



Mahindra Lifespace Developers Limited  
Q1 FY15 Earnings Conference Call

**August 1, 2014**

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**MS. SANGEETA PRASAD – CEO, INTEGRATED CITIES**  
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**& INVESTOR RELATIONS**

**Moderator**

Ladies and gentlemen, good day, and welcome to the Mahindra Litespace Developers Limited Q1FY15 Earnings Conference Call. We have with us on the call today from Mahindra Litespace Ms. Anita Arjundas – Managing Director and Chief Executive Officer, Mr. Jayant Manmadkar – CFO; Ms. Smeeta Neogi – Vice President, Marketing; and Mr. Siddharth Bafna – General Manager, Strategy and Investor Relations. As a reminder, all participant lines will be in a 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 ‘\*’ 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 and good morning everyone, welcome to our Q1 FY15 Earnings Call and also to what is the 20<sup>th</sup> year of the company since its inception. The consolidated income for the quarter stood at Rs.437 crores, with a PAT post minority interest of Rs.179 crores. The key highlight of the quarter was sale of the property at Byculla, Mumbai where the company had development rights along with the land owner and the sale was concluded in the month of May which was communicated to the stock exchange at that point in time. Our gross share of the consideration from the sale stood at Rs.325 crores. The impact on total income would be lower than Rs.325 crores as also on PAT and Jayant will get into the specifics of this at a later point in time in this call. In the immediate term, we have deployed a significant part of this money towards paring debt which was there in the form of construction finance, thereby also brining down our overall interest cost.

The other noteworthy event for the quarter was the launch of our affordable housing brand Happinest in the month of June. We have since received approval for both our pilot projects in Chennai and in Boisar and we will be launching both of them during this quarter. The quarter also saw Mahindra World City Chennai becoming the first township in India to be certified at stage one in the IGBC green townships category with a gold rating.

As far as residential operations are concerned we are pleased to share with you that we achieved revenue recognition in Bloomsdale II A (Nagpur) during the quarter and also launched two more phases in the same project, Bloomsdale III B and III C.

In the Integrated Cities, Jaipur added four customers during the quarter both in the SEZ and in the DTA and in fact one of these customers was actually a customer who purchased land both in the SEZ and in the DTA, thereby standing testimony to the whole integrated offering of SEZ plus DTA. World City Chennai also signed two new customers through land reallocation, achieving very good prices and contributing significantly to the profits.

As far as residential sales are concerned, we sold about 106 units during the quarter when compared to 114 units in the corresponding Q1FY14. There seems to be some level of improvement in consumer sentiment across markets and segments which is a function of a new government and also some of the initiatives that have been announced by the government in the budget, but it is still early days in terms of significant pickup in volumes.

As far as our new projects are concerned, I already mentioned that we have received all the approvals for both our affordable housing pilots and they will be launched this quarter. In addition, we have also received approvals in the month of July, for our second homes project in Alibaug, and this project again will be launched towards the end of this quarter. We have received most of the approvals pertaining to the project in sector 59 in Gurgaon, and should be able to launch the project in the second half of the year. On the projects in Andheri, Mumbai and Bannerghatta road in Bangalore, we still are at different stages of approvals.

So the focus, as far as residential is concerned, in the next nine months, will be to get sales traction going, to keep the execution focus on and to get the six launches going. In the World City, the focus will be to get the balance approvals that are pending in Mahindra World City Chennai to be able to realize the 30 odd acres that reside there and also to be able to launch the first phase of the NH5 project. In Jaipur, the focus will continue to be on sale of industrial land and master planning for the non-processing area.

I also have with me Ms.Sangeeta Prasad who is the CEO of the Integrated Cities and Sriram Mahadevan who is the head of the Happiest Business Vertical, they will step in as and when required to address specific questions. I will now request Jayantt to take you through the financial performance for the quarter.

**Jayantt Manmadkar**

Thank you Anita. Good morning everyone. Within the quarter, we repaid the Central Bank loan of Rs.195 crores from the cash received through sale of Byculla land in Mumbai. The company has during the quarter prudently provided for impairment of its investment of Rs.18 crores in one of its subsidiaries. I will also spend two minutes at the outset on the key financials of the transaction of Byculla land which we have also given in a note to the press advertisement that has been published. The operating income out of this transaction is Rs.252 crores, other income is Rs.15.5 crores, so total income of Rs.267.5 crores. The cost which is charged to the profit and loss account against this transaction is Rs.22 crores, so at the PBT level, the number is Rs.245 crores. The tax on this comes to about Rs.75 crores and therefore the PAT out of this transaction is about Rs.169 crores and I have also said that there are some provisions which we have made prudently in the books so if we net off those provisions also, then the net impact at the PAT level for this is Rs.150 crores. That is all from my side, now I would like to open the floor for questions.

**Moderator**

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Anubhav Gupta of May Bank. Please go ahead.

**Anubhav Gupta**

Good morning everyone. First question is on the Byculla land, now that you have received Rs.150 crores at PAT level, what are your plans for raising new capital through QIP?

**Anita Arjundas**

We have not taken a call on the QIP as yet at this point in time. We will evaluate our fund requirements and look at when we want to do it based on the funding needs; there is no specific calendar at the moment on the QIP.

**Anubhav Gupta**

Okay, so you think you are well funded for next nine months?

- Anita Arjundas** We are well funded as far as our current projects go in terms of funding requirements and the ability to get all the projects off the ground. But obviously if we do see some closures in terms of new land parcels, we will need to look at funding through a variety of mechanisms which could be equity, could be debt, and could also be a joint venture with private equity.
- Anubhav Gupta** Right. And if we look at the residential business the pre-sales were around Rs.52 crores which is lowest in the past two years for a quarter. So is it to do more with the low demand of ongoing projects or lack of new launches from your end?
- Anita Arjundas** It is a combination of both, one overall demand has still been muted. While April was a very bad month, May was slightly better and June was a little better, but by and large Q1 has been muted across markets. Things have picked up in the month of July, but as I mentioned earlier in the call itself, it is definitely not where we would like sales velocity to be. So that is one part of it, the other is yes we had no launches during the quarter.
- Anubhav Gupta** Among the four projects which are going to come in this fiscal year, the time line would be first Alibaug, then Gurgaon, then Andheri and finally Bangalore?
- Anita Arjundas** Yes, I think first Alibaug definitely since all the approvals are in place, Gurgaon is pretty much almost done on its approval so that would be second, between Andheri and Bangalore would be a tossup, it is little early to predict on which will go first.
- Anubhav Gupta** And what is the status on the approval pending for 100 acres of industrial land in Mahindra World City Chennai?
- Anita Arjundas** What is pending is about 34 acres of saleable land, the total area if you recall was about 96 acres then over a period of time we were able to carve out in the last two years, area which did not get impacted by the land which needed approval, which has been sold over the last two years. So what has been impacted currently is 34 saleable acres, which we are still awaiting approvals from the Government and as soon as we get those approvals then we will focus on selling all of those 34 acres.
- Anubhav Gupta** Okay. Any timeline think you will be getting the approvals?
- Anita Arjundas** Difficult to give a timeline Anubhav, but we are hoping it will get sorted out soon as it has been a while.
- Moderator** Thank you. The next question is from the line of Yash Ved from India Infoline. Please go ahead.
- Yash Ved** Hello. I just want to know about the Alibaug and Gurgaon projects – when is the company planning to launch these?
- Anita Arjundas** Alibaug has received all its approvals. Since we are currently in the middle of monsoons we would like to wait for it to reduce and look at the launch sometime may be around the end of

September. As far as Gurgaon is concerned, we still have one approval awaited and assuming that it comes in the next month, we should be looking at an October launch.

- Yash Ved** Okay and outlook on the real estate prices for FY15- how do you see the prices going forward?
- Anita Arjundas** I think it has been largely subdued in most markets barring may be a market like Hyderabad which is actually starting to see some price movement upwards with the resolution of the two state issues. Bangalore has traditionally seen a 5% to 6% increase on a year-on-year basis. The other markets remain very subdued.
- Yash Ved** Okay, thank you.
- Moderator** Thank you. The next question is from the line of Anand Agarwal from Jefferies. Please go ahead.
- Anand Agarwal** Good morning everyone. I do not know if you explained this in the past but just wanted to understand your strategy on the affordable housing side in terms of how you are planning to do it differently from the other segment of projects that you have?
- Anita Arjundas** Anand what we will do is give you a very brief one minute capsule and happy to meet up and share a detailed approach but I will ask Sriram to just step in and share a one minute brief on how we are looking at the whole space.
- Sriram Mahadevan** On the affordable housing, there is obviously a market which is there to be served, but the most critical part is to find a sweet spot on what is the kind of pricing and what is the kind of location at which you launch and how fast you execute so that it is a low-margin, high-volume game. The sweet spot that we are trying to find is the ROCE that we get out of this business and that if we get it right then it should significantly be higher than the conventional business. That is what the business model is all about.
- Anand Agarwal** Okay and in terms of focus would it be on the bigger cities only or would you look to do Tier II, Tier III cities in the affordable housing?
- Anita Arjundas** At the moment Anand, the focus will remain on the bigger cities. If you look at the drivers - high level of industrialization, high level of urbanization, prices which are unaffordable from the rest of the market, then obviously these are the cities which have a large population that cannot afford to buy homes but needs homes. Whereas, if you look at the smaller cities the delta difference is not really significant even in terms of where some of the conventional projects fit. So we definitely would, at least in the initial term, focus on the larger metros where there is high level of urbanization and industrialization.
- Moderator** Thank you. The next question is from the line of Sandeepan Pal of Motilal Oswal Securities. Please go ahead.

- Sandeepan Pal** Just wanted to check again on the affordable housing side, so you called these two projects as pilot projects so are you actually looking for new affordable housing project land acquisition on that only after probably reasonable amount of success in these two projects or given that Government already kind of envisages a little bit favorable guidance on this particular segment will you be actually looking for some other projects already?
- Anita Arjundas** So land is a long drawn process but we will not stop looking at land. It does take at least six months to close the deal, but we will use the next six months to also test many of our assumptions on cost, on construction timelines, on the rate of sale and therefore the kind of margins and returns that we can expect, to really be able to push the accelerator on this segment.
- Sandeepan Pal** Okay, and if my understanding is correct based on recent budgetary cost of borrowing for affordable housing this is only for the buyer and not for the developers right, any kind of incentive on the cost of borrowing?
- Sriram Mahadevan** The recent budget also got the cost of borrowing going down further so that is one good thing there. But there is this Rs.4,000 crores which has been set aside, which again will help the National Housing Bank to refinance the housing finance companies and thereby bring down the cost of borrowing. And obviously the developers can take the ECB route for getting a lower cost of borrowing.
- Sandeepan Pal** And then coming to the other integrated township, land acquisition in North Chennai - what is the status of that and when can we expect that also to kick off?
- Sangeeta Prasad** Just wanted to share with you that the land procurement is on, albeit at a sluggish space. What we have done with the land inventory available is we have carved out the 1<sup>st</sup> Phase of the product so it is in advance stages of master planning and we hope in the next couple of months we will get a master plan for that 1<sup>st</sup> Phase to progress further on the process of submission, getting everything together, identifying the cost. That is the change from the last quarter. Work-in-process rather than inventory.
- Sandeepan Pal** And lastly ma'am this Jaipur residential portion earlier you mentioned that either we will go for kind of monetization directly or maybe you can come up with the conversion towards more processing area so what is the thought process right now and what is the status of that thought process?
- Anita Arjundas** I think we are on stream on both, I would just like to correct that what I have mentioned as far as the first part is concerned is that we will be master planning the non-processing area so that we define all the uses. And as far as the residential component is concerned we would be open to a situation where we have not just Mahindra World City doing all the development but others also coming in and doing the development. We still have not reached a stage where we will take that decision, but we definitely have started engaging with potential master planners to be able to get started on the planning for the project. On the second part which is the product mix, we are in

dialogue with the government and we will be taking that forward based on feedback that we have from the government in terms of rework on the mix of the project.

- Moderator** Thank you. The next question is from the line of Abhishek Gupta from Bank of America. Please go ahead.
- Abhishek Gupta** I wanted to check on Jaipur again because Chennai has been in a fairly advance stage of development, you have got pretty decent occupiers there, Jaipur started off very well and correct me if I am wrong slowed off a little as a city overall so that impacted your project. How big is it in terms of number of jobs you can create there, and is it predominately IT or are you looking at mix like you have in Chennai with a bit of automobile, that is a first sort of a question if you could answer that first.
- Sangeeta Prasad** You are right that there was sluggishness in the past but we have seen in the last year, the investments coming from the engineering space specifically in the DTA. If you have seen we had Perto, then we had TTK from South expanding in North, then we had few of other customers in the engineering space. You are right in the SEZ space it has been primarily IT but as Anita mentioned earlier in her opening remark, we are happy to inform you Gaston which is in the engineering space has invested both in SEZ and DTA in the first quarter of this year. The important thing is, it is fashioned in the form of an integrated city with mixed use customer segment, it is not only IT and although IT has been the first flush in Jaipur, it has been followed by the JCBs, and the Pertos and we are seeing demand coming from engineering companies also. So obviously engineering companies would not have so much of work force as IT generates so at the end we are seeing in full capacity more than a lakh coming in through when we fulfill the demand and the inventory of the space.
- Abhishek Gupta** So how many people are working in your SEZ right now, would you have a number?
- Sangeeta Prasad** 3500 people working there.
- Abhishek Gupta** And this includes the Infosys, and all the ready...
- Sangeeta Prasad** Yes.
- Abhishek Gupta** And what would be the total capacity once you complete let say in seven years or whenever?
- Sangeeta Prasad** The IT space only?
- Abhishek Gupta** IT and engineering these two in the next five years.
- Sangeeta Prasad** Would be in the range of 1 lakh
- Abhishek Gupta** And you would have enough residential to take care of this captive within your SEZ which is what Anita was talking about in terms of the non-processing space?

- Sangeeta Prasad** You will be happy to know Jaipur is a bustling town and while we will be looking at residential in our NPA as Anita mentioned we believe that this place has potential to have more than residential so we are looking at the NPA for a larger broad-spectrum use, and there are also residential spaces in and around that is why it is very important that we very wisely decide on the master plan of the NPA and do not worry there will be more than enough to occupy, we just need to usher in more industrial demand.
- Abhishek Gupta** Sure, because I would assume that these 3500 people who are working are currently commuting from the city because you are slightly off the city across the highway so it would be great to have residential or school or hospitals or whatever the social fabric is?
- Anita Arjundas** And you are right that the residential will be an integral component of the whole development, and one thing which we should notice that this is possibly the only project of its scale and size which is within a municipal limit, we actually fall within the Jaipur Development Authority Municipal limit. And over a period of time obviously not now but you will see a Phase-2, Phase-3 of the metro even extending down that corridor. If you look at Mansarovar which is one of the largest occupied residential areas it is just about 12 kilometers away. So we are fairly close to the city also in terms of a connect, whereas Chennai is much definitely much further away than what Jaipur is.
- Abhishek Gupta** And any chances of Happiness looking at Jaipur?
- Anita Arjundas** We will look at it at the right time.
- Moderator** Thank you. The next question is from the line of Akshay Rao of Edelweiss. Please go ahead.
- Aasheish** This is Aasheish from Edelweiss. My question just goes back to the one on North Chennai, I think Sangeeta just mentioned that we are carving out a section of the 550 acres that has been already acquired, and master planning is underway for the same. So could you throw some more light as to how much land is being carved out A and B what kind of usage do we contemplate for what is being carved out.
- Sangeeta Prasad** The 1<sup>st</sup> Phase which we are carving out is around 300 acres Aasheish and the North Chennai corridor is very industrial in character and lot of companies from Metro Tyres to Michelin to even John Deere so that is the topography of that corridor. So what we are seeing is extension of the industrial market in that space so it will be more engineering. We are also looking at electronics but mostly engineering and precision industry if you understand that is also in this year's budget, the village called Ponneri has come in the highlight of this year's budget to be developed and it is actually in that village, our project is in that village so we see a lot of encouragement coming through from the budget in that space.
- Aasheish** I am sorry can you just take us through what's the budget provision for Ponneri.



- Sangeeta Prasad** There is this Bangalore, Chennai corridor which is being seen as an area of development in the South, and Ponneri is a village which abuts this corridor and the government has decided to infuse investments and look at possibility of developing that corridor so our North Chennai project is actually encompassing that village. So we hope to see at the macro development level some improvements in that area so that would bring in more and more industries.
- Aashiesh** Sure. So to monetize this 300 acres you would also be putting up some infrastructure investments over the next one of two years?
- Sangeeta Prasad** Yes we would be.
- Aasheish** How much could that be if you could just throw some light on them?
- Sangeeta Prasad** Aasheish we are just working it out now. As I mentioned to you earlier the master plan process is on that basis what the master plan does is it sets out not only the layout of the land but also what utilities and what kind of resources will be required to serve the market segment so once we firm it we would be able to share it with you.
- Aasheish** Would it be fair to assume that next year this time we should be booking some revenues from this North Chennai land parcel?
- Sangeeta Prasad** Yes, customers would love to come in, we would love to have customers but there is an arduous process in between which is called approvals. I think we should be happy if we submit the proposals to the various authorities in the government and following up for the approvals, next year would be spent mostly in getting our approvals in place.
- Aasheish** So the first time when we can actually see revenues coming out of this might be like FY17?
- Anita Arjundas** Let's not get into specific estimates on that one Aasheish. I think you have a broad sense of what the yields are in a typical World City. You have a sense of what the cost of development is. What Sangeeta mentioned is that yes we are now at a situation where we have carved out about 300 acres which is good to go as a contiguous land mass that can be marketed. We started the first step which is master planning and now we move from there to the whole infrastructure detailing, submission for approvals, environment clearances, and then get into launch. We would love to see it happening next year but it really depends on how long approvals take.
- Moderator** Thank you. As there are no further questions I now hand the conference over to the management for their closing comments.
- Anita Arjundas** I think we have pretty much wrapped up the focus for the next nine months in the opening remarks itself so the focus really will be on ongoing operation, launches, realizing new products and converting them into revenues for the company, getting sales up, getting execution up, and really closing some of the long term decisions on the World Cities like the product mix in Jaipur, the master plan for NPA and Jaipur, the NH5 project master plan and submission for approvals

all of which will result in them coming in as realizable inventory in the coming years. That is the focus for the team in the next nine months. That is it from us, thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Mahindra Life Space Developers Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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