



Mahindra Lifespace Developers Limited
Q2 FY17 Earnings Conference Call

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CLUSTERS (WEST) & INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the Mahindra Lifespace Developers Limited Q2-FY17 earnings conference call. We have with us on the call Ms. Anita Arjundas, Managing Director and Chief Executive Officer, Mr. Jayantt Manmadkar, Chief Financial Officer, Ms. Sangeeta Prasad, Chief Executive Officer - Integrated Cities and Industrial Clusters, and Mr. Siddharth Bafna, Business Head - Industrial Clusters (West) and Investor Relations. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Anita Arjundas. Thank you and over to you ma'am.

Anita Arjundas: Thank you. Good evening everyone and welcome to our Q2-FY17 earnings call. The Indian Accounting Standards are applicable to the company for the period commencing from 1 April, 2016. Therefore, for the quarter ended 30 September, 2016 and the half year ended 30 September 2016, we have published the accounts as per the new standards and these accounts have been subjected to limited review. The results for the quarter ended 30 September 2015 and half year-ended 30 September 2015 have also been recast to facilitate comparison. The comparisons for the corresponding quarter and half year are not subjected to limited review or audit. However, we have exercised necessary due diligence to ensure that they provide a true and fair view of our affairs.

Certain key operating entities like Mahindra World City Developers Limited, which develops the world city in Chennai, Mahindra World City Jaipur Limited, MBDL, which develops the Nagpur project, are no longer consolidated on a line-by-line basis but on the basis of profit consolidation proportionate to equity share holding. So, in addition to Mahindra Homes Private Limited, which is the joint venture with Standard Chartered, we now have three more operating entities that are no longer consolidated on a line-by-line basis as per the new standards.

The consolidated total income for the quarter stood at Rs 145 crores compared to Rs 162 crores in Q2-FY16 and Rs 116 crores in Q1-FY17. Consolidated PAT, post minority interest, was at Rs 32 crores against Rs 6 crores in Q2-FY16 and Rs 17 crores in Q1-FY17. The increase in profits is attributed to a strong performance at Mahindra World City Jaipur Limited as well as lower project cost in some of our projects based on final /revised estimate to completion.

In the residential business, we sold 206 units worth Rs 168 crores this quarter, similar to what we did in the previous quarter, which was Rs 158 crores; the average price realization for the quarter has moved up to Rs. 6,738 per square feet, driven by a change in mix with more contributions from projects in Mumbai, Pune and NCR. What is also noteworthy is that 22% of the total sales for the quarter comprised sale of finished goods. We continued to focus on execution to achieve revenue recognition milestones across our projects. This quarter, we had one phase in Antheia in Pune, one in Nova in Chennai, one phase in Windchimes in Bengaluru and one phase in Happinest, Boisar achieving revenue recognition. Handovers that have been going well from the beginning of this year continue to maintain that momentum in Q2 and we

have seen over 1,200 units being handed over in the first half of this year compared to ~800 in the whole of last year.

In Mahindra World City Jaipur, we signed one new customer, while an existing customer acquired additional space for expansion, both of them in the DTA. The total land leased in the quarter at Jaipur was 17 acres amounting to a sales value of Rs 37 crores. We have also received the approvals for the second DTA masterplan and we are now awaiting the approval for the Multiproduct SEZ. But as far as the new DTA is concerned, we are now getting into the market to be able to get in more customers with the new DTA in place.

In Mahindra World City Chennai, as we have mentioned in earlier calls, we have received the approvals for the balance 42 acres and have started marketing the same to potential customers. We have also completed the master planning of the new industrial cluster in north Chennai. The approval process has been initiated for the same and environmental clearances have already been received. I will now request Jayant to take you through the financial performance for the quarter.

Jayant Manmadkar: Thank you Anita. Good evening everyone. EBITDA margin for Q2-FY17 stood at approximately 12% versus 20% in Q2-FY16, primarily because of Rs. 4 crores spent during the quarter on CSR contribution. The improved PAT margin is because of higher contribution from Mahindra World City subsidiaries along with reduction in finance cost as we repaid NCDs amounting to Rs. 125 crore in April this year. I would now like to throw the floor open for questions.

Moderator: Ladies and gentleman, we will now begin the question and answer session. Our first question is from Himanshu Upadhyay of DHFL Pramerica. Please go ahead.

Himanshu Upadhyay: We had that Napean Sea project, which was to get closed in the first quarter according to the press release at the time of the annual report. Has that deal got closed and have we received the money, Rs 153 crore for it?

Anita Arjundas: As you are aware, we got shareholder approval for this transaction at the end of July and thereafter we have taken it up with the buyer. At the end of the quarter, we have executed an agreement and taken 80% of the value of Rs 177 crores, i.e Rs 145 crores, has come in but is currently lying in advances and not booked as a transaction. Once the CP completion is over by the erstwhile owners, the transaction will be recorded in our books and the balance money will be received from the buyer.

Himanshu Upadhyay: Okay. In the case of Vivante Phase-1, majority of it seems to be sold out. What is the view on that phase regarding the construction work – has it started? Are we launching other phases also in the near future? Or how do we plan to phase this project, which seems to be doing well?

Anita Arjundas: Yes, the Andheri project basically is two projects separated by a DP road. Phase-1 is the first project that we launched as Vivante and, as you rightly mentioned, Vivante has seen good sales

traction - we have sold around 85% of the launched inventory. We have already started construction - we are at about plinth level and should be achieving revenue recognition on that particular project in the near future. As far as the second plot is concerned on the other side of the DP road, we have received the IOD. We are expecting the CC shortly and the height-related approvals. As soon as those are in place, we will be able to launch it.

Himanshu Upadhyay: Okay and can you throw some light on the rights issue that we are planning, the Rs 300 crores rights issue? By when do we expect it to get over, means approval from shareholder? Will it be majorly for new land purchases or you think for the ongoing projects also some capital would be required? So, what is the view on the use of capital?

Anita Arjundas: Yes, let me start with the last part which is use of capital; it is for securing new land parcels for growth requirements of the company and, therefore, that money would be used for new deals as they fructify in all the business segments that we operate in. As far as timelines are concerned, what we have today is the board approval to go ahead and plan for our rights. We have formed a committee of the board that will be going into details.

Himanshu Upadhyay: And do the top 3 or 4 cities remain priority for land acquisition?

Anita Arjundas: Yes, we have already defined our focus markets and I think we will stay with those markets, so we definitely are looking at deals in Pune, Bangalore, Hyderabad, Mumbai as areas where we will add new land banks.

Himanshu Upadhyay: Okay, thanks. I will come back in the queue for further questions.

Moderator: Our next question is from the line of Ujwal Shah of Quest Investments. Please go ahead.

Ujwal Shah: Yes, thank you ma'am for taking my question. Can you give a brief outlook on each of the cities that we are present in, that will be quite helpful? Secondly if I am not mistaken, you did mention that we have received the requisite approvals for the Jaipur DTA, so if yes, then what is the final saleable area that we can look forward to and what is the outlook on the same?

Anita Arjundas: As far as the DTA is concerned, yes you are right, we have received the masterplan approvals. We will start marketing that particular phase now. The current DTA is pretty much leased out. We have only a few acres of land left there of specific parcels. So the new DTA definitely gives us more choices to be able to offer customers. The area 500 acres is gross, which translates into 350 acres saleable as far as the DTA is concerned. Specifically with respect to the cities that we operate in, I think sales have held in markets like Pune, Bangalore to a lesser extent as a city, Hyderabad again, NCR continues to be slow, Bombay has shown some improvement overall as a market. From our own perspective, I think we have seen good numbers in Pune and good numbers in Chennai and Nagpur.

- Ujwal Shah:** Okay ma'am and for Jayant sir, you did mention that Rs 4 crores was spent on our CSR, so that has been included in other expenses.
- Jayant Manmadkar:** Yes, that is part of other expenses.
- Ujwal Shah:** Okay sir, so even if we adjust for Rs 4 crores, our operating margin would be close to 15.5% as compared to 19% if I am not mistaken, so still there is a gap. Sir, what actually led to that?
- Jayant Manmadkar:** That is because of the product mix that is contributing to the revenue and operating income.
- Ujwal Shah:** Okay fine sir, I will come back in the queue.
- Moderator:** Our next question is from the line of Sandeep Baid of Quest Investment. Please go ahead.
- Sandeep Baid:** On Jaipur, you mentioned that 350 acres would be available for sale, what is the timeline that we are looking at? Can we expect, say most it to be sold over the next 2 to 3 years or will it take longer than that?
- Anita Arjundas:** I will ask Sangeeta to take that question and share the plans with you.
- Sangeeta Prasad:** The approvals have just come in time for us to announce to you. We have a definitive plan which we have put in place. Now I cannot exactly give you the timelines because that will be sharing a very forward-looking statement with you. However, we have a strong pipeline of leads and we will be launching the product formally soon in the market and you will see what happens then. I am confident because we were short of DTA land and we were worried that the approvals are not coming. Now that the approvals have come and we have a pipeline, we will see sales come in as well.
- Sandeep Baid:** And on Chennai, the 42 acres that we have which we are marketing, can we expect that to be sold over the next two quarters?
- Sangeeta Prasad:** It is heartening for us to share with you that the lead pipeline in Chennai is getting stronger. We have some strong leads that we are at present negotiating with and hope to see some quick reporting back to you.
- Sandeep Baid:** Okay Sangeeta, the reason I am asking is, because I think, in the last call, there was some guidance that these 40 acres should be sold in reasonably quick time and I am not 100% sure but I think the indication was that it would be done by the end of FY17.
- Sangeeta Prasad:** No, I think we said that we need to get those approvals and then we will be able to put that product out for launch. And yes, sell it at the earliest, not necessarily by the end of this year. Obviously, our endeavor would be to push for as many transactions as possible. What is good is

they have a good pipeline of quality leads and serious leads so we really need to see how many of them will convert into coming into Mahindra World City.

Moderator: Our next question is from the line of Himanshu Upadhyay of DHFL Pramerica. Please go ahead.

Himanshu Upadhyay: Yes, this quarter we have seen the construction spends increased. Can you give us an idea how much would be the construction spend for this financial year and should we expect it to start increasing from here for the next two quarters because the number of projects are again increasing or phases are increasing?

Anita Arjundas: As far as the construction spend for the year is concerned, we would have around Rs 350-400 crores being spent. As far as this quarter is concerned, yes, I mean it has been an increase with respect to Q1 because we had Vivante getting into the construction stage, there have been approval cost, there has been start of work on the ground, we have come about plinth there, so that contributed to the increase in construction spend in Q2, but overall the numbers would be in the range of around Rs 350 to Rs 400 crores of construction spend.

Himanshu Upadhyay: Okay. Can you give some idea on the Chennai market and what is our outlook on residential space in that segment? Are we planning to launch the next phases in the near future? And again, we have inventory, which is a number of houses mainly in Chennai, so what kind of measures are you taking to reduce inventory and planning for Chennai? Can you give some idea and your outlook for that market?

Sangeeta Prasad: If you look at our sales profile in the segment, which is the value segment Nova, we have really seen a strong customer pull and that is evident from the sales figures of Q2, so that robust customer pull is continuing in this quarter as well. We have also seen an early revival of premium apartments, which is in Aqualily. We hardly have any inventory in the mid-market segment project Iris Court. So overall in that corridor, not necessarily in the larger Chennai market but specifically in that corridor, we are seeing a pull for the value segment and that is why, as far as our future launches are concerned, we are focusing on that segment and seeing how we can pull customers into that space, so that they buy from us at Mahindra World City Chennai. As far as the corridor is concerned, we are the market leaders in that corridor. People are finding the new changes in Mahindra World City Chennai in terms of social and commercial development, whether it is the schools, the hotel and the club, as a pull for them to come in and buy their homes from us. So essentially value and mid-market is seeing a lot of pull, premium is slow but is seeing an early start of revivals. That is how I see the Chennai market.

Himanshu Upadhyay: So, you are saying that it has started improving, the market which was one of the worst markets for us at some point of time?

Sangeeta Prasad: That is an end-user, very cautious market. I think, it is not only for us, the Chennai market is a cautious market, very wise customers. They do a lot of weighing of the pros and cons before

they buy. Despite that, I am happy to say that our budget product Nova has seen a strong pull month-to-month.

- Moderator:** Our next question is from the line of Bharat Sheth of Quest Investments. Please go ahead.
- Bharat Sheth:** This question is again for Sangeeta. Sangeeta this is regarding Jaipur World City. How much land do we have in the old DTA.
- Sangeeta Prasad:** Old DTA is around 5 acres.
- Bharat Sheth:** Not sold, I mean balance is only 5 acres?
- Sangeeta Prasad:** 5 acres in the DTA and we have a strip of commercial which is somewhere around 12 to 15 acres, which we intend to develop as larger part of our social and commercial plan. So, at present, we are focusing on the industrial inventory and that is why the hurry for getting the DTA Phase-2 approval and getting our leads to convert to sales.
- Bharat Sheth:** I understood that is great. Now you said that we are getting a lot of leads for this new DTA, so is it in the same range of 5 acres or are we looking at a larger size of land parcel?
- Sangeeta Prasad:** The general, median lead size is usually in the range of 3 to 5 acres but we also have leads that are having a requirement which is above that.
- Bharat Sheth:** Okay, is Chennai also in the same size or will it be a larger one?
- Sangeeta Prasad:** Chennai is also in the same range. We have one or two in Chennai which are also of a larger range.
- Bharat Sheth:** Okay, going ahead, how would we like to take forward this industrial cluster in other areas apart from Chennai and Jaipur, where we do see Anita, can you give some sense I mean now are we planning to launch any other new industrial area?
- Anita Arjundas:** Bharatji, as you are aware, we have a second industrial cluster which is coming up in the north of Chennai. We went into a joint venture with Sumitomo Corporation there. Where we are on that project is master planning completed, we are now doing the detailed design for infrastructure development. In parallel, the approvals are being processed with the respective Government authorities, one approval has already come in, the environmental clearance. Now we need the Director of Town and Country Planning approval for the overall master plan post which we can launch that project and start marketing it. The second one would come up in Gujarat outside Ahmedabad. We have progressed on that location in terms of completing all the title due diligence, so we are parallelly processing various dimensions related to that project by getting the masterplan and the design completed and submitting for environment clearances. We will finish all the balance formalities related to that in the next few months.

- Bharat Sheth:** Do we expect to launch anywhere by 2017-2018, am I correct?
- Anita Arjundas:** Yes, that is right.
- Bharat Sheth:** And would it be of the same size of 350 acres?
- Anita Arjundas:** Similar yes, currently 300 acres but expandable to about 350 acres.
- Bharat Sheth:** Is there an update on what we were looking near Pune - between Satara, Pune and Bangalore highway?
- Anita Arjundas:** There we already own land in a company called Knowledge Township Limited. What we are focusing on is that we followed the old model, which was aggregating the land ourselves, and therefore we have around 500 acres aggregated there but they are still not contiguous to be able to launch the product.
- Bharat Sheth:** When can we expect to go ahead?
- Anita Arjundas:** Little difficult to project a number on that Bharatji but our focus will be to get all the land in place in the next year so that they can create a product thereafter.
- Bharat Sheth:** Further, on residential side, what is our pipeline for new launches? In Andheri, you already talked of this one project but what about others?
- Anita Arjundas:** We currently have 6 projects which are in the pipeline in terms of various stages of approval. One is the second land parcel in Andheri next to Vivante. Currently, we have received the IOD and now processing the CC, etc., and awaiting some height clearances. So, the minute that comes in, we are geared for a launch. The second would be in Sakinaka that is currently at an I2R completed, in the process of getting approvals from BMC. Third is in Kandivali, there we have just initiated the whole process of submission for approvals. Fourth is in Pimpri in Pune, it is a legacy land we have, we have already done the design, we now will initiate in another 1 to 2 months the approval process for the same. And the fifth is a new land parcel in World City Chennai, so we have taken the next 10 acres up considering that Iris Court is pretty much sold and Nova has got limited inventory left so the focus will be on getting one more project out there over the next year.
- Bharat Sheth:** Is there any new development on the affordable housing side?
- Anita Arjundas:** Yes, affordable we have one new project which is in Palghar so that is currently under the approval stage. We have filed for environment clearances, waiting for us to be called for the meeting and we have again filed for the building plan approvals and waiting for that to be processed.

- Moderator:** Our next question is from the line of Puneet Gulati of HSBC. Please go ahead.
- Puneet Gulati:** It will be great if you can give some color on demand that you are seeing in your main markets Pune, Chennai and others.
- Anita Arjundas:** Pune has been consistent in terms of performance. We do see around 15 to 20 units getting sold there on a monthly basis, specifically at Pimpri. We will now be getting into handing over our first phase, we are just waiting for the occupancy certificate there. The product has turned out well. We are sure that with the customers of Phase-1 moving in, we will have stronger referrals and more customers there. With respect to Chennai, I think Sangeeta had covered it a little while earlier. Nova being in the budget segment has seen good tractions, Iris has just 15 to 20 units left to be sold, Aqualily has definitely been slower than the other projects because it is in the higher segment but we will be doing a new phase launch of Aqualily shortly which is part of Aqualily that has one bedroom apartments, so it would be compact and lower ticket size and we expect to do well in that launch.
- Puneet Gulati:** And what is the demand environment like in Mumbai and Bangalore?
- Anita Arjundas:** Vivante has done well. We have sold most of the inventory, we just have some 10 odd units left in Vivante and construction has commenced there. We are above ground, we will be casting the first slab shortly. As far as Bangalore is concerned, things have been slow this quarter. So, we have seen a few sales but they have been limited. We largely have stock in the upper floors, so there are customers interested but they definitely are taking time to close in Bangalore at the moment in the higher segment.
- Puneet Gulati:** Do you think these trends are peculiar to you or would your peers be facing a similar environment or similar demand strength?
- Anita Arjundas:** Well, I think if you look at the industry as a whole, I would not say things have dramatically shifted; they have been pretty much at a certain level of performance in Q1 and Q2, so it nearly goes back to specific developers and specific projects. I think people who have execution records in good locations are definitely selling largely to end users.
- Puneet Gulati:** Is it not trending down anymore or is it still bottoming?
- Anita Arjundas:** Not trending down.
- Moderator:** Our next question is from the line of Ujwal Shah of Quest Investments. Please go ahead.
- Ujwal Shah:** Yes, thank you for taking my question again ma'am. Just to probe a bit more on the affordable housing Palghar project, have you done any kind of master planning and in terms of when we can expect the first phase to be launched, what can be the target price that we might be looking at and, in terms of connectivity, how is the project located and how do we see it going forward?

- Anita Arjundas:** Master planning has been completed and designs have been completed. We have submitted for building plan approvals. We have also submitted for environment clearances. As soon as both of them are in place we will launch the project. We are hoping we should be able to complete everything in the next few months. Location is about 5 to 6 km from the station. It is on a road which is well connected and already has some developments happening nearby including land that the Government has identified for a part of its Government offices as part of the Palghar District. So those should be coming up in that area shortly.
- Ujwal Shah:** Right ma'am and secondly in terms of Vivante's revenue recognition, can we expect that to be in FY17 itself?
- Anita Arjundas:** Yes, we should be able to get that in FY17.
- Ujwal Shah:** Okay ma'am and in terms of the projects that you did mention, which can we expect to be launched this year in the next 6 months?
- Anita Arjundas:** I would say the Pune one and the Chennai one are a little behind, they definitely will not be in this year. As far as Kandivali and Sakinaka are concerned, they could be end of this year, early next year with the caveat of what happens in the Bombay High Court case on construction in Mumbai City. Andheri 2 and Palghar are definitely the most mature in terms of where they are in the approval cycle, so we would again like to see if those can get launched in Q4, but all of this as I said is subject to the whole approval process maintaining a certain tempo.
- Ujwal Shah:** Right ma'am. Coming back to the Sumitomo project, can you give any timelines there in terms of launching the product based on your estimates?
- Anita Arjundas:** Yes, I will ask Sangeeta to take that question.
- Sangeeta Prasad:** As Anita had explained to all of you earlier, we have got the EIA approval, we are on the throes of the DTCP approvals. As far as the product market strategy is concerned, we are fairly clued on, so the aspiration is to launch it within this financial year. But as you know, in case of approvals, God is the determinant and you know the Tamil Nadu situation just now, so we await the approval, we are keeping all the other building blocks in place and look forward to seeing a launch in the next financial year if not in the current financial year.
- Ujwal Shah:** Okay ma'am and just a query for Jayant sir. In terms of a standalone performance, what has actually impacted there?
- Anita Arjundas:** Not much of activity there at the moment. So we have all our phases at Aura pretty much completed, only the last few units to be sold, otherwise in terms of work done it is 100% completed. In fact, we have received the occupancy certificate and are now handing over. Ashvita again is significantly completed. Vivante is yet to achieve revenue recognition, so fairly

a lesser number of projects that are at a more mature stage of their development are impacting revenues from standalone.

Jayant Manmadkar: And quarter-on-quarter if you see previous quarter and this quarter it is more or less similar, there is no big difference between the top-line or the bottom-line.

Ujwal Shah: Perfect sir. And lastly ma'am now with the Jaipur DTA land parcel also getting approval, do we have any new look at the Jaipur residential plans?

Anita Arjundas: As we mentioned, we have completed the economic land use study for the residential & social piece which was around 450 acres. We are in the process of finalizing the master planner now and we will initiate the process of master planning shortly.

Ujwal Shah: Okay ma'am, what kind of timeframe does this roughly take?

Anita Arjundas: Master planning for an area like 450 acres will end up taking around 4 to 6 months and then approvals and then getting into the first stage of development, which would involve residential, some social and some destination drivers all being built together.

Moderator: Our next question is from the line of Sandeep Baid of Quest Investments. Please go ahead.

Sandeep Baid: Ma'am, I just wanted to understand the Rs 300 crores rights issue that you are doing - is that for some identified piece of land that we have more or less tied up or is it basically for plans that we have over the next 6 to 12 months?

Anita Arjundas: It will be for plans that we have in the next 6 to 12 months. We obviously have a few land parcels which are currently at an MoU stage, where we are just initiating title and technical due diligence and some of those could also form part of the fund requirements.

Sandeep Baid: And is this more on the residential side or is this more on the industrial side?

Anita Arjundas: In terms of the MOUs that we have, they are all on the residential side. As far as the industrial side is concerned, we did mention earlier in the call that we have picked up a land parcel in Gujarat near Ahmedabad, partial consideration as an advance has been deposited for that, balance consideration will be paid in the next few months so that would be one part of it. The Pune project getting it contiguous, making it into a seamless project that we can market, again some amount of money would go to that but otherwise the bulk of it would be for residential.

Moderator: As there are no further questions from the participants, I now hand the floor back to Ms. Anita Arjundas for closing comments. Over to you ma'am.

Anita Arjundas: From our perspective, what we see out there in the market is, I would say a marginal improvement from an industry perspective over the previous quarters. Hopefully, things would

be better in this festive season. There is some distance to go overall, but as an industry, in the residential front in terms of sales offtake, in our micro markets we found that many of our projects have been able to do fairly well. The endeavor will be to push that velocity up further and further over the next 6 months. Some of the new launches that we have planned are critical launches for us. If a few of them can come into being before the end of the year, then we should see good growth on sales numbers. On the industrial side, definitely a pick-up in terms of enquiries for land leases, closures which were taking a long time, things are a little better now but I would say they are not fully there as yet but at least there is a certain quality lead pipeline that we are engaging with and hope to convert as many of those for the Mahindra World Cities. Again, in terms of that business with the new DTA coming in, with a multiproduct SEZ approval at an advanced stage, with the NH5 project in North Chennai also kicking in towards the end of the year, we will have more inventory in the markets there in different segments and different product types. So that is it from my side and thank you for joining us today.

Moderator: Thank you very much. Ladies and gentleman, on behalf of Mahindra Lifespace Developers Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.

(this document has been edited for readability purposes)