



“Mahindra Lifespaces Developers Limited
Q1 FY2020 Earnings Conference Call

July 29, 2019

MANAGEMENT OF MAHINDRA LIFESPACES DEVELOPERS LIMITED
MS. SANGEETA PRASAD – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
MR. ARVIND SUBRAMANIAN – CHIEF EXECUTIVE OFFICER – HAPPINEST
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MR. SUMIT KASAT - HEAD OF INVESTOR RELATIONS

Moderator: Ladies and gentlemen good day and welcome to the Mahindra Lifespace Developers Limited Q1 FY2020 Earnings Conference Call hosted by ICICI Securities Limited. As the 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you Sir!

Adhidev C: Good morning everyone. Thank you for joining us on the call today. On behalf of Mahindra Lifespaces Developers today, we have from the management, Ms. Sangeeta Prasad, the MD and CEO of MLDL, Mr. Arvind Subramanian, the CEO of Happinest, Mr. Vimal Agarwal, the Chief Financial Officer, and Mr. Sumit Kasat, the Head of Investor Relations. I would now like to hand it back to the management for opening remarks.

Sangeeta Prasad: Good morning friends. As you are aware that in the last quarter we did not have significant completion, which was affected in the P&L of last quarter, there was only a few couple of small phases, which we completed.

So, with that I would like to share with you the operations performance. We sold Rs. 120 Crores in the residential business primarily it was the finished goods and the ongoing sales. The sales were triggered by the projects Antheia, Luminare, and Windchimes, which did well. Out of a total inventory of around Rs. 1,100 Crores, we sold around Rs. 120 Crores from the total inventory. We also contributed primarily on the finished good sales, which was 50% of the Rs. 120 Crores. At this moment, we have overall finished goods inventory of around Rs. 200 Crores. The idea is to focus on selling these Rs. 200 Crores in the next quarters and as finished goods get accumulated we will be focusing our energy on getting the finished good sales accelerated. The other focus in the sales front as you all know Q4 FY2019 was triggered by the stupendous success of Centralis. So, what we are doing is, last quarter we spent in preparing for getting the approvals in the advanced stages and I am confident that our two mid premium projects in Mumbai, one in Happinest and one project in Pune will be the triggers for upping our sales in the subsequent quarters.

As far as collections go, I am very happy to communicate to you that our collections continue to be robust. We collected Rs. 234 Crores in the residential business, which was again better than Q1 of last financial year and we continue to up our focus on collection because we believe safe guarding in terms of robust collections and cash is a very important fuel to our growth strategy.

Completion, I spoke about apart from the two minor completions, which we had, but I would like to share with you an important detail here that one of our large significant projects in Mumbai is in advanced stages of getting the occupancy certificate and I am sure I will be able to share with you the good news soon, which will have its impact in our P&L.

Now let me speak a little about the other businesses. The whole idea is that the IndAS 115 going the way of significant completions kind of fuelling the effort of the P&L, the idea is to see how our operational aspects are going, which is the four pillars of land, launch, completion and collection. While I have spoken to you about the second, third and the fourth pillar let me now focus on the land pillar.

We have a live MoU in Sector 89 of Gurgaon as well as we have announced a MoU also in the Mumbai area for Happinest. There are two to three live term sheets, which we are negotiating and which will convert into active term sheets in this quarter. The pipeline is very, very strong and Mumbai is a focus area. I had shared with you my strategy earlier that Mumbai is the focus area, so the pipeline proportion if I see between Mumbai, Pune and Bengaluru it is 60% in Mumbai and 40% between the other two locations of Pune and Bengaluru and we are doing selective approach for the Gurgaon market, so we will be sharing a lot about our land pipeline and the more details about how we are going about it as we move forward in this conversation.

In the IC segment, ORIGINS, Chennai continued its traction on getting sales. So, we have added up second customer in ORIGINS, Chennai, a reputed customer at that Nissei Electric of Japan and the pipelines for ORIGINS, Chennai in this quarter also continue to be strong. The approach is to get a good customer every quarter in ORIGINS Chennai. ORIGINS, Ahmedabad is in final stages of approval and I believe strongly that the team is making it effort to gets its anchor customer soon which we shall be sharing with you as we get there.

As far as Mahindra World City, Chennai is concerned you will remember that we had sold out our industrial inventory in the last quarter of last financial year. So, the focus there is on the retail commercial and institutional segments. We have already signed an agreement to lease in Mahindra World City, Chennai last quarter, but we did not effect the revenue recognition because there was some CPs, which we need to fulfill and they will get fulfilled in this quarter.

Mahindra World City, Jaipur got a next institutional customer in the nonindustrial area, a reputed school from Mumbai has been signed in as our next customer in the nonindustrial area, second to the Bhartiya Skill Development University, which was our anchor customer. We are preparing ourselves for launching that particular layout area of nonindustrial part, comprising residential, commercial and institutional.

As far as the industrial part goes we signed an agreement to lease again in Mahindra World City, Jaipur last quarter and we shall be recognizing the revenue in this quarter. The pipeline for all the industrial segment continues to be strong, but there is a long gestation period of decision making, which is making the signing of these agreements a little slower, tad slower than it is expected. We had expected in the budget some positive moves in this segment, but we did not see any in the budget and therefore that has deterred our customer, so there is a little wait and watch, focus is on getting the pipeline strong and negotiating hard with the customers to see that they get their land and we get our revenues and monetize the land in this segment.

So, as we move along I would like Arvind to speak about the affordable and I would like to introduce Vimal Agarwal, our new CFO. Vimal joined the company on July 26, 2019, which is last Friday. Vimal has a very good mix of an MNC experience, which I think will be very, very appropriate and effective for our business, so he had spent a lot of time in Pepsi, so processes systems you know are the hallmark of an MNC business and then he also has a listed company experience. He was the CFO of Parag Foods before he joined us. I welcome Vimal and Vimal look forward to your effective contribution in making Mahindra Lifespaces and real estate business of Mahindra's grow. We have discussed the strategy with you, so you are fully equipped and prepared to participate in this journey, look forward. Now I would like to Arvind to talk a little about what is happening in the affordable housing business specifically of the government's overturn and promoting that segment of the market.

Arvind Subramanian: Thanks Sangeeta. Good morning to everyone. As you are all aware there has been a continued push from the government's side on affordable housing and with NDA government getting its strong second mandate, we believe the housing for all agenda will continue to get primacy in terms of focus and policy push. We saw in the recent budget that there was an increase in the limit for the income tax exemption on interest on housing loans. We think that is positive and it will certainly improve the sentiment for particularly the segment of between Rs.25 lakhs and Rs.45 lakhs homes priced in that segment where the additional Rs.1.5 lakh interest will make a material difference in the purchase considerations.

Earlier in the year there was reduction in GST for affordable housing down from 8% to 1%. This of course came with the rider that input tax credit would no longer be available, so on a net-net basis it is not 7% reduction in cost of ownership, it will be more like a 1% to 2% reduction depending on the location of the project, but that too is a positive signal for the market and we are certainly seeing strong tailwinds coming out of these two policy initiatives.

Specifically, on the Happinest business, we continue to have good sales performance and after the successful launch Palghar last year we are now preparing for the launch of Kalyan, which we expect to bring to market in the festive season, so at the end of the next quarter.

In Palghar I am happy to share that construction is progressing very well. We have topped out three out of the blocks where civil work has been completed and finishing work is in full swing, so we expect to be delivering that project well within time.

Sangeeta Prasad: I would like Ritesh now to speak about the financial performance of Q1. Ritesh is the part of the finance team.

Ritesh Tilve: Thank you Sangeeta. The consolidated total income stood at Rs. 120.3 Crores in Q1 FY20 against Rs. 246.9 Crores in Q4 FY19 and Rs.175.8 Crores in Q1 FY19. The consolidated operating margins has improved and stood at 39% in Q1 FY20 against 22% in Q4 FY19 and 34% in Q1 FY19.

Low absolute value of contribution margin on account of lower completions led to lower EBITDA as the fixed cost remained similar. The consolidated PAT post minority interest stood at Rs.12.9 Crores that is 11% of income against Rs.31.3 Crores in Q4 FY19 and Rs.26.7 Crores in Q1 FY19. The company has a robust balance sheet with low debt.

Sangeeta Prasad: Thank you. We would now keep the thing open to all of you to ask your question and sharing our thoughts.

Moderator: Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Good morning. Thanks for the opportunity. Just quickly on the status of new launches, if you can just walk us through in terms of where we are we in terms of approval on say Sakinaka and Andheri and also on Kalyan and Bhiwandi?

Sangeeta Prasad: So the first one the Andheri one we are in advanced stages of approvals and we should be getting all our approvals in the next couple of months. The idea is to tactically time the launch, keeping the festive season in mind, so that is the way we are approaching the Andheri launch. The next in sequence is the Sakinaka approvals and we expect that the subsequent launch in Mumbai in the mid premium segment will be the Sakinaka project and we are also very happy to know the Pune land which we procured through an agreement to purchase in the early part of this calendar year is also in the approval state, so it has been a short turnaround and we think we should be able to advance the launch if all the approvals come through. As far as Happinest Kalyan goes I think just now Arvind shared that we are looking at launching it in the festive season. Arvind would you like to add anything more?

Arvind Subramanian: Yes, so we have all approvals for Kalyan including the IOD and CC and the building plan approvals. We are doing some final dotting of I's and crossing of T's with the landowner and expect to convey the land in the next month.

Sangeeta Prasad: You are also timing it with the festive season?

Arvind Subramanian: Yes.

Sangeeta Prasad: Yes, Sir.

Kunal Lakhan: So, Andheri, Sakinaka and Kalyan all will be timed around the festive season?

Sangeeta Prasad: Kunal, I do not think I have to tell you that timing the launch is as important as for the effectiveness of the launch, so surely two of the launches we see, which is the Happinest Kalyan and Andheri getting itself ready, if all the approvals come in time during the festive season. We will time the third one accordingly looking at which is the good time to launch the third project in Mumbai.

Kunal Lakhan: I am just dwelling on it little bit because considering like state elections coming up and we generally see ahead of the state elections like machinery slowing down a bit and plus we have seen these launches getting delayed in the past, so just thought like a how well and in terms of I just want to know exactly like how are we placed in terms of exact status of these launches, but if you are saying that you are confident to get these launches by festive season?.

Sangeeta Prasad: Kunal you have hit the nail on the head since you have answered half the question on my behalf, so I would like to say, the idea is to get, the market have flavor of two of our segments during the festive season as the approvals come in. The third one we will have to time it accordingly, you mentioned the other variable and that is why I also proactively told you that the third one we will be looking at a right time of launch, which surely will be in this financial year as we get the approvals.

Kunal Lakhan: Secondly in terms of leasing at Jaipur MWC, Jaipur you said the pipeline is strong, but the decision making remains a bit slow, how are we thinking of this in terms of like, in terms of monetization timelines because it is taking forever to for us to exit this space especially for the nonindustrial area where we are not seeing much demand for you and either the DTA area as well, so how are we thinking in terms of like monetising the space?

Sangeeta Prasad: You are right that it has. I would also like to, good you are raising this question, I am also of the view that we must accelerate much better than we have done in the past, so there is a strong pipeline but you will appreciate that around us in the environment there is a little sluggishness not specific for Mahindra World City, Jaipur or any of our businesses, so people are taking a longer time. What we are also trying to do is get in a newer forms of products, which we introduced in Mahindra World City, Chennai. We had earlier seen the Jaipur market was not accepting of the build-to-suit kind of arrangement, which the Chennai market took a couple of years back where we get an investor and we have the client and us all working together to give a build-to-suit arrangement because Jaipur likes to buy lease land and build their own buildings and sheds and factories, but that is another thing which we are now negotiating, which should in fact the first agreement to sale, which we talked about in the last quarter, which will get affected revenue in this is an arrangement like that, so that is one of the mechanism through which we are facilitating the future corporates to invest in, so that they do not put capex, but they are in opex mode, so that is one mode. The second is in the nonindustrial segment, we have already reached out to hospitality, healthcare, institutional sector and that is how we got our school signing in, in last quarter. We have a good pipeline. So what we will do Kunal is, focus on both these segments, so two streams of team members are working on these two segments because they need a different kind of outlook. We are also working with a few external consultants to accelerate our nonindustrial sales because there the arrangement will not necessarily be lease of land only, you may need an investor in between to come in and work on getting investment in and getting a good brand to bring the franchisee in, that is the model we are working on as far as nonindustrial part is concerned. We are also just to give you another input. We are also talking to a few fund partners who may like to invest in the nonindustrial part. As you will recall, last year we have got IFC to invest in the industrial part.

- Moderator:** Thank you. We will move to the next question. The next question is from the line of Sudeep Gautam from Seers Advisors. Please go ahead.
- Sudeep Gautam:** Thank you for the opportunity. Ma'am I wanted to ask about Happinest Projects you have mentioned plans about Happinest, Kalyan I wanted to know Happinest, Palghar since we have seen a very good sales in this project when do we plan to launch Happinest Palghar Phase II?
- Arvind Subramanian:** Good. Thanks for asking that question. So Palghar II which is actually second project in Palghar will be launched in Q4 of the current financial year.
- Sudeep Gautam:** Thank you. The next question, we have been intensifying our focus on affordable and mid premium segment during the last year. I wanted to ask about the ultra-premium segment, we have this project Luminaire in Gurgaon. The phase I is completed, Phase II is under construction and will be completed by next year perhaps? Do we plan to launch phase III by this year or next year perhaps, I just wanted to know the timing?
- Sangeeta Prasad:** First of all, I would not associate ultra premium with Luminaire. It is indeed a premium project and I would request all of you to come and visit that project, it has shaped up very well. The Tower A which is the finished product has been well appreciated by its customers, so we have a pipeline there. So, we are now having around some 25 odd units in the first phase as finished good inventory, which is the focus just now to get those units out and the second phase, there will be a certain, we are trying to brace ourselves to get ready for the OC early next calendar year that should also help us in a few months' time, but the focus is on in just now in these two phases, Sudeep and as far as the third phase goes we are doing a little bit of thinking on when to launch it. If you ask me with the thrust now on the finished good sales, we should be able to launch it sometime next year.
- Sudeep Gautam:** Okay this Sector 89 Gurgaon that you just mentioned what kind of project will it be?
- Sangeeta Prasad:** That will be a compact project, which will be in the mid premium segment.
- Sudeep Gautam:** Lastly, just bookkeeping question I would just like to ask? You just published your annual report for your subsidiaries and I was looking at Mahindra Home Private Limited books. There is this stock in trade amount of Rs.239 Crores. Does this comprise of finished projects?
- Sangeeta Prasad:** It comprises first of all two projects, Luminare and Windchimes and both finished goods and work-in-progress inventory. If you recall Windchimes Phase I also got it finished goods status last year. It has about 3 to 4 units as inventory. I get a breaking news it is now not three to four but two, as the finished good inventory and work-in-progress inventory of phase II for which we are pushing for bringing it into finished goods status if not this quarter early next quarter.
- Sudeep Gautam:** So, the stock trade amounts it only includes Luminare and Windchimes nothing other than that?

- Sangeeta Prasad:** No, those are the two projects which are under the SPV, which we have formed active, erstwhile stand chart.
- Sudeep Gautam:** Thank you. That is from my side. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Chintan Modi from Motilal Oswal. Please go ahead.
- Chintan Modi:** Thanks for opportunity so one thing if you could share like how has been the response for the Mahindra Vivante Project in Andheri, because I understand there were some testing done before you actually launched the project that is one thing and secondly all the four projects that you have outlined which will be launched to the next two to three quarters in terms of value how much would this come to and what has the margin that you are targeting in these projects?
- Sangeeta Prasad:** Chintan, I would have expected you to ask this question precise and incisive. So first of all, let me clarify to you about the Vivante Project. Vivante as you know is the project where we missed getting the OC last quarter so it is in the finished goods stage. We are just waiting for the OC to come and it was launched sometime back and it is almost sold out excepting at in one unit, which is waiting to be sold and we should be selling it in this month if not this month early or next month.
- Chintan Modi:** I am talking about the new phase I guess?
- Sangeeta Prasad:** So, it is new project. So that as I told you earlier all of you earlier that we are in advance stages of approval and whatever we understand from the market Vivante has put a good response. We expect response to be repeated in the new project, which is next to Vivante, so we are trying to time it if we get all our approvals during the festive season so that is as far as the new project in Andheri goes. Along with that we spoke about other three projects, which is the next one in Sakinaka, the Happiest Kalyan as well as Pune one, which we are trying to advance so the launch inventory I am seeing is around Rs. 1,400 Crores to Rs. 1,500 Crores, once we get the approval we should be launching and also what Arvind spoke about is the new project in Palghar, we are seeing a launch of around Rs. 1,500 Crores of that inventory and margins are different for the different product, if you have seen that we have tried to improve the margins and that will be the endeavour. We also got some benefits by doing some design optimization in all new projects; we have got some extra carpet area, which should help some up the margin. The margin will be certainly above the 20% figure and some of them much higher.
- Chintan Modi:** Margin you are talking about contribution margin not EBITDA, 20% plus?
- Sangeeta Prasad:** Yes. That is mix of affordable and mid premium. I just wanted to give you spectrum.
- Chintan Modi:** So, the total inventory for the year, we would be having something like Rs. 1,500 Crores of new launches plus Rs. 1,000 odd Crores of existing inventory am I right in that understanding?

- Sangeeta Prasad:** Rs. 1,500 Crores of new launches will be tactical, we look at how the market is but that is the broad spectrum of figure I wanted to share with you.
- Chintan Modi:** Secondly, if you could just tell me like what is the ticket size that we have planned in Kalyan project?
- Arvind Subramanian:** In the range of between Rs.30 lakhs and Rs.55 lakhs.
- Chintan Modi:** Because there is this cap of Rs.45 lakhs, which in the recent budget that has come in for getting qualified in the affordable category, so are we getting those benefits over there?
- Arvind Subramanian:** Yes, we will.
- Chintan Modi:** 80IB benefit. That's it from my end. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Amit Dalal from Tata Investment. Please go ahead.
- Amit Dalal:** Good morning to you all and the fact that the sales was lower as much as I know that it is dependent on new launches but since we do have such high unsold inventory is that a reflection on the market conditions and is perhaps that going to remain for Q2 also?
- Sangeeta Prasad:** If you look at, let me breakup the inventory for you Amit and thank you for asking an incisive question. The inventory has around Rs.200 Crores of finished goods inventory and the remaining as work-in-progress. Now in the finished good inventory, there is mix when you have finished good inventory, there is a mix of leftover inventory so it is not the best of choices so we have seen how to entice the customer into buying better. As far as work-in-progress inventory goes many of them are actually on the verge of being finished goods so you know what happens when customers see that this inventory is getting to be finished good in the next three months, they delay the purchase because they know that there will be an advantage in buying it at finished good state, so that is the conundrum I think we will always face so the idea is therefore, Amit like you rightly said we are seeing the trend of customers buying preference going to either launch or at finished goods or at early work-in-progress. The moment inventory reaches mature work-in-progress, the people deter because they would rather buy when the inventory is finished good. So today my focus on these inventories actually to push my CPO, the Chief Project Officer to complete faster, the idea is then the acceleration of sales happens naturally and to tell my Business Heads and Chief Sales Officer is to get the approvals faster so that we can launch and we have heady mix of inventory, you would have seen last year whenever we did well because we had a launch almost in every quarter.
- Amit Dalal:** Going ahead with that question now that both the tax perhaps is better for the customer after the full OC is received but more difficult for you because you have to sell it within two years otherwise notional rent is applied so how do you balance that?

- Sangeeta Prasad:** You are right. There are many new rules and new regulations which are coming so the idea, the focus I will go back to my seminal focus which the team is doing, which is get your land quickly, launch effectively, complete quickly and collect as you are going along in the journey that is the primary focus because today real estate is becoming like manufacturing. What was good earlier of wait, watch and heard is now fill it, shut it but do not forget it.
- Amit Dalal:** Right but I am just asking is there going to be any notional rent impact for inventory which is more than two years completed?
- Sangeeta Prasad:** No.
- Amit Dalal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Sooraj Navalkar from Prithvi Investment. Please go ahead.
- Sooraj Navalkar:** Good morning Ma'am. Ma'am, what is the status of industrial clusters development in the North Chennai and Ahmedabad?
- Sangeeta Prasad:** North Chennai as you know, we got our anchor customer in December last year. This quarter again as in the Q1 again we got a next customer and we have a healthy pipeline and we are expecting that Q2 and subsequent quarters we will get more customer in North Chennai. I am very confident of that, that particular industrial cluster even development work has started, site visits are happening that as far as ORIGINS Chennai goal. ORIGINS Ahmedabad has just a couple of final approvals awaited. So, we have started some on ground compound walls and some excavation work on the basis of the approvals we have received. The seeding of the market as far as anchor customers are concerned is in full swing. We have a couple of customers who are hot leads and we expect them to be converted as anchor customers if not in this quarter surely in next quarter.
- Sooraj Navalkar:** What will be the leasable area for these two projects?
- Sangeeta Prasad:** The total area for Chennai is in the range of 250 odd acres of which if you take a 70% yield it is around 170 odd acres. The same is applied for Ahmedabad but we have got some additional land which we are also adding in so it will be total gross area of Ahmedabad will be in the range of 350 acres and again if you multiplied it, it will be around the 70% of that.
- Sooraj Navalkar:** How much capex is required for these two projects and how much has already been incurred till date?
- Sangeeta Prasad:** Both these projects as you know are partnership projects. As far as the Chennai one goes it is a 60:40 JV partnership with Sumitomo. The total project investment of Rs.50 Crores is pending in Chennai and Rs.100 Crores in Ahmedabad.

- Sooraj Navalkar:** What was the average realization for these two projects?
- Sangeeta Prasad:** As you know that Ahmedabad has still not sold, but I would be happy to inform you as far as Chennai is concerned, we did the anchor at around Rs.2.1 Crores per acre and the second one we sold at Rs.2.7 Crores so there was a hefty acceleration of pricings between the first and second and for all our other customers we are pricing ourselves in the zone of the second customer.
- Sooraj Navalkar:** Can you provide some colour on the inventory in the market where we operate and how that is impacting us?
- Sangeeta Prasad:** The colour of the inventory as you know is deep red in many markets but the good part is the inventory is reducing in most markets and the other thing is if you look at our inventory it is marginal in comparison to what is happening around us. So, I do not see a sense of stress. The only thing I am exhorting our team is to get the approvals and launch the products because we have seen that when we launch products in the markets that showed customers do respond well to our products and the second one is how do I make my existing inventory finished goods faster so that customer entice in buying zero GST products. That is how I would like to share what is happening in the market. Just to give us added snippet, Mumbai and Thane saw good launches in the last quarter and that is where the market is going to, having launches, having finished goods that is how the market will shift to as we go on in the subsequent period.
- Sooraj Navalkar:** Ma'am what is our future plan on the residential side, as our current area sell is less compared to the peers so what is the strategy do increase the volume in residential space, what are the target in next two to three years?
- Sangeeta Prasad:** The target is as you know that in FY2018 we sold around Rs.600-odd Crores, in FY2019 we sold around Rs.1,000 Crores plus. That was as you know catalysed by launches so the idea is get land, so one of the focused areas which is seminal to our growth strategy is the land acquisition. So, we have opened up the pipeline into redevelopment and stressed, specifically in Mumbai because in Mumbai that is the kind of supply side. You do not have too many virgin lands available in Mumbai. In order to do that we have strengthened our BD team both in mid premium and affordable, so we have separate teams working to improve the pipeline, we have had effective channel partners meet in Mumbai, Pune areas. These are the focused areas because if we have to redeem in the market and make our presence felt, we need actually more inventory unlike many others who are throttled or choked with too much inventory.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good morning Sir. Thanks for taking my question. So couple of questions for Arvind on Happinest, so basically what I wanted to understand was on Boisar and Palghar this quarter we sold units around Rs. 6 odd Crores, which is I think multi-quarter low, so are we happy with this run rate and why has it gone so slow because now we have ready inventories which essentially means, if someone was to come now they get to have the keys today itself and generally there

tends to be this perception that you get to have better traction once you have OC and for some reason Boisar and Palghar both seem to be now going little slow especially Boisar because it is now ready?

Arvind Subramanian: I think a couple of things that play into that one Palghar as you know is almost over 90% sold and therefore we are now into that stage where Sangeeta talked about which is mature walk-in process inventory. We do not foresee a problem in selling the rest of the inventory. We have been holding back and we have actually taken price up in Palghar recognizing that the sales velocity has been good and closer to delivery we expect that inventory to get liquidated fairly without too much effort. Boisar received its OC of the final phase in the last quarter, in the last financial year, in March 2019 so we now have finished goods inventory, which we are selling and again the momentum is building up I think the focus has been on building out the distribution in order to service that market more directly and we are quite happy with interest we have been seeing in terms of walk-ins and bookings, Avadi which is a third project has continued to maintain a very steady progress and volumes are quite heartening there as well. Again, there we have delivered Phase IV and are now in Phase V which is two the blocks G & C which again we will start getting delivered by the end of this calendar year to the second, third quarter of the next calendar year, so in all three projects we are in quite a comfortable position.

Prem Khurana: So, in your fair assumption how long would it take us to kind of liquidate the entire inventory that we have in Boisar around 130-odd units?

Arvind Subramanian: Our target is to liquidate it in this financial year.

Prem Khurana: Sir on Kalyan what I see is essentially when I look at Boisar, Palghar we topped out around Rs.27 lakhs to Rs.28 lakh kind of ticket size Rs.30 lakh to be, if I have to give you some leeway in terms of you could have taken some price hikes as well and for Kalyan we are starting around Rs.30 lakhs to Rs.55 lakhs is the number that we are looking in terms at the top end unit that you could sell, for Happinest essentially if I were to understand correctly what will be the ticket size that we could want to operate. I understand there will be locations wherein you could charge higher but then if it is 55 lakhs, so we are seriously higher than what we are targeting about Rs.30 lakhs odd of a number, so what will be the range that we ideally would need to work if it were - going to be Happinest, if it is considered to be affordable?

Arvind Subramanian: So our boundaries/ guardrails that we set ourselves is bulk of the inventory less than Rs.50 lakhs is what we will constitute the Happinest business.

Prem Khurana: But the broader range would be anywhere between 10 lakhs and 50 lakhs for Happinest or we will have an option that it will go beyond 50 lakhs as well?

Arvind Subramanian: As I said the centre of gravity has to be less than 50 lakhs, it could be exceptional, little bit of inventory which is larger sized or goes beyond 50 lakhs but it would not be much beyond 50 lakhs.

- Prem Khurana:** Sangeeta Madam one question on portfolio augmentation, could you please brief us a little more because I think I missed your opening remarks. I would be obliged if you could repeat your comments on the portfolio augmentation how many transactions were there and what are the timelines that we are looking at in terms of completing these transactions?
- Sangeeta Prasad:** As I mentioned earlier there is one MOU which we have signed in Happinest last quarter, which is Q1, which is now in due diligence stage and there is an active term sheet in Gurgaon as well which is above 1 million, it is a joint development so we are doing it with a landowner there and then we have two more active term sheets which we are negotiating which we intent to close it in the next couple of weeks which then gets converted into, so if you see net-net we have four to five term sheets, which get converted into definitive documentation this year. That is the way we are looking at it in terms of a land portfolio. As I mentioned earlier, Prem that we have cast our net wide so we have redevelopment stressed assets which we are and that is what is actually catalyzing our Mumbai so out of those four and five primarily 50% would be if not more in Mumbai, Happinest and mid premium.
- Prem Khurana:** Just one last if I may, on slide #35 at presentation we have given this management structure which are very informative. What took me by surprise is already we have Business Head for South and as well as for West but I do not get to see anyone from North. Does it mean we are not focused on North anymore and it will be and if you get to have something it has good otherwise there will not be any push from your side at least going to get some more inventory in North, because Luminare has been going slow?
- Sangeeta Prasad:** The push is exactly the reason you can consider that me, I am focusing directly on North because it is an important project so what we have done is we have formed a cross functional team for the Luminare monetization at this senior most level.
- Prem Khurana:** Thank you.
- Moderator:** Thank you. The next question is from the line of Himanshu Upadhyay from Pramerica Mutual Fund. Please go ahead.
- Himanshu Upadhyay:** My question was on Happinest side. We have seen a number of launches happening in Mumbai and we have seen reasonable success. To scale up this business, do we think Mumbai itself can scaled this business to significant size or do you think we need to move out of Mumbai, so Mumbai and Chennai where we have been working on, but majority sales has been in Mumbai. Any views on what would be the strategy for growth on this product and is Mumbai the only market or you think you need to move out of it?
- Arvind Subramanian:** Certainly, Mumbai is not the only market. We are actively looking at Pune and have several land deals there under negotiation and expect to have at least one or two projects launched in Pune in the next financial year. We are also looking at Bengaluru. So at least from an initial next two to three years perspective, I expect the footprint to be strongly Mumbai, Pune, Bengaluru and Chennai.

Himanshu Upadhyay: Mumbai, Bangalore?

Arvind Subramanian: Pune and Chennai.

Himanshu Upadhyay: For Happinest we would be looking also in these states?

Arvind Subramanian: Yes absolutely.

Himanshu Upadhyay: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Shailendra Mundra who is an Individual Investor. Please go ahead.

Shailendra Mundra: Good morning. Ma'am I wanted a general feedback or comment on the availability of financing for retail buyer, general environment and secondly what kind of tie ups you are putting in place to enable your customer to buy your products smoothly? Thanks.

Sangeeta Prasad: I can understand Mr. Mundra where you are coming from. So, one of the things we would like to inform you is that the real estate market as I mentioned earlier is getting into the mode of operational excellence of delivering value to customers, so first of all the customer's profile is changing. Earlier you know you had all kinds of speculator investors. Now these are genuine customers and thankfully for a brand like us we have been primarily selling to genuine customers. So, customers who have wherewithal to take a certain loan and a certain EMI are going to be the customers of the future and the present. The good part of a brand like us is when we offer our products in the market, banks and other institution, financing institutions give credence to a brand like us and so the number of banks and financial institutions which are available in our portfolio to offer value to our customers is very robust so that is one thing. The second thing as you know now these financing institutions are looking at companies also with a due diligence in terms of construction so that is another area, which gives us advantage and the third is we have primarily not sold by any other means than on lever of our construction readiness our construction progress. So, we see ourselves being in a better and confident position than many others in the market in terms of facilitating, buying from our customers, so genuine customers will be the order of the day and brands like us will have more credence and many others in the market.

Shailendra Mundra: Conceptually, what you said makes sense and we are aware that Mahindra is a great brand, but to speed up acquisition of a home for customer if you already work with some good brands like SBI or HDFC and you already have a due diligence in place for specific projects where sales are going on it helps and if you have an RM from the financier side, on your site or available on phone to speedily process any application it helps to speed up sale, so from that point of view I wanted to know what you are doing for your company?

Sangeeta Prasad: Mr. Mundra, you are very right that is the hygiene actually today. We have strong relationships with most of the banks and financial institutions from who we offer as facilitator for all our

customers, so in our sales organization, our CRM organization we have the reverse of relationship manager, so we have people from our teams who work with the relationship manager. The other advantage we have is our group's strength in with all these institutions, so our finance team also has very, very strong robust connect with this, so this is a hygiene. If you have any specific means which can help us better, these are hygiene and we are practising it. I would love to know. The focus today is not just on having these relationships, the focus is how do I do land acquisition and have projects more in the market because I see that is where we need to put our focus on as far as financing institutions and finances are concerned, both at an entity project and a customer level, we have a good organization capability in place, but if you have faced any challenge or if anyone specific I would be happy to talk to you offline.

- Shailendra Mundra:** Thank you Madam and all the best.
- Moderator:** Thank you. The next question is from the line of Chintan Modi from Motilal Oswal. Please go ahead.
- Chintan Modi:** Just one quick followup. Realization in Affordable Housing was high on Y-on-Y and Q-on-Q basis, what could you associate this with?
- Arvind Subramanian:** I think it is a testament to the brand and the sales that we have achieved. When it got good velocity, we should take price up and that is what we have done.
- Chintan Modi:** So, it is basically price increase?
- Arvind Subramanian:** Yes.
- Chintan Modi:** Thanks.
- Moderator:** Thank you. The next question is from the line of Sudeep Gautam from Seers Advisors. Please go ahead.
- Sudeep Gautam:** Thank you, again. Just a followup question; Talking about the Luminaire Project Mahindra Homes Limited, if the stock increase is Rs.240 Crores, we have Luminaire 30 units and Windchimes 5 units, so that means there is Rs.4 Crores and Rs.2 Crores, it only makes Rs.130 Crores, so does that mean there is a cost overrun?
- Sangeeta Prasad:** The stock in trade inventory is just not finished goods. It is a combination of finished goods and work-in-progress. As you know Luminaire has two phases, one is finished goods as you rightly said which has only about 25 odd units, but there is a second phase which is work-in-progress which has about 80 odd units in its kitty. Similarly, in Windchimes we have two phases, one is the two units of phase one, which is finished goods and 80 odd units of phase two which is work-in-progress, all that comprise your fully stock in trade inventory and there is no apprehension of cost overrun.

- Sudeep Gautam:** Ma'am, there is an advance of Rs.478 Crores, can you explain the nature of it? Advance of Rs.478 Crores that is standing on other assets?
- Sangeeta Prasad:** That is a conventional joint development which we have done with the landowner.
- Sudeep Gautam:** So, we expect this amount to reduce?
- Sangeeta Prasad:** We have already started selling on behalf of the landowner from last quarter. The last quarter Luminaire sales were around Rs.17 Crores odd which is basically the landowner's share.
- Sudeep Gautam:** So, we expect this amount to reduce as we go?
- Sangeeta Prasad:** As we sell their units.
- Sudeep Gautam:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manisha Porwal from Taurus Mutual Fund. Please go ahead.
- Manisha Porwal:** Thanks for the opportunity, Ma'am. You just mentioned about the stressed portfolio focus in a city like Mumbai, where there is no available empty land. Could you talk a little more about the existing term sheets that you are trying to negotiate? Are there also apart from the stressed portfolio and how is the picture overall looking in terms of the stress in the system?
- Sangeeta Prasad:** There are stresses at every level as you know Manisha. First of all, it is great to hear a lady's voice after so many men speaking, I thought that amongst my investor and analyst friend's women have stopped working there. So, congratulations I feel much more comforted to hear your voice, Manisha first of all. Second, let me talk about the stress in the system. There is a lot of stress obviously in the ecosystem and as you know Manisha not only in the real estate space, it is in all spaces in the ecosystem, so what we are trying to do, taking the Mahindra Rise anthem Today is The Day For Us To Rise, so what we are doing basically is looking at stressed assets in the market, out of the two term sheets I was speaking about in Mumbai, which we are looking at both are in the stressed asset zone where there is a financing agency, where there are developers at the financing agency has actually come out to us. We have been actively seeking opportunity from these kind of agencies, because they have quite a few available with them, so we are negotiating similar so these are also in the redevelopment zone, Manisha we would not go and do the clearance, we would like virgin green land, but if the developer on the other side and the financing agency are collaborating to give us such kind of land and financing agency knows that if a Mahindra comes in, they will be able to garner collections and relieve their stress, the developer believes if we come in they will be able to serve their financing agency and relieve their stress. The idea is to do a very mindful acquisition so that the stress does not get converted into our stress later on in the day.

- Manisha Porwal:** I was just looking at some more colour on what level is the stress in the sense this is just about financing problem or is it about like kind of projects that were coming up and the entire project has to be changed to mid segment as you focus onto for the project to be going in the sense what is the exact pulse of the stock?
- Sangeeta Prasad:** Exact pulse is both actually. So, they are not mutually exclusive variables. You understand, so there could be a project where a developer having taken too much to chew is finding it difficult and it is not about, they may not have even started anything because they have some multiple projects, they realize Oh, My God! I cannot handle so many projects on my own, had to payback my financier, so that is kind of project then there is another kind of project where a Brownfield has happened and they are looking at more effective ways of selling constructing and they are not able to do it, so that is the second kind and the third kind is obviously the design is not matching the market.
- Manisha Porwal:** Do you feel that any of the stress is going to result in a very big kind of price cuts in the market which may bring short-term distortion, but then a distortion likely because there will be a need to liquidate some of those ready projects?
- Sangeeta Prasad:** I do not see so because it is not additional supply. It is some supply and people like us taking that on us, a good project, designing it well, executing it well, would help us to give better products to the customer and as I said sometime earlier a genuine customer is always willing to buy a good product from the market from a robust brand.
- Manisha Porwal:** Thanks. That is it from my side. All the best Madam.
- Moderator:** Thank you. The next question is from the line of Shiva Talluri who is an Individual Investor. Please go ahead.
- Shiva Talluri:** Thank you for the opportunity. My first question is about land bank, so last concall you have mentioned that you have 4 million square feet if I am not wrong, can you give me a brief update on the land bank if you have added any or is there any plans to add more in the future?
- Sangeeta Prasad:** You are right that we are focusing on land banks. So last year, we signed up three agreements for purchase between Happinest and mid-premium which is around 2.25 million square feet, which are in stages of one of them being the Kalyan Project which Arvind is focussing for launching it in the festive season. The other two are, one in Pune which I spoke about. We are trying to advance the launch and the third one is in Bengaluru where as you know while we are ready with our design, Bengaluru is going through much more deeper flux than real estate, the government and etc, etc, so a little delayed in terms of the approval process. We have also signed few term sheets and as I mentioned earlier one is the Happinest one in Mumbai, the second one in Gurgaon and between the two of them it is around sub 2 million and that is why I think you are talking about the 4, so those term sheets are what we are focusing to convert into good due diligence and definitive documentation in the subsequent quarters and we have a couple of more term sheets which are being worked upon especially in Mumbai.

Shiva Talluri: Ma'am, my next question is about the Bloomdale in Nagpur. I see this is one of the biggest in mid premium segment, so what I want to know is, as of now 0.8 million square feet is under construction if I am not wrong, is there any other land available attached to this project that you are willing to develop after this or are you going to stop with so much construction?

Sangeeta Prasad: Good you asked that question, it helps me to share with you the strategic approach for land and growth in our company. Real estate is a very detailed deep down business and we have taken it upon ourselves that we want to grow deep rather than fritter wide, so Nagpur this is going to be our first and last project at least in the short-to-medium term. The focus areas are as I mentioned earlier, Mumbai, Pune, Bengaluru and selective opportunism in Gurgaon so we will not be expanding in though I am personally very proud of that project, it has shaped up well, the community looks very vibrant, but sometimes you have to take decisions which are good for the organization and not just go about expanding mindlessly.

Shiva Talluri: Ma'am, just two more questions from my end. First if you could help me with the brief update with Pune Centralis which is like the project in fashion now and the other one is I notice that last time in the budget, there was no extension in the sunset clause so how is that going to be an impact on our IC&IC business, because it is going to end sometime next year, is that right?

Sangeeta Prasad: Yes, Centralis as you know did very well in previous quarter and we have hardly some 20 odd units which are available for sale, which we will be completing in this quarter. So we will be sold out as far as Centralis is concerned. The construction has started and the projects team is working towards an earlier completion because the focus is if we have sold out everything, complete fast during the journey, collect quickly and deliver a good product to the customer, so that is the focus on Centralis and that is the company focus actually, launch effectively, sell well, construct well, construct fast and hand over to happy customers. I am actually intrigued that this was the question which came I was expecting it earlier, but good you asked the question it helps us to tell you about our strategy. So two, three elements of the strategy, Shiva; from the corridors what we have heard and we are doing a little bit of market intelligence that people are still mulling about it and we would be meeting some government officials because people have been busy with the session which has been going on, the Parliament session, so we will be meeting people in the government so that is one part of it, because we have been speaking to some government authorities offline and we believe that there is some conversation happening on the SEZ sunset clause extension, so that is one part. The second part is the focus is on the existing customers who want to expand so that they can then start of early, so there is a pipeline of four to five customers who are wanting to work with us to start of because they would also like to take the advantage and the third is if all these things do not come true, we are also looking and how can we do a product mix review, but that is a last in the line, the first two are what we are focusing on but we have got contingency plan ready.

Shiva Talluri: That is it from my end. Thanks.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Adhidev Chattopadhyay for closing comments.

Adhidev C: On behalf of ICICI Securities, I would like to thank everyone for joining us on the call today. I would now like to hand over the line back to the management for closing remarks.

Sangeeta Prasad: I think a lot of my closing remarks was covered by the deep insightful questions which my friends always ask and just to summarize those snippets of conversations and question, answer, the focus continues on the acquisition of land, land of not only greenfield, stress, redevelopment, focus on the geographies, I mentioned. I just wanted to add here it is not only the cities, but also the micro markets in the cities we are focusing on. I would like to add also that we have identified, scale guardrails neither too small, not too large. I know I have spoken about it earlier, but just wanted to rewind and remind all of us that the focus is specific in terms of returns, not to go to markets and micro markets which do not deliver value for us, so double down, deep dive on land acquisition, increasing the funnel and you will be hearing about more term sheets and subsequently more definitive documentation we are confident of that. Launches I spoke about it at length, so I would not describe it. In terms of completion, focus is, if we completed a project in two-and-a-half years, we will complete it in two, if we complete it in three, we will complete it in two-and-a-half, not withstanding quality and safety those will be very, very important because that ultimately will deliver value to our customers, because the customers are not going to be speculative investors, they are going to be genuine customers whose word of mouth will play an important role and collection in both the businesses is extremely important that is an arduous focus by us and from the residential if I go to the integrated cities we are not at this juncture expanding our portfolio, we are in the mood of accelerating monetization of our IC&IC business and that is where you will see effective outcome in the subsequent quarters. Thank you.

Moderator: Thank you very much. On behalf of ICICI Securities that concludes this conference. Thank you for joining us ladies and gentlemen and you may now disconnect your lines.

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