



Mahindra Lifespace Developers Limited  
Q3 FY15 Earnings Conference Call

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**STRATEGY & INVESTOR RELATIONS**

**Moderator:** Ladies and Gentlemen, Good Day, and welcome to the Mahindra Lifestance Developers Limited Q3 FY2015 Earnings Conference Call. 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 any assistance during the conference call please signal an operator by entering \* then 0 on your touch tone 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 and good afternoon everyone. Welcome to our Q3FY15 Earnings Call. The consolidated total income for the quarter stood at Rs. 250 crores, a 60% growth over the corresponding period last year, which was at Rs.156 crores. Profit after tax, pre minority interest, for the quarter stood at Rs. 42 crores, a 38% growth over the corresponding period in the previous year which was at Rs. 30 crores. The strong performance during this quarter has also been visible in the sales of the company in the residential space. With Rs. 310 crores of sales occurring across all our residential projects, we achieved our highest ever quarterly sales. While new launches added significantly to the sales momentum, the existing projects also saw an increased throughput this quarter. Luminare at Sector 59 in Gurgaon saw good end user demand with a total of 40 bookings, 20 of which have been included in the sales of Rs. 310 crores. With the additional 20 bookings that have not yet been accounted in the sales because of receipt of less than 10% of sales amount, we would actually have sales of close to Rs. 390 crores during the quarter. The quarter also saw two new projects being launched, The Serenes at Alibaug, which marked our entry into the weekend homes segment and our second affordable housing project at Boisar in the Mumbai region.

In the existing projects, we had one new launch, which was the last Phase of Ashvita, Phase-V in Hyderabad, which also saw revenue recognition during the quarter. The other operational highlights include revenue recognition at Bloomdale Phase-IIB, project completion at Aqualily apartments IIB and commencement of handovers at Aura Phase-I. The two affordable housing pilots took off with a promising start with sales of over 430 units across the two pilot projects. Phase-I of Happinest, Avadi also saw revenue recognition during the quarter, strengthening our confidence in achieving quick turnaround required for this business.

In the integrated cities, Jaipur added five new customers in the DTA during the quarter. Additionally an existing customer acquired land for expansion, taking the total number of transactions in Jaipur to 6. In Mahindra World City, Chennai key social infrastructure elements fell into place during the quarter. We had the Phase-I of the hospital being operational, while the construction of the club has also progressed as per schedule and should be launched during this quarter.

Our focus in the residential business will now be on the launch of the two new projects that are pending, which is the project in Andheri in Mumbai and the project in Bannerghatta road in Bangalore, both of which are in advanced stages of approvals. Besides this, we will also see

launches in the next phases of Nova and Bloomdale. We will continue to concentrate on timely execution along with focus on sales and marketing acceleration in all our ongoing projects.

In Mahindra World City, Chennai we continue to await the balance approvals to be able to unlock 32 acres of industrial land that resides there. And in Jaipur our focus will continue to be on sale of industrial land, re-zoning of the current plan based on the new SEZ rules and the master planning for the non-processing area. I would now request Jayant to take you through the financial performance for the quarter.

**Jayant Manmadkar:**

Thank you Anita. Good evening everyone. The PAT after minority interest for the quarter was up by 12% year on year basis to Rs. 33 crores, while as Anita mentioned PAT pre minority interest stood at Rs. 42 crores, up by 38% year on year. This quarter saw significant contribution to profitability from Mahindra World City Jaipur, where minority interest is higher. Compared to the same period last year, this quarter did not have any impact of redemption premium on tax calculation, thereby increasing the effective tax rate for the quarter to 32% as compared to 22% in Q3 of FY14. With this I would like to throw the floor open for questions.

**Moderator:**

Thank you. Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Anubhav Gupta from Maybank. Please go ahead.

**Anubhav Gupta:**

Good evening everyone and congratulations on your record pre-sales number. That is really encouraging. So now that we have done Rs. 300 crores worth of pre-sales in one quarter, just wanted to know your sense, do you feel it is sustainable for the next 2-3 quarters? What is your project pipeline now for the next 3-6 months? What is the feel on your ongoing projects which could add to the pre-sales number going forward?

**Anita Arjundas:**

Anubhav, as we mentioned in previous quarters, our focus in the last several months has been on sales acceleration through various efforts, such as international sales, channel partners and brand efforts around various projects, so that we can actually get in more leads and more conversions. That effort will continue. In addition, we will have the launch of the project in Bangalore and the project in Andheri, subject to approvals coming in during this period. So, that again will be new projects getting launched during the period that you mentioned. In addition, we would have launches in Nova, the second phase and launches in Bloomdale. So, I would say all of this should add up together to be able to see us continuing to see good traction in sales. We do not normally share estimates as you are aware, so it is difficult to put out a number but we hope to continue to see good traction in sales.

**Anubhav Gupta:**

Okay. The revenue has increased by 65% YOY, so this means that execution for some of the projects has really picked up. Could you name these projects? Which projects do you think will be completed in the next few quarters which will add to the revenue?

**Anita Arjundas:**

During the quarter we hit revenue recognition in three projects. One was at Ashvita which was launched during the quarter and also achieved revenue recognition during the quarter. We had

Avadi Phase-I, which is the Happinest affordable housing project in Chennai, achieving revenue recognition. We also had one of the phases in Bloomdale achieving revenue recognition. So three revenue recognitions during the quarter. We had one completion in the form of Aqualily IIB apartments. These have been contributors to revenue besides our continued focus on execution on other ongoing projects.

**Anubhav Gupta:** Okay. Your interest cost has not come down. We were hoping that the proceeds from Byculia land sale would go into debt repayment and that will ease some interest cost pressure. When will we see that or are you borrowing as the execution has picked up recently?

**Anita Arjundas:** We have already repaid loan at the end of Q1.

**Jayant Manmadkar:** We had repaid Central Bank loan at the end of the June quarter itself which was close to Rs. 200 crore. Therefore if we look at the current quarter which represents, as far as MLDL standalone entity is concerned, only the NCDs which are Rs. 500 crore, which is the borrowing. So the interest cost is corresponding to that. In the investor presentation we have shown that trend which is marginally reducing.

**Anubhav Gupta:** And lastly, any new land acquisition in process or any geography that you are very aggressively looking after?

**Anita Arjundas:** During the quarter we did add one land parcel. This was a joint development that we have entered into for a land parcel in Mumbai in Saki Naka area in Andheri. It is about 3, 20,000 square feet of development potential. It was concluded during the quarter and we have made the requisite payments towards the deposit to the land owner, and he will get an area share in the project. We have already appointed the architect for the project and started designing. As far as other land parcels go, we continue to look at proposals that are relevant to us in our focus markets of Mumbai, Pune, Bangalore, followed by NCR and Hyderabad.

**Moderator:** Thank you. The next question is from the line of Sandipan Pal from Motilal Oswal Securities. Please go ahead.

**Sandipan Pal:** Congratulations ma'am on a very good set of numbers. At the same time, I can see the disclosure level has also been improving every quarter. My first question is that in Aura Phase-V, is there any reversal in sales because I can see the last quarter cumulative number higher?

**Anita Arjundas:** In Aura Phase-V, we have actually added about 96,000 square feet of saleable potential based on a final assessment done by DTCP of FSI available and population density. It got added in this quarter. Therefore the denominator has gone up in that particular phase substantially, reducing both percentage completion of work done and percentage sold. But we will get the benefit of 96,000 square feet of sales potential that will be available to us in future quarters.

**Sandipan Pal:** And is that also the reason that your standalone margin is negative at the EBITDA level?

- Anita Arjundas:** Yes that contributes. If you look at the quarter, because of the percentage work done going down and percentage sales going down, there is close to Rs. 26 crores impact on top line and Rs. 6 crores impact on bottom line by this specific event.
- Sandipan Pal:** Secondly on overall sales at Jaipur, we sold almost 34 acres in Jaipur and I think there has been one more leasing in Chennai. Can you just share with us the total value?
- Sangeeta Prasad:** The 33 acres have contributed to Rs. 68 odd crores of sales value.
- Sandipan Pal:** Was there anything in Chennai also this quarter?
- Sangeeta Prasad:** This quarter we did not have anything in Chennai.
- Sandipan Pal:** Next question is ma'am, is it possible to share the collections during the quarter as well, the way you actually shared the construction expenditure during the quarter?
- Anita Arjundas:** I think we made a start in this quarter's disclosures Sandipan by sharing the PTD collection status.
- Sandipan Pal:** Cumulative madam, so just wanted to understand what was this quarter?
- Anita Arjundas:** Can we come back on it later?
- Sandipan Pal:** Sure. And lastly ma'am, with the new SEZ norms change, does it now give us relatively higher visibility towards the launch of residential project in Jaipur?
- Anita Arjundas:** Well I think at least there is clarity in terms of the way the Government is looking at Dual Use or how Dual Use can work in terms of access to SEZ benefits or non-access to such benefits. So that at least defines for us very clearly what is possible and what is not. As I mentioned in the beginning itself in the opening remarks, we have initiated the process of master planning for the residential area and the social infrastructure area of Jaipur. This will accelerate that process now that we also have clarity on what the policy has to state.
- Sandipan Pal:** But actual launch may take some more time, you mean to say?
- Anita Arjundas:** Yes, it would.
- Moderator:** Thank you. The next question is from the line of Mahesh Bendre from Chicago Capital Fund. Please go ahead.
- Mahesh Bendre:** We have presence in 8 cities and you just mentioned that we are looking to expand. So my question is, are we looking to acquire new projects in these existing 8 cities where we already have presence or are there any plans of going into new geographies?

- Anita Arjundas:** The focus will be on 6 of the 8 cities in terms of new acquisition. We will not be looking at new geographies at this point in time.
- Mahesh Bendre:** And going forward, what will be the strategy for our company; I mean in terms of buying land outright or joint development? Where will the focus be?
- Anita Arjundas:** Currently, we have about close to 30% of our mix coming from joint developments. We would continue to see maybe 30%-40% of the mix being joint developments, the rest would be through outright but in the form of development platforms and joint ventures with strategic investors.
- Mahesh Bendre:** And the last question, the debt-equity ratio at net level is around 0.72. So internally have you placed any ceiling? Is there a number we are looking at that we may not cross over?
- Anita Arjundas:** We have always spoken about being able to maintain debt equity level of sub 1 and 0.8, 0.9 being a maximum kind of scenario that we like to aim towards. Currently, we are within that. And we will continue to keep track of debt-equity level. So I think there could be situations where, for a point in time you might have debt-equity levels higher or lower but the effort is to stabilize it at around 0.6- 0.7 level over a period of time.
- Moderator:** Thank you. The next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.
- Samar Sarda:** I had 3 questions; 1) On Slide #11, the construction expenditure sum you have given, what all does it include? It just includes civil, electrical, contracting or it includes some marketed fees, site expenses? Are interest and other overheads allocated to this?
- Anita Arjundas:** It includes all projects related costs, which would be all that you defined plus architects fees, approval costs and site overheads.
- Samar Sarda:** Second is, what would be the customer advances number at the end of this quarter, the balance sheet number?
- Anita Arjundas:** We do not have that right now with us Samar. **Samar Sarda:** Sure and my last question is, you mentioned in Slide #11, Rs. 799 crores has been collected YTD, now our total sales value for the ongoing projects is something around Rs.1470 crores.
- Anita Arjundas:** Samar that is PTD. So it includes basically all the projects that are currently ongoing and for which collections are due. The PTD number is about close to Rs. 850 crores, out of which Rs. 799 crores has been collected.
- Samar Sarda:** Out of the total sales of Rs. 1470 crores until now for all the ongoing projects, Rs. 799 crores is collected?

- Anita Arjundas:** Yes, that is based on the milestones that have come up.
- Samar Sarda:** Fair enough. So this remaining Rs. 671 crores, assuming we do not do any further sales in these projects, these Rs. 671 crores will be collected typically over how much time?
- Anita Arjundas:** Based on the where each project is on its construction maturity and what its schedule completion is. So it would vary project-to-project, some of it could be 3 months, some of it could be 6 months, some of it could be 1 year, 1.5 year.
- Samar Sarda:** If you had to give an outside timeline to the Rs. 670 crores, so probably you have a 2 year timeline or before that?
- Anita Arjundas:** Would not be able to give you an off the cuff response Samar.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Batlivala & Karani Securities. Please go ahead.
- Prem Khurana:** To begin with, a small clarification. If I am not mistaken, I heard Sangeeta saying that we have done around Rs. 68 odd crores in terms of land-lease premium in this quarter, am I right?
- Anita Arjundas:** Yes.
- Prem Khurana:** Okay, does it mean we have done around Rs. 2 crores an acre kind of realization in this quarter, which seems to be on a higher side if I compare it with the number that we were able to do till the last quarter?
- Anita Arjundas:** Yes, that is right. We have seen very good improvement in the price realization per acre in Jaipur, quarter-by-quarter. This quarter has been at Rs. 2 crores.
- Prem Khurana:** If I am not mistaken, we are left with around 770 odd acres in Jaipur SEZ, so how would the split be between DTA and SEZ?
- Anita Arjundas:** In the DTA, we currently have about 40 acres left and the rest would be at the SEZ.
- Prem Khurana:** You were planning to convert a part of this SEZ area into DTA area, so any progress there or by when do we expect that will take place?
- Anita Arjundas:** There has been good progress on that in terms of the processing with the Government. We hope to get approval soon.
- Prem Khurana:** Sure. In terms of fresh bookings, this quarter seems to have been pretty good for us. It seems we have put in some extra efforts during the quarter in the form of subvention schemes. Is this number sustainable given a large part of this would have come because of the new subvention schemes?

**Anita Arjundas:** Well, I think it is a combination of factors. If you look at the subvention schemes, they have been largely around projects which, for example if you look at Antheia, we had a subvention scheme on Phase-I for the last 50 units because they were in different floors and we needed it to accelerate the momentum of sales from 3 to 4 units per month to better levels. So we have completed the whole of Phase-I. Similarly in certain other projects, it is based on where stock is, strategically at what stage of the life cycle it is and offered subvention schemes.

**Prem Khurana:** So would you have any number of how much of this Rs. 310 odd crores would be on account of subvention schemes and how much would be purely on normal basis?

**Anita Arjundas:** No, we would not have a number right now with us. It has been a combination of not just subvention schemes; one is subvention schemes, the other has been an activation of channels like International, the overall channel partner performance besides direct sales performance and the work done around digital marketing which has resulted in better quality leads and better quality conversion, plus the new phases or the new projects getting launched. I would say it is multiple things working together to be able to get the numbers that we have this quarter.

**Prem Khurana:** And we would want to be sure that this kind of number is achievable in coming quarters as well?

**Anita Arjundas:** We would hope so.

**Prem Khurana:** Sure. Last one. If I were to look at our receivables, it seems to have gone up substantially in this quarter, especially for standalone entity by around Rs. 60-70 odd crores. Now if I were to look at your Slide #11, it seems at least from residential development, the due is only around Rs. 49 odd crores and for standalone entity the number is around Rs. 150 crores. So does it mean Rs. 100 odd crores of number would be on account of land-lease premium or what would it pertain to, this Rs. 100 odd crores of number?

**Anita Arjundas:** There are no dues as far as land-lease premium is concerned. As it is we always look at least 90% of the transactions working on 100% being paid up front. There might be a 10% odd transactions which is mainly staggered over the 6 months. But there is nothing due there at the moment.

**Prem Khurana:** So what would explain this Rs. 100 odd crores of incremental number?

**Jayant Manmadkar:** It is the revenue which is unbilled. It comes with the revenue recognition

**Prem Khurana:** Just one last one. If I were to look at our notes to accounts, we seem to have created a new subsidiary during the quarter for our Chennai Industrial Park. Does it mean that the project is just around the corner and would get launched in next couple of quarters?

**Anita Arjundas:** As we have mentioned earlier, we will be looking at launching Phase-I of the project and we have completed the master planning for the same. We are also in fairly advanced stages of



closure on documentation with the JV partner. To that extent, we have created the SPV for this purpose. As soon as we conclude documentation, we will take the next steps on operationalizing the project.

- Prem Khurana:** So internally do we have any timelines? By when will we be launching this project?
- Anita Arjundas:** We do but they are internal timelines.
- Moderator:** Thank you. The next question is from the line of Samar Sarda from Kotak Securities. Please go ahead.
- Samar Sarda:** Just another book keeping question. Did we pay any advances for land or JDA deposits in this quarter?
- Anita Arjundas:** Yes we did. For the Sakinaka transaction that I mentioned, we paid the deposit to the land owner for the transaction closure.
- Samar Sarda:** And excluding a single transaction ma'am, could you mention the total amount paid over all the projects in this quarter or that is the only transaction?
- Anita Arjundas:** No, that is the only transaction in the quarter.
- Moderator:** Thank you. The next question is from the line of Sandipan Pal from Motilal Oswal Securities. Please go ahead.
- Sandipan Pal:** Just want a commentary from you about the market dynamics currently in your operating markets, especially in Gurgaon where you have got a very good response for your project but we know that the market is not doing that great. And related question to that is the constraint of collection of 10% is only in Gurgaon or is it quite natural for your other projects also because you mentioned that it is only for Luminaire?
- Anita Arjundas:** I will leave the first part of the question to our Head of Sales-Gaurav Jain but as far as the second is concerned, it is the way we have structured the payment plan for Luminaire. Since it is a Rs. 4 crores to Rs. 5 crores ticket size product, the customer pays Rs. 10 lakhs to Rs. 15 lakhs at the time of booking depending on the unit and then within 60 days pays the balance 10%. So there is a 60-day window for the 10% to come in. While it is sales because there are reservation letters in place, normally, within our organization, we have always been showing sales entry into the SAP system only after we have received the 10% from the customer. So then we know the sale is immediately revenue recognizable. And that is why you have the distinction that while 40 units have been sold, 20 units have reached the point in time where the 60 days are over and the money needed to come in and has come in, whereas the balance 20 units still have time for the 60 days to be over. Specifically on the market, I will hand over to Gaurav.

**Gaurav Jain:** You are right that Gurgaon market seems to be sluggish right now. However, we are targeting end users in Gurgaon markets. We have increased our international outreach. We are targeting channel partners in GCC Countries and Singapore. That is why we got the good traction in Q3. And we are hopeful that we will continue with the good traction going forward.

**Moderator:** Thank you. As we have no further questions I would like to hand the floor back to the management for closing comments. Please go ahead.

**Anita Arjundas:** Thank you for being with us here today. As I mentioned in the beginning of the call, the focus for the next 6 months really is to get the two new launches going, Windchimes in Bangalore and Vivante in Andheri, Mumbai. We will also be having several projects working towards either completion or revenue recognition during the next 6 months. We continue to look at new land parcels, as and when they come in our focus markets and hope to see some traction again during the next financial year on that. On sales we will continue to drive the efforts we have put in the last few quarters to be able to improve the order book for the company quarter-by-quarter. Thank you.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Mahindra Lifespace Developers Ltd. that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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