



Mahindra Lifespace Developers Limited  
Q3 FY16 Earnings Conference Call

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**Moderator:** Ladies and gentlemen good day and welcome to the Mahindra Lifespace Developers Limited Q3 FY-16 Earnings Conference Call. We have with us on the call today Ms. Anita Arjundas – Managing Director and Chief Executive Officer, Mr. Jayantt Manmadkar – Chief Financial Officer, Mr. Sriram Mahadevan – Business Head, Happiness and Mr. Siddharth Bafna – Senior General Manager, Strategy and 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 and good morning everyone, welcome to the Q3 FY16 Earnings Call. The consolidated total income for the quarter stood at Rs. 231 crores with a post-minority interest PAT of Rs. 8 crores as against Rs. 250 crores and Rs. 33 crores in Q3 FY15 respectively. If we look at the drop in profitability, it is attributable to two key factors - one is the tax impact of sale of land by Mahindra World City Developers Ltd to its joint-venture with Sumitomo, that is Mahindra Industrial Park Chennai Ltd and the second is on account of significantly lower contribution from Mahindra World City, Jaipur as compared to Q3 FY15, where we had one transaction happening this quarter.

In MLDL standalone, the PAT in Q3 FY16 stood at Rs. 31 crores as against Rs. 11 crores in Q3 FY15. This has largely been on account of strong operational performance across most of our projects. Looking at the operations per se, if you look at the current cycle in the real estate market, the market still remains muted. There is still a cautious macroeconomic environment playing out and the festive season has been slow for the real estate sector across markets. In the residential business we sold 205 units worth Rs. 134 crores during the quarter. Average price realization stood at Rs. 5,766. In the last week of December, we did a pre-launch of our new project in Mumbai at Andheri, Vivante-I. This has been received very well. In fact, we did the formal launch yesterday but between the pre-launch to yesterday, over the last 3 to 4 weeks, we already have about 70% of the inventory booked by customers.

During the quarter, the focus on project execution continued with multiple projects achieving revenue recognition and completion milestones. We had one phase of Antheia achieving revenue recognition while five phases across five projects achieved project completion taking the total completion in the quarter to 1.5 million sq.ft. and YTD to 2 million sq. ft. Handovers are underway across four projects currently, with over 650 units already handed over this year. We will have another four projects getting into handover stage in the next quarter, amounting to well over 1000 units that should get handed over in the next few months.

In the Integrated Business Cities vertical, Chennai has seen some movement on the approvals for its lands which are pending at Phase-5 and that would enable us to move into next year with fresh inventory at that location. As far as Jaipur is concerned, there was one customer who signed up in the IT/ITeS SEZ. The decision-making cycles for the World Cities have

definitely grown longer. While there is a lead pipeline, there is definitely a longer amount of time being taken by customers to take a decision on fresh capex. As far as the other two processes in Jaipur are concerned, which is the expansion of the DTA and the amalgamation of different SEZs into a multiproduct SEZ, both of these are on course to be completed in the near future. That's it from me in terms of opening remarks. I will now hand it over to Jayant to take you through the financial performance for the quarter and we can take questions thereafter.

**Jayant Manmadkar:**

Good morning. During the quarter, one of the subsidiaries of the company, Mahindra World City Developers Ltd has sold land situated at NH5, Chennai to its subsidiary, Mahindra Industrial Park Chennai Ltd. In the process of consolidation, the effect of this transaction for income as well as profit gets eliminated. However, the tax on such transactions is just aggregated and not eliminated. Therefore, the PAT before the minority interest has reduced from Rs. 20 crores to Rs. 9 crores. Similarly, PAT after minority interest has reduced from Rs.21 crores to Rs. 8 crores. In January 2016, Sumitomo Corporation has acquired a 40% stake in Mahindra Industrial Park Chennai Ltd. Profitability in Q3 FY16 was further impacted by muted leasing activity in Mahindra World City, Jaipur as compared to Q3 FY15. In Q3 FY16 we leased 2.5 acres in Mahindra World City, Jaipur versus 33.5 acres in Q3 FY15.

I would now like to throw the floor open for questions. Thank you.

**Moderator:**

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

**Anubhav Gupta:**

My first question is on your industrial park business. If you see, the overall performance of the company has been lagging behind only because of the industrial park business, and that too because of not much traction in Jaipur. So as a company what strategy are you changing or do you want to may be do aggressive marketing for Jaipur park or to get approvals for DTA expansion at a faster pace? Just wanted to understand what is the thought going into FY17 to boost sales so that the overall consolidated numbers can look much better?

**Anita Arjundas:**

Anubhav, there are two aspects to this - one is the creation of the right supply, so as you rightly said, getting the new 500 acres of DTA approved. The approval for doing 500 acres of DTA is in place and the master plan has been completed. We submitted the master plan to the Government for approval and should be getting that master plan out shortly. With the master plan approval in place we can commence development activities and simultaneously commence marketing. So the focus in Q4 would be to complete that process.

The second part of the supply is the whole conversion of the SEZ into a multiproduct SEZ so that we are able to open up more industries, which again we hope to see as taking shape in this quarter or possibly extending into April-May. So that would be the duration of these two specific aspects of creating the right supply. As far as demand is concerned, I did mention that there has been slower traction in terms of decision-making but we have reached out to multiple

sectors. We are seeing interest, for example, in e-commerce, in areas like data centers for companies, defense there was interest but defense is essentially looking at land at a very low cost. So I would say sectors like electronics sector, sectors like e-commerce, sectors like data servers and logistic hubs are becoming interesting areas and we are in dialogue with various companies. Many of these may not necessarily look at buying land themselves but would look at built out solutions, but there are a combination of people available who are willing to look at providing those built out solutions and making it available to customers. So yes, definitely, there would be a significant outreach sector by sector for Jaipur in the coming months.

**Anubhav Gupta:** With all these efforts do you think you can achieve the run rate which was there in FY15?

**Anita Arjundas:** That would be our effort, Anubhav.

**Anubhav Gupta:** Second question is on the residential side of the business. If you see the last 3 to 4 quarters, the presales have been quite encouraging. When do you expect or which major projects do you think will hit the revenue recognition mark first because if you see in the last four quarters the presales are up quite significantly which can add up to the revenue as well. So just going by timeline, when do you think we can expect the uptake in the revenues?

**Anita Arjundas:** If you look at YTD presales, we have a 17% growth over the previous year - about Rs. 530 crores of presales as opposed to Rs. 450 crores last year. The significant projects that were launched last year which have not achieved revenue recognition are Luminare Phase-I, there is Windchimes Phase-I and there is Boisar Phase-II. These would be the significant projects that are yet to see the revenue recognition threshold. We should see this happening over the next few months.

**Anubhav Gupta:** Lastly, if you can highlight some of the basic things for the new affordable housing project - about the pricing points there and investments into that project and demand in that particular micro market?

**Anita Arjundas:** I will just give you a quick background to what we have acquired and then maybe Sriram could give you further details. It is a 21-acre land parcel in Palghar. Palghar, as you are aware, has been made the district headquarters in that area and therefore there would be a lot of activity there in terms of job creation around the Government. It is located at about 4 km from the station. What we will see is a development footprint of close to a million sq. ft. out there. Would be premature to talk about price point but maybe Sriram could spend a little bit more time on the kind of demand in that area and broad timelines for when we will see that project, where we are today in terms of design stage, approvals stage and what do we look at as timeline for launch.

**Sriram Mahadevan:** Regarding the Palghar market, as Anita rightly said, now since it has become a separate district - it was carved out of Thane district, we see a lot of activity in and around Palghar being the district headquarters. So there is a Palghar Municipal Corporation which is also supposed to

fructify going forward and the kind of residential demand that we see out there is pretty high. There are many new developments which are coming up in that corridor because beyond Virar and up to Dahanu, there are hardly any places where residential developments are possible. In Virar also, it is reaching a saturation point and people are not able to get the right kind of quality housing within affordable rates. So as we see Boisar performing, Palghar also going forward, we see a lot of demand coming over there. The price points over there by and large of the current developments which are running is around Rs. 3000 to Rs. 3500 per sq. ft. So as far as our project goes, we are as Anita said, 4 km from the nearest railway station and it is a 21-acre parcel. We are in the submission stage - we have already started working on the environmental submissions and we are on the municipal submission stage. If all goes well, I would envisage that we would be able to launch this project tentatively in Q4 of FY17.

- Anubhav Gupta:** And the total developable area is 1mn sq. ft. so the FSI ratio comes out to be approximately?
- Sriram Mahadevan:** Base FSI over there is 0.9.
- Anubhav Gupta:** Any additional FSI?
- Sriram Mahadevan:** That is dependent on the road width, so beyond 15 m of road width you are eligible for additional 10% FSI but currently the access road on which our plot is, we have around 12 m of road width, so we are going with the base FSI.
- Anubhav Gupta:** So just a follow up on this in the sense that the first two projects in Chennai and Boisar were more of pilot projects and now you have acquired land for a third project, so does this imply that the return ratios on the previous projects have been as per expected lines?
- Anita Arjundas:** There have been different factors on each of the projects so I would not necessarily say that they are on target on all of the parameters but Palghar would be what we see as the template Happinest product so to speak. So we know what has worked in terms of sizes, what has worked in terms of price point, what has worked on construction cost, which are the areas we need to focus on and I think the learnings of both these projects will enable us to create what should be the right template product with the reference targeted returns and margins.
- Anubhav Gupta:** So should we see this as still a pilot project or now it is kind of recurring?
- Anita Arjundas:** I would see this as a decision point on the growth in the business, as to how Palghar shapes up on all of the financial metrics will determine how large affordable housing would be on doing it ourselves basis.
- Moderator:** Next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.
- Ujwal Shah:** Can you briefly re-explain the transfer transaction basically what happened between our subsidiary and Mahindra Sumitomo and when do we see further ramp up for the projects as

well as we had in the last call mentioned Sumitomo would be bringing in their contribution to the JV, so how do we see this project going now?

**Anita Arjundas:**

As far as the land transfer is concerned, the project size is about 264 acres under the SPV with Sumitomo. We have transferred the land in the December quarter to the SPV which was basically a sale of land to the SPV by Mahindra World City Developers Ltd at a consideration agreed with the SPV. Therefore, there was profit booked in Mahindra World City Developers Ltd consequent to which Mahindra World City Developers Ltd had to pay income tax arising out of that profit. However, when you look at the accounting standards for consolidation, because this arises out of sale to a subsidiary, the income and the profit contra-out in consolidation and the impact of that unrealized gain so to speak would come when we sell to third parties but the impact of the income tax gets hit on the books on the same day. So there is a Rs.11 crores impact of income tax plus a further Rs. 2 crores impact when you look at it post-minority interest, a Rs.13 crores impact that has hit the quarter numbers which would have happened in whichever quarter we went ahead and did this transaction and to that extent the unrealized gain on that sale is sitting there but will get recognized in the consolidated books only as and when the SPV sells to third parties. So that is with reference to your first question. I will just take the second part of the Sumitomo joint-venture itself. The money has come in the month of January from Sumitomo for their 40% stake, the company is now a 60% subsidiary of Mahindra World City Developers Ltd, it is a 60:40 JV. We have completed master planning and we are now initiating the process of submission for approvals, so we would be focusing on getting the plan approvals, getting the environment clearances over the next 6 to 9 months, so that we can go ahead and launch the project thereafter.

**Ujwal Shah:**

What is the amount that Sumitomo has brought in, can we divulge that?

**Anita Arjundas:**

We will not be able to share specifics on that.

**Ujwal Shah:**

Secondly coming to this Mahindra World City Jaipur, we see this time we have reported very steep losses over there, on overall basis the percentages that we share in our presentation of PAT before minority interest, we get a loss of anywhere around Rs. 70 crores on the integrated business, so I just wanted to understand what has really impacted this, what are the fixed cost that go into this business and even in the last quarter we had very muted sales but our losses from the World City was very less, minimal, but this time we have reported very steep losses, so if you can elaborate on those...?

**Anita Arjundas:**

I will ask Jayantt to get into the specifics but just like to correct that it is not a Rs. 70 crores loss, it would be a few crores. I think what you are referring to in the presentation is what is being shown as percentage contribution. So basically saying 278% comes from the residential business, 178% is negative from the World City business and therefore 278-178 is 100%. There is a depiction confusion there, it is not 178 in terms of a number, that is just a contribution split of the profits between businesses. Specific numbers I will just ask Jayantt to cover but it is a few crores.

- Jayant Manmadkar:** As far as both the World Cities are concerned, the numbers are aligned to the trend on cost, there is no substantial or any new increase in the cost. So as far as Q3 is concerned, Jaipur has a topline of Rs. 11.7 crores and a PAT after minority of negative Rs. 1.41 crores. As far as Chennai is concerned, it has a topline of Rs. 190 crores and a PAT of Rs. 13.5 crores which obviously has the profit of the transaction with Mahindra Industrial Park Chennai Ltd.
- Ujwal Shah:** Can you throw some light on all the markets that we are present in and how we have seen this quarter panning out across our markets, very briefly, an overview would help us out?
- Anita Arjundas:** On an overall basis, most markets have remained muted. I would say Hyderabad has been the better of the lot in terms of a steady pick up both in terms of volume and some pickup in price is happening in that market, a few launches beginning to happen out there, so I see that as a market which is definitely showing an upward trend now that there is stabilization on the political front and the state formation front. Otherwise I would say markets like Pune, Nagpur and Bangalore have been steady performers, nothing great as overall markets but definitely steady off take in each of these markets driven by largely end users. Mumbai and NCR markets have generally remained muted, more so NCR which has seen very low traction even in the last quarter. Specific to us, Mumbai has obviously just seen a launch this month and as I mentioned earlier in the call, the response to the launch of Vivante has been good. We released 104 units of Plot-B of Vivante, we have booked close to 70% of the units as of date in terms of initial booking amounts received which will get converted into sales in the next couple of months. So that has been a good response specific to this launch in the last three weeks. NCR has been slow last quarter for us, Chennai was slow last quarter. The markets that did well were Pune followed by Hyderabad and Bangalore.
- Ujwal Shah:** I just wanted to understand in terms of Happinest Avadi in Chennai, we have not seen much traction over there, so in terms of this profile that we have seen where Boisar has been very positive for us whereas Avadi has been a bit muted, at that price point usually we would see a good traction across markets. So where did Avadi lack, so what was your take on it after looking at that project?
- Anita Arjundas:** I will ask Sriram to take that.
- Sriram Mahadevan:** Chennai is predominantly an end user driven market and the good thing which we have seen in Avadi is that almost 80% to 85% of the people who have invested are end users who are eagerly waiting for the first phase possession to happen for coming and staying so that is in one way good. So far as the project per se goes, Chennai market any way is muted and in the Chennai market, this project has been the best performing project across Chennai, across all price segments. So we have sold almost 70% of the launched inventory in the last one year, rather one and half years, on an average we have been selling around 20 to 25 units a month. So to my mind yes, Chennai, the demand is there but the price point which you are looking for as to which is the price point at which possibly you see the right kind of traction, possibly anything in the range of 2500 and below and we are currently selling at 3000 out there.

- Moderator:** Next question is from the line of Sandeepan Pal from Motilal Oswal. Please go ahead.
- Sandeepan Pal:** First question is, can you just tell me the value of the transaction you did in Jaipur this quarter?
- Anita Arjundas:** The transaction was for 2.5 acres which would be roughly about Rs. 3.25 crores.
- Sandeepan Pal:** I understand that there has been a lot of positive catalyst for that particular project going forward on the policy front, at the same time we have sold some of the leased plots to various commercial entities but they have not started construction, so do you think going forward there is some pickup you can see at least on the execution part of the buyers which will actually lead to better employment in that location?
- Anita Arjundas:** If you look at it there are about 29 companies which are already operational there and another 15 which are in different stages of construction, so that adds to about 44 companies. These companies which are under construction should get completed during this calendar year and therefore we should see end state being about 44 out of the 60 companies getting operational with current visibility, the rest will follow and should start constructing shortly.
- Sandeepan Pal:** So our residential or the non-industrial part launch is by any chance contingent on a particular critical mass in terms of operating companies in the system?
- Anita Arjundas:** Not really. We have started planning. As I had mentioned last time we were waiting for the product mix approval to be revised, now that that has been completed we do have about 450 odd acres that would constitute the social infrastructure area. We have already started working on the economic land use and what the destination anchors will be for that particular 450-acre parcel. We will in the next few months commence master planning based on that. Once that process is completed that would be the trigger to actually move into development both of destination anchors and of residential development within the 450 acres.
- Sandeepan Pal:** Coming to your residential side, recently we have seen that although we keep on talking that Mumbai market is muted but whenever there is a launch from a very good developer the off take has been quite good. Now we have almost 4 projects coming up in the same market, I just wanted to understand how do you want to beat the market's weak momentum in all these four launches including Kandivali and the other Andheri and also the second part of the question is what kind of timelines you will suggest we should look for, for all these launches which you have mentioned in the presentation?
- Anita Arjundas:** I think what is important is getting the location right and getting the product right, so if you look at the launches that are coming now post Andheri, whether it is Sakinaka or whether it is Kandivali, sizing of product is very closely in line with what is affordable and what can work for people in that location, so that would be the first key trigger. The second really is to get pre-launch interest in the product generated by pricing right at pre-launch, getting in as many customers as possible during the pre-launch stage, so activation of multiple channels,



marketing activities, digital outreach, all of these become very important and once you have all of that in place with the credible player where people know you're going to start construction immediately and get into execution mode obviously with all of the approvals also in place, then it does help in terms of getting that launch velocity going and that would be the focus even for the other projects. As far as the timelines are concerned, we have launched Vivante-I. As far as Vivante-II is concerned, we are in the final stages of our BMC related approvals, we also have our MOEF related approvals pending there. We hope to see that happening over the next six months or so. There would be Sakinaka which again is at the stage of being processed for BMC related approvals, MOEF approvals have been taken up, that would happen over next year. And Kandivali is still at an early stage, we just are in the design mode, we will get into the submission mode in the next few months.

**Sandeepan Pal:** In the next couple of quarters including the current quarter we should not expect any launch to be very fair?

**Anita Arjundas:** Current quarter is what you have seen at Vivante, where we have launched and yes, I would say so possibly maybe end of H1 there could be a chance of one of the other Mumbai projects getting launched.

**Moderator:** We have the next question from the line of Prem Khurana from Anand Rathi. Please go ahead.

**Prem Khurana:** Just to delve a little bit more on this NCR market, it seems to have gone slow in a big way for us, so is there any specific reason, have you made any changes or is it that we have run out of some specific inventory in our Luminare project and which is why we are not able to garner any response and which made us launch this new phase in this quarter in Luminare?

**Anita Arjundas:** Luminare 2 has got a 4 BHK product whereas Luminare I has only 3 BHK, so we did have some level of interest from customers who want to pick up 4BHKs and which is why we needed to launch Luminare 2 to be able to cater to that 4BHK demand.

**Prem Khurana:** But then how would we explain this sudden drop in our numbers from Luminare? We used to do almost Rs. 90 crores to Rs. 100 crores on a quarterly basis and it has come down to almost Rs. 16 crores. Is it that the market is kind of going slow or is it that interest in our project has kind of waned or what would explain the sudden drop as such if you could share your thoughts?

**Anita Arjundas:** I think it is an overall drop in NCR market, rather no pickup in the NCR market and then again if you look at the corridor of Golf Course Road, Golf Course Extension Road, projects there are definitely at the premium and luxury end of the segment and so to that extent there is a further impact. There has been some level of discounting by some of the players and so that tends to create a certain level of confusion in the market in terms of decision-making. I would say these are the contributing factors.

**Prem Khurana:** And from a strategy perspective, have you made any changes in our strategy because historically we never heard you say that we will pre-launch on the project but this quarter we did pre-launch Vivante. How should we take it? Going forward also, will we get to see a pre-launch of a project and then only officially launch it in a subsequent quarter?

**Anita Arjundas:** I think the language of pre-launch honestly is what the market uses. From our perspective, it is a soft launch because even the pre-launch or soft launch, whatever you want to call it has happened post-approvals. It is not that we are doing on-plan selling, they are approved projects and then we go ahead. It is more a question of being able to create a certain buzz in the market, create a certain level of interest, have site visits, walk-ins before you formally launch the projects, so it is more of a soft launch than a pre-launch in the way the industry looks at it.

**Prem Khurana:** But from approval perspective everything is in place, we are not waiting for any approval to kick start construction activity on the site?

**Anita Arjundas:** We have one final approval needed for us to start execution on the ground which should be in the next couple of weeks. From a launch perspective yes, everything is in place.

**Prem Khurana:** And when do we expect the second phase of this project to get launched, we have already sold around 70% of Plot-B, so are we planning to launch Plot A any time soon or we will wait for some more time to kind of get this project kick started and then only kind of..?

**Anita Arjundas:** We would like to launch it at the earliest and I think it would depend upon the MoEF clearances, so once we have visibility on that we should be in a position to go ahead and launch Plot A.

**Prem Khurana:** On the affordable side 0.5 million to 0.6 million sq. ft. of projects in terms of the area is what you offer to your customer. In this quarter, the land parcel that we acquired is almost around 1 mn sq. ft., so how should we see it, we are scaling up in terms of size because bigger the project the operational efficiencies would be better or is it just happened to be by chance that we get to have this size of a plot, so I mean is there a conscious decision to kind of look for bigger plots now or it just happened by chance?

**Anita Arjundas:** We would look at sizes which are in the range of 15 to 25 acres, we think that is an optimum size to be able to get a certain economy of scale and to be present in a location for a while considering that you set up the whole organization, so that would be the reference point and again it is also a function of at what cost are you getting the land, what is the connectivity to the station, what is the location, so I would say anywhere between 15 to 25 acres would be the range depending on where we buy the land and what we see as surrounding infrastructure.

**Prem Khurana:** And do we have any number in mind in terms of the optimal number of projects that should be under construction at a single point of time as far as your affordable housing portfolio is concerned?

- Anita Arjundas:** Ideally if you want to move to being focused on technology solutions and economies of scale, we should have at least 10,000 units at any point in time being available in the marketplace in different stages of construction and sales.
- Prem Khurana:** 10,000 units across geographies and not in a single geography?
- Anita Arjundas:** Yes, and we have not really looked at expanding too much into geographies. Right now the focus is Maharashtra, so we do not want to spread ourselves thin on affordable housing. We think it makes sense to focus on maybe two or three states and go deeper into those markets as opposed to spreading ourselves thin.
- Prem Khurana:** Just a bookkeeping question, the land that we acquired during the quarter, the payment was made in this quarter or it was made in the earlier quarter?
- Anita Arjundas:** No, the payment was made in Q3 itself.
- Prem Khurana:** Which is what you have explained in the negative cash flow that we have seen in the quarter, your net debt has gone up by some Rs. 130 crores, so a part of it will be because of the payment that we have made?
- Anita Arjundas:** A part of it would be payment for this land. Also, a part of it would be some TDR purchase for our Pune project and the rest of it yes, would be a gap in terms of operating cash flows. Some of it is driven by payment linked plans where because the significant quantum of the money is supposed to come at possession, you would then have the deferment happening. We do have some of our projects which were on payment linked plans coming up for possession in the near future, so that should be able to get in some extra cash flows.
- Prem Khurana:** As far as this Luminare 2 is concerned there again we are offering that subvention scheme, 30% at the time of booking, remaining at the time of possession or is it a normal construction linked payment plan that we are looking at for this Phase-II?
- Anita Arjundas:** No, it is a PLP. I think in the current context of the NCR market, PLP is almost a base feature unfortunately.
- Moderator:** We have the next question from the line of Nitin Gandhi from KIFS Securities. Please go ahead.
- Nitin Gandhi:** When we see these pre-or soft launch whatever, is there a price differential between the first initial units and thereafter when you actually start advertising and do this?
- Anita Arjundas:** Yes, there will be a price difference, not of a significant quantum but yes, there would be a price difference for people who have picked up in the soft launch phase.

- Nitin Gandhi:** So are we saying that there will be approximately 2% to 5% differential on an average going forward in this strategy wherever it is applicable?
- Anita Arjundas:** I would not put a number, but I think the whole idea is to give some benefit to people who come in at the soft launch stage.
- Nitin Gandhi:** So that is only for Vivante you started with or was it I think previously?
- Anita Arjundas:** It has been there even when we launched Windchimes in Bangalore, we had the same approach where again we launched after approvals but the soft launch phase customers did get some benefit in terms of pricing vis-à-vis the formal launch.
- Moderator:** We have the next question from the line of Abhishek Anand from JM Financial. Please go ahead.
- Abhishek Anand:** I'm just looking at our forthcoming projects. So as you mentioned that we will have a lot of focus on Maharashtra specifically. Just wanted to understand the approval scenario in the region because we have been over the last 5 to 6 months hearing a lot on approvals being simplified by State Government, single window being considered, online approvals coming through. Is that still in discussion phase or are you seeing approvals actually coming through in a much more simplified manner or at a much more quicker pace? So are you seeing any difference over the last 5 to 6 months?
- Anita Arjundas:** It is moving from discussions stage to an implementation phase, so I think there have been very clear guidelines put out in terms of simplified building plan approvals, at least as far as Mumbai is concerned. There have been some actions around the conversion of agricultural land to non-agricultural land being made automatic in certain zones. There have been a few GOs which have come out on specific land related issues, so I think it has definitely moved from concept and talking mode to action mode; not yet reflected on the ground in terms of faster approvals but definitely intent in the State is very clearly in the direction of getting approvals to come out faster.
- Abhishek Anand:** Because we were also hearing that it is going to be in a time bound manner, 30 days you are going to get online approvals but nothing of that kind has happened till date?
- Anita Arjundas:** Not yet. I think they have just announced, in fact about two weeks back they released the whole online building plan approval process and the whole process of how are they going to simplify, so they are talking about parallel processing of various approvals as opposed to sequential processing. They are reducing almost 2 to 3 layers of hierarchy in the approval process limiting it to only to 2 layers, specifying a time that a file can be at each layer, so I think those are all actions that they have just announced about two weeks back. We need to see how that translates onto the ground in terms of implementation.

- Abhishek Anand:** My second query will be on the SEZ part of your portfolio. Just trying to understand because we are hearing a lot that SEZ might be given some preference in the upcoming budget, so what is your view on that and how much is the company going to benefit out of it?
- Anita Arjundas:** Very difficult to predict. I think there has been enough in the papers on the Commerce Minister raising the issue with the Finance Ministry. This happened during the last two budgets every year, so I think we will wait and watch and believe it when it happens.
- Abhishek Anand:** But any wish list from our side, anything we are specifically monitoring, of course of the MAT issue?
- Anita Arjundas:** I think the Minister has very clearly articulated the core issues, which are flexibility and MAT. These are the two very bang on agenda issues. I would not even put dividend distribution tax high there on the agenda, it is fine if DDT has to be paid. I think what is important is to get the flexibility in because if export markets are down the SEZ units should be in a position to cater to domestic demand also and not be penalized for it and the second is getting the MAT issue in place.
- Moderator:** The next question is from the line of Bharat Seth from Quest Investments. Please go ahead.
- Bharat Seth:** On affordable housing, we are already present in two states. You said 2 or 3 states, so which are the next states that we are looking?
- Anita Arjundas:** Not yet firmed up any new state Mr. Seth. We currently are in Tamil Nadu and Maharashtra. We would focus on Maharashtra for the next set of projects and then look at atleast one or two other states where there is depth of demand for affordable housing and where there are more favorable policies from the government side.
- Bharat Seth:** Secondly, we are hearing that some of the states like Rajasthan, they themselves are selling affordable houses at subsidized rates. So how we can really compete in those states where subsidized scheme starts?
- Anita Arjundas:** So if we look at Rajasthan's policy it is really oriented towards actually creating supply of affordable housing for the EWS segment that is then offered to the government and in return the developer gets to build an equivalent of the free sale component that you have here in SRA for the mid and higher price segments. That is not necessarily a model that we are looking at but a few states have gone down that direction which is either you get Government land or you get your own land, you deliver a certain quantum of homes for EWS to the Government at a defined rate which is a Government allocation project and then the rest of it is free sale. So that's the model in Rajasthan, that's the model in Madhya Pradesh and also Odisha. These are the states that are driving it on this model. The others have kind of left it to normal market forces where if the Government does housing, then it is doing it clearly for the EWS segment

which is typically Rs. 4 lakhs to Rs. 6 lakhs kind of home price segment and not necessarily the upwards of Rs. 6 lakhs to Rs. 25 lakhs.

**Bharat Seth:** What we understand is that we do not look at this kind of business model which Rajasthan and MP Government and Odisha has, correct?

**Anita Arjundas:** No, we have not looked at that because I think the primary concern is depth of demand. The idea for us is to be able to create homes for a specific segment and be able to sell it directly to them. If you are creating product and giving it almost at cost to the Government or sometimes even lower than cost, then it is a subsidy model and something needs to subsidize what you are giving away as subsidy. Automatically which means you go up the curve in terms of what you can offer. We do not think there is enough depth of demand at those remote locations for higher priced products.

**Bharat Seth:** We have around 10.5 million sq.ft. of land bank at Chennai. So do you have any plans for monetization or what is the strategy because this market is moving slow, so what is the exact plan that we have to monetize those Chennai land parcels?

**Anita Arjundas:** We have revisited where we are on Chennai. We have 4 projects which we have sold over a period of time, over 2000 odd homes created out there, by the end of this year we would have almost 700 to 800 families living there. So I think what we would like to do now is really take that whole land parcel into its next stage of development and evolution. We have begun work on looking at what will drive velocity up there, how much should we do on our own, how much should we get someone else to do, what are the other anchors we need there. We should have some shape on I would say version 3 of Chennai in the next few months.

**Bharat Seth:** And a last bookkeeping question for Jayantt. Taking the question of previous questioner, what he meant was if you really look at stand-alone numbers PBT and consolidated, so in Q2 there was a negative impact of Rs. 21 crores and Q3 it is Rs. 14 crores whereas what I understand from World City we have made some marginal profit, so can you explain where this losses coming from?

**Jayantt Manmadkar:** I believe this is what we are talking in context of the World City question which was earlier asked, so in World City there is a particular fixed cost, there is a particular interest cost that exists and other than that there is activity of operational and maintenance which in any case is a separate profitable activity, though the profit is small there, it is a profitable activity. Fundamentally whenever there is no sale or land deal happening in the quarter because of this fixed cost plus whatever is the finance cost, there is a loss that is generated and by and large the quarterly loss is about Rs. 6 crores to Rs. 7 crores in a quarter for both the World Cities put together.

**Bharat Seth:** Can you repeat, how much is the loss?

- Jayant Manmadkar:** By and large when there is no sales, it is about Rs. 6 crores to Rs. 7 crores for both the World Cities put together.
- Bharat Seth:** And that is attributable in Q2 and Q3? But I understand that you said that Jaipur also made some PAT in Q3?
- Jayant Manmadkar:** No, Jaipur made a loss of Rs. 1.4 crores.
- Bharat Seth:** And Chennai has substantial loss?
- Jayant Manmadkar:** No, Chennai has made Rs. 13 crores profit but it is actually inclusive of the profit for sale to MIPCL, that is the Mahindra Industrial Park Chennai Ltd.
- Moderator:** Next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.
- Ujwal Shah:** I just wanted to understand on our land parcels in Kanjurmarg and Thane, any plans to monetize the same in the near future, in FY 17 probably?
- Anita Arjundas:** Kanjurmarg we have renewed our agreement with the landowner and in terms of completing that development, we now need to take up the matter with the society, be able to get onto the ground and pick up the development, a little difficult to predict a timeline for Kanjurmarg given the fact that there is a pending conversation with the society on being able to take up those developments. As far as Thane is concerned, we have received the NA conversion for 52 of the 72 acres for an industrial status, that is NA Industrial. At this moment there is no near-term plan to monetize that land, we would like to wait and see how that location develops before we take it up for monetization. It does sit at a fairly low land cost in the books and therefore we would like to look at the right opportunity to be able to monetize it.
- Ujwal Shah:** During your initial remark you did mention that we are seeing some traction in terms of the balance land parcels in World City Chennai, can you throw some light by when can we expect the same?
- Anita Arjundas:** So we were expecting a few acres of land to be delineated by the government. The Government Order pertaining to that has been issued. Now the procedural process of completing the transfer is underway which should take place in the next few months. Once that is done we will be in a position to go ahead and release about 42 acres of industrial inventory in Chennai.
- Ujwal Shah:** That would be say first half of FY 17?
- Anita Arjundas:** That is the target, yes.

**Ujwal Shah:** And lastly, in one of your slides you have mentioned about the balance inventory in completed projects. So how easy it is to clear off this kind of inventory where we have already sold off around 75% to 80% or maybe more of the project because we have close to 152 units, so that would roughly be around Rs. 100 odd crores which we can potentially get through, may be more, but just some light on the same?

**Anita Arjundas:** If you look at slide 26 and you look at the balance units to sell, I think it is largely one unit, two units, four units, five units which are small numbers in different phases. I would not focus on those, those should be sold once these projects get into a mode of handovers - for example Antheia is just getting into handover this quarter. So the significant ones there are Aura 5 with 26 units which was the inventory that got added last year and there is Ashvita I & II with 17 units and 21 units which is inventory which got released last month from the mortgaged units because the procedure in Telangana is that about 10% of the units are mortgaged until completion and get released by the government along with the occupation certificate. So we have got the occupation certificate for Phase-I and Phase-II of Ashvita in the last week of December and therefore those units got released in the last week of December. Otherwise Ashvita I has from what I recall has no pending units besides these mortgaged units and Ashvita II has two or three additional units. And the third significant one is Iris Court which has 40 units, a little slow out there but it will get sold out.

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

**Anita Arjundas:** Thank you. The focus for Q4 would be on continuing to push sales traction. We think Vivante will be a significant contributor to sales for this quarter. The other projects would largely be on sustenance mode. The other focus for the quarter would be on execution, we have phases of Avadi I which is due to be completed in the near future, Boisar which is due to be completed in the near future, we have one more phase of Aqualily, couple of phases of Bloomdale which are targeted for completion. So all of these would mean completion of project phases, releasing units to customers, completing the collection process, so that would be the focus. A few projects that have generated good YTD presales and need to be converted into revenue recognition mode from an execution perspective, they already are at well above 25% in terms of sales. That really will be the focus as far as the residential business is concerned. On the World Cities, in both locations the focus would be first getting the supply-side issues quickly sorted out in terms of the DTA approvals, the multi-product at Jaipur, the release of the 42 acres in Chennai and also a strong push in terms of getting sales traction going in Q4 at the World Cities. Thank you.

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

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