"Mahindra LifeSpace Developers Limited Q1 FY2021 Earnings Conference Call"

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MANAGEMENT: **MR. ARVIND SUBRAMANIAN – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - MAHINDRA LIFESPACE DEVELOPERS LIMITED**
MR. VIMAL AGARWAL - CHIEF FINANCIAL OFFICER - MAHINDRA LIFESPACE DEVELOPERS LIMITED
MR. SUMIT KASAT - HEAD OF INVESTOR RELATIONS - MAHINDRA LIFESPACE DEVELOPERS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Mahindra LifeSpace Developers Limited Q1 FY2021 Earnings Conference Call. We have with us on the call Mr. Arvind Subramanian, Managing Director & Chief Executive Officer, Mr. Vimal Agarwal, Chief Financial Officer and Mr. Sumit Kasat, Head of 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 Mr. Arvind Subramanian, Managing Director and CEO. Thank you and over to you Sir!

Arvind Subramanian: Thank you Steve. Good morning to everyone and welcome to our Q1 FY2021 earnings call. Firstly, we would like to thank everyone for participating in this call. At the outset, I would like to remind you that several of our key operating entities financials are not consolidated on a line-by-line basis and therefore would request you to view and analyze our reported financials keeping that in mind.

Let me quickly kind of put into context how we see the macroeconomic environment, our business performance in the light of that and some of the key operating metrics. I do not need to belabor the point that we are facing an extremely difficult economic climate. Various analysts have forecasted between 4% and 5% contraction in GDP this year. the first quarter indicators from all sectors are very somber credit growth is decelerating personal loan growth has decelerated significantly, IIP for infrastructure and construction has contracted and the real estate sector is no exception to this trend.

Reports are that new launches have fallen by as much as 98% and residential sales have plummeted by up to 80%. So, against this very difficult backdrop, I do not want to sugarcoat our performance and metrics but what I would like to lay out is and what have we been doing and what are we focused on. So factored three broad focus areas that we as a management team have been driving first and foremost the well-being and engagement of our team, this has been a top priority for us to make sure that despite the lockdown and despite working remotely First all our employees are well supported in good health and feeling safe similarly our construction workers our site teams and all stakeholders our channel partners we are constantly reaching out to them making sure that they are all following safe working practices and yet continuing to be engaged we have started most of our construction sites and offices where we are operating on roaster basis.

The second focus area is on cash resilience. You would all appreciate that at this time conserving cash and making sure that we continue to have a strong balance sheet which has been a big strength to the company over the past many years that focus if anything is even more important in the months and quarters to come so we are extremely focused on our cash cycle making sure our collections are robust and our spends are contained and that will remain a focus at least for the next two quarters.

The third is using this time to build new capabilities. We have invested significantly in further augmenting our digital sales capabilities to be able to conduct what we can call zero touch sales which is that a customer sitting at his home should get all the information in a media rich format to be able to take a buying decision to purchase their home and we have rolled out a suite of capabilities and technology platforms to enable that to happen.

What are the opportunities we are focused on? Again I would say three things one from a residential business perspective we are seeing a very attractive pipeline of lined opportunities, the portfolio of opportunities we are now evaluating and in advance negotiations on looks far better than it was six months back so that if anything is a green shoot in this difficult environment.

The second is the geopolitical situation between US and China and the implication that could potentially have the positive impact on our industrial clusters business. Again we are seeing a steady growth in inquiries from very marquee companies who are looking to set up manufacturing facilities in India and within India our assets the four assets that we have operational are very well positioned and have been rated by these customers among the top choices that they would look at if they were to come to India.

The third opportunity is around RESI-demand itself and here we are seeing some very interesting signals and I would qualify them to say that at this stage these are weak signals so I would not want to extrapolate from them but not only there are encouraging signals in our affordable housing portfolio where we are seeing continuing demand and continuing transactions but also in our mid premium portfolio where again we are seeing some recovery of demand towards the end of June and coming into July.

Now what is driving this is not just pent-up demand of the last three or four months which is now getting released into the market, it is also new set of buyers who because of the lockdown experience have made up their minds that they must commit to that house purchase which they have earlier been deferring, too early to tell but another trend that we are seeing very clearly is NRI demand. Again, two kinds of buying patterns there one is NRI who are now seriously considering coming back to India either because of their work situation in the geography that they are in or for other reasons and the second is NRIs who are buying for their parents who have been in their family homes for a while and they feel that in this kind of a public health environment getting their parents to stay in a modern gated community is far safer and they are better looked after and better provided for in these kinds of residential developments.

Let me with that highlight some of the key indicators on our business performance for Q1FY21. We did sales of Rs 39 Crore, roughly 50-50 between the affordable and the mid premium on the residential side. There has been an increased focus on finished goods inventory. Our collections for the quarters stood at Rs 72 Crore. We have had no completions in this quarter despite having a couple of applications for OC submitted to the authorities. Many of the authorities have been short-staffed and have been chasing other priorities and therefore these approvals have not come true we are hoping that they will come through in the current quarter and similarly we have chosen not to do any launches in the last quarter. We do have five potential projects that we could bring to market in the current financial year, all of these are with approvals and our designs are ready, our marketing plans are ready and we will have to sense when the market affords us a window of opportunity to bring these to market. Between these five projects there is a total of about 2 million square feet and not all of it we will bring to the market as I said it will depend on our sense of the specific micro market, how it is opening up, if there sufficient demand. And in the IC and IC segment we did two-and-a half acres of sales for Rs 7.7 Crore. With that let me turn it over to my colleague Vimal to take you through the financial highlights.

Vimal Agarwal: Thank you Arvind. Just moving on to the financial performance for Q1 FY2021 the consolidated total income stood at Rs 22 Crore as per Ind-AS as against Rs 111 Crore in last quarter which is Q4 FY2020. Consolidated PAT post minority interest stood at Rs 20 Crore of loss as against a loss of Rs 224 Crores in Q4 because it did have an exceptional expense built in as Q4 is concerned.

The PAT of Rs -20 Crore also reflects huge amount of focus so far as discretionary spends are concerned and we have ensured that we do not spend anything so far as it is not adding up to our business for the quarter. Our debt and therefore the cash continued to be a huge strength for us. The company has Rs 112 Crores of net debt on consolidated basis at a cost which is now reducing for the last five quarters. the interest cost now is 8.24% and we do have cash in hand of approximately Rs 150 Crores that is all from my side. We can open the session for Q&A please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: Thanks for taking my question. Two questions from my side. so one was currently what we have seen with our organization is we get to have best of the volume for us when we launch new projects and given the fact that you said the COVID situation is still fluid and you are not sure about the new launches so how do we intend to strike a balance between them. you also need to kind of deliver volumes and you also need to kind of be sure that whatever your launch is kind of getting available and you do not launch something which is not getting absorbed in the market so how do you intend to kind of strike a balance between these two because if you are not able to sell it could come with a drag on your cash flows?

Arvind Subramanian: Thanks for that question. It is a difficult question to answer honestly as you rightly pointed out the launch of a new residential project is a life event and if it goes well it sets the project up for success and if it does not go well it continues to be a drag on the project right through the lifecycle so it is very important to get it right and therefore judging when is the market ready to pay attention to that product. Very often you find good products brought to the market at the wrong time when there is other clutter in the market, just does not grab attention and therefore for no fault of the product does not get a good response and so we are constantly sensing that. We are very deeply engaged with the trade with the channel partners as well as directly with customers to sense when that window of opportunity opens up and as I said the focus has been to be fully prepared so that in short notice we can trigger these launches.

Prem Khurana: Sure but if you would share also I mean in the fact that would we get to have some change in the kind of product that we used to offer before COVID and what you would be required to offer now because people have started talking about doing larger homes because more on the street believe work from home is a reality or is there to stay now so which is where you would have to have some more space to be able to accommodate your incremental requirements now?

Arvind Subramanian: I think again this is actually a longer-term trend that we had seen even before the COVID situation that people are wanting to do more with the existing space, so in some of our recent products we had actually. even as far back as October last year, introduced shared working spaces in the community as part of the common amenities, so work from home may be more fashionable to talk about the more topical to talk about now but we had anticipated it coming from a different direction, of course not from a public health care but from a consumer needs more than a year back so we will continue to scan the environment for such changes. I think I fully agree with you, this experience of the lockdown and working from home and also just the entire family living in the same house confined to the same space for months at a stretch has thrown up a lot of unstated product needs that the customer might not have been fully aware of and might not have been articulating as much in the past because earlier at any point of time other than night time only a few of the family members were at home at the same time so how do you think about space in terms of what is private space, what is public space, what should be in the home what are the amenities how do you think about the community these are all aspects of the product that customers are becoming far more discerning about these choices. I am also seeing customers willing to trade up for these choices. We launched an interesting experiment last month where we went back to some of our booked customers of smaller typologies and we offered them an upgrade plan and we saw a good uptake on that so which is why as I said there are some positive signals in the market that the demand actually is quite resilient particularly end user demand which is what we are focused on and if you have the right product you can certainly do well so I am not at all despondent about the midterm prospects of the market.

Prem Khurana: Thank you and just one last from my side, possible that some more details on the kind of opportunity landscape that you have in MOUs that would be in discussion as of now on additions like portfolio augmentation sites?

Arvind Subramanian: It would be premature to share specific deals but really we are focused on three markets from a residential perspective Mumbai, Pune and Bangalore and in all these three markets we have a very exciting pipeline as I said it should be far more attractive than it was six months back.

Prem Khurana: Thank you.

Moderator: Thank you. The next question is from the line of Arpit Ranka from **Kovil** . Please go ahead.

Arpit Ranka: Congratulations on taking over as the MD of the company. I will use this opportunity to maybe have your thoughts on the longer term perspective like since you are just starting in this new role, so in terms of customer surveys that we are getting done we typically rank in the top five brands when it comes to say residential real estate but scale wise we seem to be lagging like, except for FY2019 we never crossed let us say presales of thousand Crores so it is always in that sub 1000 category now so what is your thoughts on where are you doing justice to the brand we have firstly and three years, five years out if not where do you see us kind of aiming or what do we see ourselves aiming for?

Arvind Subramanian: Thank you. I think you have really hit the nail on the head in terms of where our focus is. We are certainly not where we need to be from a scale perspective and there is no running away from that. As you said we have a great brand. A lot of it is the heritage that the Mahindra group has built up over 75 years now and we need to grow into that space that we command the mind space with the customer how do we translate that mind space and mind share into market share is really the task ahead of us. If I were to look three to five years ahead I would be deeply disappointed if we were not a few multiples of where we are now so that it is very clear focus for us but at the same time it is important that the growth is a sustainable growth in our business because launches and land opportunities are lumpy. It is possible to get into cycles where suddenly you see a spurt in one year and then the subsequent years start petering out because you do not have the fuel in the tank to continue to fire the sales engine, so we are very focused on building that our pipeline in that manner so that every year we are able to build on the success of the previous years and for that it is not just about land opportunities and launches it is also about the discipline around sustenance sales the engagement with the distribution and channel build out of our pre-sales verticals and direct selling capabilities all of this lays the foundation for this repeat sustainable performance. I very much think of this like a classical consumer durables business yes it is a higher ticket size than a typical consumer durables but if one were to think about the discipline that it takes to build a successful durables business it is the same discipline we need in the real estate business.

Arpit Ranka: Yes now that is fair enough and I recollect you had given an interview to one of the business magazines in June where you had said that you are looking at land acquisitions of about 2000 Crore worth potential sales every year from now on. Now one is do you kind of still maintain that and two what will be the nature of these deals that you look for like in terms of priority, of course I am sure you will be open to JV's, JD's outright group land but in terms of priority if you were to list them out it helps us understand how you are thinking about scaling up the business?

Arvind Subramanian: I still maintain that number of about 2000 Crores worth of sales potential. We are well on track for that I think as I said. The pipeline is looking good. We are in advanced discussions even in a couple of situations we have started diligence as well legal and technical diligence so I continue to kind of maintain that as what we will strive for year after year. The nature of deals will vary as you rightly said we are open to all possible transaction structures. We have no priors in terms of ruling out certain structures we are finding. We are one of the few players who is willing to do outright in this market and the minute the conversation switches to an outright the terms become so much more attractive from our perspective so landowners willing to offer us much better terms so while often the conversation starts with a joint venture, revenue share etc., structure the minute outright option is on the table we are finding a lot of landowners preferring that because for them as well cash in the bank is worth a lot more than a future potential so each deal is evaluated from all aspects. Deal structure is an important part of that even when we do outright we are invariably looking at deferred payment structures where either payments are linked to approvals or a time bound where it is not all the money being paid up front so that helps improve the IRR and de-risks it from a go to market perspective.

Arpit Ranka: Now that will help. I have a couple of more questions I will come back in the queue.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev C: Thank you for the opportunity. Could you please guide us on what are the projects that we can launch in this financial and I am saying about the approval scriptures and the ones where we are planning on launch possibly in the second half?

Arvind Subramanian: Look we have, as I said, about four or five potential projects that we could bring to market the first is likely to be Palghar where we are actually looking to do an entirely online digital launch and that we should be bringing to market in the next couple of months. We think that is a good product which, the first phase of Palghar had seen a lot of success so there is positive vibe about it and it is a product that we believe we can bring to market in a digital manner so that we will be doing in the next couple of months somewhere between end of August early September hopefully. Beyond that we have one in Pune, one the Sakinaka project in Mumbai, Bengaluru project as well as one residential project in Mahindra World City Chennai those are the other four which could potentially be launched this year as I said how many of them we bring to market will really depend on how the market opens up in those specific micro markets.

Adhidev C: Okay and we have not seen any further cancellations in the Luminare or any of the other products from customers?

Arvind Subramanian: No nothing significant and I think that has been actually a positive message to us over the past quarter where there have been cancellation requests, for example, in a few projects but in most of these cases we are able to work with the customer. These are customers who have been intend to continue but because of either a job loss or an income loss over the past quarter have become more nervous so we are able to work with most of these customers to help them with home loans to kind of tweak the payment structure a little bit to meet their cash flows and those conversations are ongoing but we do not see a significant very different risk of cancellation at this point.

Adhidev C: Final question is on our SEZ project so it is with regards Jaipur so how are bankers looking at the situation post COVID means are they all onboard means considering that there may be a weakness for the next couple of years in sale of land or I am saying how is the refinancing and what is the debt maturity how does that tie up on the more capital intensive part of this? What I wanted to understand is that majority of our debt is on our SEZ projects right where in current environment or it may or may not because you pick up so I am saying in terms of debt maturity how are we placed and how bankers looking at it?

Vimal Agarwal: One is, so far debt is concerned for example if you pick up the south cities or the regions which we have the land aggregation has progressed to a significant extent and there are a couple of approvals we have got for example there was this 100 acres of land notification approval we have got couple of months back, what it does is that rather than safeguarding or reserving the entire land parcel for residential development now we have the opportunity to exploit that land parcel of 120 acres between residential, commercial, retail and therefore our ability to monetize that at a faster pace is much better versus where we would take a couple of quarters back similarly if you look at our second project which is originally in Chennai this is a JV with Sumitomo, during the lockdown also there are good traction we have seen and outside of that origins we have another 200-250 acres of land where there are inquiries going on we are sure that some of these will culminate as we progress come out of this lockdown situation and therefore our ability to bring down the debt so far as world cities are concerned looks pretty decent at this point in time.

Arvind Subramanian: From the institutions, in fact there are other institutions who are approaching us looking at exposure to our SEZ business and the industrial cities where there are clusters business more broadly.

Adhidev C: In a nutshell what I get is I do not think you would be needing any funding from your standalone business to infuse equity right in these SEZ projects to support them or is that a right way of looking at it?

Vimal Agarwal: Largely the investments have been done in the past years. I think we are on a path to monetize some of these assets, as we go along. Having said that to grow or expand business or to acquire new lands we may have to look either at strategic partnerships in future or maybe some funding in future so cannot completely say that I do not need funding to further expand and monetize that .

Arvind Subramanian: But look we have already joint ventures in both the origins in Chennai as Vimal explained with Sumitomo and at Ahmedabad with IFC. We have paid out all our long-term debt in Jaipur so overall the business is very healthy.

Adhidev C: Okay all that is pretty helpful. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on being elevated to the CEO level. What I am hearing is like there is a lot of more aggression which is coming up from this call and we were talking about outright purchase of land so the first question is on what kind of prices you are comfortable in terms of value and I am saying not in terms of area but in terms of value what kind of current balance sheet support you have you have for outright purchase of land?

Arvind Subramanian: We are looking at transactions from where the upfront payment is anywhere from Rs.50 Crores to Rs.200 Crores and we are quite comfortable with those kinds of ticket sizes.

Parikshit Kandpal: These will be largely affordable centric projects maybe affordable housing outright part?

Arvind Subramanian: Both affordable and mid premium, we have a good pipeline on both.

Parikshit Kandpal: So, opportunities are being considered in all these three markets which you said Bengaluru, and MMR?

Arvind Subramanian: That is correct.

Parikshit Kandpal: So with respect to **you took over and** you would have interacted with the current management there so what kind of sense you are getting in terms of support coming in from there and what is the group's own strategy towards because really as a participant asked in last so many years we have really not done something great to be there in the league board or that we are also the developers so we have been doing small things but so what are you hearing more from your management what they think about this company since you have taken over and what were your own expectations from the management and your own vision for the company?

Arvind Subramanian: That is a conversation that will take a couple of hours to have but look I think the group is extremely committed. They see this business as something that can further enhance the Mahindra Group brand. It fits very well with where the group sees its future. Of course, like all of you the group as a shareholder is keen to drive better performance from both a scale as well as a ROE perspective and those are the key goals in front of us.

Parikshit Kandpal: So you said that we are looking to hit that 2000 of presales kind of run rate over a period of time so the first goal post is that hitting that number achieving that number so how much time you are looking at doing that or achieving that?

Arvind Subramanian: If you had asked me this question pre-lockdown my answer would have been different than it is now but I would say in about three years if we are not there then we are significantly behind where we need to be.

Parikshit Kandpal: Three year is like very, very conservative kind of target or it is like more realistic I mean the base case?

Arvind Subramanian: Honestly it depends on a lot of environmental factors like how this lockdown plays out if we believe what some of the more pessimistic analysts are talking about that the situation will last till October, November next year then we are looking at the outer end of that time window if we believe on the other hand that a vaccine will be out later this calendar year and everybody will be back to normal by second quarter of next financial year then the situation is different. Honestly hard to put a finger on it but I think as I said earlier in the call our focus is on whatever is our controllable and which is our preparation, our teams, our capabilities, funds, ensuring we have cash, maintaining a healthy balance sheet those are the things within our ambit of control and we are ensuring that.

Parikshit Kandpal: Just last one within this mix of 2000 so what will be the split of luxury and mid income or affordable and likely economic interest of Mahindra group in this?

Arvind Subramanian: Sorry you are talking about.

Parikshit Kandpal: So when you achieve this 2000 whenever so I want a split between what is the blend of mid income and how much luxury in this as a product and also likely economic interest something 40%, 50%, 60% 70% or whatever could be the economic interest and what would be the partner share in this, something like that, some ballpark number?

Arvind Subramanian: Look I think from a sales mix perspective I expect it to be half and half roughly which is what we have been tracking to in the recent past as well. I think both those legs are important they complement each other in many ways. They are not mutually exclusive. Particularly if one would look at the distribution and relevance to the distribution relevance to the customer how do you build a brand it is important to have both those legs very firmly planted. In terms of our economic interest we have typically always had more than 50% economic interest in all our projects we do not dilute below that

Parikshit Kandpal: Last from me now when you interact so earlier and now so when you interact with your stakeholders like land owners or JV partners or JDA opportunities so anything has changed I mean is it like more you are asking the pipeline of opportunities that is changed so what could be the priority now whether it is outright land or JD, JV so what is the pecking order there so how do we evaluate these opportunities of the pipeline?

Arvind Subramanian: Honestly, that is very situation specific, each land parcel as I said we have all options on the table, the landowner typically comes with a certain preference on their side and we are open to all options therefore we often negotiate with multiple structures simultaneously to see what is the best way to get the right fit between landowners value versus our perception of value so there is no one-size-fits-all pattern or a standard tracking order which we follow.

Parikshit Kandpal: Rs.3 to Rs.4 million can we add on a yearly basis the new business, acquisition or land acquisition?

Arvind Subramanian: As I said the way we like to measure it is sales potential, so we want to add Rs.2000 Crores worth of sales potential each year.

Parikshit Kandpal: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from PGIM. Please go ahead.

Himanshu Upadhyay: Good morning. I have some basic questions. I think some of the fundamentals what we have seen over the years in the company we have seen quite a few launches or I would say acquisition of land which we have done , but the launches have failed and again we do very few land deals. Historically what we have seen in last five years or maybe beyond five years also but the success rate has been very poor so let us say at Pune, we had a failure, we have seen failure in Gurgaon, we have seen failure in Mumbai, failure in the sense the launches have been pretty long one project we had in South Mumbai, we have one which is still dragging on the Serene project what are you thinking on those things. Is there something which you need to fundamentally look at because even where the acquisitions have happened the launches have not been there and which is the much more typical on the mid income means luxury segment than on the affordable segment which is the lower ticket size items so how are you thinking on those aspects what could have changed or what can have been changed, some of your thoughts on those things and what do you think as a process you need to improve that such issues do not come in future and what we are buying or launching and anything any ideas on that would be helpful?

Arvind Subramanian: Firstly let me correct your perception I do not think it is right to say that we have had a series of failed launches in fact if one were to look at the recent past we have had more successes than failures if you look all the way back to the Palghar launch, the Centralis launch, the Roots launch, the Kalyan launch all of them have been stupendous successes so yes of course we do not have a 100% strike rate.

Himanshu Upadhyay: Arvind so on affordable I am saying that you have seen quite a phenomenal success rate but in the premium segment or a mid segment there we have seen more of these issues so let us say Sakinaka or what is we are facing currently in Gurgaon or in Pune, affordable I clearly see there has been a success we are not talking on those but being brilliant a business which was there it is not just a business which was there for us I am more focused on that?

Arvind Subramanian: I understand but I mean this highlighting is not just affordable Roots, Centralis both were premium projects which have done extremely well, at launch fully Centralis 100% sold out, Roots all inventory to be brought to market has been sold out we are now bringing the next set of floors into the market, but your broader point is taken which is how do we ensure our strike rate or success rate continues to improve on long success and that is as you rightly pointed out a key determinant of the economics of this business so doing well at launches is very important. We are you doing it the old-fashioned way which is ensuring that we build a very robust distribution. Earlier our distribution focus was very episodic. Over the last year, year-and-a-half we have built a far more structured approach to distribution in the city of Mumbai for example we have empanelled close to 4000 channel partners about at every launch we expect about anywhere from 300 to 400 of them be active in that launch in terms of driving walk-ins and sales and we are finding ways to constantly engage with them help them build their capabilities. We have an app now, which helps us connect with the channel partners, so the channel partners download that they find that helping their productivity. Similarly in our presales vertical we built out that capability very strongly both in terms of the databases, the calling patterns, the scripts, the training so you know these are back to basics, kind of it does not sound very fancy, does not sound very cool and sexy but that is the nature of this business one has to go down and fix the plumbing and keeping on tweaking that so a lot of our efforts there and my colleague in Mahindra who heads our sales, spends all of all his time just on that.

Himanshu Upadhyay: Arvind I take your point but see in the pair places like Luminare I think the pricing went wrong or something else or the product whatever it went wrong but again in Pune the issue means I am saying not the current projects one of the project which was a super premium we had issues or I would say even in Mumbai, the Sakinaka has got so much deferred or if I am saying do you think it is only sales issues or even at the acquisition of the product and the pre-launch or the what product was the requirement had an issue?

Arvind Subramanian: There are certainly some of that so some of the acquisitions were really timed Gurgaon for example we acquired that land and launched it at the peak historical peak of the Gurgaon market and it has only been the market has only gone South since from our pricing perspective. Sakinaka has taken a while for us to get our approvals together. You are right. I think the lesson in that is, how do we incorporate those learnings into our future land acquisition and that is something we are being quite sharp about which is why I said some of our payment structures in fact all of our payment structures are now deferred payment structures for land where they are linking it to receipt of approvals or they are significantly time-bound so that this risk is mitigated a lot more than we were able to do in the past.

Himanshu Upadhyay: One more question was so see one of the things is if we meet the customer the demand is lower because the prices are not cheap and for the builder the prices of land is not cheap so nothing is disrupting or breaking the chain, means chain of lower sales okay if we see the overall market in what market requires is a better product at a cheaper rate I think and that comes from a land and somebody has to be a disruptive in the market, the type of land prices what we are seeing in the market, do you think you can disrupt those markets and gain market share or grow or do you think because see at the constant prices obviously or what we have seen in last one or two years or even beyond the demand has not come up in the premium and mid-income housing I am not talking about affordable currently so any thoughts of yours and how are you thinking of those angles because it becomes just a status quo you load smaller launches slower sales at the pre-launches and then slow execution and all those means slow execution slower sales happens and everything so how are you thinking are there prices coming to a point where you can disrupt the market and be gainers just your thoughts?

Arvind Subramanian: Look firstly you pointed about a better product at lower prices is true not just for real estate and residential it applies to pretty much every industry that is what consumers want, better value at lower prices. I think the way to disrupt the market is not only on pricing though. I believe residential market in particular, is very ripe for a product disruption. The product has fundamentally not changed for the last 30 years. We are still selling the same products that we sold or designing the same way our layouts are similar and the only thing that changes maybe it is miniaturized a little bit what used to be the average size used to be maybe 1200 square feet it has now come down to 800 square feet, 900 square feet but other than that fundamentally nothing is changing in the product so I actually believe there is a lot of opportunity to disrupt the product. I think the early success we saw in Kalyan where we brought a lot of innovation to the product reaffirms that belief of mine but it is not just about that is was an affordable housing project it is not just about that segment that needs disruption I think product innovation has been solely missing in this industry that is something we are deeply focused on.

Himanshu Upadhyay: But on the cost side for yourself it means do you think the price of land which is an important component there can be significant better value so newer launches can be somewhat more faster sales or better?

Arvind Subramanian: I think this pandemic allowing that window of opportunity but as I said landowners are softening their stance around price expectations so which is why it is really important that we are alert to those opportunities and sees them when they come along which is what we are doing.

Himanshu Upadhyay: One last question so we have been in the Gurgaon market and which has had been in the doldrums okay and if the price of land I think the maximum fall should have been in the NCR market okay but you said we do not want to look at it but means is it a clear and full and final that we do not want to look at it even if we have a good brand equity or you think at some point of time you would like to revisit and if the deals are really attractive you would look at it or how are you thinking about that?

Arvind Subramanian: It is not certainly a full and final. It is just a timing issue. I think I said this on the last call as well this is a business where density is very important and spread without density you end up destroying value. You need to be relevant to the local consumer you need to be relevant to the local distribution. You need to understand the local regulation building codes all of that stuff so we want to build depth in each of the markets we are already in which is

Mumbai, Pune and Bengaluru, and NCR is a very attractive market, demand is robust it is interesting competitive landscape so it is certainly not ruled out, it is only a question of facing.

Himanshu Upadhyay: Thank you.

Moderator: Thank you. The next question is from the line of Deepak Mehta an individual investor. Please go ahead

Deepak Mehta: Thank you for taking my question. My question is already asked. I will also ask, are you exploring new tier II or tier III cities where you want to expand, in the metro the demand is and the prices are not that much growing up and getting increased and my second question is that a few months back there was a news that banks are asking developers to cut the prices to accommodate demand so these are my questions? Thank you.

Arvind Subramanian: Look as I said just now to Himanshu we are wanting to first build depth in our existing markets so getting into the next set of markets will be a decision we will take in three or four years time once we have a reasonable portfolio of work in the existing markets and there has been many different pieces of advice coming from various people about cut your prices and liquidation inventory I do not think we need to at this point, touchwood, we are in a good situation with most of our projects where we do not need to do anything knee-jerk or drastic the challenge with that following that kind of a path it is a one-way street once you go down that path either from a drastic price cut or deep subvention plans doing 595 or 1090 those are irreversible moves and they have always been value destroying moves I have not seen a single example where that is created value so we are steering clear of that.

Deepak Mehta: Thank you so much. Have great next rest of the year.

Arvind Subramanian: Thank you Deepak.

Moderator: Thank you. The next question is from the line of Arpit Ranka. Please go ahead.

Arpit Ranka: Couple of follow-ups. One, real estate scene possibly one of the highest FDIs in recent years in India and a lot of other real estate players have gotten a private equity backing which brings in long-term money which what the business requires we did that with industrial city business so any thoughts or any changes in how you are evaluating some of those options in the next one or two years in terms of giving us that breathing space to think big if at all that is something that you have been thinking about?

Arvind Subramanian: No it is something we have been thinking about as well as having some conversations on but if you want to find the right fit between the intent of the investor and our intent so conversations are ongoing, with a couple of very interesting conversations actually but there is no gun to our head right now that it is not that we have any desperation to raise capital in the near term and therefore we have the ability and patience to find the right partner and do the right thing at the right point of time it is certainly something that will strengthen the business in the midterms so it is on our radar and not just on our passive radar but we are having active conversations on that.

Arpit Ranka: That helps and so the other one I have is more kind of wanted to understand and see one of the things which people all stakeholders kind of presume when they look at Mahindra Life is the land bank which is available with the group and some of the larger groups have done that what they have done is basically they have come out with a very clear statement around how they plan to kind of engage with the real estate arm in conjunction with the land buildings, now whatever the thought process of the Mahindra board is maybe but you as our representative can maybe make a case and bring clarity to this issue which is kind of lurking there in the background it is certainly positive but extent of positivity is not necessarily always communicated, is something that you think is possible to communicate in the coming say a year or two with very clear understanding of what is possible on this front, is what I am saying even making sense I am not sure but it is something which has been playing on my for a while now and I thought I will ask you to kind of add to this and maybe educate us on this?

Arvind Subramanian: I think look this has been a recurring question on our investor calls. I remember Sangeetha addressing this two quarters back and Sangeetha and I together addressed the last call as well it is an active conversation happening but you would appreciate that for the group companies that have the land for M&M for example they are also a listed entity and it is important that they do their diligence and do this the right way so the conversations have progressed but are we in a position where we are ready to announce anything not yet and we will announce in the next three months or six months again I do not know and when I say I do not know I am not saying no, I am not saying yes.

Arpit Ranka: No, of course now I understand the challenges with regards is that I said that maybe you as representing the largest stakeholder body because kind of always bring this when you happen to connect with say the larger group entities and have interactions and we are not even saying bring us some commitment or something all I am saying is some clarity as to what is the right way to think about this piece of our business, see without this if we do the right thing anyways we will create value but having clarity on this helps you think and put it in perspective is all what I am trying to add and I presume speak for a lot of people when I try to kind of communicate this across so if you just keep this in mind I am sure you do but as something where any clarity or any clarifications even if the quantification of that does not necessarily matter but what is the thought process kind of that all even if that is communicated that helps a lot what I was trying to find out?

Arvind Subramanian: That is okay, some of our history is indicative of the future, we have brought land parcels to market which are part of the group land parcels so Roots was on land that was initially owned by M&M, Centralis in Pune was Mahindra land parcel etc., so there have been those are small and what you are seeking and what other investors are seeking is more the big bang stuff and I understand that but all I am saying is if history is a predictor of the future then there is a history right?

Arpit Ranka: I get your point. Thanks a lot.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC securities. Please go ahead.

Parikshit Kandpal: Thanks for the follow-up. Sir just on the opportunities on slum and redevelopment side if you can highlight that and just one more on that is their own land parcels owned by the M Life in Porbandar or in Pune so any thoughts of yours after taking over anything you are looking to do.

Arvind Subramanian: I think two parts of your question, let me answer redevelopment first I think redevelopment opportunities are very interesting there are two kinds of redevelopment that we are looking at slum redevelopment and society redevelopment. Each has different complexities associated with it. In fact, just earlier this week I visited the land parcel which is a redevelopment proposal which is a very interesting proposal we are looking at. So, we are actively looking at it. It has as I said an added dimension of complexity which particularly as a Mahindra entity we need to be very aware of and ring fence ourselves strong, so the intelligence there takes a little bit more time both not just diligence from a legal perspective but also just our own making sure we are comfortable with the counterparty who is bringing it to us how it is going to get navigated what is the structure what is happened up front before we even get in I think those are very, very important questions they get a heightened importance in a redevelopment transaction than in an outright or other kinds of transaction structures. The second question you had was what are we doing with Thane and those kinds of land parcels so those are again in a planning stage we are moving forward with some of those but those are you know very large land parcels so we will have to look at how we bring those to market in over phases over many years but work is underway.

Parikshit Kandpal: In a year's time maybe something will happen on the ground there at least in the Thane land?

Arvind Subramanian: Tough to comment whether it will be a year but as I said, the planning that has started there is a set of approvals that will be needed so all of that preparation has started.

Parikshit Kandpal: And at least one redevelopment will close in a year's time which is part of?

Arvind Subramanian: I do not look at our land pipeline, targets for redevelopment, outright etc., it is a portfolio and we want to as I said do Rs.2000 Crores sales potential worth of land acquisition each year. Now in a particular year that may be heavily skewed towards one type of transaction structure than another but each transaction will be seen on its merits and there is no quota system to say look I want to do at least one redevelopment deal or anything of that.

Parikshit Kandpal: But within six months something will happen at least couple one or two of these kinds just to show the visibility?

Arvind Subramanian: On land acquisition, yes, I mean this financial year certainly as I said I am quite optimistic based on the pipeline I see and the negotiations that are underway we should have some closures within this financial year significantly.

Parikshit Kandpal: Lastly distress cycle I mean there is a lot of other developers Tier II developers even larger ones are in trouble at least in the financial distress so why not are we looking at even tying up with them and like how Godrej has been doing like the one in Mulund? **?**

Arvind Subramanian: We do have a couple of those proposals and often their proposals you would not touch with a large pole so distressed assets looks very good conceptually but when you get into the details this is the reason why they are distressed and therefore one has to be careful about that again. I am not ruling out those we do have a couple of proposals, which are looking interesting, but the smoke is much more than the fire.

Parikshit Kandpal: Thank you Arvind. That is all from my side.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question I now hand the conference over to Mr. Arvind Subramanian for closing comments.

Arvind Subramanian: Thank you very much Steve. Thanks everyone for joining. Just to recap I think this is a particularly tough market environment that we are operating in both from our demand as well as the supply side. We are seeing some green shoots but it is too early to tell how sustainable these are, it depends on many factors that have nothing to do with the real estate sector or demand for real estate if we do end up with a second or third wave of infections and things like that one does not just know how to predict and therefore in that environment we are focused on making sure we are building our capabilities towards being able to spring out of this problem as soon as the market affords us that opportunity so both in terms of internal capability building, launch preparation, land acquisition and most importantly the JV business where we think that could be the silver lining in these dark clouds. Thank you again for joining and I look forward to speaking to you again in a few months.

Moderator: Thank you very much. Ladies and gentlemen on behalf of Mahindra LifeSpaces Developers Limited that concludes this conference. Thank you all for joining us. You may disconnect your lines now.