

November 17, 2025

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001.
Scrip Code: 512008

To,
National Stock Exchange of India Limited
Exchange Plaza, 5th floor, Plot no. C/1,
G Block, Bandra Kurla Complex, Mumbai-400051.
NSE Symbol: EFCIL

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 Wednesday, November 12, 2025.

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

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**“EFC (I) Limited
Q2 & H1 FY26 Earnings Conference Call”
November 12, 2025**



MANAGEMENT: **MR. UMESH SAHAY – CHAIRMAN AND MANAGING
DIRECTOR – EFC (I) LIMITED**
**MR. NIKHIL BHUTA – WHOLE-TIME DIRECTOR – EFC
(I) LIMITED**
**MR. UDAY VORA – CHIEF FINANCIAL OFFICER – EFC
(I) LIMITED**
**MR. AMAN GUPTA – COMPANY SECRETARY – EFC (I)
LIMITED**

MODERATOR: **MS. KASTURI BASU – MUFG INTIME INDIA PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the EFC India Limited Q2 and H1 FY26 Earnings Conference Call hosted by MUFG Intime India Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Kasturi Basu from MUFG Intime. Thank you and over to you, Ms. Basu.

Kasturi Basu: Thank you, Heena. Good morning, ladies and gentlemen and welcome to Q2 and H1 FY26 Earnings Conference Call of EFC India Limited. Today on the call from the management side we have, 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. With that, I would like to hand over the call to Mr. Umesh Sahay for his opening comments. Thank you, and over to you, sir over to you Umesh sir for your opening comments.

Umesh Sahay: Thank you, ma'am. Good morning, ladies and gentlemen, and thank you for joining us on the Q2 first half financial '26 results conference call today. At the start of Q2, we were listed only on the Bombay Stock Exchange on 20th August 20th extremely sorry. At the start of Q2 '26, we are only listed on Bombay Stock Exchange. On August 20th we also got listed on National stock exchange, which was a very exciting event in our journey as a still very young company.

On the operational front, the total number of seats, including 5,900 under development, jumped to more than 68,000 seats at the end of Q2 financial '26. We currently manage 3.23 million square feet at 86 sites located in the 10 cities. On Design & Build segment, we have achieved a turnover about INR196 crores, which is about 74% growth year-on-year, half year basis.

While our Furniture segment has got established firmly with half year turnover crossing INR26-plus crores. I believe that our employees are the real reason behind our success story. I take this opportunity to thank our esteemed employees. We will continue to innovate and execute on our strategy to keep growing across all our verticals, while leveraging our integrated business model to drive efficiency and cross-selling opportunity.

I will now invite Mr. Nikhil Bhuta to speak on the company business and operational performance. Thank you. Nikhil-bhai.

Nikhil Bhuta: Thank you. Thank you, Umesh sir. Good morning to all, and a warm welcome to the Q2 and half yearly FY '26 earnings conference call. I'll just provide a quick overview on our company before going further. EFC India Limited operates as a real estate as a service company with three integrated business verticals, which offer managed offices, interior design solutions and furniture manufacturing segments.

Our unique value proposition is that we can provide a wide range of real estate solutions from customized workplaces, commercial interior design and furniture products manufacturing. In the last quarter, we have built on our success with implementing the integrated business model. We have added multiple large corporate clients to our leasing vertical, further strengthening our enterprise portfolio, which generates long-term and stable revenue stream for the company.

On the back of the successful execution of Ahmedabad and Hyderabad Passport Seva Kendras, EFC India was awarded another general work contract for a new Passport Seva Kendra at Pune in September. As part of our rate contract for the development of PSKs across India, the contract is for complete interior turnkey fit-outs and is a key win for Design & Build vertical.

During the quarter, we have successfully completed more than 80% of shipment of for exporting the furniture products to Saudi Arabia as part of our previously announced international export order. We've been constantly trying to innovate and recalibrate ourselves since the past few months.

In November 2025, we announced our foray into retail leasing with premium showroom and shop spaces in key commercial hubs in India. We believe we can leverage our deep domain expertise in the office segment to extend our addressable market into the retail market. The robust macro economy, a rising work population and a higher disposal income drive an ever-expanding consumer landscape.

We believe that we are very well positioned to take advantage of immensely potential available in our ever-growing economy. We reckon that our integrated real estate as a service business model empowers us with the right to win in not just our core but also such peripheral market. Going forward, we will continue to explore such compelling opportunities and kind of take our companies to the newer heights.

I thank you all for your continued support and faith in us, and we are genuinely committed to perform and deliver best interest of our stakeholders. Thank you so much. And let me invite our CFO, Uday Vora, to give you more insights into the financial of our company for the Q2 FY '26. Thank you so much.

Uday Vora:

Good morning, and thank you for joining us for today's call. In Q2 FY '26, our consolidated revenue from operations grew at a robust pace to reach INR2,546 million, on the back of broad-based growth across segments. EBITDA improved to INR1,108 million, which was a jump of 40% year-on-year. In half 1 of FY '26, our revenue from operations grew by 76.6% year-over-year, while EBITDA jumped by 69.4% year-over-year.

Our stellar growth was achieved on the back of strong demand momentum across all our segments. Rental grew by 61% year-over-year, while interior jumped by 74%. Moreover, furniture vertical added to top line growth during this period. The net profit almost doubled during the first half of FY '26 when compared on a year-over-year basis.

We believe we are fully well positioned to deliver strong growth going forward as all our verticals delivered strong growth, showcasing the robustness of our business model. We believe that as an integrated real estate as a service player, we have immense opportunities ahead of us,

which we will continue to explore. With that, I will conclude my commentary on the recent quarter and half year performance. I will now request the moderator to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sahil Sharma an Individual Investor. Please go ahead.

Sahil Sharma: First of all, congratulations to everyone for another wonderful quarter. My first question is that when we are entering this retail space, what is our strategy there? Will we just leave the complete like mall or whatever from a builder and then give individual shops to individual people or like what's the strategy?

Another important thing I wanted to understand that unlike office spaces, what I've seen with malls is that as newer and better malls get built, it also becomes harder to sell mall space, that if let's say today, there's a mall, but a better mall comes up, the older mall becomes harder to sell. I'm also wondering like will we like basically be able to adjust there properly and will similar kind of mechanics play out there as it's playing out in offices.

Nikhil Bhuta: Well, I mean, thank you, Sahil, for your wishes. And coming to your question, Sahil, at the outset, we are not getting into the mall management per se. What we are getting into is basically tying up and partnering with large corporates who have kind of retail chains across India.

And we are kind of helping them to kind of expand rapidly with our ability to not just lease, identify the right property for them because you understand for retail businesses, opening the right stores at the right location is very critical. So our ability to source the property and also our ability to do the design and build at a quick turnaround time and doing it across India because as you understand that we have now a complete integrated business model where we have the ability to identify properties.

The ability to design and build with a quick turnaround and also to provide the necessary furniture, which is required to kind of operate such places efficiently. So what we are trying to achieve is we're trying to achieve is partner with such large retail established brand and also trying to kind of help them expand while getting a steady revenue for our businesses.

So we are not going to get into mall management per se, but we are going to get into helping the large corporates in retail expansion in their own businesses. Only we'll be targeting those shortlisted clients who are have a strong growth trajectory and are also growing well with their existing business models. I hope I've tried to clarify that question, Sahil.

Sahil Sharma: So if I understand the model, it would be similar to Awfis where you will lease it. So why not like let's say, there's a Tata showroom for cars, why will they not lease it directly from the landlord?

Nikhil Bhuta: So listen, I mean, like I said, today, the entire logic behind getting into leasing model is also from their point of view, going capex light, right? They want to focus on their core businesses, correct? And that is where we are trying to come in and pitch in. We are not trying to kind of get into situations of getting into managing their businesses.

We are just helping them to go capex-light, focus on their core businesses, and becoming their partner in their entire journey so that we are able to and also provide the professional kind of setup in terms of managing those real estate as that is our core strength. So we are coming in from that angle and that thought process.

Sahil Sharma:

Understood. And actually, one more thing is on this, if you look at offices, we have complete buildings where we have hundreds of thousands of square foot of space available. In this case, like how would we develop such economies because retail shops are much smaller, right, in size?

Nikhil Bhuta:

So we are not looking at doing some retail shop of like, say, only some 1,000 square feet kind of a thing. We're looking at a sizable space where any that is what I tried to explain to you that we are looking at tying up with those large brands who have a format of at least having 5,000 kind of square feet of area.

And what we are trying to add is that, let's say, if I'm able to add 5,000 square feet and let's say, in 25 cities, that makes a total kind of coverage of 125,000 square feet, which is a very sizable kind of leasing area that I can build in with one single client. And that kind of helps me to not expand into different cities, but also kind of strengthen my core strength of being there in across the country and leverage on my expertise.

Sahil Sharma:

Understood. My last question is, do we have any updates on the REIT and are we still pursuing it? And like what are the like when are we expecting to have the REIT finished?

Nikhil Bhuta:

We are really actively pursuing it, and we really see a lot of value in those structures. Yes, it has taken a little time. But why it has taken time is, as you know that as a company, we are very cognizant of the fact that we only get into opportunities where there is a substantial profitable and sustainable business is available. So we have now established a kind of a suite of properties that we can bring them into the REIT structures. And soon we'll come up with announcement relating to the same, but we are actively pursuing those structures and looking at those business opportunities.

Sahil Sharma:

Thank you and All the best.

Moderator:

The next question comes from the line of Kush Tandon from Ananta Capital.

Kush Tandon:

Good Morning Sir, Many congratulations on a consistent set of numbers. And last four, five quarters, there has been quarter-on-quarter growth. Sir, I would like to understand the company by segments. So if we just talk about the Rental segment, we have been adding around 4,000, 5,000 seats a quarter. And now we have reached a revenue of around INR129 crores, INR130 crores.

Sir, can we expect a similar addition of seats going ahead? And if you take a 3-year view on the business, what is the aspiration of the company to reach number of seats? And so that is the first question, sir?

Nikhil Bhuta:

Yes. Thank you so much, Kush. And yes, I mean, as we've been kind of targeting, it is that we are trying to add on an annual basis, about 20,000 seats plus to our portfolio. And on a quarterly basis, as you can see that we are trying to add roughly about 5,000 plus here and there kind of seats on a quarter-on-quarter basis. And that is the kind of target that we want to really work with.

Yes. I mean, I won't be able to kind of give you an exact estimate into the future years. But what I'm trying to, as an organization, achieve is that we add at least 20,000 plus or minus seats. Looking at the business, looking at the market right now and looking at the penetration that this business model is doing in the market and for the large corporates, we believe that adding 20,000 seats is fairly reasonable to achieve in a year.

And again, like I've explained earlier in our calls that while we go we can probably add in inventory point of view, more seats easily, but what is important is that we kind of sustainably deploy them and get them occupied with 90% plus occupancy. If we can't achieve them, then just adding seats and adding numbers doesn't really turn into any sustainable profitability. And that's where we are.

So from a leasing vertical point of view, Kush, we are focused of adding about 20,000-plus seats on a year-on-year basis, and we believe that we should be able to achieve this target year-on-year, at least going forward next couple of years.

That's where we are in terms of the overall. And that's how the revenue will keep increasing because as you can understand, this is a linear business to that sense, and the leasing vertical really is offering that stable cash flow that we deserve for our overall business model that we have created.

Kush Tandon:

Also, if you can explain what is the churn in this business from the client perspective because it's largely a recurring 3 year, 4 year locking business. Would you be able to give us a number on the churn of clients?

Nikhil Bhuta:

If you Kush, if you refer to our presentations, we have kind of mentioned that my average kind of lock in or average kind of contract tenure is roughly around 45 months, so which you can would appreciate that it's just about 4 years, that kind of contract period that we are looking at.

So we are fortunate, and our business model has been very clear that we look at developing the enterprise clients more and more and look at developing relationships with large corporates in terms of their commitment with us for 4 to 5 years.

Churn rate is obviously something not sometimes in our hand because it depends upon the businesses of those respective clients who are sitting with us, but if we have witnessed as an organization about 4% to 5% churn rate that we have witnessed over the years. And we've been successful in able to refill them and maintain the occupancy levels that we have been able to maintain, Kush.

Kush Tandon:

Okay. Sir, coming to the second business of Design & Build, is there an order book concept here? And we've seen lot of growth there. So can we think of this business as an order book

business? And if yes, then what is the current order book? And what can we expect the order book at the end of the year, financial year?

Nikhil Bhuta:

Yes. Kush, the order book concept is there because what happens is that Design & Build is not a kind of a contract where you just kind of get a business and you start operating or start executing on day 1 because there is quite a bit of lag work which is required, starting from getting your design concepts approved and then which itself takes its own time and then get into the execution.

And the kind of order book that you've seen, in the beginning of this financial year, we had an order book of about INR200 crores, then the next quarter, the Q1, we had an order book of over INR110-odd crores. And this quarter, we had an order book of about INR140-plus crores, INR145 crores roughly.

So basically, what happens is that the order book is created on a particular obviously, on a day, and then they get executed over a period. It is not necessary that, let's say, if I won the contract of INR145 crores today, all of such contracts are going to be executed in a single quarter.

Obviously, like I said, depending upon at different phases, depending upon different handover happening from the clients and also different agencies involved, those agencies giving me hand over, all that factors also matter. But order book concept is there. And like we mentioned, for this quarter, we have right now about INR145 crores worth of contracts in hand for execution.

Kush Tandon:

Sir, so the order book has come down a little bit. So my and you mentioned this in your presentation, I just saw that. Sir, just a question that how sustainable or how recurring business can this be in terms of growth? Because right now, we are experiencing a lot of growth in this segment, and we hope that the growth continues. So if you can throw some light on how many is it a tender or is it more of a one-to-one business? And what kind of growth guidance or order book guidance can you give in this segment?

Nikhil Bhuta:

So first of all, there is no I just want to clarify, Kush, that there is no decline in the order book. Please understand that, like I was explaining, that we get contracts at different point of time, and then we start executing them over the years. So if you look at from this financial year's point of view, we have got an order book of more than INR400 crores together, more than INR450 crores together.

Now this INR450 crores worth of contract would be executed during this year or maybe some of it may get spill over to the next financial year also depending upon the nature of work, nature of contract and the client kind of handover, etc, related matter. So there is no decline in the order book. I just wanted to clarify.

Secondly, in terms of growth, if you see, we have been maintaining the fact that we are in a position that this business is growing rapidly, not just in if you look at our presentations and also some of the market data, it is growing at more than about 28% CAGR, which is really a great sign for this particular vertical. And if we are able to achieve a growth rate of anything around 50% to 60%, that's what our target year-on-year is for next 2 years.

So if you look at my last financial year, my business was at about INR250 crores we closed in FY '25. And you look at this financial year, we closed half year at INR196 crores. So the kind of growth that we have achieved on a half yearly basis is 74%.

And we are very cognizant of this fact that because of our ability to win the large contracts with the corporates, where, obviously, a tendering and an open kind of auctioning process, kind of L1, L2, L3 process run through, it is not that it's just a one-on-one negotiation. Yes, negotiations do take part.

But there is always a process because large contracts can't be kind of allotted by these corporates simply on a relationship basis. So there is a detailed stringent process that we have to run through. We have to compete with our kind of peers and offer them the best solutions, and that's what we've been able to achieve.

And so like I explained, the growth point of view, we are very confident and for next at least couple of years, we're really confident to achieve 50% to 60% Y-O-Y at least, and that can be witnessed in the kind of growth that we are anyway achieving even in the first half of this financial year.

Kush Tandon:

Thanks for clarifying that. The third and the last vertical, sir, about the Furniture business, I also understand that we have overtaken Pepperfry in our other company, TCC? Sir, what is the logic of taking Pepperfry there? And is there any synergy that EFC can derive from that business? And in general, your overview on the Furniture business, the capacity, the capacity utilization growth going ahead?

Nikhil Bhuta:

No, certainly, I mean there is a lot of synergy in kind of Pepperfry transactions. First of all, it is very important for everybody to understand that Pepperfry is a tech platform, which is an omnichannel for enabling more than thousands of retailers to sell their product online through this platform that they've created, a brand that they have created over a decade, which is a very successful brand that they've created.

And it was necessary for us to look at it from that angle rather than looking at it as a furniture company because it's not a furniture company at all. It's a tech technology platform. And they have a robust technology team. They have strong back-end team for marketing and they've strong back end team for sourcing.

So as far as the acquisition of Pepperfry was concerned, it was more looked as the technology company acquisition than a furniture company. Secondly, with regards to the synergy, which is possible with EFC is concerned, 100%, there is a synergy possibility because today, me as an Ek Design, who is the manufacturer of kind of furniture I have an ability now to access this platform myself and list my product on this platform and also try to kind of sell through this platform rather than getting in B2C segment myself.

Secondly, the Pepperfry has got a lot of physical presence across the country. That kind of more than like 26 to 28 states where they have their presence. That enables me to reach out pan-India on day 1. If I'm able to get into a synergetic relationship with Pepperfry, I've now ability to put across Ek Design products across these 28 states on day 1.

And that's the kind of synergy that we are looking at, not just exploring the online omnichannel platform, but also capturing the retail physical presence across the country, and that kind of helps us grow substantially, establish real good synergy, and we are very confident that together, we'll be able to kind of achieve newer heights in the Furniture segment.

Kush Tandon:

And sir, in our own manufacturing, what is the capacity, capacity utilization, etc?

Nikhil Bhuta:

I mean, as of now, we are doing capacity utilization target is that this financial year, we should end at about achieving around 40%. Depending upon my synergies with Pepperfry, if that kind of kicks in very quickly, then this may also go up a bit because now that we are already in process of kind of developing certain specific products, and putting them on the Pepperfry platform.

So we are expecting that this financial year, at least we should be at about 40% to 45% kind of capacity utilization out of my total capacity of around INR275 crores to INR300 crores. And going forward, we should be able to do much better, and we should achieve capacity utilization certainly of 70% to 80% in the next financial years.

Kush Tandon:

And sir, optimal at optimal capacity utilization, what can be our margin in this business?

Nikhil Bhuta:

We are very confident that this business is one of the value accretive business. You please understand that this is where we create the value addition, right? It's a manufacturing business. And we are confident that even at the current situation, we believe that we should be able to achieve anything around 30%-plus kind of margin in this business, sir, at an optimal capacity.

Kush Tandon:

Okay. Understood. Yes. So what I understand is that largely, we are a run rate business, and there will be a quarter-on-quarter growth. So maybe this is our new base in terms of revenue and profitability. And going ahead, sir, we can expect better quarters and better years going ahead?

Nikhil Bhuta:

I mean, this is what we all strive for, and this is what we all aim for. Mr. Kush, you please appreciate that under the leadership of our Chairman, Mr. Umesh Sahay, we have created a very robust kind of platform where we just don't have the stable revenue, but we have substantial growth opportunities. So you look at the way these entire businesses are getting shaped in, we have businesses which are offering linear and stable revenue.

We have tie-ups, we have strategic synergies, which is getting me confirmed kind of sure shot revenue streams. So we are getting into a model which is not just stabilizing my revenue streams, but also able to capture the growth opportunity available in those sectors. So and this vertical expansion across different segments that we have created is really helping us to grow year-on-year basis. And we are very confident that next 3 financial years are going to be really exciting for us at an EFC level, and we are really working hard to kind of achieve and work for the growth of our investors and all the ecosystem stakeholder participants.

Kush Tandon:

Sir, wish you very best. Thank you for patiently answering all my questions. All the best sir. Going ahead.

Nikhil Bhuta:

Thank you so much Mr. Kush

Moderator: The next question comes from the line of Mohan Mishra from Edge Capital.

Mohan Mishra: Thankyou Mam, First of all, congratulations for EFC's tremendous growth on quarter-on-quarter, year-on-year. My first question is towards you mentioned that you are already managing 3 million plus square feet under OpCo or PropCo model. How does this reflect in your debt structure and return on equity? And then is there any way forward or plan you have, a model which can contribute to margin expansion in the coming years?

Nikhil Bhuta: Thank you so much, Mr. Mishra. And yes, this model certainly helps. I mean, it gives me a lot of pride, as first-generation entrepreneurs, we've been able to kind of also get into situations where we are able to implement an OpCo, PropCo model because to acquire real estate, own substantial real estate is not an easy task, as you could appreciate.

So again, like I said, since about more than a year, our Chairman has been very clear that we want to create this model, and we have created different structures to achieve this. Presently, as you know, as we have mentioned in our presentation, about 9% of our total AUM. The total AUM is about 3.23 million square feet.

Out of that, about 9%, which is roughly around 270,000 square feet of area that we own as a freehold properties and rest are all our leasehold properties, which we've taken from the landlords. You would appreciate that when I'm obviously, when I have the properties under my own ownership, my margin profile increase substantially because I don't have to pay rentals, I don't have to go for escalations.

What I have to probably pay for is the interest that I may pay for the debt that I've acquired, debt that I availed to acquire these properties. So in terms of margin profile, it helps me significantly, and that is you can see in the overall margin profile of my leasing business. So one of the critical reasons for kind of better margin sustaining ability for us is that about right now, about 9% of my portfolio is under ownership, and that is what we are trying to achieve it to up to 20%.

And understand from 9%, if I take I'm able to take it to up to 20%, then for 20% of my property, I'm not required to pay rent, but I'm just required to pay interest to the extent I have taken the debt or the borrowings that I've availed. So that kind of significantly adds on my bottom line, my margin.

In terms of debt profile, yes, most of this property, we do about 20% to 15% of margin that we need to give to the banks and the financial institutions to acquire such properties. Balance is obviously funded through these banks and financial institutions. You would appreciate again that these assets generate a lot of lease revenue. And we, as a group also, has substantial free cash flow from the lease revenue available.

So our ability to get debt at a very lowest rate possible because lease rental discounting, a product which is available for acquiring real estate is one of the cheapest product that one can really look at and we have been able to kind of now kind of consider that and able to kind of even avail property at a very competitive rates from the banks and the financial institutions. So my debt exposure, if you see, today, I'm owning about 270,000 square feet.

On that, my debt is even not more than INR200 crores, which is primarily linked to the properties that I have acquired. That INR200 crores debt anyway, like I said, is being taken care through the cash flows that are generated from those properties or otherwise at a corporate level.

And we will always maintain the kind of margin that at least 2.5x of the cash flow is always available for the total exposure that I have on the EMIs so that I never get into a stress situation from a debt perspective. If you look at my debt equity ratio today, that's just about 0.04, which is way below an ideal debt structure also one can look at from an organization point of view. So in that sense, we are fairly debt-light while acquiring and amassing these properties to our books, Mr. Mishra.

Mohan Mishra:

Great, great. Understood, understood. Another question I have on Design & Build vertical, which is showing a strong order book for now. We have discussed order book thing in the previous discussion as well. But how do you plan to leverage the cross-selling? Because I see there are lots of cross-selling between the three verticals. Can it accelerate your growth?

Nikhil Bhuta:

100%, and that is the entire reason why this integrated business model has been created, where we are not just kind of creating kind of an anchor client between all the three verticals but we are also kind of able to kind of expand otherwise with the external parties. So I think the cross-selling, like we do, let's say, from a Design & Build point of view to the landlords of the Leasing vertical or, let's say, from a Furniture point of view to the principles of the Design & Build contract awardee.

So this cross-selling is very, very kind of part and parcel of our entire business model. And that gives us a stable contract and stable revenue, committed businesses across and also allows us to take those opportunities where we can expand rapidly without really worried about doing the breakeven at each vertical. So that kind of gives us a lot of freedom because we have that stability added to each vertical. And hence, we are able to grow substantially under each vertical, Mr. Mishra.

Mohan Mishra:

My last question is, in the next 3 years, how should us investors define EFC, a managed workspace platform, a design and build powerhouse or something else?

Nikhil Bhuta:

Mr. Mishra, I mean, that's an exciting question for all of us because we keep inventing, reinventing ourselves over the quarters, as you can probably see the way we are growing. But our like I said, our MD's vision is absolutely clear that we want to grow as a real estate as a service company.

We want to establish the complete ecosystem for the real estate solution providing as our offering, and under all the three verticals, we don't distinguish between them. We see them as one. We would like to see them as one. And we would like investors also to tag us as a real estate as a service company, a unique proposition that we have created, a unique business model that we have created and look at us in that light, rate us in that light, give us the value proposition in that light and kind of be with us, support us over the years, please.

Moderator:

The next question comes from the line of Vandit from Sageone Investment.

- Vandit:** Good Morning Everyone. Two questions. First on the...
- Moderator:** Sorry to interrupt. Vandit, you are not audible to us. You need to increase your volume from your end.
- Vandit:** Am I audible now?
- Moderator:** Yes, you are.
- Vandit:** Yes, two questions. First on the leasing business. So in our presentation, I see two figures. One is around 68,200 seats and the other is around 56,000 seats, 90% occupancy. So could you help me bridge these two numbers? And also help me tie up the inventory and under-development seats that we have mentioned around 6,000. So if you could help me tie up those numbers.
- Nikhil Bhuta:** Yes, surely. I mean, basically, when we talk about the total number of seats, which is like I mentioned, like you know that it's about 68,241, that is the seats which are total capacity available at our on the leasing vertical side, out of which roughly around, let's say, 55,924 seats are the seats which are presently getting billed, where my customers are sitting and I'm billing them.
- So the difference of roughly about 5,900 seats is the kind of a difference which is towards the capacity under development, which is what do I mean by capacity under development is where the construction work is going on and the handover is expected in next, kind of, let's say, 30 to 45 days. And then there is an inventory of 6,400-odd seats, which is the kind of total number of seats which are contracted for, but where the development work is yet to start.
- So if I break down the complete thing, you have to do the three additions. 55,924 seats are the billed seats, then there is about 5,900 seats which are capacity under development. And then there is an inventory of about 6,417 seats, okay? So all this put together becomes about 68,241 seats. And that's how the vacancies is created based on the inventory and the billed seat, okay? So that's how the equation works, please.
- Vandit:** So if I may put it that way, 56,000 55,924 is the operational seats right now?
- Nikhil Bhuta:** Yes, there are seats which are getting built as we speak.
- Vandit:** Right. So the 90% occupancy will be applied on 56,000 or 56,000 plus 6,400 of inventory?
- Nikhil Bhuta:** Yes, 55,924 plus 6,417. That will be like a total capacity under operation. And on that, if you take 6,400, you'll get the we'll see that, that is about 10% vacancy that is what is there out of the total operational capacity.
- Vandit:** So if I just do the back calculation, our average rent per seat comes out to be slightly higher than what is mentioned around INR7,000, comes slightly higher than that. So any color on that?
- Nikhil Bhuta:** Yes. So listen, I mean, what happens is that average rental is obviously it's a function of where some of the earlier my seats, which I would have leased out in like I mentioned also, the 45

months is my contract tenure, right, with my enterprise clients. So now I would have contracted with them, let's say, in 2022, 2023 or 2021 also.

So the rates at that point of time would be much different than probably the rate at which I'm contracting today. Today, my contract rates are not less than INR7,500 or maybe even sometimes more than INR8,000 per seat. But on an average out basis, that's how we have given a range. It's something in the range of INR6,750 to INR7,250.

Yes, if you do a pure calculation, you may come up with a rental I mean, average of about INR7,500 plus kind of a number. But that is, again, like I said, it is there is a lot of dependency on at what point of time the seats have come into billing point of view. They might be contracted, the billing might have started 15 days later.

Revenue might have got realized accordingly. So if you do a simple division on the total rental by total seats, you may not get the right average seat rate. But based on the weighted average that we calculate and based on the overall average that we arrive at, that is the range that what we have mentioned in our presentation is the correct number to really refer to at this point of time.

But as I said, currently and in the current situation, we are doing over INR7,500 per seat kind of a rate that we are achieving. On an average basis, that is the range, as mentioned in the presentation of INR6,750 to INR7,250, that's what we achieve.

Vandit:

Got it. That was pretty helpful. My second question is slightly broader, which is around the cash flow. So even on an H1 basis with a 70% increase in EBITDA, our net OCF has remained largely similar. And with taking in account the INR65 crores, INR66 crores of rental payments, is actually slightly negative. And there are high amounts of receivables and INR125 crores of IndAS noncash item, as mentioned. So if you could help me understand the cash flow and any outlook on how do you see the cash flow going forward?

Nikhil Bhuta:

Sir, I mean, you would appreciate that broadly, all my three of my businesses are very capex-light businesses in that sense, if you look at it the way the business models are defined, except for the property acquisition we do, right, but obviously, both Design & Build and the Furniture vertical, which now today, if you see, roughly contributes 50% of my total revenue, they are quite working capital-heavy businesses.

And in the current circumstances, we don't have any working capital significant leverages, which we are already in process of planning. Once we are able to kind of plan our working capital with winning a substantial working capital facilities from the banks, etc., which is, like I said, is in process, our ability to kind of improve on the working capital cycle will become much better, and that will have an impact on my operating cash flow as well.

But otherwise, like I said, the free cash flow that I generate from my leasing vertical also, to some extent, get ploughed in to kind of support the working capital requirement at a holding company level in terms of the different verticals that I operate. So broadly, that's where if I have to give you a fundamental answer to this question, obviously, we can get into detail on each item and explain to you and give you a reconciliation on how the cash flow is operating.

But broadly, like I said, that's where the cash flow works, where the leasing vertical will contribute substantially while both the other verticals will have some sort of working capital deployment, which will have a little kind of impact on my overall operating cash flow that I generate.

But on an overall basis, like I said, it's just a question of a lag because depending upon a particular point of time, the contract getting completed, the revenue getting realized, some because these are all like a running build concept when it comes to the Design & Build and when it comes to the furniture manufacturing, there are certain credits, which are obviously granted under the industry.

So all that factors taken into consideration, overall, the cash flow looks positive to us, except for the working capital deployment that is required primarily. I will be in a position to answer this question in more detail if you allow me to kind of give you more clarification specific which you require, if any, apart from this clarification that I've given right now.

Moderator: The next question comes from the line of Nikhil Gada from Abakkus AMC.

Nikhil Gada: Hi, Am I audible?

Nikhil Bhuta: Yes.

Nikhil Gada: Congrats on a great set of numbers. Sorry sir, I just joined the call a bit late. So pardon me if this question was already asked. But if you can help me understand this new rental leasing venture that we are getting into in terms of unit economics or how it will function, what kind of revenue targets we are trying to achieve in the next 1 to 2 years? And what kind of margin profile would this business have?

Nikhil Bhuta: Mr. Nikhil, yes, I mean we did address, but I mean I would certainly answer your question is that, number one, the business that we are getting into, yes, it's an exciting opportunity that we look at it. At this point of time, give you any estimates, give you any kind of targets for that would be a little difficult for me in this quarter.

Maybe in the upcoming quarter, I would be able to specify in terms of numbers, and also the margin profile because I mean, we do have our own estimates, our own budgeting around that, but we would certainly like to test the market and look at how we are able to kind of achieve those targeted numbers.

But rest assured, as an organization, we will certainly not work at a margin profile which affects the overall margin profile as an organization, number one. Number two, as a business model, just to clarify and put it to you is that we are going to kind of tie up with large corporates who have retail presence across India, who are looking at who have kind of a retail presence of more than 5,000 square feet of a single location, and they are in multiple cities.

I will be able to leverage all three of my verticals, my strength under all three of my verticals in terms of property identification, in terms of design and building and in terms of furniture providing to this retail outlets, and helping them to become capex-light and focus on their core

businesses, which is what obviously is the core mantra behind this entire flex office business, and that is what we are trying to achieve through that.

What we are trying to achieve and how we look at this business is that at the end of the day, we are acquiring substantial square feet AUM under our management either through retail tie-ups, through these corporate tie ups that we do for the retail chains or through the co-working spaces that we offer.

So at the end of the day, that is the business target. Our margin profile broadly, we would like to keep around the same margin profile. But like I said, allow us a quarter or so to mature this particular vertical, and see that how we can grow further and achieve the similar kind of margins or better margins under this vertical.

Nikhil Gada: Sir, just one clarification over here. This is going to be a property which we first will lease from the landlord and then pass it on to the retail or we are going to look at ownership of any properties?

Nikhil Bhuta: No, certainly, this will be more or less kind of getting on the complete lease model only where we will kind of take it from the landlord on lease and develop them, maintain them, handle the facilities, kind of do the repair and maintenance, etc, required from time to time. And that's what we'll do.

Certainly, we'll not look at to begin with on ownership model as we have done in our all other different business verticals that our capex exposure would be limited. And we'd rather kind of focus on facility side and providing the complete solution to them so that they can focus on their core business.

Nikhil Gada: Understood. Sir, secondly, just another clarification, in our rental business, as you mentioned, 9% of the areas which we own directly and we want to increase this to 20% is something which I've heard. Now my understanding was that you are trying to take the freehold properties and put it in the REIT business if I'm not wrong. So is that how it works or how do we see.

Nikhil Bhuta: No, I mean, absolutely, if you have I mean we've been very clear from day 1 when we have kind of got into even creating the REIT structure, and we have maintained it very clearly that, listen, to the extent my balance sheet would permit, I will acquire the property on my balance sheet because it is necessary for me for two reasons.

One is to create value for my company, the appreciation that you get in the property pricing, and also those property would enable me to kind of leverage those properties and raise some debt whenever required for the company to maintain the ideal debt equity structure from an organization point of view.

But as an organization, I cannot build a multi-crore asset ownership structure under my own company in a very in a fashion where next 4 to 5 years, I'll be able to build that structure. And to enable me to do that, we have created this REIT structure where at least, we are ensuring that there is an AUM which is coming under our management.

So that's where the OpCo-PropCo model will work where either the property ownership will go on my own balance sheet or on the balance sheet of the REITs which I'm managing. And my operating companies will manage either the REIT or the properties, even if I'm also owning. So the entities under my company, which is owning my own property, they will act like a landlord internally, you appreciate.

And from a REIT point of view also, REIT also will act like a landlord. As far as my operating company, which is, let's say, the EFC Limited, operating company will keep managing these properties as a managed office solution, under the managed office solution vertical and offering those solution across.

So the ownership of the property to the extent my balance sheet permits will be acquired under my balance sheet. If not, then they will acquire through the REIT structure, wherein I will invite investors to participate and create an ecosystem where they get the rental yield. On the other hand, the EFC investor gets the revenue off managed office business because anyway, those assets are being managed under the operating companies. I hope I'm clear on this, sir.

Nikhil Gada: I got that. So just sort of asking it differently, when you say that we want to make that 20% of our total AUM, can you give a breakup if there's something which is there in mind, how much would be through the EFC structure and how much would it be through the REIT structure?

Nikhil Bhuta: No. This entire 20%, I'm saying is through EFC structure only. And this is the target that we have, okay? So right now, like I said, it is 3.23 million, correct. Now this 3.23 million, as you know, that every year is growing. My AUM normally, every year is growing. If you look at 20,000 seats are adding every year. So obviously, the AUM is growing.

What we are talking about is to achieve a kind of a rate where at least 20% of the total AUM which EFC is managing should be under our own ownership so that we are able to achieve a better margin, also able to create an appreciation potential and also able to kind of create a better leverage potential.

Nikhil Gada: Understood. Sir, just a couple of more questions, if I may. Firstly, sir, in terms of the rental business margins, we are already much better than most of our peers. So I think you sort of alluded that because we have 9% of our own properties as well. But apart from this, are there any other specific reasons where we are doing much better margins compared to peers?

Nikhil Bhuta: There are three, four very obvious and significant reasons. One is, number one, we are not into the revenue share model. We are into straight lease models. That kind of adds to your margins much better because then your revenue, your profit margins are not shared with the landlord, number one.

Number two, we have this integrated business model, which enables largely to the leasing business because you please appreciate that the margin that we were otherwise passing on, on the Design & Build and on the Furniture to the third parties now retain at the group level. So that enables the leasing vertical to get much, much, much stronger and much profitable.

Thirdly, the property ownership also adds to my margins. You would appreciate that at the end of the day, only the interest cost, which will get accounted for while I don't have to pay out the rentals on these properties. And that kind of adds to the obviously, the bottom line and the margin.

So some of these factors put together really help me to improve my margin much better. And the core of our company kind of philosophy, we are always very cost conscious. You would appreciate as a first-generation entrepreneurs, we were always in scarcity of kind of having a free cash flow or free flow of funds from only with the grace now that we've got such strong investors with us that we are kind of backing us.

But otherwise, we have been always conscious of the fact that the cost control is one of the most significant aspect, and that also adds up to my margin profile overall. So I think these four, five factors significantly contribute. I mean, I can list down many. But I mean on a fundamental level, if I have to kind of tell you, these are four, five points which really can add up to a margin profile of 10% plus/minus easily than the peers that may be operating in the market.

Nikhil Gada:

Understood. And sir, one last question. Your Design & Build margins for the quarter we've been going while it's been a bit volatile across quarters, but I think we're fairly safe to assume that we can do 27%, 28% margin is what is visible. But now this quarter, we are at 24%. So any specific reason?

Nikhil Bhuta:

No. I mean, Mr. Nikhil, I've always explained that it depends upon the nature of business contracts that we have been executing in that particular quarter. So obviously, that is one of the significant reason, but on an overall basis, like we know that we will be able to maintain the margin profile that we've been maintaining in a particular quarter because of certain specific type of so this, if you can see also that there are there is a jump in my indirect cost also on other expenses also.

And that is also attributable to certain specific type of expenses that I had to incur for this new contracts that I was executing under the Design & Build and which had a little pressure on my EBITDA from the Design & Build vertical, which is kind of which can be which would definitely not be a consistent phenomenon because this is a very typical nature of certain contracts that we executed.

We executed certain energy sector businesses where the certain specific requirements were there, some specific skill sets were required to be acquired. And once we have acquired it, now I don't need to acquire it again and again. And in a way, if you look at it, this is kind of a onetime expenses, but from an accounting point of view, I could not classify it like onetime expenses, and hence, I need to take consider it under our overall other expenses and the jump and hence, the pressure on the EBITDA for this quarter on the Design & Build vertical margins.

Nikhil Gada:

So the sustainable margins are 25%, 26% in this business?

Nikhil Bhuta:

Absolutely.

Nikhil Gada:

Great. Thank you so much and all the best.

- Nikhil Bhuta:** Thank you so much Mr. Nikhil.
- Moderator:** The next question comes from the line of Aayush Saboo from Choice Institutional Equities.
- Aayush Saboo:** Yes, congrats on a great set of numbers. So actually, my main question has already been answered pertaining to the retail D&B that we plan to flow in. But also, if you could just confirm, the 90% utilization that you mentioned, this is on the total billed seats, right, or on the total capacity seats?
- Nikhil Bhuta:** No, total operational seats. So the 90% is the total operational seats, which is, let's say, 55,924 plus 6,417 the inventory. So that is roughly around, let's say, around 62,000-plus kind of seats. On that, if you calculate, you will achieve the number of 90% plus occupancy.
- Aayush Saboo:** Okay. So the total billable seats plus the seats in inventory, our total seat capacity, 90%, that is the
- Nikhil Bhuta:** Yes, yes.
- Aayush Saboo:** Okay. And also, do we see do we still maintain INR400 crores turnover, I mean, guidance for the D&B vertical or do we see any upside relating to that, any possible upside?
- Nikhil Bhuta:** Aayush, I mean, we've been I mean, rather believing now in terms of delivering the results rather than getting into any guidances. But you see, this year, like I've already explained, we have achieved in half year a turnover of INR196 crores. I have already order book, which is, I said combinedly INR450 crores, out of which the new order book that we have received this quarter was INR145 crores. So we are really confident to grow at the rate, at the overall growth rate that we've been talking about of 50%, 60% plus at least and we are confident that we will be able to run with this run rate for the next couple of years for sure, Aayush.
- Aayush Saboo:** Okay. So our guidance remains intact? Thankyou.
- Nikhil Bhuta:** Absolutely.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Mr. Nikhil Bhuta for closing comments.
- Nikhil Bhuta:** Thank you so much. And first of all, again, thank you so much to come and participate in the Q2 half yearly conference call today. As there are no further questions from the participants, I now hand after the on behalf of EFC Limited, I would like to thank you all of us for joining.
- And we will strive hard in achieving what we are set out here for and we'll ensure that all the three verticals kind of work in tandem, not just help each other, but grow independently and achieve the kind of vision and goal set by our MD Mr. Umesh Sahay and work for the betterment of the company and achieve the success that it deserves. Thank you so much.
- Moderator:** On behalf of EFC India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.