



Mahindra Lifespace Developers Limited  
Q2 FY16 Earnings Conference Call

**October 30, 2015**

**MANAGEMENT: MS. ANITA ARJUNDAS - MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER  
MR. JAYANTT MANMADKAR – CHIEF FINANCIAL  
OFFICER & CHIEF INVESTOR RELATIONS OFFICER  
MR. SRIRAM MAHADEVAN - BUSINESS HEAD,  
HAPPINEST  
MR. SIDDHARTH BAFNA – SENIOR GENERAL  
MANAGER, STRATEGY & INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day and welcome to the Mahindra Lifespace Developers Limited Q2 FY16 Earning Conference Call. We have with us today from the management Ms. Anita Arjundas – Managing Director and Chief Executive Officer, Mr. Jayantt Manmadkar – Chief Financial Officer and Chief Investor Relations Officer, Mr. Sriram Mahadevan – Business Head, Happinest and Mr. Siddharth Bafna – Senior General Manager, Strategy & Investor Relations. 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 “\*” then “0” on your touchtone phone. 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 FY16 earnings call. The consolidated total income for the quarter stood at Rs.177 crores with a post minority interest PAT of Rs.15 crores as against Rs.193 crores and Rs.23 crores respectively in the previous year same quarter. The drop in profitability this quarter has largely been on account of no new leasing activity at the Mahindra World City subsidiaries.

In the residential business, we witnessed strong year-on-year growth in sales performance this quarter, backed by a good demand for our project ‘Windchimes’ in Bengaluru. For residential business, we sold 0.33 million square feet worth about Rs.217 crores in this quarter when compared to 0.23 million square feet worth Rs.93 crores in Q2 FY15, a growth of 43% and 133% respectively. Average price realization during the quarter stood at Rs.6,667 per square foot. On the execution front, two phases of two of our projects, Antheia (Pune) and Bloomdale (Nagpur) achieved revenue recognition milestones during the quarter, while three phases of three projects, Ashvita (Hyderabad), Aura (Gurgaon) and Bloomdale achieved project completion. Handovers are currently underway across four of our projects with around 450 units already handed over in the first half of this financial year.

In the Integrated Cities business vertical, we are still awaiting approvals for sale of balance Phase V lands in Mahindra World City Chennai. In Mahindra World City Jaipur, while the number of enquiries from prospective customers has increased, the decision making process has become longer with customers awaiting more clarity and action on key policy measures. The enquiries are both from large domestic and international companies in the DTA, as well as smaller domestic players in the SEZ. We will soon be submitting our revised master plan for approvals to enable us to launch new inventory in the DTA. Alongside we will also be moving forward on the process of amalgamating sector specific SEZs into a Multiproduct SEZ. This will allow the SEZ to cater to a wider customer base. During the quarter, at Chennai, we also signed a State Support Agreement with the Government of Tamil Nadu for the industrial park in north Chennai that is being developed in a joint venture with Sumitomo Corporation. I will now hand over to Jayantt to take you through the financial performance of the quarter.

- Jayant Manmadkar:** Thank you Anita. The drop in profitability this quarter can be attributed to the negative PAT contribution of Rs.10 crore from MHPL, MWCDL and MWCJL. MHPL is still to achieve revenue recognition in its two projects, while MWCDL and MWCJL had no new customers signing this quarter. I would now like to throw the floor open for questions.
- Moderator:** Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.
- Ujwal Shah:** Ma'am, can you just give us a run down on top three-four cities where we are present - Chennai, Mumbai, Bangalore and Pune? How do you see the markets over there right now?
- Anita Arjundas:** Let me start with Bangalore where we had our most recent launch. We launched Windchimes in the last week of June and as you can see from the numbers the response to the launch has been good. As of date, we have close to about 85 units that have been logged at that location. So, specifically in that micro-market we have seen good response from customers in Bangalore. From an overall perspective, Bangalore, while it still continues to do well, has seen some levels of slowdown because there have been significant number of launches in that market and to that extent there is a slow buildup of inventory that is happening in Bangalore. As far as Pune is concerned, the largest project we have there is Antheia which is in Pimpri. It has seen sustained volumes of around 250 units a year in the last couple of years. This year, relative to previous two years, performance has been slightly slower and it is a combination of where the product is today in terms of its ticket size, since the product has seen good appreciation over time, and also the overall market sentiment. So, Pune again as a market has been relatively better than other markets but has slowed down in terms of offtake. That takes us to Chennai which has been flat as a market across all micro-markets. In Gurgaon, we have been able to maintain a certain steady rate at Luminare in terms of sales. The project in last one year since launch has sold around 80 odd units and this being in the luxury segment at about Rs.4 crores to Rs.5 crores, there has been a good response in that micro-market. But overall again the market there is fairly tepid.
- Ujwal Shah:** Looking at the affordable housing segment in Boisar, we are seeing Happinest doing really very well. So has the management keenly looked at the Maharashtra market and are we planning any further launches over here considering the response that we have seen at Boisar?
- Anita Arjundas:** Yes, I think we have spoken about this in the past saying that we would definitely like to see growth in Happinest coming from Maharashtra as one of the primary markets that we will focus on. To that extent we have signed an MOU for a land parcel in the outskirts of Mumbai about six months back. We are close to closure on that particular land parcel. We should be in a position to have a new project being designed in this quarter and thereafter get into the approvals and launch of the project.
- Ujwal Shah:** Okay, ma'am. So when can you possibly throw some more light on this?

- Anita Arjundas:** I guess next quarter would be the appropriate time because we have completed technical and title due diligence. We are good to go now in terms of closure and once we close the parcel, we will be in a position to share more on the particular project. We have already started early design work in anticipation of the conveyance happening.
- Moderator:** Thank you. The next question is from the line of Sandipan Pal from Motilal Oswal Securities. Please go ahead.
- Sandipan Pal:** My first question is related to MWC - there has been no new contract this particular quarter. Now you have mentioned in your commentary but can you throw some more light why decision making process have become slow and what could be the trigger going forward? And related question is that when can we expect the implementation of this policy change for sector-specific SEZ?
- Anita Arjundas:** I think the situation in both the developments is a little different. So let us start with Chennai first. Chennai has got only about 4 acres of land left which is leasable today as far as industrial is concerned. The balance 30 acres is linked to the approvals coming in from the government therefore we cannot really sell those 30 acres until we have the approvals. Since it is a very specific parcel of 4 acres, there are only defined users who want exactly 4 acres. It is more a question of getting the right customer to fit what is available with us in Chennai at the moment and obviously getting the approvals. As far as Jaipur is concerned, the SEZ continues to see the leases happening in terms of 2 acres, 3 acres, 4 acres kind of parcels and a lot of them are repeat customers. But in terms of DTA again we are down to only 20 odd acres with us, out of which we did have a single large transaction where a particular customer was looking at almost all of that land. But they are going to take a bit more time to take their decision on the capital investment needed for the project. So there has been a deferment there of that particular buying cycle. As far as the amalgamation of the SEZ is concerned, we have already made our application to DC's office. They have raised a few queries which we are responding to and we should be in position later this quarter to make our submissions to Board of Approvals for the amalgamation request to get that approved.
- Sandipan Pal:** Okay. This 20 acres left out portion of DTA you mentioned that the new customer who is taking time I mean after he concludes the deal there will be nothing left in DTA, right?
- Anita Arjundas:** There are a few other lands parcels, small ones at different locations. The overall stock left in the DTA is about 40 acres.
- Sandipan Pal:** Okay, right. Including this 20 acres right?
- Anita Arjundas:** Excluding this 20.

**Sandipan Pal:** Okay. And secondly, if I look at your Chennai projects, apart from Nova and your affordable housing project, there has been a significant stagnancy over there. So how do you see this market for Aqualily and these other brands?

**Anita Arjundas:** So, as far as Iris Court is concerned, we are left with 50 units. The rest of the project has been sold. These again become specific units, specific location and floors. We are confident that we will be able to complete selling the balance inventory in Iris Court in the next few months. With respect to Aqualily, yes, off take has been slower because as you are aware out of the three products in Chennai it definitely is the product which is at upper end of the segment which is Rs.50 lakhs plus whereas Nova is sub Rs.30 lakhs and Iris Court is around Rs.45 lakhs to Rs.55 lakhs.

**Sandipan Pal:** Right. So Ma'am this project Aqualily, where one phase I can see is almost 75% completed. So once this completion is done then is there a risk of your product getting older in terms of customer interest going forward?

**Anita Arjundas:** We are putting an effort, Sandipan to work on selling that inventory and getting it to lesser levels in terms of what is available on the phase that is at 74%. If you look at the other phases, it is more few units here and there. So, one unit in one phase, about six in another phase, about nine villas which are unsold. But this particular phase which is at 74%, the focus will be on getting a significant amount of that inventory sold by the time to completion.

**Sandipan Pal:** Sure Ma'am. And what about your launch status for these Andheri and Saki Naka projects and one more project I can see addition which was not there in last quarter that is Kandivali. So if you can throw some light on that?

**Anita Arjundas:** Yes, so I will start with the last. Kandivali was basically shown under land bank because we were developing a data center in that land next door for the Group, for Mahindra and Mahindra, and once that data center was completed, the adjoining land parcel was to be transferred to us as consideration for building the data center. We have completed the data center and handed it over to M&M and therefore the adjoining land parcel will be moving into our books shortly. We have already initiated the design development for that project. So, details of the project are there in the investor presentation. It is a small project, it would be between a lakh to a lakh and a half square feet in terms of development potential and we have appointed the architect and started the design development. As far as Saki Naka is concerned, we have submitted it for approvals. It was affected by the DP because there is a road bifurcating the property under the new DP. So we have therefore gone under the stricter of two conditions and are working with that constraint and submitting for approvals. We are currently in the process of getting our concessions done for the project and then we will move forward in terms of final approvals. So that is on course as far as approvals are concerned. As far as Andheri is concerned, I think we did raise that there was, on plot B, an issue around a designation which is most likely erroneous. We have been working with government to sort that out and we should be in position to get moving on that project shortly.

- Sandipan Pal:** What issue Ma'am?
- Anita Arjundas:** There was a designation for a telephone exchange marked on part of the land. There is a telephone exchange 100 meters away, so obviously it seems to be an error in terms of superimposing of Google Maps and the reality on the ground. So we are working with the BMC on that and we think we should be in a position to resolve this soon. So that plot B, which already has its approvals in place but needs to get this sorted out to move forward. As far as plot A is concerned, we are in the stage of concession approval and then we will move on to IOD.
- Sandipan Pal:** So any of these two are likely to get launched this year, what is your opinion?
- Anita Arjundas:** Currently in our estimate we should be in a position to launch one of them this year.
- Sandipan Pal:** Okay. And lastly Ma'am, on the debt side it has gone up I can see by almost around Rs.110 crores, what will you attribute this to?
- Anita Arjundas:** I will leave it to Jayantt to take that.
- Jayantt Manmadkar:** So this has gone up primarily in MITL by Rs.76 crores. There we have raised NCDs for three years and partly Rs. 23 crores in MLDL and Rs. 29 crore in MWCDL.
- Moderator:** Thank you. The next question is from the line of Anubhav Gupta from Maybank. Please go ahead.
- Anubhav Gupta:** In the second quarter the revenue has declined by 10%-15% on YoY basis. It suggests that the execution has suffered for few of the projects, right? So would you like to explain what went wrong in terms of execution or there were approval delays or the execution suffered because of slow sales but at the same time the pre-sales growth has been quite good? So what kind of triggered the delay in execution?
- Anita Arjundas:** The YoY drop in revenue has been about 8% and it is largely been driven by no leasing activity in the World Cities, almost completely in fact because, in the previous year we did have significant leasing activity at the World Cities, this quarter there has been none. So there has been no drop as far as execution is concerned on the residential front. It is just that there has been no added contribution from the leasing activity in the World Cities.
- Anubhav Gupta:** Okay. So the whole revenue came from the development business?
- Anita Arjundas:** Yes. I mean excluding the normal inflow that comes in terms of O&M charges and Evolve rent, etc. which are standard, which keep coming in every quarter. So, excluding those recurring revenue streams from World City, everything else came in from the development business.

- Anubhav Gupta:** Right. And what do you think will trigger or boost the sales at World City, one could be that approvals to transfer export oriented area into DTA at Jaipur? How is that panning out?
- Anita Arjundas:** So the product mix approval has been done by the Government. In fact we had spoken about it in the last quarter. We now have the master planning for the new DTA going on and we will be submitting that to the Government for approval in the month of November. So you are right, that will be one trigger because it will make available a larger footprint of 500 acres with more options in terms of plot sizes and plot locations available to customers. The second will be the amalgamation of the sector specific SEZs into the multiproduct SEZ because that opens up more sectors to be targeted. Thirdly, I think it will also, from an overall economic activity perspective, need an uptick in terms of economic activity because that will drive capital investment decisions.
- Moderator:** Thank you. The next question is a follow-up from the line of Ujwal Shah from Quest Investment Advisors. Please go ahead.
- Ujwal Shah:** Continuing forward from the last participant query. So in terms of timelines, do we expect the product mix change for 500 acres to be done by year end?
- Anita Arjundas:** Yes, we would expect it by year end. Our endeavor will be to get it during this quarter but financial year end it should be in place.
- Ujwal Shah:** Okay, Ma'am. And ma'am can you throw some light on our Chennai JV as well? When is the launch expected and any timeline or guidance for that?
- Anita Arjundas:** So all the CPs to the transaction happening has been completed. We were awaiting approvals for the anti-monopoly from Korea, China and Europe. All of them have come in. We are therefore in a position now to move forward in terms of transfer of land to the JV and the infusion of capital from Sumitomo into the JV. Thereafter we will initiate the process of approvals. We have already completed the master planning for the project. So we just need to start the approval process as soon as the land is transferred to JV and the funds are infused.
- Ujwal Shah:** Any time lines that you can assign to this?
- Anita Arjundas:** As far as the transfer of the land to JV and fund infusion is concerned, between this quarter and next quarter and the approval thereafter, considering that there are environmental clearances to be got, it could take about six months to nine months.
- Ujwal Shah:** Okay, Ma'am. And Ma'am, I just missed the Saki Naka project part a bit. Can you just help me through it again please?
- Anita Arjundas:** That is on course as far as approvals are concerned. There was a hold up a few months back because as per the new DP there is a road bifurcating the project into two. We have decided to

adopt the as-is-where-is situation i.e. we are assuming that the road will remain and therefore we have reworked the development on that basis and already submitted for approvals. We lost a few months on that because we needed clarity on the road and what was happening on the DP, but now we are moving ahead on that basis.

**Ujwal Shah:** Okay, Ma'am. And Ma'am any new fresh projects on the residential side that we are seeing to be coming up - probably foray in to newer cities or as we have always maintained we would like to concentrate on these cities only?

**Anita Arjundas:** At the moment we would focus on the existing cities. We have MOUs in place for land transactions in Bombay, Pune, and Bangalore. We are pursuing those transactions to closure to be able to add new projects.

**Moderator:** Thank you. The next question is a follow-up from the line of Anubhav Gupta from Maybank. Please go ahead.

**Anubhav Gupta:** Could you give some idea about the various markets you are operating in, how they are behaving in terms of demand and what kind of pricing pressures you are looking at in different geographies or different markets?

**Anita Arjundas:** Yes Anubhav. As far as different markets are concerned, I would say the markets which have been performing well in the last few months have been Hyderabad and Bangalore. Bangalore for example has received our launch well. We have sold over 80 units in the last three months of launch. Hyderabad has been a consistent market in the last six months. I think there has been some settling down in that market post the earlier uncertainty around the state bifurcation and volumes are therefore coming back to that market. As far as rest of the markets are concerned, I think different levels of tepidity across the country in terms of sales velocity.

**Anubhav Gupta:** Right and any update on the 42 acres of industrial land which you could have put up for sale, there were some approvals waiting regarding that?

**Anita Arjundas:** Yes, that is still status quo. We still have not got the sign-off from the Government on the 3 acres that we need to realize that 40 acres.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the floor over to Ms. Anita Arjundas for closing comments.

**Anita Arjundas:** Thank you. Our focus in the second-half of the year is going to be largely around the conversations that we've had till now, which is really getting some of the pending approvals in place whether its Chennai or Jaipur and fructifying the joint venture with Sumitomo at Chennai. These will be the three key interventions at the World City.

In terms of residential business, we do have specific launch plans for existing ongoing projects in terms of new phases. There are lot of plans around the marketing of projects and project specific interventions to capitalize on the festival season. We are hopeful that we will be able to continue the momentum of sales and get the order book up in terms of sales numbers in the second-half of the year. Execution has remained a strong focus in the first-half. We will continue to focus on that. We have several projects which are scheduled for completion and handovers by the end of this year. And we propose to be on course on the execution front to meet the deliverables from the execution part of the organization. We are also working on building a new pipeline for future growth through various land deals that are in different stages of due diligence across locations like Bangalore, Pune and the Mumbai Metropolitan Region. So converting these term-sheets into lands conveyed to us will be the focus for the second-half of the year. That is it from us. Thank you.

**Moderator:**

Thank you. On behalf of Mahindra Lifestance Developers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

---

*(This document has been edited for readability purposes)*