved accountability. We believe this will allow us to manage the asset-light operating business and the property ownership business with greater clarity.

It also supports our longer-term approach towards asset management and real estate monetization. For example, when we identify a commercial property with stronger potential but lower current utilization, our experience in managed workspace can help us reposition this asset, attract suitable enterprise customers, and improve its income-generating potential. In such cases, we may be able to create value not only through workspace operations, but also through improvement in the underlying property's commercial value. The proposed restructuring is intended to provide a more suitable framework for pursuing these opportunities while maintaining financial discipline. We also believe that a clearer capital and business structure will help investors better understand the economics, capital requirements, and value drivers of our different activities. Of course, the proposed scheme remains subject to applicable approvals and implementation requirements, but we are very confident that the proposal will soon go through the NCLT and receive NCLT approval.

The Ultrafresh acquisition is another important strategic milestone that is strengthening our manufacturing platform. The second important strategic development is this acquisition of Ultrafresh Modular Solutions. I would particularly like to highlight why we see this acquisition as strategically important. When we started building our furniture manufacturing business through {? Ek Design ?}, we were clear that we wanted to create a business much larger than simply supplying furniture to our managed offices. We wanted to build capabilities in institutional furniture, customized products, OEM manufacturing, and other market opportunities. However, as we evaluated the next phase of growth, we recognized that manufacturing capacity alone is not sufficient. To build a successful manufacturing business at scale, you also need product capabilities, design expertise, distribution, customer relationships, and market access. This is where Ultrafresh fits into our strategy.

Ultrafresh brings an established presence in modular furniture solutions, particularly kitchens, wardrobes, and other customized home furniture products. It also brings manufacturing infrastructure at Nalagarh in Himachal Pradesh, an established brand, design capabilities, an existing network of studios, and customer touchpoints. For us, this acquisition is not merely about adding revenue. It is about acquiring capabilities, market access, and an established operating platform that would otherwise take considerable time to develop organically.

We see multiple opportunities from this combination. First, manufacturing optimization. We can evaluate how best to utilize the combined manufacturing infrastructure, improve production

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planning, and strengthen procurement and supply chain efficiencies. Second, geographical expansion. Ultrafresh's presence in North India complements our existing manufacturing footprint and creates an opportunity to serve customers across a wider market. Third, product diversification. While {? Ek Design ?} has been [trails off]

Nikhil Bhuta – Whole-time Director: It increases our commercial furniture business, while Ultrafresh gives us access to the modular home segment. And fourth is market access. Ultrafresh brings an established customer-facing network and brand presence, which can support our broader manufacturing ambitions. Our immediate focus would be on integrating the business effectively, identifying operational synergies, and improving the efficiency of the combined platform. We are also conscious that an acquisition creates value only when it is integrated and managed properly. Therefore, we intend to approach this with discipline, preserving the strength of the acquired business while using the larger EFC ecosystem to support its growth. We see Ultrafresh as an important step in building a more diversified furniture and modular solutions business.

Our strategy strengthens our competitive position. Now, if you look at these developments together, there is a clear strategic direction. Our leasing business provides long-term enterprise relationships and recurring revenue opportunities. Our design and build business expands our participation in commercial construction and execution. Our furniture manufacturing business strengthens our supply chain while creating independent growth opportunities. And the Ultrafresh acquisition expands our manufacturing capacity, product portfolio, and market access.

Our proposed corporate restructuring is intended to bring more efficiency and focus to our workspace operations and owned-property activities. These are not separate or unrelated initiatives. Each one is intended to strengthen a part of the overall EFC platform. We believe this approach can give us an important competitive advantage in the managed office workspace industry. Companies often compete on location, pricing, and capacity. In commercial interiors, the competition is often around execution capabilities, timelines, and project costs. In furniture manufacturing, success depends on product quality, manufacturing efficiency, distribution, and scale. At EFC, we are bringing capabilities from these different business verticals together. This allows us to offer customers more comprehensive solutions and gives us the opportunity to improve efficiency across the group. We believe this is one of the reasons our business model has been able to develop and grow across multiple verticals. However, we also recognize that competitive advantage is not something that can be established once and taken for granted. It has to be earned continuously through execution, customer satisfaction, operational efficiency, and responsible decision-making. That remains our focus.

Execution priorities and outlook: Looking ahead, our priorities are clear. In leasing, we will continue to focus on enterprise relationships, occupancy, customer retention, and asset productivity. In design and build, our emphasis will be on expanding external business opportunities, strengthening execution capabilities, and maintaining project discipline. In furniture manufacturing, we will focus on capacity utilization, product diversification, operational efficiency, and the integration of Ultrafresh. At the corporate level, we will continue progressing with the proposed restructuring and evaluating opportunities that can strengthen our business while maintaining discipline in capital allocation. We also recognize that as EFC grows, working capital management, project execution, cash flow generation, and operating systems become increasingly important. Our objective is to

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ensure that growth is supported by a stronger operational and financial foundation.

I would like to conclude with one thought. Our strategy is not to grow by simply adding more businesses or making more acquisitions. It is to ensure that every business we build, and every strategic decision we take, makes the overall EFC platform stronger and stronger. We believe that this approach can help us sustain our growth, improve our competitive position, and create long-term value for our stakeholders. With that, I would like to invite our CFO, Mr. Uday Vora, to take you through the detailed financial performance for the quarter, including our segment-wise results, profitability, and other key financial metrics. Thank you very much.

Uday Vora – CFO: Thank you, Nikhil. A very good morning to all our investors, analysts, and stakeholders joining us today. As Umesh and Nikhil have explained, EFC continues to make progress in building an integrated business platform across managed office leasing, design and build, and furniture manufacturing. I will now take you through our financial performance for the second quarter and first half of FY27, highlight the contribution from our individual business verticals, and share our key financial priorities as we move forward.

Let me begin with our consolidated performance for the quarter ended September 30, 2026. I am pleased to share that we have delivered another quarter of healthy growth, both in terms of revenue and profitability. Our consolidated revenue from operations stood at 332 crores compared with approximately 255 crores in the corresponding quarter last year, representing year-on-year growth of 30%. Our EBITDA stood at approximately 134 crores, registering year-on-year growth of 21%, while our profit after tax increased to approximately 77 crores compared with 57 crores in the corresponding quarter last year, reflecting growth of 36%. Our EBITDA margin for the quarter stood at approximately 40%, while our PAT margin was approximately 23%. What is important to highlight is that our revenue growth continues to be supported by contributions from all three business verticals, while profitability reflects the operating strength of our integrated platform.

Moving to our performance for the first half of the financial year, for H1 FY27, we reported consolidated revenue of approximately 650 crores compared with 474 crores in the corresponding period last year, representing growth of approximately 37%. Our EBITDA increased from approximately 213 crores to 257 crores, while profit after tax increased from approximately 103 crores to 148 crores. This translates into PAT growth of approximately 43% for the first half. Our earnings per share for H1 FY27 stood at approximately 10.11 compared to Rs.7.09 in the corresponding period last year. These numbers demonstrate our ability to expand our business while maintaining healthy profitability.

Let me now briefly discuss the performance of our three business verticals. Our leasing business continues to be the largest contributor to consolidated revenue and an important driver of our recurring operating income. During Q2 FY27, the leasing segment reported revenue of approximately 168 crores compared with 129 crores in Q2 FY26, representing growth of approximately 30%. For H1 FY27, leasing revenue stood at approximately 322 crores compared with 252 crores in the corresponding period last year. This performance reflects the scale of our managed workspace operations and the continued contribution from our enterprise customer relationships. From a financial perspective, our focus in this business remains on improving asset productivity, optimizing operating costs, and ensuring that incremental capacity translates into

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sustainable returns.

Coming to my D&B segment, this segment reported revenue of approximately 129 crores during the quarter compared with 112 crores in the corresponding quarter last year, representing growth of approximately 16%. For the first half, revenue stood at approximately 230 crores compared with 196 crores in H1 FY26. As explained, this business is expanding beyond the requirements of our internal workspace ecosystem and increasingly participating in external commercial and institutional projects. Being a project-driven business, quarterly performance can vary depending on execution schedules and contractual milestones. From a financial management perspective, our emphasis remains on project-level profitability, milestone-based billing, timely collections, and disciplined working capital requirements.

Our furniture segment reported revenue of approximately 35 crores in Q2 FY27 compared to 14 crores in the corresponding quarter last year, representing growth of approximately 149%. For H1 FY27, revenue stood at approximately 63 crores compared with 27 crores in the corresponding period last year. This segment has demonstrated strong revenue growth from a relatively smaller base. Our focus going forward will be on improving capacity utilization, procurement efficiencies, inventory management, and operating leverage as the business scales. The acquisition of Ultrafresh further expands our manufacturing platform, and we intend to pursue integration and operational synergies in a financially disciplined manner.

Looking ahead, our financial priorities remain closely aligned with our broader business strategy. We continue to focus on profitable revenue growth, disciplined capital deployment, and strengthening our balance sheet. In leasing, our emphasis will remain on occupancy, asset productivity, and returns from our operating portfolio. Within design and build, our priorities will be project execution discipline, billing efficiency, and working capital management. Within furniture manufacturing, we will focus on improving utilization, managing inventory, and realizing operational efficiency as the business expands. At the consolidated level, our objective is to strengthen cash flow generation, maintain financial flexibility, and ensure that our investments and strategic initiatives are supported by sound financial fundamentals.

To conclude, our Q2 and H1 FY27 performance demonstrates the progress we are making in scaling EFC's integrated business model. We have delivered profitability and continue to strengthen our presence across all three business verticals. While we remain optimistic about the opportunities ahead, our approach will continue to be guided by financial discipline, operational efficiency, and responsible capital allocation. Our objective is not merely to achieve growth in reported numbers, but to ensure that this growth translates into sustainable earnings, stronger cash flows, and long-term shareholder value. On behalf of the company, I would like to thank our shareholders, investors, and analysts for their continued trust and support. With this, we would be happy to take your questions. Thank you.

Operator: Thank you. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on your touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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The first question comes from the line of Pramod Mohan with GG Family Office. Please go ahead.

Pramod Mohan – GG Family Office: Thank you very much. First of all, I would like to congratulate the EFC team for the good performance in the last quarter. My first question is about your current portfolio occupancy, and how does it compare between mature and newly commissioned centers? Do we expect any improvements over the next few quarters?

Nikhil Bhuta – Whole-time Director: Thank you very much, and thank you for wishing us well for the performance that we have posted. With regard to the occupancy level, as we have always maintained, we generally have more than 90% occupancy across our portfolio. The occupancy has always been stable and improving, and maintained at 90% quarter-on-quarter and year-on-year. We will continue to achieve that, and there is no change because the overall strategy is such that we add capacity where we believe, and where we have strongly committed businesses that can bring occupancy to the optimal level. So yes, we continue to achieve that occupancy, and we believe that it will continue even in future quarters on similar lines, considering the strategies that we continue to adopt for the same.

Pramod Mohan – GG Family Office: Okay. My follow-up question is how sustainable it is for EFC to grow in design and build and furniture manufacturing. As these have now become larger contributors, does your consolidated margin remain at the current level, or will it normalize in the coming future with the changing mix?

Nikhil Bhuta – Whole-time Director: No, I think, obviously, as we have always explained, the design and build vertical and the furniture vertical are integral parts of our overall business model. We have also maintained that going forward, they will contribute substantially to the total top line because, at the end of the day, the design and build vertical brings growth, and the furniture vertical helps improve our profitability margins as the manufacturing arm once it operates at its optimal capacity.

Particularly now, we have reached a stage in both furniture manufacturing and design and build where we have created such an expanded business model that we are not restricted to a particular segment of business. We have captured commercial space design and build, and we also supply different types of furniture products, whether for residential purposes, commercial purposes, projects, exports, and so on and so forth. We strongly believe that this is completely sustainable not just from the revenue growth point of view, but also from the margin perspective.

Pramod Mohan – GG Family Office: And what about the EBITDA margins we are looking at? Will they normalize?

Management: EBITDA margin would, as we have always mentioned, be maintained at a consolidated level at upwards of 20% plus. At the individual vertical level, we have always maintained that at the corporate level, with regard to the leasing vertical, we will be able to make approximately 25%, while at the center level, we will be able to make 30%. In design and build, we will be able to make between 18% and 22%, and in furniture manufacturing, at optimal manufacturing capacity, approximately 20% to 25%.

Those are the margins we will continue to make, and we will achieve mixed project, or integrated platform-level, margins of 20% to 22%. We believe that, except for quarters in which the margin

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may go up and down on a quarterly basis, primarily because there are differences in project execution cycles and project expenses that have to be incurred, those timing differences may bring some variations in the margins. But on an annualized basis, you will see that we will be able to achieve these numbers, which we are discussing and which have also been achieved over the years.

Pramod Mohan – GG Family Office: Thank you, Nikhil. I have just one last question. I was looking at the numbers and found a transaction related to {? Sunvictree Alpha Private Limited ?}. Can you shed some light on it? What is it? What was this transaction?

Management: Basically, we have been very categorically mentioning our strategy of asset ownership, a model in which we are one of the few players in the market who actually own the real estate that is also put to use for managed office operations.

What we have done in this particular transaction is that, if you see our investor presentation, we mention that we own roughly 8% to 10% of our leasing portfolio under our ownership, not merely under leasehold rights. One such property that we acquired more than a year ago was a property here in Pune. We acquired the property, redeveloped it by completing the fit-outs and furnishing-related work, identified the best long-term customers, and then created value by selling the property, which was not only redesigned and rebuilt but also put to income-generating use. Hence, we could maximize the returns we earned on that property from the time we acquired it, approximately a year ago, until the time we hived it off after leasing it out.

When we hived off the property, it was an asset sale-and-leaseback model. Ultimately, we still remain the operating partner of that property, but we transferred the ownership to a potential investor. As a result, for the company, we generated a return on capital of approximately 39% to 40% on this transaction.

This is a very important part of our strategy, where we are monetizing an asset, and this will also enable us to reduce our debt. When we acquire these properties, we take them on an LRD or LAP structure. When we create value, we are not only able to get rid of the asset-backed debt, but also create the value that we can realize through the asset sale and leaseback of these properties that we acquire. That is the transaction that was carried out with {? Sunvictree ?} Alpha.

Pramod Mohan – GG Family Office: Alpha, yes. Thank you very much. Quite insightful. Many congratulations. Thanks from my side.

Operator: Thank you. The next question comes from the line of Sahil Sanghvi with Monarch Networth Capital. Please go ahead.

Sahil Sanghvi – Monarch Networth Capital: Thank you, EFC team, for explaining the Q2 results in detail, and congratulations on the wonderful results. We have two questions. One is related to the D&B business. I understand that in previous calls, the D&B business was expected to grow by 50% to 60% during the year, but with the H1 result, we can see only 16% to 17% growth in the D&B business. Do you think this number is still achievable in the next quarter and the next half of the financial year, or do we see the growth shrinking from 50% to 60% to the current level?

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Management: No, absolutely. We are on target to achieve the annual target that we have set for our design and build vertical. Yes, we have set a target of 50% to 60%, and that is a target that we are all geared up to achieve. The kind of order book that we already have in place strongly supports the claim we have been making that we will certainly be able to achieve our targeted growth of 50% to 60% under the design and build vertical.

Quarter-on-quarter, as you have seen, the numbers may not have grown in the same ratio in which the annual target is set. But that is not the right indicator because, obviously, there are multiple projects under execution, and the execution cycle also takes its own time. It is not necessary that the large projects we execute will be completed within a period of 2 to 3 months, which is the quarter we are discussing.

We are absolutely confident of achieving the targets that have been set. That is primarily because of the kind of order book that we already have, which is more than 300 crores, and I think both the next quarters, namely Q3 and Q4, would be very promising for this particular vertical. We will certainly be able to achieve the targets set.

Sahil Sanghvi – Monarch Networth Capital: Thank you for explaining this point. My second point is that I understand consolidated revenue grew by 30% year-on-year in Q2, whereas our EBITDA grew by only 21%. Is there any specific reason why our margin has compressed compared with revenue growth? Do we see any key reason for the divergence, with margins reducing compared with revenue growth, or will the margin recover in subsequent quarters?

Management: No, absolutely. First of all, we have always maintained that quarter-on-quarter numbers are not the correct indicator for comparing margins. The margin comparison should happen on an annualized level, and that is how a business cycle and a business trend can be analyzed properly rather than simply analyzing on a quarter-on-quarter basis.

Having said that, obviously, the nature of our business is such that, in a leasing business, there are always gaps in terms of when we are developing properties, incurring expenses in developing those assets that we have to put to use for leasing purposes, and the corresponding revenue that we realize from them. There is always that timing difference, and that timing difference is sometimes reflected in the way income and expenditure are recognized and recorded in the books of account.

But on an overall annualized basis, as we have always maintained, we will be able to achieve the margins that we set out to achieve, which is what we have always indicated and mentioned in our presentation. We have also indicated what kind of margins we are able to earn for each vertical at a stabilized level. The other verticals, whether design and build or furniture manufacturing, are also growing rapidly and are able to maintain those margins.

Having said that, particularly with regard to quarter-on-quarter margins and looking at last year's margin versus this year's quarter, or comparing the current quarter with the corresponding quarter last year, or looking at a quarter-on-quarter comparison, margin may not be the right indicator on a quarter-by-quarter basis. Still, because of these timing differences, and also because there has been a substantial increase this quarter in the prices of materials and the prices of different services that have been availed, there has naturally been some pressure. But, as I said, on an overall basis, we will certainly be able to maintain the margin levels that we have set for ourselves on an

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annualized basis.

Sahil Sanghvi – Monarch Networth Capital: Understood. Thank you very much. I think this was helpful for us, and I wish you a happy Diwali in advance.

Management: Thank you. Happy Diwali to you too.

Operator: Thank you. The next question comes from the line of Vishal Kundnani with Future Fund Edge LLP PMS. Please go ahead.

Vishal Kundnani – Future Fund Edge LLP PMS: Hello.

Management: Yes, sir.

Vishal Kundnani – Future Fund Edge LLP PMS: I have one question. What was the rationale for acquiring Ultrafresh via a 54 crore share swap? How does modular furniture complement EFC? I also wanted to know what valuation method was used.

Management: The rationale for acquiring Ultrafresh, as we have mentioned in our speeches and also in our corporate announcements, is that, first, it is engaged in the manufacturing of furniture and modular furniture, and it also has a wide distribution network in the Tier 2 market. Secondly, when the acquisition was carried out, we gained access to the northern market through the manufacturing facility set up in North India, in Himachal Pradesh. This brings us significant supply chain and logistics efficiency if we have to cater to that market or region.

Third, modular furniture is part and parcel of our overall strategy. As you know, we already have a large manufacturing setup in {? Big Design ?}. There, too, we manufacture a lot of modular furniture, office infrastructure furniture, residential high-end furniture, similar seating systems, and products for export purposes.

All these reasons made the acquisition of Ultrafresh very logical. First, it gives us access to manufacturing capabilities in the northern market. It also gives us access to the network they have created through more than 160 touchpoints across Tier 2 and Tier 3 cities in India. Hence, the rationale was very clear.

With regard to the acquisition price, yes, it was acquired at a valuation of approximately 54 crores. It is engaged largely in enterprise businesses, and such businesses, based on the advice of recognized and reputed valuers, are generally valued at approximately 1.5 times the top line. This acquisition was carried out at approximately 1.49 times its FY24 revenue. In that sense, the acquisition was fairly justified.

That was one aspect, but another important aspect was that the share swap was carried out with EFC's shares valued at Rs.270 per share, which is the fair value arrived at by the Big Four valuation agencies. Based on that, the sellers, the erstwhile owners of Ultrafresh Modular, which was a reputed company, accepted this valuation. Hence, we received an inherent benefit. Despite our market price being somewhat lower than this price, we obtained the maximized value, which is the true potential value of our company, at Rs.270 per share. We were able to establish and achieve that value for this transaction.

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Hence, this was a transaction where we were able not only to acquire at the right value, but also to create a margin through the price at which our shares were valued. Overall, we were positive from both aspects.

In terms of the benefits this transaction can bring, because shares have now been issued, the share base has naturally increased by the number of shares issued to acquire this company under the share swap transaction. However, EPS would certainly become accretive with the increasing revenue that we will be able to establish for this business. As this business becomes synergized with the EFC platform, we will be able to add significant revenue generation and synergies, which could immediately bring in a lot of B2B business, project business, and export activities, apart from its ability to market through the network it has created.

We believe this is an absolutely EPS-accretive transaction in the long term, and the benefits it offers through manufacturing infrastructure in the northern market and a distribution network across India make a great deal of sense for EFC as a platform.

Vishal Kundnani – Future Fund Edge LLP PMS: All right, sir. Thank you.

Management: Welcome.

Operator: Thank you. The next question comes from the line of Ashutosh Choudhary with Antique Stock Broking. Please go ahead.

Ashutosh Choudhary – Antique Stock Broking: Thank you, Nikhil, for such an informative speech as well as for the answers to the questions asked. My question is: as Design & Build scales, could receivables and working capital grow disproportionately? What is the current debtor aging, specifically the collection cycles and retention balances? And how does EFC convert project profit into cash?

Management: That is an interesting question, Ashutosh, and we have always maintained that while the Design & Build vertical is an asset-light vertical, it obviously requires a certain amount of working capital deployment because these are projects where milestone-based payments are released, and [trails off]

Management: There are retention payments and performance guarantees. Those are required because we are developing and delivering the project within certain timelines, and those obligations are very critical for these projects because institutional clients would probably not enter into these projects or design-and-build activities without requiring us to adhere to strict timelines. We will certainly be able to achieve the top-line numbers, as we mentioned earlier, but it certainly requires working capital deployment.

Having said that, it does not grow disproportionately because the project mix we choose is always structured in a manner where there are institutional and large institutional projects in which payments are released on a very strict milestone basis. There are also private projects and private institutional business projects where we are able to demand and dictate working capital cycles that are much more favorable to us.

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All in all, it is certainly a working-capital-intensive business, but it does not really grow disproportionately with the growth of the business. We will certainly be able to maintain working capital cycles of approximately 90 to 120 days because that is the time required for the entire projects to be realized, not only from the milestone point of view but also because of retentions, which are generally around 5% of the total project value.

That is the kind of timeline that we generally have to account for because, given the scale at which we are working, we have to execute multiple projects and institutional activities. This requires the working capital cycle to be in the range of approximately 60 to 90 days, depending on the projects and the type of work to be executed.

Ashutosh Choudhary – Antique Stock Broking: Thank you for the answer, and best wishes for the next quarter.

Management: Thank you.

Operator: Thank you. The next question comes from the line of Shailendra with Damani & Damani. Please go ahead.

Shailendra – Damani & Damani: Good morning, everyone. I am Shailendra from Damani & Damani. I have 2 or 3 questions relating to the proposed demerger. My first question is: what is the economic rationale for the proposed demerger or restructuring, whatever you want to call it? How will it improve transparency, capital allocation, accountability, and shareholder value? What will be the post-restructuring structure, financial impact, timeline, cost, and risks involved?

My second question is: how have the acquisition, investment, and restructuring created shareholder value beyond just revenue growth?

My last question is: how will EFC ensure arm's-length dealing across all subsidiaries, inter-corporate company transactions, the share swap acquisition, and the restructuring? How are these based on arm's-length dealings? Those are my three questions. Lastly, happy Diwali to everybody.

Management: Thank you. You are really testing my memory, but I will certainly try to answer all three questions one by one.

First, coming to the proposed demerger and restructuring that is planned, as we have explained very clearly in our speech and presentation, the proposed demerger brings a great deal of transparency in terms of how our business models will be conducted through different entities.

To put it simply, the entire leasing vertical, which is our managed office business and is essentially an asset-light business, is being demerged from our wholly owned subsidiary, EFC Limited, and merged into our main parent listed company, EFC (I) Ltd. EFC (I) Ltd., our parent company, will then have two verticals housed within it on a standalone basis: first, the design and build vertical, which is also an asset-light vertical except for its working capital requirement; and second, the leasing vertical, which is also an asset-light business. Both businesses will be housed under EFC (I) Ltd. on a standalone basis.

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Another important aspect of this restructuring is that all the project-specific SPVs that existed under the leasing vertical are also being folded into EFC (I) Ltd. Hence, we are making the structure absolutely clean in terms of the leasing vertical and the design and build vertical. Everything will be housed at the listed level, and there will not be multiple entities operating these businesses, including project-specific SPVs or region-specific SPVs. All of this will now be consolidated into one entity.

The second important aspect that becomes critical in this restructuring exercise is that all our assets, meaning all the real estate that we own under our asset ownership model, will remain at the EFC Limited level, the wholly owned subsidiary level. As we explained earlier, our leasing vertical is divided into two parts: the asset operating model and the asset ownership model. The entire asset operating model is shifting to the listed company, as I mentioned. All assets owned by us will remain at the EFC Limited level.

This creates a clear allocation of capital, and we can define the allocation of profitability between the asset-light business, or asset operating business, and the asset ownership business. We can arrive at the appropriate ROCE and the appropriate returns that each business is generating, and then obviously determine the return on capital that can be achieved through this. This is a very important aspect of the complete restructuring exercise as far as the demerger scheme is concerned.

With regard to the rationale you mentioned about all these acquisitions, investments, and the restructuring, you would appreciate that in today's time and age, corporate governance is of utmost importance. We need to establish standards of the highest integrity and transparency. With this structure, we are able not only to bring in the highest corporate governance standards, but also to create verticals where we can develop efficiencies, execution capability, and deeper customer relationships through this complementary structure. On one side, the asset-light model is created, and on the other side, the asset ownership model is created.

These acquisitions and investments are adding to our overall plan of growing the business as a platform. We are not simply looking at revenue growth; we are also pursuing the long-term objective of improving return on capital, asset productivity, recurring earnings, and cash generation. This restructuring, acquisitions, and investments are all aligned with that objective, and we are sure that we will be able to achieve it.

To your last question about maintaining transparency with regard to related-party transactions and transactions between subsidiaries, please appreciate that our business model derives value from backward and forward integration, and we try to maintain the margins within the group itself. That is an integral part of our business model.

Having said that, all these verticals operate as standalone profit centers. They compete with each other to bring in business. When they compete with each other, arm's-length pricing is established by default. It is not the case that if there is a business that the design and build vertical wants to give to the furniture division, it is given merely because it is our subsidiary or sister concern. It has to compete internally with the other two or three suppliers, who will also provide their quotations and pricing. The L1, or best quotation, will always win the order.

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We have established a very transparent way of operating in which arm's-length pricing is established through Big Four financial and accounting firms, which help us set the arm's-length pricing. When we carry out these transactions and report them to SEBI, which is a regulatory requirement, we ensure that all pricing and all terms at which these transactions are carried out internally are at arm's-length prices only. This is properly documented and established.

We are very cognizant of maintaining full transparency, maintaining arm's-length pricing, and maintaining competitiveness within the organization. We will not allow any slackness in terms of our growth going forward or in terms of the overall margin profile that we want to achieve through this integrated business model. I hope I have answered all your questions. Thank you very much, and happy Diwali to you as well.

Shailendra – Damani & Damani: Thank you.

Management: Welcome.

Operator: Thank you. The next question comes from the line of Dheeraj with AP Alpha. Please go ahead.

Dheeraj – AP Alpha: Good morning, everyone. First of all, congratulations to the EFC team for delivering great performance this quarter for your investors and shareholders. I have two questions, more from a forward-looking perspective.

With H1 already over, is EFC on track to achieve its annual top-line and bottom-line targets? Which are the key verticals that are behind or ahead of the plan, and which of them will drive H2 growth with a higher contribution to revenue and profits?

Management: Thank you very much, Dheeraj. First of all, as I explained earlier, we are absolutely on track to achieve our annual targets, and we are confident that as a platform, we will certainly be able to achieve the growth we have set out to achieve.

Second, all three verticals—the leasing vertical, the furniture vertical, and the design and build vertical—are fairly on track to achieve their targets. The leasing vertical has already achieved the numbers it is targeted to achieve on a proportionate basis, and the same is the case with the furniture vertical.

The design and build vertical, based on the numbers recorded and registered for the first half, may apparently appear to be lagging behind a little at the annual level, but that is not the case because of the order book we already have in hand and the orders that are under execution. If this order book were not in hand, then one might naturally have a concern about this. But since there is an order book in hand, and since we are very confident that these orders will be executed within this financial year, we are also very confident of achieving the targets within the design and build vertical.

Hence, overall, all three verticals are absolutely on track in the first half, and we expect them to do comparatively better in the second half as well, which is generally the case if you look at our performance in previous years. From a forward-looking perspective, we are absolutely on track, Dheeraj, and we are confident of achieving the targeted growth for all three verticals.

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Operator: Thank you. Ladies and gentlemen, that was the last question for today due to time constraints. We have reached the end of the question-and-answer session. On behalf of EFC (I) Ltd., that concludes this conference. Thank you for joining us. You may now disconnect.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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