



“Mahindra Lifespaces Q1FY14 Conference Call”

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**Moderator**

Ladies and gentlemen, good day and welcome to Mahindra Lifespace Developers Limited Q1 FY14 earnings conference call. We have with us today from Mahindra Lifespaces, Ms. Anita Arjundas – Managing Director and Chief Executive Officer; Mr. Jayant Manmadkar – CFO; Mr. Siddharth Bafna – General Manager, Strategy and Investor Relations and Ms. Smeeta Neogi – Vice President, Marketing. 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, please signal an operator by pressing ‘\*’ then ‘0’ on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference over to Ms. Anita Arjundas. Thank you and over to you Ms. Arjundas.

**Anita Arjundas**

Thank you. Good morning and thank you for being with us today on the Q1 FY14 earnings call. It’s been a good start for us in the new year with consolidated income growing 44% YoY. A very good start at Jaipur with 3 new customers - TTK, Perto and MetLife being added in the DTA and the IT SEZ, which has been a significant contributor to performance besides the continued focus on execution in residential segment in Q1. Handovers at Iris Court, our project in Chennai, have commenced and handovers at Splendour in Mumbai will commence shortly. So, there are close to 500 units that will be handed over between these 2 projects over the next 3 – 6 months. We launched fresh inventory at 4 projects in Q1, 3 existing projects and 1 new project. As part of our growth plan to build inventory, which is equivalent to about 3 years of targeted sales growth, we raised an NCD of about Rs. 500 crores during the quarter. The NCD has a 5 year period, redeemable in tranches in Year 3, Year 4 and Year 5 and carries a coupon ranging from 0 – 8% per tranche plus a redemption premium, taking the total cost of the NCD to about 10.78%. We added 2 land parcels during the quarter. One was development rights in Gurgaon for a premium residential project; that was in May13 and we have already appointed the architect and commenced design development for the same. We also completed the procurement of our second affordable housing pilot land, which is at Boisar in MMR. With this, we have completed procurement of both the targeted pilot projects for affordable housing. So, overall currently we have about 8.34 million square feet of completed projects, 4.32 million square feet of ongoing projects and about 6.98 million square feet of forthcoming projects of which approximately 3 million square feet are subsequent phases of existing projects which means they have all of their approvals in place and will get launched as we hit the 70% sales threshold in the preceding phase. About 3.94 million square feet of these forthcoming projects are new projects that will get launched after the receipt of approvals; 1.22 million square feet of these being for affordable housing. Profits at EBITDA level are at 32% of turnover on consolidated performance as compared to 33% in the previous year. However PAT was 11.9% versus 15.1% with respect to the previous year. On standalone, the drop in performance needs to be seen in the context of a one time sale of land that took place in Q1 FY13 of a parcel in Ghatkopar which contributed significantly to the revenue and profits in Q1 FY13. EBITDA performance at standalone inspite of this was at 36% in this quarter vis-à-vis 39% in the previous year. However PAT performance is at 17.4% of turnover vis-à-vis 24.9% the previous year largely because of additional interest cost and pre operative expenses in marketing for some of the projects that are yet to achieve revenue recognition. We hope to be able to sustain the execution momentum during the rest of the year and progress significantly on approvals for the 7 new forthcoming projects. Some of

these would get launched during the year while others will get launched next year. At World Cities, we have a decent lead funnel for the DTA in both Chennai and Jaipur and hope to convert many of them to leases during the year. That's it from me for now in terms of introductory remarks. Happy to take questions as we go along. Thank you.

**Moderator** Thank you very much ma'am. Ladies and gentlemen, we will now begin with the question and answer session. Our first question is from Adhidev Chattopadhyay of HDFC Securities. Please go ahead.

**Adhidev Chattopadhyay** I have 3 questions I will take them one by one. Firstly, can you provide a break up of which subsidiaries would have contributed how much to revenues during the quarter? Secondly, if I see in the standalone basis the EBITDA margins excluding other income do not seem to have moved up over the last 3- 4 quarters. So just wanted to ask when do we see it turning around and is it because of cost over runs happening in these projects and lastly, I would like to ask is, you mentioned in your presentation that we are going to be launching around 5 – 6 projects over the next few quarters, I would just like to understand what will be the total outgo on the approvals and on the fungible FSI which we will have to incur over the next couple of years.

**Jayant Manmadkar** For the quarter, out of the total turnover of Rs. 176 crores, Rs. 53 crores is contributed by the World Cities and remaining is by the residential subsidiaries. As far as EBITDA margins at standalone basis is concerned, it is a result of the number of projects we have in respective cities and that has changed over the last 4 quarters with some projects in Mumbai and some outside of Mumbai. So that is the reason why there is change which is primarily arising out of the product mix.

**Adhidev Chattopadhyay** And sir just wanted to know do you see this moving up in the next year, we see some higher realization projects coming into the revenue booking or is it likely to remain at below 20% level?

**Jayant Manmadkar** Our request to you will be in line with what Anita mentioned at the beginning, to really look at consolidated numbers because that is the real representation of the company's performance.

**Adhidev Chattopadhyay** And final question was what is the likely spent or outgo we will have to incur this year on the approvals and payments for fungible FSI across cities?

**Anita Arjundas** Except for one project in Mumbai which would have fungible FSI, all of the other projects are in other parts of the country where there is no impact in terms of purchase of TDR or fungible FSI or any other form of charges which are payable to the government for FSI rights. So there is then only the architect cost, consultant cost and approval cost which is not going to be a very substantial number. You typically would work at approximately around Rs. 200 a square feet, all inclusive of these costs put together. And a bulk of it will be incurred but not 100%.

**Adhidev Chattopadhyay** So if I ask just a more broader question, on the overall level, our debt now stands at roughly Rs. 1300 crores at the end of this quarter. Now do we see the debtors as going up further during the rest of this year and any guidance you would like to give from the same on levels of debt?

- Anita Arjundas** We do not see debtors going up during the rest of the year. Infact, I had mentioned last year itself that we would be targeting a debt equity ratio of 1:1 and we will stay with that. We would see debt may be coming down in the immediate near future possibly going up again and settling back at that level but I would say the range at a consolidated level would be 0.8 - 1 that would be the range we would be operating as a company.
- Adhidev Chattopadhyay** Just one book keeping question, what will be our average cost of debt overall for the company right now on a consolidated basis?
- Anita Arjundas** About 11.8%.
- Moderator** Our next question is from Danesh Mistry of Tata Mutual Funds. Please go ahead.
- Danesh Mistry** Thanks a lot for taking the time out to talk to us and I would like to congratulate you on taking up all the projects and bringing them up so quickly to launch phase. Just a couple of questions here. One thing is that are we going ahead with any more land purchases or MoUs outside of current ones that we have already signed up. That is the 8 MoUs. Then I will come to the second question.
- Anita Arjundas** As far as the 8 is concerned; we have closed 4 which are the Andheri, Bannerghatta, Sector 59 Gurgaon and the Boisar affordable housing. So we have 4 more to be concluded. I would see possibly a couple of them not going through it as things stand today primarily because we are not happy with what we are seeing on title. So I would tend to look at some replacement projects coming in for what we had already planned and committed. So it will be pretty much in that range. Either all of these four going through or some of them falling out and others coming on and maybe another 1 more or so. But clearly not all of them will actually get converted therefore to closure during this year because it takes 6 – 9 months to close. Therefore, if these 4 had to close they would close during the year, but if we get in replacements then it will go towards the end of this year or early next year.
- Danesh Mistry** These current 4 ones are fully land buys or are they like JV, JD and things like that? The four that are still open.
- Anita Arjundas** Out of the 4 that are open, 1 is joint development. The other 3 are outright.
- Danesh Mistry** Ma'am just one more question, we launched L'Artista in Pune. So just some sense on how the project is doing because the project is under excavation. So how was the sales traction?
- Anita Arjundas** We launched in the month of June. So it's just been a little under 30 days that the project was launched. And it's 21 units out of which the land owner has about 5 units so what we have is 16 units. And this is on invitation basis. So it's not something that is going to be on a tearing hurry. We do have 1 customer confirmed but we have not yet closed the sale.
- Moderator** The next question is from Akshay Rao from Edelweiss. Please go ahead.

- Aashiesh Agarwaal** Thank you for taking my question. This is Aashiesh Agarwaal here. My question is with respect to the Byculla land parcel that has been doing the rounds in the media. So we just spoke about the debt possibly coming down during this year, so does our debt paid off take into account any proceeds coming in from the land sale or are we looking at some bit of it coming from operations. So there are 2 questions that I am looking on this front. So one is what is the status of land transaction that is happening and second is how do we see the cash flows bringing down the debt?
- Anita Arjundas** As far as Byculla is concerned Aashiesh, we have progressed significantly on our mandate. I would not want to comment anything more at this point in time because we are at a fairly sensitive stage of the transaction. But we are quite happy with the way things are progressing on the intended sale of land. When I spoke about debt coming down I clearly wasn't looking at any specific event as a trigger. There are multiple events that can happen in the year right from some of the projects as we had mentioned earlier are being done through a subsidiary, the Bannerghatta one, the Gurgaon one where we do have private equity investment coming in shortly. So that could be one trigger. Byculla could be another trigger. Cash flows obviously play a significant trigger. So it will be a combination of multiple things that will bring the debt levels down.
- Aashiesh Agarwaal** So basically it is essentially on the balance sheet side from where we are looking at debt coming off and not so much from operating activities because if I look at Byculla land sale or from private equity money. So is my understanding correct or are we also budgeting some bit of debt coming off from core operations?
- Anita Arjundas** Some of it would come off from core operations. The Byculla one would technically not be balance sheet. It would be at the P&L level because it is inventory in the books. The larger chunks would come off one time event but we definitely will see operating performance generating surplus cash to be able to bring debt down.
- Moderator** Our next question is from Pratik Singhania of Ambit Capital. Please go ahead.
- Pratik Singhania** I want some clarity on your consolidated cash flow statement. So whenever you pay for land or TDR, is it shown under cash flow from operating activities or cash flow from investment activities?
- Jayantt Manmadkar** Whenever we pay for the land, it will basically be shown as cash from operating activities. Same is the case with TDR.
- Pratik Singhania** And can you share consolidated cash flow from operation excluding land payment for the quarter, consol?
- Jayantt Manmadkar** If you can send me your email, I can share that with you.
- Pratik Singhania** And second question was regarding sales strategy, I was looking at your Ashvita Hyderabad project. In Phase-2, 17% of the project has been completed whereas 96% of the saleable area has

been sold. So don't you think sales are happening too aggressively and that you are not protecting any units for the end, to protect your EBITDA margin?

**Anita Arjundas**

See the project is a total of 1 million square feet. When we take a project of about a million square feet we break it up into about 4- 5 phases of 2 – 2.5 lakh square feet each. So there itself you have an inherent protection because you are breaking it up into 5 releases. The minute we take the release up, then we work on completing that within a certain period of time. So if you look at the 2 lakh square feet that is launched, that 2 lakh is targeted to be sold over a 3 month period or a 6 month period as the case may be. But we still have Phase-4 and Phase-5 to come. So it's not as if the entire inventory is getting sold out and we don't have discovery on construction cost. That's the first part. The second is even within a phase we don't really work on release today morning and sell today evening. We work on a principle of releasing 25 – 50 units at a time depending on the size of each phase and price gets revised in small increments each time the targeted 25 or 50 units are sold. So within the phase itself you have price discovery. And because of phasing, you have price discovery over the project.

**Pratik Singhania**

So any trigger points for Phase-1 and Phase-2 is there? So any trigger point that this much percentage of completion or this much percentage of sales of Phase-1 will happen after which Phase-2 will be launched.

**Anita Arjundas**

As far as sales is concerned we take a 70% trigger, which means when 70% of the units of a particular phase are sold, we take up the next phase for sale with the attendant proviso that construction should be ready to also be started within 0 - 3 months timeline of sales starting. So it's not that we sell and don't construct. If for any reason we are not ready to start construction on a particular phase, and even if we hit the 70% threshold on previous phase, we will not launch. So we need to be ready to start construction within 0 – 3 months to be able to start a phase and we should have completed 70% of the previous phase.

**Moderator**

Our next question is from Adhidev Chattopadhyay of HDFC securities. Please go ahead.

**Adhidev Chattopadhyay**

Could you give guidance on what is your average cost of construction per square feet across projects currently?

**Anita Arjundas**

It is very difficult to share a specific number because it varies from state to state. You would find in most markets today if you are starting project now, you will not see construction cost all told of less than about Rs.2400 – 2500 a square feet, this is non-Mumbai. And for Mumbai you can easily add Rs.1000 more.

**Adhidev Chattopadhyay**

So again coming back to the question put up by the earlier guy, what is our plan to protect our margins overall. If I look at Nagpur as an example, prices do not seem to vary a lot across phases in terms of last base selling price which you have indicated in the presentation. So could you give some clarity again on what is the pricing you are looking at over the life of a project, from launch to finish?

- Anita Arjundas** If you are looking at last base selling price as a reference for each phase that would be incorrect because the left over units automatically get sold at a price at which the new phase is launched. So if I have 20 units left in Phase-1, and have launched Phase-2 at Rs 3500 , then those 20 units are also sold at 3.5. That's not the right reference point in terms of all phases have the same last base selling price. You will need to look at average price and how that moves.
- Adhidev Chattopadhyay** And just last question on any progress in North Chennai SEZ, any clarity on whether we may see some launch of that within the next 1 year?
- Anita Arjundas** Not in this financial year, but we hope to complete what is required to be done by us in terms of having a critical mass of 500 acres in this financial year.
- Moderator** Our next question is from Ronald Siyoni of Sharekhan. Please go ahead.
- Ronald Siyoni** I just have a couple of questions. With respect to project execution, we have been seeing some uneven execution, same Bloomdale project in Q4, there was an overall 15% completion but now during this quarter it ranges from 3 – 6%. Likewise, in all our projects, we have an execution record of about 2 – 3%. Iris has somewhat uneven execution too. So what is the reason behind these uneven executions during the quarter?
- Anita Arjundas** Broadly, you will have execution at about 2 – 3% range in every project. Unevenness will come at the final stages when you are hitting finishing because then you are actually incurring much more in terms of value of goods put into the building - the lift gets installed, the fitting goes in and the sanitary ware goes in. So at that stage it starts peaking. The other reason for unevenness could be if there is a contractor issue of significance and work has come to a stop for some reason. The third specific reason could be linked to technology. That is more for Bloomdale because when you are working with formwork, there might be a lag time for formwork to move from one phase to the other phase. These could be the 3 reasons why you would see aberrations but otherwise they typically would work at 2 – 3%.
- Ronald Siyoni** So this is the case with Bloomdale, only specifically Bloomdale first 2 phases have seen this lag. In Q4 there was about 14% execution but right now about 6% and 1% respectively.
- Anita Arjundas** Bloomdale is linked to the formwork coming in the last quarter and over 3 – 4 floors getting finished at one shot. And if you look at Phase-IB of Bloomdale, it's really at stilt levels awaiting the formwork from the previous phase and therefore it's at less than 1% levels.
- Ronald Siyoni** One more question is, why is the other income and interest expenditure higher during this particular quarter? Any reason for the same in standalone?
- Jayant Manmadkar** The interest income is higher because of the interest on ICDs what we received from the subsidiaries. Also, the returns from investments in the mutual funds have been better. These are the reasons why interest income is higher.
- Ronald Siyoni** And what about the interest expenses? Standalone it is about Rs. 10 crores.

- Jayant Manmadkar** It is in line with the borrowing of the company. So if you look at last quarter...
- Ronald Siyoni** Rs. 500 crores and another 500 in Q4, so that is the reason.
- Moderator** Our next question is from Sandipan Pal of Motilal Oswal Securities. Please go ahead.
- Sandipan Pal** I have a couple of questions. One is the seven projects you mentioned you are targeting to launch, so will that happen in FY14 or it can actually move to FY15?
- Anita Arjundas** If we get approvals then we would look at launching them. But I can't predict that Sandipan.
- Sandipan Pal** Given the kind of progress you have received already in approvals. So at least few of the projects you might be more convinced on launching this year.
- Anita Arjundas** We would see some of them getting launched definitely this year but very difficult to put out a number and say how many of them, obviously the one which was most advanced is the one in Chennai inside the World City because that has already got all the approvals in terms of DTCP. We are just waiting for the environment letter. We have finished the environmental hearings and just need the letter to come from the government. So that's about the closest to launch in terms of where we are today. The rest are in various stages of design development. So very difficult to comment right now.
- Sandipan Pal** And you were talking about some liquidity issues, some of your contracts which have impacted the execution a few quarters back. So are these issues resolved or still there are some issues you are facing on the construction progress front.
- Anita Arjundas** We had issues in Chennai and in Delhi and both of them are resolved. We have new contractors in place in both cases and work is going on in both places in full swing.
- Sandipan Pal** And just lastly one book-keeping one, as Jayant sir mentioned about the breakup of the revenue of the consol level, just to orally check the Rs. 53 crores of World City, how much is from the DTA transaction you have done this quarter, 2 DTA transactions?
- Anita Arjundas** Let me just say the bulk of it is from Jaipur.
- Sandipan Pal** But that 53 also include your Aqualily, Iris?
- Anita Arjundas** No pure land lease. Land lease plus O&M income, water income, Evolve lease charges at Jaipur etc.
- Sandipan Pal** So, this 53 crores is mostly from Jaipur you mean to say.
- Anita Arjundas** Yes, largely from Jaipur.
- Moderator** Our next question is a follow up from Aashiesh Agarwaal of Edelweiss. Please go ahead.



- Aashiesh Agarwaal** I have 3 questions more. One is on the interest expense. So obviously we have seen a spike up in the interest paid in this quarter, what I wanted to understand is what would be the quarterly recurring amount of interest that we should be looking at considering that this quarter we may have also had some issue related expenditure. So just wanted to understand the quarterly recurring number that we may have over here?
- Jayant Manmadkar** Quarterly, the interest outflow would be to the tune of Rs. 30 crores.
- Aashiesh Agarwaal** Second question is in Chennai SEZ, we had a LOI that was awaiting conversion to agreement, so any update on the same that you would like to share?
- Anita Arjundas** We have some MoUs with customers, which are awaiting some government clearances. There we are still at status quo. So we still are waiting for the government to clear some of those lands so we can complete the leases. So I think out of 5 MoUs that we had, we accommodated one customer at another location which was closed in Q4. We have cancelled 1 – 2 leases because it didn't make sense for both sides to keep waiting and we still have two which are live. And we have new prospects who are waiting to take those lands. But we are not doing any MoU till we get this sorted out with the government.
- Aashiesh Agarwaal** And there wouldn't be any visibility on the way forward on this?
- Anita Arjundas** I wouldn't want to comment on that at least in this quarter; we will get a better sense next quarter.
- Aashiesh Agarwaal** Just finally on the SEZ at a policy and demand environment level overall, there have been some policy changes, so if you could throw some light on that and whether it is improving enquiries on the SEZ front both from a policy clarity if there is any interest and given that how the rupee has moved whether that is generating some interest for export oriented industries.
- Anita Arjundas** On the policy we are first of all awaiting for the rules to be issued; they have not yet issued them. It's still being circulated within the Ministry of Commerce and yet to be notified. But from whatever is in public domain, what it clearly offers at this point in time is more of flexibility to a developer from a marketing perspective rather than any significant flexibility to a customer. Which means from a customer perspective it goes back to where is the global market, where is the demand coming from, what is the right timing for a Greenfield project to be established. And I think those still remain significant concerns even though we have seen the rupee depreciating fairly significantly. I would say if the cues on the developed markets improving in terms of their forecast continue in the next couple of quarters, then we should see some improvement because the combination of revival of demand and the rupee being where it is, should help export demand to go up. But I think the fundamental issue right now is not so much what the SEZ schemes offers as the fact that your export basket is shrinking.
- Moderator** Our next question is from Shamik Hirani of Profound Consultancy. Please go ahead.

- Shamik Hirani** Can you please throw some light on the Tirupur project which is coming up as to what is the estimated date of completion and the profits that we are looking at?
- Anita Arjundas** The Tirupur project is a water supply project which is done by a joint venture company where we hold only a 5% stake in the new Tirupur area development corporation through the JV company. What we have is a concession agreement of 30 years. So basically New Tirupur Area Development Corporation is a JV between government of Tamil Nadu, ILFS and we have a 5 percent stake for executing and managing the project through one of our affiliates. We have a 30-year concession to supply water to the town of Tirupur and we get paid on a monthly basis under the concession agreement. So the project is already implemented and it has been running for the last 4 – 5 years.
- Moderator** Our next question is from Deepak Purswani of ICICI Direct. Please go ahead.
- Deepak Purswani** Since we have added close to 2.5 million square feet through all these MoUs, can you please give us a sense in terms of what would be the average realization in construction cost would be for these projects because some of the projects are in the premium category in this 4 MoUs?
- Anita Arjundas** Construction cost I had already shared. I think somebody else in the call had asked for a number. I had given some normative trends where the current costs are about Rs.2500 per square feet for rest of India. And Mumbai being about Rs.1000 higher. Cost of land I will not be able to share.
- Deepak Purswani** And in terms of Gurgaon since it is also in premium category what would be the average construction cost there also.
- Anita Arjundas** That would be more in the line of what you see in Bombay.
- Deepak Purswani** And what would be the average realization in the Gurgaon and Andheri we would be targeting now?
- Anita Arjundas** I will not be able to share that number. I think you have a fair sense of what prices are prevailing in each of these areas today and what the construction costs are. So that should give you a reasonable estimate, again land cost is fairly transparent information in terms of FSI cost in each of these markets.
- Deepak Purswani** And on the Evolve IT park, what would be the construction budget for this year?
- Anita Arjundas** This year we plan to build one more building which is ~1.7 lakh square feet. That should be about Rs. 45 crores.
- Deepak Purswani** And on the P&L side on the stand alone basis interest cost is Rs. 10.7 crores. Just wanted to see the clarity since most of the debts which is raised in the last quarter is majorly for the new acquisition of land. So that would have been capitalized. Just getting confused with that 10.7 crores number.

- Jayant Manmadkar** What happens is, as far as incremental loan that has been taken, for example, non-convertible debentures, it is not fully used for the land acquired by stand alone entity. It is also used for the land which is acquired by the subsidiary. So in stand alone books to the extent it is used for the land acquired by subsidiary, it will come as an ICD interest by way of income as well as we will have to charge to the extent interest in the P&L as the charge to P&L is a standalone income. That's why that is coming. However, if you look at the consol profit and loss account and the interest cost at consol level that I mentioned here we don't see this difference.
- Deepak Purswani** This means other income would also include to the extent of 10 odd crores ICD for the subsidiaries.
- Jayant Manmadkar** That's what I explained a while back that as far as increase in stand alone other income is concerned it's arising out of ICD income or interest on ICD income.
- Deepak Purswani** And also on the other income part, is there any dividend from the subsidiaries on the standalone part in this quarter?
- Jayant Manmadkar** No dividend doesn't come in this quarter. It comes in the quarter in which the shareholders' meeting is done for those subsidiaries. Second quarter if at all it comes.
- Deepak Purswani** Okay so in the next quarter that is expected.
- Jayant Manmadkar** Yes.
- Moderator** Our next question is from Rohit Jain of Systematix. Please go ahead.
- Rohit Jain** I have just one question regarding your reserves and surplus. Why has there been a decline in reserve and surplus on quarter on quarter basis?
- Jayant Manmadkar** You are comparing with last quarter?
- Rohit Jain** Yes.
- Jayant Manmadkar** See if you look at our financial results that we have published, we have given a note to the financial results, which is that there is a premium payable for redemption of the NCDs we issued during the quarter. So the redemption premium payable on these debentures has been charged upfront to the share premium account during the quarter and that is why the reduction is observed when we compare the reserves and surplus number of June with that of March.
- Rohit Jain** And second is regarding your two land acquisitions during the quarter. So you still have to pay any money or why has there been increase in the loans and advances. It is part of loans and advances at this point in time?
- Jayant Manmadkar** The acquisition of land parcels is in different forms. One is outright purchase which is part of the inventory. The second is Joint Development Agreement and therefore whatever is the amount

that is paid as initial advance which is the refundable security deposited in our JD, goes in loans and advances.

- Moderator** The next question is from Vijay Malik of ICICI Bank. Please go ahead.
- Vijay Malik** My question is related to your Gurgaon project. Can you give us a tentative timeline when do you plan to launch this project?
- Anita Arjundas** I think I had already clarified earlier, very difficult to give specific timelines for any of these projects. Gurgaon parcel was purchased in May. We have appointed the architects. We should be done with design development in the month of August but thereafter we need to get into the approval process.
- Vijay Malik** And the size of the project as per the presentation is around 0.9 million square feet. So can you tell me whether this project would be a single phase project or you would be dividing it into different phases and on what basis you would divide a project into different phases?
- Smeeta Neogi** Typically, all our projects are multiphase. Anita has already mentioned that we are looking at realization of higher revenue. This project, if you are looking at about 1 million square feet we would look at possibly 2 – 3 phases of launch.
- Vijay Malik** What is the basis of you deciding a particular size of a phase? Is it the execution time which that phase might have or is it the bracketing of pricing which you can charge to each phase. How do you decide about the phases?
- Anita Arjundas** It is more linked to sales. Sales pricing than execution because execution, you can always combine 2 phases together and execute. You don't need to constraint yourself based on execution. If I decide my sales phase is going to be 2.5 lakh square feet, there is nothing stopping me from having a construction phasing of 5 lakh square feet with a 3 or 4 months lag. So the more important determinant is how we want to look at price movement over the life of the project and what is the average price that we are targeting for the project.
- Vijay Malik** And would it be an apartment complex or will there be villas, etc., into it also?
- Smeeta Neogi** This is largely focused as an apartment complex.
- Vijay Malik** One more thing regarding the total debt, what would be the average maturity of this term debt from banks? How many years?
- Jayant Manmadkar** The term debt from banks we have is from Central Bank, repayment for which is already on. If you see, every year we are repaying about Rs. 100 crores for the Central Bank loan. So that maturity will be 6 quarters away from now.
- Moderator** Our next question is from Prem Khurana of B&K Securities. Please go ahead.

- Prem Khurana** Most of my questions have already been answered. Just wanted to understand I was going through your annual report, and specifically for Iris Court, if I look at FY13 we have done top line of around Rs 58 crores and against this 58 crores we have unbilled revenues of around 43 crores which seems to be on the higher side. So any specific reason for this high unbilled revenue. Because I understand this is a mid income housing project and how make our project cost neutral, payments or milestone payments tend to precede construction schedule. So why do we have this 43 – 44 crores of unbilled revenues there. Does it mean it is not called for the money from our customers?
- Anita Arjundas** I am not sure if you remember Prem, but as far as Iris Court is concerned the 1<sup>st</sup> Phase was a contract with Mahindra and Mahindra for their Mahindra Research Valley employees, which was structured as upfront payment of 10% and then balance being paid on possession because it was a block sale of 200 units out of 240 units to M&M and that was the deal we structured with Mahindra and Mahindra that time. So you see that is unrealized revenues because otherwise as far as collections on all our projects are concerned, I think things are extremely positive there, 98% of the amount demanded for payment across projects is collected at any given point in time. So what we would have is 2% outstanding and out of that 80% would be 0 – 30 days.
- Prem Khurana** And since you have already delivered Iris Court Phase-1 does it mean the number will come in the subsequent quarter.
- Anita Arjundas** As we complete the handovers; we have started handovers, and 8 units have been handed over. The balance will be done in the next 3 – 4 months and all of that money would come in.
- Prem Khurana** And just one more on Jaipur SEZ, there we have 1,350 acres of industrial land and we have already leased or entered into MoU for 40% how is this split between DTA and SEZ area? I understand we have taken approval 500 odd acres of DTA area but our presentation shows only 320 acres.
- Anita Arjundas** 500 is gross so therefore when you look at yield loss your net will come to about 350.
- Prem Khurana** And how is this split between DTA and SEZ in terms of leased area and MoU?
- Anita Arjundas** In terms of DTA, can we send you that number Prem? We have it here but we have it as split between 2 DTAs. We just consolidate that number and send it across to you.
- Prem Khurana** Do we have an option to increase our DTA, the demand seems to be much better in DTA space. So do we have any option to increase DTA from current 320 to some higher number or we would be required to stick to the current plan only?
- Anita Arjundas** I think at the appropriate time we would approach the government and look at enhancing the DTA based on demand.
- Moderator** Our next question is a follow up from Vijay Malik of ICICI Bank. Please go ahead.

- Vijay Malik** My question is related to 1) regarding the execution of any phase which you launch. How do you tentatively decide that if you launch a phase of 0.25 million square feet or a 5 million square feet, within how much time you would be able to complete that particular phase?
- Anita Arjundas** Rule of thumb you can take 2.5 years.
- Vijay Malik** 2.5 years for a phase of 0.25 million square feet or if you launch both the phases simultaneously there would not be any spill over in terms of time.
- Anita Arjundas** You can take every half a million square feet would be about 2.5 years.
- Vijay Malik** Second thing regarding the micro markets, which you are present in say Nagpur, NCR, Hyderabad and Chennai is there any micro market where you have witnessed stretching or say slowdown of sales in last one year, 4 quarters or so.
- Smeeta Neogi** Actually there has been an impact of the economy in some of our markets but it's a little bit in Nagpur. Some amount in Chennai but our Hyderabad and Pune projects continue to fly. So it's a lot dependant on the product mix, the phase which you are available in which determine the sales.
- Vijay Malik** What about NCR market?
- Smeeta Neogi** NCR market we are sold out. So NCR just a few units are left. We are being very selective about selling those units.
- Vijay Malik** And you said it depends on product mix also. So what is the particular product configuration or ticket size which you are selling the most?
- Smeeta Neogi** Again it depends on market but most of our projects are in the mid and premium segments and we tend to create a lot of 2 and 3 BHK units. So those tend to move faster. Simply because the number of that configuration of units are greater on the supply side.
- Anita Arjundas** But broadly, if you look at the overall market you will see projects between Rs. 30 – 50 lakhs obviously move the fastest. Then 50 – 80 is the next band. As they start crossing a crore, 80 lakh – 90 lakh, in the current market, I am looking at generic overall volume basis things tend to slow down.
- Moderator** Our next question is a follow up from Prem Khurana of B&K securities. Please go ahead.
- Prem Khurana** Just a follow up on the unbilled revenues you said Iris Court may enter into contract with Mahindra Lifespace employees only. So if I am not mistaken NCR Phase-1 was also offered to our employees only, Mahindra Group employees. Even there we have similar kind of structure, or is it only there for Iris Court.

- Anita Arjundas** Prem, to clarify this is not with Mahindra Lifespace employees it is M&M as a company. This was not a deal with the employees. This was entity to entity for their relocation to setting up the MRV in Chennai. So as far as any other units are concerned anywhere else in the country, any Mahindra employee who buys is on the same payment terms as everybody else.
- Prem Khurana** On execution in Aura Phase-2 we were supposed to de-scope old contractor. Has the new contractor come in and have they mobilized resources?
- Anita Arjundas** Yes, they have mobilized resources and work has started on the ground.
- Prem Khurana** When do we expect the execution pace to normalize? At least for the last quarter it's been muted and last quarter it was only 1% and this quarter it was only 2%.
- Anita Arjundas** The new contractor came on board in June. So he has just had a little under a month of operation. So from this quarter onwards it should start picking up and it will stabilize in Q3 and Q4.
- Moderator** As there are no further questions from the participants, I would now like to hand the conference back to Ms. Anita Arjundas for closing comments.
- Anita Arjundas** Thank you for being with us here today and as I mentioned in the opening remarks our focus in the next 3 quarters will continue to be on driving execution. On seeing all of these 7 forthcoming projects to move as quickly towards launch as possible. I think they offer us a potential opportunity to improve average realization. We used to have realization in the range of Rs.5,000 to Rs.5500 a square feet, it moved down to Rs.3900 and has now come up again to Rs.4200 – 4300 but that's more driven by price appreciation. But the new mix that will be coming into play will allow us to actually see realization going significantly higher in terms of average unit realization. So we definitely will be focusing on getting all of these projects off the ground as quickly as possible. That's it from our side from now. Thank you for being with us today.
- Moderator** Thank you very much members of the management. Ladies and gentlemen, on behalf of Mahindra Lifespace Developers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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*This document has been edited for readability purpose.*