



## **Mahindra Lifespace Developers Limited**

### **Q3FY13 Earnings Conference Call**

January 19, 2013

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**Moderator:** Ladies and gentlemen, good day and welcome to the Mahindra Lifespaces Developers Limited Q3FY13 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of presentation. If you should need assistance during this conference call, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Anita Arjundas, M.D. & CEO. Thank you and over to you.

**Anita Arjundas:** Thank you and a very good afternoon to all of you. I have with me, Jayantt Manmadkar -our Head of Finance on this call and I do hope all of you have had a chance to get a copy of the Investor Presentation.

I would like to start off with a few brief comments and we can then take questions.

What went well in this quarter, has been the progress on the approvals front. Ashvita in Hyderabad received its plan approvals and was launched on the 30th of November 2012. The response has been overwhelming with over 400 walk-ins in the first couple of days and we have sold over 100 units to date in Ashvita. Sopan Baug in Pune, a land parcel we acquired earlier this year, has received its approvals in the first week of January and so this would be the fastest land to launch cycle that we will see - six months from land to launch. We should be launching this project towards the end of this month. In Antheia, in Pune, we got the aviation NOC for up to 90 metres height. This was an important clearance required to enable release of further units in phase 1 of the project, because we have currently sold everything that we had launched there, which is about 132 units. We will now gear up to get the PCMC confirmations on the aviation NOC and launch the rest of Phase 1 of the project. At Mahindra World City, Chennai, approvals for the Club project were received during the quarter and construction will commence during this quarter. So overall, a good run on the approvals front across locations.

We have also seen good progress on the execution front with Eminent Aspen in Mumbai been completed during the quarter and the occupation certificate received. This is the first project that we have completed exactly on the committed date which is December 2012 and we should hope to see more and more of such timely deliveries happening across all our projects.

Work in Aura at Gurgaon is on full swing. The issues around the construction water have been resolved and we are now seeing steady progress on this project as also other projects across the country. Construction in both Pune and Hyderabad has already started during the quarter and we will see revenue recognition as the construction on these projects matures.

The progress on land procurement has also been satisfactory during this period with strong visibility on closure for around 8 MoUs that we have entered into. This will add quality land banks at good locations in around four markets to meet our future growth needs. These acquisitions will also enable the company to almost double its current average price per square feet realization from about Rs 4500 to Rs 9000.

In the World Cities, there has been a significant uptick in economic activity with seven companies getting operational between Chennai and Jaipur. Jaipur, today, has 13

operational customers and 10 more under construction. It has also executed two MoUs during the quarter in the DTA which should get realized as we go along into lease deeds.

What did not go well however, during the quarter, was the financials vis-a-vis the previous year corresponding period. This was basically driven by steep revenue recognition and 100% completion that occurred in Q3FY12 across several projects. What you would know is that when you hit revenue recognition in a project, you are looking at around 35% of revenues being recognized at this stage for the area sold, and again when you complete the project you have around 20% of revenues being recognized at that point of time. So around 55% of recognition is linked to these two key milestones at the beginning and end of a project and the balance 45% tends to get distributed over the rest of the life cycle of the project on a monthly execution run rate basis. So what we saw in Q3 last year was these steep milestones being achieved in a few instances, both in terms of projects being completed and in terms of revenue recognition kicking in, whereas in this year's corresponding quarter (Q3FY13) we had only one project which achieved completion and no project which hit the revenue recognition milestone.

Delayed launches on Ashvita and Antheia have also meant that their revenue recognition milestones in turn are delayed and so these projects will start seeing recognition as we go along even though they have both achieved the requirement of 25% sales being completed in the phases that have been launched.

In the World City in Chennai, the Phase V approvals continue to be pending and so that has remained a matter of concern during the quarter. However, revalidation of the commercial portfolio and integrating some outside boundary lands have allowed us to enter into a lease deed during the quarter and also sign an MoU which should get realized as we go forward. Both of these are at good prices and with low underlying cost of land.

At NH5, the new industrial park project in Chennai, progress has been slow, but the quarter saw the addition of around 50 acres of land, taking the total land available with us to about 515 acres.

In Jaipur, interest in the DTA and in the IT Park within the IT SEZ continues to be buoyant but demand in the manufacturing SEZs, remained muted. We hope to see some positive developments around the SEZ policy very shortly. I have already mentioned that we have had two MoUs being signed during the quarter, both in the DTA.

So that is a broad update from me across the businesses. Before I end, would like to share with you that we have started the New Year on a happy note with two "CNBC awards" and a "Sustainability Award" from CII -ITC for being One Of India's Most Sustainable Companies. That is it for now and I am happy to take questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Shaleen Silori from ICICI Securities. Please go ahead.

**Shaleen Silori:** My question was more towards our land bank strategy pertaining to our Mumbai market. I mean, our land bank deteriorates in Mumbai and we have expanded

phenomenally in newer markets wherein we have also seen good sales response but what would be your strategy going forward acquiring more lands primarily in Mumbai market?

**Anita Arjundas:** At a conceptual level, we will continue to be present in high-yield markets like Mumbai and NCR, we will be present in markets which are stable and with good sales velocity like Bengaluru and Pune and we will also continue to be present in end user markets like Chennai and Hyderabad. So if you therefore look at the portfolio profile of the company, it would be distributed across these six markets. Specifically, on Mumbai we have one land parcel that we have signed up which should be getting conveyed to us sometime later this month or early next month and therefore that will bring in a prime suburbs location into the portfolio. We also have another MoU which is under due diligence which we hope to close during the early part of the next financial year which will bring in one more project into Mumbai. So I see both of these projects, put together, bringing in around INR 1,000 crores of sales equivalent into the city of Mumbai and that would be something that we would have in the near-term horizon. As we go along, we will continue to look at more parcels in Mumbai. So it is not that we are defocusing on Mumbai, but that we will continue to be present both in Mumbai and NCR because they are important high yield markets for us with a good brand presence and organisational bandwidth. In NCR, we have an MoU signed for a land parcel which is under due diligence. This should again bring in around INR 1,000 crores of sales equivalent.

**Shaleen Silori:** Also wanted to check if these land parcels that you are going to acquire would be more of a JD kind of agreement or it will be an outright purchase?

**Anita Arjundas:** We have about eight MoUs today which are under various stages of due diligence. I am not sure if you have got the Investor Presentation but there is a slide on it which looks at the new land bank. Out of these eight, two would be joint developments and the rest would be outright.

**Moderator:** Thank you. The next question is from the line of Mahesh Bendre from Quantum Securities. Please go ahead.

**Mahesh Bendre:** Over the next three years, how much of your land bank has a potential to go for development?

**Anita Arjundas:** Currently, we have a total of 8 projects that are under execution - at Chennai, Nagpur, Hyderabad, Pune, Mumbai and Delhi. Over the next three years, we would probably see 8 to 10 land parcels going into development.

**Mahesh Bendre:** And in Pimpri we have launched a residential project, we also have a commercial land over there. So, over the next two years there is a possibility that project will get launched?

**Anita Arjundas:** Pimpri commercial we have not currently focused on taking it up for development. So I do not see that happening in the next two years.

**Moderator:** Thank you. The next question is from the line of Prem Khurana from B&K Securities. Please go ahead.

**Prem Khurana:** To begin with you were facing some issues with Aura project consequent to high court order banning use of ground water. So have we seen any resolution of that? We were using sewerage water, but it was kind of temporary effect, so have we seen any permanent resolution?

**Anita Arjundas:** That is a permanent fix, and in fact as I mentioned, that issue is behind us. We have set up an STP, we are buying sewerage water from the Government of Haryana, processing it and using it on the site. It has stabilized, been running well and construction is on full swing there. So we have settled down on that issue and there is no problem there on that front.

**Prem Khurana:** And this new industrial township policy in Maharashtra. So do you see this kind of benefiting to us because you are planning some knowledge township project in Pune district and then were planning some integrated industrial development in Raigarh district, how do you see this new policy benefiting us or?

**Anita Arjundas:** The policy is oriented towards conversion of Special Economic Zones into industrial parks with some FSI caps and some land use benefits in terms of doing industrial, residential and commercial. So at this point in time, we really do not have anything in Maharashtra which falls into that category, except our land in Thane, but we are still waiting greater clarity from the government because the policy is still not accessible, and we need to understand what sizes of lands are eligible for the conversion process.

**Prem Khurana:** I have your standalone numbers in front but would it be possible for you to share your consolidated numbers for the quarter as I have not seen your presentation

**Anita Arjundas:** Consolidated for the quarter, we had a total income of INR 132 crores and profit after tax of INR 20.65 crores, this is pre-minority interest, and post-minority interest it is INR 16.69 crores. YTD nine months, consolidated total income is INR 404 crores; INR 63.76 PAT pre-minority and INR 59.62 PAT post minority interest.

**Prem Khurana:** How is the split between residential development and income from SEZ?

**Anita Arjundas:** It would be more or less the same as earlier, around 80% from residential and 20% from the world cities.

**Prem Khurana:** And last quarter we kind of heard you will close some couple of transactions in Jaipur DTA area. So have we closed these transactions during the quarter or we were waiting for some time more?

**Anita Arjundas:** During the quarter we did not close any of these transactions, but we closed one in the first week of January and on the second one we are still waiting for the cabinet meeting of the Rajasthan government to clear the incentive for that company so that they can execute the lease deed with us. So we have closed everything with the customer, but we need the incentive package announced by the government. Right now it is awaiting a date from the cabinet. We should see that getting approved sometime soon, hopefully by the end of this month.

**Prem Khurana:** And just one question on our standalone performance. We have done top line of around 61-odd crores. And as per my calculation you would have done around 25, 26 crores from your Aspen project. Does it mean you have not done much from other project, from Splendour II because they were supposed to contribute significantly this quarter? Other projects seem to have gone slow on execution this quarter. If you could just give a sense on that?

**Anita Arjundas:** We had Eminente II and III contributing, that is Aspen and Angelica, we have had Aura contributing and we have had Splendour II contributing. So yes because Aspen hit completion, it would be almost about one-third of the total income and the balance would be distributed between Splendour II, Angelica and Aura.

**Prem Khurana:** Are we facing any challenges in terms of execution, in terms of labor or in terms of pooling the resources for execution of these projects? Especially last time we were waiting for MIVAN equipments to come to our site especially for Nagpur project. So has the execution picked up at the site?

**Anita Arjundas:** As I mentioned Aspen has been completed on time, OC received, we have started handing over. Angelica, which is Eminente Phase III, is currently ahead of the scheduled committed date to customers and so we should actually be delivering that project earlier than scheduled. Splendour II is on track to meet the timelines we have indicated in terms of completion. Aura has been on a steady progress on execution, barring the two months we lost because of the water issue. And as far as Nagpur is concerned, MIVAN is on the site. We have already started casting the typical floors. The pace will now pick up, because with MIVAN, the whole floor will be completed in one go. We are in the process of casting the first floor right now and will be able to progress faster thereafter.

**Prem Khurana:** Just last one question on Pune project, we got to reach some 100-odd units, I mean we have sold some 90-odd last quarter out of a total of about 120. So we were to release around 100-odd more units at this Pune project, have we done that or we are yet to?

**Anita Arjundas:** We had released 132 units in Phase I and we have sold all 132 units. The second part of Phase I has the balance 66 units, taking it up to 198 units. These 66 units were linked to the height approval which as I mentioned we have got the aviation NOC and we need to get the PCMC sign off soon so as to be able to release the balance 66 units.

**Prem Khurana:** Have we seen any improvement in realization for this project? Last quarter we were doing around 4500 approximately.

**Anita Arjundas:** Since we have not launched the balance stock, we have not announced the new price, so that should be done in February, once we get the approval. We would definitely see an increase in price on the second lot of stock being released.

**Moderator:** Thank you. The next question is from the line of Danish Mistry of Tata Mutual Fund. Please go ahead.

**Danish Mistry:** Just one question on the MoUs that we are considering or what we have closed. You mentioned that a few of them are in JD and the balance is to be bought. I do not

have your presentation with me, maybe you mentioned it there, but in terms of the MoUs are the ownership ones in Mumbai or are they JD or how is that working out?

**Anita Arjundas:** At this point in time, what we have shared in the presentation is the number of MoUs and which stage of due diligence they are in. No specific details have been provided. Because we are in advanced stages of closure, it will be difficult to provide specific comments on each land parcel. All I would like to add is that if all of these 8 MoUs go through, then we are looking at a cumulative sales potential of around INR 5,000 crores from these land parcels.

**Danish Mistry:** And if you are able to share with us what is the total cost these MoUs would have? The JDs of course would have their economics, but in terms of the other outright purchases just a rough ballpark number?

**Anita Arjundas:** Let me just say that we like to target land cost at around 20 to 25%. It will be difficult to give an exact number now, because if any one of these do not work out then the numbers could change. But yes, that would be the reference point in terms of land cost. Obviously, again, if it is Mumbai or if it is NCR, the cost is very different from if it is Hyderabad or Chennai. The joint development deal has a small component of land cost because it is based on area share.. So that is the structure and you can broadly assume that if we are looking at a INR 5,000 crores of sales potential, we would like to see around 20 to 25% on an overall weighted average basis on land cost.

**Moderator:** Thank you. The next question is from the line of Akshay Rao from Edelweiss Securities. Please go ahead.

**Ashish:** This is Ashish. I just wanted to understand that key projects that we can expect to be launched in this fourth quarter and in next year?

**Anita Arjundas:** The fourth quarter should see one project getting launched. That would be Sopan Baug. Also subsequent phases of projects like Ashvita and Bloomdale. Next year, we should see some of the new land parcels, based on approval cycles, getting launched like Alibagh, the affordable housing project, the budget housing in the World City etc. So if you have had a chance to get the presentation and you look at forthcoming projects, we have the affordable housing that is under approval that should get launched next year, the budget housing is in advanced stages of approval and we again look forward to launch it in the early part of next year. Sopan Baug has received its approval, so it will be launched in this quarter. Alibaug is yet to be submitted for approvals, but we hope to see it getting launched sometime next year. Kanjur Marg is linked to the overall issue that we have with the society there. So at this point in time I would not want to comment on a launch date for Kanjur Marg. That gives you a sense of the launches. We should also see, maybe, one or two of our new land parcels getting into launch mode by the end of next year.

**Ashish:** So essentially what we are looking at is the Chennai projects, one is affordable and other is budget and Alibagh project for next year?

**Anita Arjundas:** Yes, that would be more or less right plus the subsequent phases of ongoing projects like Ashvita, Antheia, Bloomdale, Aqualily, Iris Court.



**Ashish:** That would be like roughly about 1.5 million sq. ft. at best?

**Anita Arjundas:** For the total area of the new launches, yes, but we also have about 5.9 million sq. ft. of forthcoming phases under the existing projects. So if you look at Nagpur we still have 1 million to be launched, we have about 0.85 million in Hyderabad we have about 1.4 million in Pune. So that is another, close to 3.3 million sq. ft and a part of it would get launched next year.

**Ashish:** So the total launches that you would anticipate it would be like, your target run rate would be how much like, looking at 3, upwards of 3 or?

**Anita Arjundas:** I cannot share any specific numbers with you in terms of forward-looking statements, but yes, the intent would be to get a decent upsurge in terms of million sq. ft. being sold compared to where we are this year. At the same time, balancing price discovery, so it is not as if we would release everything that is available straight on at a single point of time. It would be phased release of stock but also ensuring that we see a significant jump in terms of sales volume because we have lost out on that in the last year.

**Ashish:** If it is comfortable to you, you mentioned about a few land parcels that are currently under negotiation. So maybe whatever color you can give? There are two MoUs that you have said that are under the final transaction. So how many million sq. ft. could this be? No other detail.

**Anita Arjundas:** The two that are under final stages is around a million sq. ft.

**Ashish:** I think I missed the number for consol nine month PAT post minority. How much is that?

**Jayant Manmadkar:** For the quarter, consol net profit after minority interest is INR 16.69 crores and for the period ended nine months it is INR 59.62 crores.

**Ashish:** And in the quarter any specific land transactions that you booked revenue from the SEZ?

**Anita Arjundas:** In Chennai?

**Ashish:** Yes.

**Anita Arjundas:** In Chennai, we had one transaction during the quarter which was basically expansion of BMW in DTA. They picked up close to 8 acres of land from us for their expansion requirement.

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

**Sandipan Pal:** Just a few questions. One from Jaipur, the Evolve, our IT Park, I understand there is a 1.4 million sq. ft. of total potential. Just wanted to hear currently how much is rent yielding in terms of area? And secondly, you mentioned last time that you are planning to start construction on the Building V. So has it started?



**Anita Arjundas:** Currently rent yielding is about 2.5 lakh sq. ft. out of a total build out of 3.3 lakh sq. ft. And the fourth building is almost under final stages of completion. We will complete it by March. The fifth building we have just started doing the costing for the project, we have not yet started execution.

**Sandipan Pal:** Do you have any preleasing out of the remaining portion apart from the fourth building which we have already mentioned that is already booked?

**Anita Arjundas:** Not for the fifth building. The fifth building, at this point in time, is speculative but the fourth building is fully committed.

**Sandipan Pal:** And rental remains around Rs. 27, 28?

**Anita Arjundas:** Yes, without CAM charges.

**Sandipan Pal:** Is it possible to give the breakup of your debt till this quarter between two MWC and standalone?

**Jayant Manmadkar:** The total debt as of 31st December is INR 750 crores, out of which Mahindra Lifespaces standalone has INR 240 crores, Jaipur has INR 312; and Chennai is about INR 200 crores.

**Sandipan Pal:** And just coming to your launch, most of your bigger launches like Hyderabad, Pune and maybe Nagpur where you are launching in phases. So typically, how much gap you would like to maintain between two phases of launch which are individually around 0.2 million sq. ft. of size?

**Anita Arjundas:** It would tend to differ project to project, it could be anywhere between three to six months and so that is a function also of how much we sold in the previous phase, we look at a reference point of at least two-thirds of the previous phase being sold before we open up the next phase. It would vary between three to six months depending on which project it is. In some cases the timeline could be a little longer if it is driven by technology being used on the site and therefore it is aligned to the construction schedule.

**Sandipan Pal:** So just coming to Ashish's question, just for the launch side, we can then safely assume that at least apart from the three upcoming launches that you mentioned, at least two to three phases of these projects will be coming in the next year?

**Anita Arjundas:** I think that would broadly be a good reference point, yes.

**Sandipan Pal:** And lastly, on the Alibagh project, is it a profit sharing or a JDA because your presentation mentioned JDA with 100% stake, so just wanted to check.

**Anita Arjundas:** It is a JDA but with profit sharing and not area sharing.

**Sandipan Pal:** And we have a 90% stake right?

**Anita Arjundas:** Yes, we have a 90% stake.

**Moderator:** Thank you. The next question is from the line of Vaibhav Kacholia from Pisces Capital. Please go ahead.

**Vaibhav Kacholia:** Wanted to know some other builders have launched projects and they sold 1 million sq. ft. in one day and stuff like that. So in our opinion, is this because they are offering very good prices and what is our strategy in this kind of pricing situation?

**Anita Arjundas:** I think you are referring to Gurgaon as a market. If we go back in time to last year, I guess we launched around 500,000 sq. ft., and sold it in one day. So yes, doable in the Gurgaon context but I must say that one day involves at least a good one month preparation and then in typical Gurgaon fashion it is opened out on one day and sold out during that day, but there is a pre-effort of around a month that goes in.

**Vaibhav Kacholia:** But is this also because the pricing which like what even we had offered or other people are offering is a very discounted pricing at the initial launch?

**Anita Arjundas:** Normally, when you launch a project in the early days of location development or if it is your first time in a particular location or the first time in a market there is some early discounting / price discovery effort. If you look at Aura in Gurgaon when we launched the first phase, we were practically one of the first developers to launch in that particular location and infrastructure was still at a very basic level then. And so the first phase was launched at an attractive price. We do have price discovery over a period of time. Therefore, yes, we prefer not to get into a mode where we are releasing all stock at a single point in time to be able to declare that we have sold a large quantity of units; we'd rather do discovery over a period of time and ensure that we reach the right price. So yes, I think when you launch a lot of stock in the immediate sale mode, you do tend to do some amount of discounting on price.

**Vaibhav Kacholia:** Another question is 8 JDA projects which we are in the process of trying to execute, which you said totaling 5,000 crores of sales. So this would be the work of one year or two years getting all these deals in the pipeline?

**Anita Arjundas:** As I mentioned these are all MoUs which are in different stages of due diligence, two of them are at a stage where we should be moving into conveyance within the next month, one is at a very advanced stage of due diligence; which means we are at a public notice stage.

**Vaibhav Kacholia:** No, I was trying to figure out like these 8 projects would be the work over the last six quarters or eight quarters?

**Anita Arjundas:** It has been the work over the last four to six quarters.

**Vaibhav Kacholia:** So can we hope for similar work happening every year, would that be something which you would target in the future?

**Anita Arjundas:** I think it would be based on how much we want to add. As I mentioned if all of these eight MoUs get converted into lands which come into our kitty, then the estimate of sales potential is well over INR 5,000 crores.

**Vaibhav Kacholia:** So I mean going forward would we hope to do this kind of thing every year or every two years kind of thing?

**Anita Arjundas:** We would like to work to a situation where we have stock equal to three year sales. That is what we are building up to. So where we are today, I would say, maybe every two years.

**Vaibhav Kacholia:** This Chennai villas project, how is that selling? That is being sold aggressively right now as we speak?

**Anita Arjundas:** Yes, we have sold around 100 villas out of 150 and around 240 apartments

**Vaibhav Kacholia:** This is that Aqualily project right?

**Anita Arjundas:** Yes, the project has seen over 340 units being sold and over INR 300 crores of sales has been completed in the project.

**Vaibhav Kacholia:** And how much of this was in Q3 and in Q4, what is the situation?

**Anita Arjundas:** Specific numbers on that, can Jayantt come back to you on a mail?

**Vaibhav Kacholia:** Sure, I will send him an email on that.

**Moderator:** Thank you. We have a follow-up question from the line of Prem Khurana from B&K Securities. Please go ahead.

**Prem Khurana:** Could you please offer your comment on Orbit transaction we were in talks with them for Napean Sea land parcels.

**Anita Arjundas:** So we are waiting for a CP to be met by them, Prem and once the CP is satisfied, only then will we be able to move forward on the transaction.

**Prem Khurana:** But we would definitely want to go ahead with this transaction. I mean it has taken a while you cannot conclude the transaction.

**Anita Arjundas:** We are dependent on the land owner to meet the CPs. So as long as the CPs are met, we will go ahead on the transaction.

**Moderator:** Thank you. Currently, there are no more questions. I will now hand the conference over to Ms. Anita Arjundas for closing comments.

**Anita Arjundas:** As I mentioned in the beginning, I think the quarter has seen good progress on approvals, good progress on execution, good progress on visibility of future land parcels for our growth and also good traction in the World City in terms of economic activity. Both put together crossed INR 5,000 crores of exports. The concerns which I mentioned were largely centered around the performance on the financials with respect to the previous year and that is significantly a function of how many projects got into the revenue recognition mode in the previous year and into completion in the previous year vis-a-vis this year. This

year, specifically this quarter, we just had one project which went into completion mode, nothing which went into revenue recognition mode and therefore you see the difference between Q3 of last year and Q3 of this year. So that is it from our side in terms of the update. If you have any further questions please do feel free to email Jayantt and we will be happy to respond. Thank you.

Moderator: Thank you very much. On behalf of Mahindra Lifespace Developers Limited, that concludes this conference.

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*The document has been edited to improve readability.*