"EFC (I) Limited
Q4 FY '25 Earnings Conference Call"
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MODERATOR: **MR. ASHISH TENDULKAR – MUFG INTIME INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Conference Call hosted by EFC IndiaLimited. As a reminder, all participant lines will remain 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 the operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I would now like to hand the call over to Mr. Ashish Tendulkar from MUFG Intime India Private Limited for opening remarks. Thank you, and over to you.

Ashish Tendulkar: Thank you, Ryan. Good morning, ladies and gentlemen. To discuss the business performance, we have from the management team, Mr. Umesh Sahay, Chairman and MD; 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 uncertainty. 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.

Umesh Sahay: Thank you. Thank you, Ashish. Ladies and gentlemen and fellow shareholders, hello, I welcome to you all to the conference call to discuss the Q4 and full year FY '25 results. It is with immense pride and gratitude that I stand before you today to share the remarkable performance of our company over the past year. This has truly been a landmark period in our journey, marked not only for strong financial results, but also by strategic progress and unwavering commitment towards excellence.

Our company has delivered stellar results, exceeding expectations across multiple dimensions. Revenue grew by 57%, reaching an all-time high of INR657 crores and net profit increased by 122% to INR141 crores, reflecting our ability to execute our strategy effectively and efficiently. This performance is a direct outcome of our disciplined operation, customer-centric approach and the tireless effort of our exceptional team.

Our commitment to delivering long-term value remain firm and strong. We also continue to maintain a healthy balance sheet, enabling us to pursue future investment, innovation and shareholder return from a position of strength. While we celebrate our success today, we are equally focused on the future. The environment remains dynamic and competitive. But with a clear vision and robust strategy and a culture of innovation and accountability, I'm confident we will continue to lead the way real estate as a service sector is evolving and be the catalyst to the change.

On behalf of the Board of Directors, I extend my sincere thanks to our dedicated employees who passion and commitment fuel our success, our management team for their bold leadership and focus on execution and you, your shareholders, for your continued trust and support. Together, we have achieved a stellar year, and together, we will shape an even brighter future. Thank you. Thank you all.

Management: Ashish?

Moderator: Mr. Nikhil Bhuta you can please go ahead with your prepared remarks.

Nikhil Bhuta: Right. Good morning. Good morning, everyone. I welcome you all to earnings call of EFC India Limited. Dear members, EFC operates as a real estate as a service company, a model built on three integrated business segments: managed office solutions, design and build, fit-out turnkey contracting and furniture manufacturing. This unique value proposition allows us to offer comprehensive real estate solutions from tailor-made workspace solutions and tech-enabled office environments to commercial interior design and premium furniture products.

Today, we can proudly say that our vision to build a fully integrated business model has truly evolved and have transformed into a complete ecosystem wherein each business vertical is complementing and is synergizing with others.

Having said that, each of these verticals have developed a unique moat to be the leader in the respective verticals while maximizing value for its investors and stakeholders. Under the managed office - the leasing business, as we say, we provide customized, scalable and fully furnished office solutions with comprehensive management and premium amenities. These are ideal for enterprises seeking long-term efficiency, privacy and control as well as freelancers, start-ups and SMEs.

We currently manage about 2.82 million square feet across 79 sites in about nine cities with an average occupancy of 90% plus. Our strategically located facilities offer convenience and accessibility. In Q4 FY '25, this segment contributed 56.8% to our revenue and 70%to our profit before tax.

Now on the Design and Build division, we offer end-to-end interior solutions and turnkey contracting from concept to execution, creating aesthetically striking and functionally optimized office spaces. Our services include general contracting, project management, design and build and MEP services. This segment accounted for roughly about 40% of our Q4 FY '25 revenue and about 17%** of our profit before tax. We have an order book of over -- I mean, INR200 crores and have designed more than 3.5 million square feet till date since inception.

Under Furniture division, we specialize in custom and ready-made high-quality furniture for diverse sectors, emphasizing thoughtful design, craftsmanships and durability. We have ventured into furniture manufacturing with Ek Design Industries Limited and expanded our market presence through the acquisition of Degwekar Industries Private Limited.

Our manufacturing capacity at present is about INR275 crores to INR300 crores in value terms with a current order book of about INR35 crores. Going forward, we will capitalize on the foundation laid by us and strengthen it by owning or controlling assets through strategic resources and structures. With this, we eventually aim towards monetizing or leveraging the potential value of such assets.

I thank you all for your continued support and faith in us, and we are genuinely committed to perform and deliver the best interest for our stakeholders. Thank you so much.

Moderator: Mr. Uday Vora, please go ahead with your remarks.

Uday Vora: Good morning, everyone. Thank you for joining us today. I'm pleased to walk you through the financial highlights of EFC India Limited for the fourth quarter and full year ended March 31, 2025.

Financial year '24-'25 was a landmark year for us, a year marked by strong revenue growth and solid profitability. Our consolidated revenue from operations surged to INR 656.77 crores , a robust 56.5% increase from INR 4,19.86 crores in the previous year. This was driven by solid performances across Rental, Interior and Furniture segment.

Consolidated EBITDA improved significantly, and our profit before taxes stood at INR199.84 crores, an impressive 2.5x increase year-on-year. PAT reached to INR140.77 crores, a sharp rise from INR63.3 crores in financial year 2024, representing a year-on-year growth of over 122%. The top line has increased by 126% comparing Q4 FY '24 and Q4 FY '25. The EBITDA and PAT has significantly shown improvement of 109% and 72%, respectively, for the same period.

Our seats portfolio has increased to 60,000-plus seats for the financial year ending 2025. The rental revenue segment contributed to about 56.7% of the total revenue, while the Design and Build furniture and Furniture segment stood to about 40.1% and 3.2%, respectively.

As we step into financial year '26, we are poised to accelerate our growth across new asset classes, optimize capital deployment and leverage synergies across our expanding portfolio. Our focus remains on enhancing operational efficiency, deepening customer value in all our segments, driving shareholder value through sustainable financial discipline.

In closing, I would like to thank our Board, employees, investors and partners for their continued trust and support. We are committed to delivering consistent performance, and we look forward to the journey ahead with great confidence. Thank you.

Moderator: Sir, should we go ahead with the question-and-answer session?

Management: Yes, please.

Moderator: The first question comes from the line of Sahil Sharma, an Investor.

Sahil Sharma: Congratulations on a great set of numbers. My first question is, can you explain a little bit in detail about the Design and Build segment? What is the current order book visibility and whether there are any large order wins and typical execution of design and build contracts? Are we winning any large duration or large contracts? And also in general, execution time line and also working capital and margins?

Nikhil Bhuta: Thank you. Thank you so much, Sahil bhai. Yes, I mean, in the design and build vertical, we've been really doing good and we have really performed outstanding this financial year. Typically, as you understand, I mean, the design and build, once we get a contract, there is obviously a process of bidding. And then once we get the purchase order in place, the process starts from kind of finalizing on the designs. Once the designs are completed, we get into the BOQs, once they get into the BOQs, BOM and then we fix on the kind of execution time lines.

And obviously, then the execution period start kicks in. And then there is also a period -- I mean during the execution also and also post execution, obviously, the own -- the principal would come and kind of check the completeness and also the specifications that they've given us to kind of deliver upon. And once the snags are removed, the final payments, if there is any retention, will be released to us.

Now typically, this time line, depending upon the nature of a contract, would vary from zero to about six months depending upon, like I said, the square footage that is to be developed. But let's say, if I get it on a day 1, there's about 10, 15 days, which gets into finalizing the signing approving on the BOQs, etcetera, because everybody would have their own specific requirement in terms of what kind of material to be used, which brands to be used and so on and so forth.

And accordingly, that for the first 15, 20 days, that is what generally gets invested into kind of finalizing these matters. A lot of the customers have all this -- some of these things already predefined, laid down, then such time line could be reduced also.

And then comes the execution period. And as we know that we take pride in kind of doing a quick execution because as we have said in the past, projects like 100,000 square feet, we have kind of delivered in terms of execution in 2 months' time. So that's how this entire period of execution starting from contract winning to getting the final retention payment runs through.

Payments generally, as I'm mentioning, we receive on a milestone basis. So generally, we get about certain percentage of advances. We also -- depending upon the size of the contract, we also may have to give performance guarantees, which ranges from 5% to 10%, depending upon, again, the client, nature of contract. And then there are milestone-based payments which are released. And at the end, there is some amount of retention, which is anything between 5% to 10% is retained by the customer to ensure that all the snags or all their expectations are met before we really do a complete handover. And that's how the payment milestone also works.

Overall, in this segment, if you see the credit period ranges from 45 to 60 days typically. And that is what we try to achieve, and that is what we try to adhere to and not get it extended as long as we do right selection between the clients, we are able to certainly execute this kind of time line. In terms of overall margins, if I talk about our margins in this segment on an average ranges between 17% to 20%, 22%. Sorry?

Sahil Sharma: Sorry, nothing.

Nikhil Bhuta: Yes, yes. So that depends, again, like I said, about the nature of contract, how much of percentage of design angle is involved, how much of execution is involved because the more there are angles on the -- in the intellectual activities involved, obviously, the margin improves. The services are there, more services, more margins would improve. And also what kind of complexities are involved, let's say, if there is a project where we have to do kind of an R&D or an R&D center or let's say, a laboratory, where the is a specialized job is involved and then obviously we'll be able to charge some better margins versus just developing a simple office infrastructure. So that's the kind of -- that's how this entire vertical operates, Sahil.

And in terms of order book, we have confirmed orders of INR200 crores plus while we are talking in the first quarter of this new financial year, we have made an announcement already to that impact that in fact that there's a large contract from an MNC client we have received for INR183 crores. And obviously, a few other contracts which we already have secured.

So while in the first quarter itself, we are sitting on an order book of INR200 crores. Obviously, this order book will executed over the period because this large contract of INR183 crores will take its own time to kind of get fully executed during the year. And obviously, all of this entire amount may not be accounted for in the first quarter itself, but it will be spread across the year. So that's how this entire segment has been performing, and we are really excited that this year also looks very promising. And as we mentioned that we already have this INR200 crores of order book in hand right now.

Sahil Sharma: Thank you so much. My next question is on the strategic side of your business. We find EFC to be a very vertically integrated kind of a player. What is the strategy and thinking behind this vertical integration? We are present in furniture, design and build, office rentals. And are we thinking of any other integrations possible, maybe facilities management or leasing of like commercial spaces other than offices, anything that we are planning?

Umesh Sahay: Sahil, if you look at this, we call ourselves a real estate as a service company. So when we talk about this, we drive three things. One is that we are in leasing, we are in design and build and we are in furniture rental, as well. If you look at it, real estate as a service starts with furniture. If you are taking a building on lease, then the building belongs to someone else, expenses are someone else's and you are only left with furniture and the margin on the furniture, which you add with the services. So when we started this business from the last 10 years, if we look at our legacy, then one thing is clear that this is a game of backward and forward integration, wherein if you own the furniture line and the design and build, and you club it and give it to leasing and services, definitely you will be able to control the overall margin. Even you see in the market, we were in backward and forward integration from the start. But if you look at it, in the coming time and in the present scenario as well, many of our competitors are still following this line.

And I think we are also discussing along the same lines. So I think backward and forward integration is for us because we have control of the overall business. And there was one more thing in this that if you look at it, we also own assets.

So that is also a strategic move of ours, where we see that down the line we have a substantial asset ownership portfolio. That is, tomorrow it should not happen that we run a business for 10 years and find out that we are asset light, but we have not achieved anything. So that in a parallel, we are also building assets in it.

Sahil Sharma: Thank you, Mr. Umeshji. You explained it very well. Also, related to this, sir - we were actually going to launch REIT. From there, we will get a little backward integration in ownership. Sir, can you explain a little bit about what is going on in REIT and how long it should approximately take? Even if you can tell the ballpark timeline?

Umesh Sahay: Sahil, the approval of REIT came to us last year at the time of Dhanteras. In October, we got the approval of REIT. And I think we are the first to bring REIT as an operator. Most of the REITs are on traditional leasing, but no one is operating REIT as an operator. Our planning is that we are executing it very successfully. Your question is when are we bringing it?

One thing is that the legal DD is in progress on the property we have identified. And once the legal DD is cleared, then maybe we will announce it for the IPO process. That is in the pipeline, Sahil. Because the size of real estate is high - so for the legal and other matters - there is an ongoing due diligence.

Sahil Sharma: Can we expect this to come this year in FY '26?

Umesh Sahay: Yes, absolutely Sahil.

Sahil Sharma: Thank you, Sir! That was my question.

Umesh Sahay: Thank you, thank you Sahil!

Moderator: **Thank you.** The next question comes from the line of Raghav from SVK Advisors.

Raghav: Thank you. First of all, congratulations on stellar performance last year. I would like to start my questions from a very innate question and connected to Sahil's question. Why are we doing everything in-house? Where we see other players being very wallet light and then doing things -- outsourcing things to other players. Why we are doing -- is there any advantage to it? Like why we are doing everything in-house?

Umesh Sahay: Sir, your question is related to Sahil's question. The benefit of doing everything in-house is that you have the margin in your control. The supply line is in your control. In today's date, what is the main inventory for us? Assets are generally on lease and services are generally third-party. What are we left with? We are left with furniture. So if I talk about furniture, it is such a thing that if a supplier has set a margin of approximately 15%, 20% or 25% and if I give any guidance every year that 10,000, 15,000 or 25,000 seats are being added. So when I talk about it, so many workstations are being added, so many chairs are being added, so much design and build is required.

And every time you understand that the business of co-working is not like that once you make a product, then the same model is going to be copied in its entire journey. I mean, there is an alteration in the unit. If my unit is made up of 50 seats or 100 seats, and if the SVK comes tomorrow and says that I need 500 seats, then definitely I will have to join this multiple unit.

Now, once I have put a capex in it, right, suppose I have spent INR2 crores or INR3 crores on a site, and after 8 months a client comes and says that you give me an alteration, then definitely my capex has increased there. If this thing is in my control, then definitely my capex will not increase. I will have a labor cost, maybe I will put it on the client, that sir, give customization cost and other things.

So this whole supply line or you can call it inventory line or whatever word you use, if it is in control, then only you will be able to make this business profitable. If you think only by giving services, then it will be difficult somewhere. Earlier also I said that you see, so other people are also understanding this thing today.

In our industry, other people are also coming on the same line and controlling backward and forward integration. Because at the end of the day, you see, what do we have left? We have only furniture left. The rest of the things, let's say, in the name of asset light, you can give third party.

Raghav: (inaudible).

Umesh Sahay: Yes sir, yes sir!

Raghav: I understand. But this makes our product, our offering capex heavy. So can I ask you what is our capex need for FY '26?

Umesh Sahay: Sir, I will answer your question in two parts. First of all, what you are saying that capex becomes heavy, that generally does not happen. In many cases, when we take the property on lease, then we generally do a fitted out deal. I mean, warm shell plus fit out. So in that, generally the capex comes from the landlord. So in our books, that capex is not heavy.

But at the same time, we have supply chain control, so I can drive rentals. Now see, if you are a landlord, sir, then what will you tell me? I ask you that sir, you are giving me a building furnished. So you will tell me that okay, my rate is INR50 bare shell and INR80 offurnished. So the INR30 that is increasing above, you will get it driven from me somewhere. It is not that I get Italian Marble installed everywhere.

So somewhere you will say that I will invest INR2 to INR2.5 behind every 100 rupees investment. So your rental will be driven by the same investment. Generally, furnishedinvestments are like that. And if you have supply control, then you can tell the landlord that sir, I will make it for INR1250. This is my design. So I have two things there.

My landlord should also experience value-add. This is my operator whom I am giving space, is efficient. Because if the operator does not earn, then the landlord will not earn either. And the second point is that I am also on the client end. If you look at us, then our offering is between INR6,500 to INR7,500.

And our other product is Sprint. If you look at it, it is a very vibrant design. And we got a very good response in it when we started 2 to 2.5 years ago. So we are also looking at how we can add value to our client on effective investment and effective capex. Yes, so this control is necessary.

Raghav: (inaudible)

Umesh Sahay: Sorry sir, sorry sir?

Raghav: The second part was yours that what is the need of capex in FY '26?

Umesh Sahay: I will let Nikhil sir take that.

Nikhil Bhuta: So capex, as Umesh explained, that capex required at our end is pretty low because generally, in the leasing business, all the capex, which is largely required is in the building up the property, building up the place that we are taking on lease. When I say building up basically interior design and the fit-out related activities that we have to take.

Now since most of our leases, which we take from the landlord are financed for the fit-out related activity by the landlord only. So the amount of kind of capex that is to be incurred is very insignificant. But if you look at overall on an average basis, let's say, if I'm on an average leasing out on an annual basis, about 20,000 to 25,000 seats, my capex is about INR50,000 per seat. And let's say, around 10% thereof is something that we kind of keep -- we invest ourselves. And that too in a situation where we have a very long visibility on our customer end.

So if you look at -- let's say, if you look at 25,000 seats, we talk about around 10% thereof. So that's about 2,500 seats, multiplied by INR 50,000 per seat. That is the kind of capex that outlay that we probably would require to carry out -- in a particular financial year. That is relating to the leasing business.

With regards to the design and build business, as you would appreciate that, that's a contracting business. So obviously, the investment there is hardly anything in the capex side because there's no plant and machinery, etcetera, that is to be required. And on the furniture side also, as you would appreciate that in the furniture business, machinery equipment are obviously integral part, and we've already made substantial investment thereof. And this financial year, we are not looking at any further investment as of now.

Obviously, there will be certain -- not major, but certain machineries, which will be required depending upon some different types of requirements to be addressed for different clients. But no such major capex that we are looking even in the furniture vertical. So that's the overall capex outlay that we are looking for this financial year for our all the three verticals, sir.

Raghav: Thank you. Thank you so much, Mr. Nikhil and Mr. Umesh. My last question is around, you mentioned that you have around INR6,500 to INR7,000 per seat right now. As I see a market beyond this and do we have, can we expect any improvement beyond this range, INR6,500 to INR7,000? Can we expect a growth in this?

Umesh Sahay: Definitely, sir. Look, there are two points here. One is that we are at INR6,500 to INR7,500 per seat and the market is more than that, right? So, there are two things in this, sir. I believe that there are two ways to conduct business, either on margin or on volume.

So, we have to say one thing, let's suppose that I operate my seating capacity at 60% or 70% and down the line, if I look at it, then there is one thing, average revenue per seat per year. How much is it? Today, if I make my seat very expensive and I say that okay, I am selling a seat for

INR8,000 or INR9,000 or INR10,000 and after that, I get to know that my occupancy is at 60%-70%.

So, sir, look at one thing, it is possible that I will look at a big number to see, but if I look at it in a holistic term, then my average will be INR6,500 to INR7,500. Because we believe that if you look at our center, we operate at 90%. So, if I operate at 90%, then my price band of INR6,500 to INR7,500 creates a big catchment. It means that if you look at our client profile, we also have startups.

If you have seen a dream of starting a new startup, then you do not need to start a company from a flat. We will put you up in a glass building and give you the best service. From there you can start a business from there. If I talk about a large corporate, then there are large corporates too. This is possible because the catchment area is big. It is possible that for a company, it is not INR10,000.

And there is one more thing, sir. You see that in our industry or in anyone, if I keep the seat vacant for 5 days, then sir, in this life, that 5-day rental is not going to be added. It will impact somewhere on the average revenue per seat per year.

So, we believe that INR6,500 to INR7,500, which we have brought on philosophy so far. Earlier, we had less, you see, we were INR5,500 to INR6,500 a few years ago. Then we have gradually increased it. If you look at our Sprint product, it is very high-end, it is very advanced and we have also made its branding vibrant – if you look at Sprint's colour theme.

So there we are definitely increasing rentals gradually. And behind increasing, we are also improving services. But at the same time, our philosophy is that our catchment area or my customer segment or customer profiling, I don't want to hamper that. I mean, if you want to see an office, then you say, I didn't get anywhere but if I go to EFC or Sprint, I will get it in my budget. And we are committed to customizing as per client requirement. This is it, sir.

Raghav: Thank you so much. Nice analogy, and I am happy that you are strategic about your pricing. Thank you.

Moderator: **Thank you.** The next question comes from the line of Manhar, an Investor.

Manhar: Sir, I just wanted to understand, in the Furniture division, what kind of capex have we done and what kind of asset turnover we are targeting? And what is the current utilization we are right now at? And definitely, we have told about our order book, but what kind of visibility or any significant order wins we would like to talk? And also if you would like to talk about what kind of market we are strategically trying to enter. So everything about the Furniture division, if you can just talk about that?

Nikhil Bhuta: Surely. On the Furniture division, in terms of capex, we -- in totality, we have invested about INR15 crores to INR 20 crores, which has gone into obviously creating -- setting up the plant and machineries, getting all the -- and getting it completely compliant with all the applicable standards, etcetera.

In terms of total capacity, at this plant and with the kind of infrastructure that we've kind of laid down, we are in a position to kind of in value terms, do a business of about INR275 crores to INR300 crores. Obviously, at this point of time, because we just started off last year in the middle of the year. And obviously, the 3, 4 years -- 3, 4 months took time in terms of getting our product range established getting them accepted at the client end and then obviously start creating the pipeline -- order pipeline and then start executing them.

Because this one hand is to create an order pipeline and the other is obviously to execute and deliver those products because once you create a product pipeline, obviously, that itself is a process where we need to get the design for a particular product approved, the product BOQ, BOM in place. And then the entire thing gets into the production.

Now production, obviously, again, if a client requirement is of a specific type of wood or specific type of metal, then obviously, there will be a lead time involved in sourcing those products. And then once the product comes in and then the conversion, which will kicks in. And obviously, the logistics involved depending upon at which location the client is located.

So that entire cycle, obviously, from creating an order pipeline to execution to delivery is a process depending upon the sizes, depending upon the locations, depending upon the product requirement - that varies significantly.

In terms of market that we are trying to enter, yes, in terms of industries, we are obviously -- one of the industries that we are clearly focused is obviously on the office infrastructure, which is the modular furniture that we talk about. Then we obviously are also have -- recently, you would have seen our announcement that we have kind of created premium sitting systems where premium sofas and premium chairs that we have started marketing, and we are trying to cater to that segment as well. We also cater to the hospitality segment. We also cater to the education segment. because those are the segments which are also doing great in terms of the businesses overall.

Apart from that, in terms of the domestic market, we obviously are available to supply across India. And we are taking more B2B business in at least whichever locations and primarily to the major cities of this country, but also wherever there are any large orders which we can really tap on to.

Also, independently, we are looking at exploring the Middle Eastern export market because that's also quite significant. Their requirements, their design tastes are quite different. And as long as we can build those abilities, we will be able to create a very niche segment for ourselves and we'll be able to really add huge in terms of the margins are concerned. Because today, the kind of specific products that have been asked for by the Middle Eastern market are very unique requirements. And fortunately, we've been able to forge a partnership with a group in Middle East, where they are acting as our marketing partner.

And in fact, I would like to also update you that we have got a significant contract from a resort company in the Middle East for whom we are going to deliver this furniture, which is valued roughly around INR25 crores. And that's the kind of contracts we are expecting to get repeated because once our acceptability, once our products are kind of established and accepted in the market even in the Middle Eastern segment, we will be able to kind of improve substantially on our turnover and also on our margins.

So that's broadly about this segment. And we are expecting that in this segment, this year itself, we should be able to achieve 50% to 60% capacity utilization going forward, the way we are anticipating the businesses, either domestically or from the international market. I hope I've answered your questions.

Manhar: My next question was slightly outside of the business operation. And what I would like to really appreciate about the management as well the newsletter initiative, which we have started, I think, which most investors are not aware of, and what caught my eye there was the kind of ESG initiatives which we are taking, and which feels very good to see at this organization level.

So anything if you would just like to touch upon that if we are likely to continue this and the kind of things we are looking going forward? Yes, that's it from my side. And congratulations on a good set of numbers.

Nikhil Bhuta: Absolutely. No, thank you so much for noticing that, and it is really encouraging in that sense. But yes, I mean, we are committed to the -- obviously, the society, environment and obviously, ensuring the highest level of governance at our organization, and that should be the motto of any organization. And we are -- specifically under the vision of our MD, we are very clear that the environment-related activities or the social contribution that needs to go from our organization to get its best including the corporate governances.

So we -- number one, obviously, we are -- since under the SEBI regulations, we are now guided to kind of submit our sustainability report because we are under top 1,000 listed companies. And as per the SEBI regulations, we are supposed to submit our sustainability report, which will be part of this year's annual report, which will get published.

And we have created our in-house ESG team internally, which is working tirelessly to kind of ensure that how do we create a sustainable business model wherein we are able to kind of do -- reduce our carbon footprint and also bring a lot of diversity in our organization work culture and also bring an utmost level of corporate governance.

So I think we are committed to this and the way our businesses are growing under all the three verticals we are ensuring our best that we kind of go and kind of achieve the best ESG practices and compliances as much as possible.

Going forward, when -- as our MD was explaining about the acquisition of more and more properties, so we would obviously ensure that we'll get these properties green building certifications and get them the necessary such ESG compliances, which is required for doing such businesses. So yes, that's our commitment to the society and our stakeholders.

Moderator: **Thank you.** We take the next question from the line of Deepak from Tvisha Capital Fund Scheme.

Deepak: I'm Deepak. I'm representing Tvisha Capital, a Category III AIF, we actively track special situation and growth oriented opportunities and listed space. At the outset, I would like to congratulate EFC team on delivering a stellar set of results for FY '24-'25. The performance do reflect the strong execution and the strategic clarity. I'll taking the opportunity to ask you questions to better understand the key drivers behind this impressive performance.

I would request you, can you walk us through the key drivers behind the company's revenue and margin, then how the company is differentiating itself from emerging competitors like flexible workspaces and other asset-light infrastructure companies.

Nikhil Bhuta: So no, thank you so much, Deepakji. And yes, I mean, we -- I would certainly take you through the drivers that really as our MD explained. First and foremost driver is our business model because the way we have created this business as an integrated business model where we are trying to and we are able to retain the margins at different functions, which are very critical in execution of this business.

So when we say the critical functions is the design and build activity, the furniture requirements. When we are able to kind of maintain these businesses within our group entities, we are able to kind of capture those margins, which otherwise would have been distributed to the other stakeholders who could have been our kind of vendors or our suppliers. So that is one big driver that is really helping us to kind of improve our margin, ensure that we consistently are able to perform with the right kind of margin profile.

Secondly, particularly if I talk about the leasing business, one of the most critical and important thing is the way you lease the property and at the price at which you kind of get in. And that is a very critical step that one has to be aware about because once you lock in a property at a particular pricing, there is nothing much you can do in terms of that particular cost, which is generally about 40% to 50% of your total revenue.

So under such circumstances, it is very necessary that, number one, selecting the right location; and number two, selecting and getting that at the right pricing. So that is a very, very strong strategy that from day 1 since our inception for more than a decade now that our acquisition team under the guidance of our MD is very focused about because in any organization, it is easy to go cost overrun, cost overboard. But unless you really control this aspect, it is very difficult to kind of maintain margins.

And hence, we generally get into kind of strategies where we try to identify a good micro market, upcoming micro market, kind of tap the potential properties which are going to come up over the years there and kind of go at an early stage and book those properties and kind of be part with those developers so that you know that this macro market is developing in that these are the premium buildings which are coming up and these buildings from a locational point of view is making a lot of sense.

And that's why we closed that and kind of come at a very early stage so that we are able to get at a very good price level when it comes to identifying and selecting the property. And this is primarily with regards to the way we operate in the leasing business. So these are a few of the drivers on the leasing business, as I was explaining.

On the design and build, obviously, the most important aspect because it's a contracting business is the control over your cost. And you probably have seen that, and we have demonstrated that time and again that we are absolutely second to anybody in terms of the way our cost controls are there in the design and build infrastructure development is concerned.

So we are able to even develop a particular office infrastructure at about INR1,250 per square feet, including sometimes our margin, and we are able to maintain this consistently despite the inflation impact and other related impact, which has to be taken care or considered over the years. And the furniture industry, as you know, that we are young to that, but we have really made significant kind of impact there.

And one of the important things that we have been able to achieve, and we really invite you to come and see the facility. We are really proud to present our facilities to our investors, our stakeholders when everybody sees the kind of infrastructure that has been created in terms of in terms of size, in terms of quality of equipment that is machineries, which has been laid down there and the quality of products that could be created there and the quality of designs and the creativity involved around those creating designs is phenomenal, and we are really kind of seeing that as a lot of growth potential in those industries as well.

And if you see, as our MD mentioned that our vision to create this integrated business model is becoming a way forward for our -- even all the industry competitors or even the players in this industry have started realizing that if they want to make a sustainable business model around this industry and make a sustainable profit and sustainable margins in this industry, this is the way -- this is an integrated way.

This is a way that you need to create an ecosystem. And unless otherwise you carry this out, it is very difficult to maintain the sustainable margins, which is what we have been kind of able to and we'll be able to deliver upon. I hope we are able to answer your question, sir.

Deepak: Yes. That was really insightful. My next question was on what is an average rent per seat for new center? And can we expect the improvement in the seat? I believe you have already answered this question. So can you throw some light on the current capacity utilization across the core assets?

Nikhil Bhuta: Yes, sir. Yes. So I mean, as we have always mentioned that our average capacity utilization is about 90% plus. And all our core assets at this point of time are operating at 90% plus capacities. And that's the kind of -- like our MD explained earlier in the call that our focus is always to ensure that the occupancy level is at the highest, and we are more focused on kind of achieving that average rental per seat at the highest possible level.

As our MD explained that the rent per seat is anything between INR6,500 to INR7,500 depending upon location, depending upon area, etcetera. And I mean, we are significantly improving the seat rates. And today, if you see average -- on an average, the current period, we see that the seats rates are beyond INR7,000, and we are able to easily achieve anything around

INR7,000 to INR7,500 and also to the range of about INR8,000, again, like I said, depending upon the location. But yes, that's the kind of ranges that we are able to achieve and kind of consistently perform upon.

Deepak: My next question is a bit towards on the financials with respect to what is the current debt equity mix? Are there any plans to raise any further capital either in the form of debt or equity? And what's the working capital cycle? And does it have any impact on the cash flow? Are we working towards improving the working capital cycle to improve the cash flow?

Nikhil Bhuta: Absolutely. At present, in terms of the capital raise, certainly, we are not looking at any capital raise because we are still maintaining a healthy debt-equity ratio. It's just about 0.335% and we still have leverage potential there. While as I've explained that there is no great amount of capex that we are looking to be incurred even this financial year. So largely whatever capital that may be required would be towards the working capital only. So certainly, we are not looking at raising any capital.

Debt, like I said, it would depend upon the working capital requirement. And in the design and build vertical in particular and even the furniture business vertical in particular, there are requirements in terms of performance guarantees. There are requirement in terms of giving retention guarantees. And hence, we may require to have those kind of non-fund limits that is to be availed from a working capital requirement point of view. In terms of -- so that's primarily the kind of the outlay that we are looking at. And yes, any -- have I answered your question on that, sir?

Deepak: It was -- so you answered the question with respect to current and debt. I think I need it. Can you throw some light with respect to working capital cycle, what we have and...

Nikhil Bhuta: Yes. Sorry, I missed that question. But yes, on the working capital cycle, on the leasing business, it's obviously -- we actually receive the rentals in advance. And so -- but obviously, there are obviously client mix, which pays over a particular month. So depending upon -- if you look at the overall cycle, it ranges around 15 to 20 / 25 days from the leasing business. While if you look at the furniture business and the design and build business, that ranges between 45 to 60 days.

That is the kind of period that we are -- we ensure to maintain. In fact, we have been improving this credit period to a large extent because when we started off last year, we had to take certain -- not the best size or optimal size projects. And when you don't take those optimal sized projects, there is always a likelihood that your customers who may not be so creditworthy, able to pay you on time.

There may be some delays. There may be some changes in their business plans and so on and so forth, and that affects your cash flow. But at least now with the kind of order book that we are maintaining and the kind of clientele that we are serving upon, we are ensuring that our credit cycle doesn't cross beyond 45 to 60 standard days, and that is also -- can be witnessed in the kind of trade receivable, which are outstanding today against my total turnover, which is not beyond

15%. So I think that would certainly help us in improving my cash flow and hence, obviously, my overall requirement towards my working capital, etcetera, sir.

Deepak: My next question is more towards strategy wherein what the bifurcation, bifurcation to owned and leased properties? And what's the strategy going forward? Are we going to focus more on own premises or it's going to be a lease and further sublease? And what are the margins -- margin differentiating between these two properties that if I have my own property, what kind of margin with respect to the cost of capital, whereas with respect to the other business model of other companies. How do we differentiate ourselves in that?

Moderator: Ladies and gentlemen we've lost the line of the management. Please stay connected while I reconnect the management. Thank you. Ladies and gentlemen we've the management reconnected. Deepak sir, if you can please reask your question.

Nikhil Bhuta: Thank you, sir. You don't need to repeat. I'm really sorry. There's some disconnection. But like I was explaining that we are looking at the strategy of acquiring properties either on our books or through financial structures, which are plausible to gain control over these properties.

Currently, we own around 250,000 square feet, which if you look at our overall portfolio, just about 10% of the total portfolio that we have under management, area under management. So that's the current status, sir.

And in terms of going forward, yes, we will be looking at acquiring good properties, which -- where we can really create value for our shareholders. When I say that, in terms of we'll acquire properties where there is potential to obviously convert them into a grade A properties and then kind of create a leasable -- make them leasable and create a rental income and hence, the rental yield, which is better than what is offering in the market.

So obviously, that is a strategy going forward. And depending upon our financial permits, we will acquire properties either on our books or we will also, like I said, acquire through the financial structures like REIT etcetera, so that we are able to kind of increase the asset under management from an ownership perspective directly and directly to a larger extent. And that's the plan going forward.

In terms of differences in the margins, if you see, obviously, the leasing model is purely a service model where naturally our margins are earned on our efficiencies on the services that we provide efficiency which we build on either in providing the low capex infrastructure and also providing the furniture at the right pricing, et cetera, and the services that we offer. So the such margins, as we typically discuss in our leasing business, on an EBITDA level, we make about on an average, 30% in the pure leasing businesses.

Now in that business, if you see around 45% to 50% is the cost which goes towards the rent rental payments. So now naturally, if the property is owned by me, those rental payments will not require to be paid by me to the landlord. And hence, that margin would increase by that percentages from 30%, it would increase to, let's say, anything about 75% to 80%, depending upon a particular property locations, again, and the value at which we've been able to acquire such properties.

Certainly, when you acquire a property, there is a cost of capital which is involved. And if you look at -- in today's terms, if you look at a commercial property, ideally, these are all traded at a rental yield of anything between 8% and 8.25%. And under our business model, if we run these properties under the managed office business model, we are able to generate safely around 12%, and that is the delta that we are able to generate.

And that's why also we are contemplating not just acquiring (inaudible) also acquire it through structures like REIT, so where we can make our REIT investors also beneficial that entire structure and also our EFC investor beneficial because we are able to create those deltas. And those delta could be shared between these two investors depending upon the capital put in by us either as a company at EFC level or by the REIT investor at the REIT level. So that's broadly how the margins would split, that broadly how the margin would look like, sir, under both these scenarios, and that's the strategy going forward.

Deepak: That was quite helpful. I just have one last question with respect to what are the revenue and the growth guidance for FY '25, '26? And which sector do you think -- or which segment do you think would be the biggest contributor over the period of next 2 to 3 years? That's my last question.

Nikhil Bhuta: Thank you, sir. I mean in terms of, obviously, the exact guidelines, as you know, we are in the growth phase, and we are -- it is the entire -- all the three verticals are really evolving very fast and quickly. So I would broadly tell in terms of what are the targets that we have in terms of -- under each division. So as you know, that we are looking at adding anything between 22,000 to 25,000 seats on the leasing business going forward at an average rate, anything between INR6,500 to INR7,000 rental and maintaining 90% occupancy. So that's primarily, I can say, on the leasing business.

On the design and build business, as we have already explained that we have a current order book of INR200 crores in hand. And as we have in past, explained that we are certainly expecting under this business to grow at least by 60% to 70% year-on-year. And we are very confident and looking at the situation, we should be able to outgrow our expectation this year. But yes, that is the kind of overall kind of target that we are looking at.

And in terms of furniture business, as I've explained that the total capacity in value terms is about INR275 crores to INR300 crores, and we are looking at achieving anything around 50% to 60% capacity utilization this financial year. So that's broadly the overall targets and the guideline that we are looking at.

We will be able to give more specific numbers probably in the coming quarters once -- because at this point of time, since all these businesses are evolving so fast, I think the best would be to come little closer to the second half of the year, and we'll be able to come more specific in terms of numbers. But that's broadly what I can say in terms of what we are trying to achieve under all these three verticals.

Moderator: Ladies and gentlemen, due to paucity of time, that was the last question, and we conclude the question-and-answer session. On behalf of EFC India Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.