Mahindra Lifespace Developers Limited
Q4 FY14 Earnings Conference Call

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Moderator: Ladies and Gentlemen, Good Day and welcome to the Mahindra Lifespace Developers Limited Q4FY14 Earnings Conference Call. We have with us today from Mahindra Lifespaces, Ms. Anita Arjundas – Managing Director and Chief Executive Officer, Mr. Jayantt Manmadkar – Chief Financial Officer, Ms. Smeeta Neogi – Vice President, Marketing and Mr. Siddharth Bafna – General Manager, Strategy and Investor Relations. As a reminder, all participant lines will be in a listen-only mode. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Anita Arjundas. Thank you. And over to you ma'am.

Anita Arjundas: Good evening everyone, thank you for being with us here today for our Q4 and Full Year Earnings Call. The consolidated income for the year FY14 stood at Rs.756 crores, and the Q4 consolidated income was at Rs.209 crores. Sales have largely been stable across locations and we saw a total sale of around 200 units in this quarter, adding up to a value of about Rs.100 crores. For the full year, sales was at 706 units in the Residential business with a sales value of Rs.371 crores. We had many projects, especially in the South, achieving revenue recognition or completion during the quarter. We had two phases of Ashvita, one phase of Nova, one phase of Iris Court and one phase of Aqualily achieving revenue recognition, and three phases of Aqualily achieving completion. So, in sum total, the residential business grew by about 10% for the year with FY13 being at Rs.505 crores as against which FY14 ended at Rs.558 crores on revenues.

On the Land front, we concluded additions to the development potential that we already have at Gurgaon and Bengaluru, adding 4.8 lakh sq ft to the total saleable area across these two projects, taking the total to 1.1 million sq ft and close to a million sq ft, respectively between Gurgaon and Bengaluru.

In World Cities, Jaipur continues to ramp up well in terms of leases; we added one new customer during the quarter and an existing customer procured additional space. We are also pleased to note that price realization at World City, Jaipur has moved up significantly over the last couple of years, and the FY13 -FY14 price appreciation has been close to 26% ,with the current rate being at Rs.1.45 crores/acre.

Performance in World City at Chennai was muted with respect to industrial land leases primarily because we are still to receive approvals from the Tamil Nadu government for us to release the last tranches of industrial inventory of around 42 acres that is available at this location.In terms of social infrastructure, we added one critical service provider during the quarter for a hostel to be built on the World City campus.

So in total, in the World Cities, for the year, we had about 6 industrial land leases taking place and about 3 leases taking place in Evolve in Jaipur, aggregating to a total of 9 new customers, besides which five existing customers acquired additional space during the year. So a total of 60-odd-acres of land that has been leased in the World City for a value of about Rs.95 crores during the year which is a drop against what we achieved in the previous year driven largely by inventory being unavailable in

Chennai. That is it in terms of my opening comments, I will now hand over to Jayantt to take us through the financial performance, after which we will open up for questions.

Jayantt Manmadkar: Thank you, Anita. Good evening, everyone. At the consolidated level, total income for FY14 was at Rs.756 crores as compared to Rs.772 crores in the previous year. Our consolidated PAT stood at Rs.101 crores compared to Rs.141 crores in the previous fiscal. A change in the city and product mix, coupled with higher interest outgo, resulted in reduced margins for the full year FY14 vs. FY13. During the year, we had an interest cost of Rs.50 crores against Rs.31 crores in FY13. We would like to reiterate our comfort level of 0.8X of optimal net debt-equity for the company and we are working towards achieving that. That is it from me for now in terms of introductory remarks. I would like to open the floor for questions.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from Anubhav Gupta of Maybank. Please go ahead.

Anubhav Gupta: If you look at pre-sales numbers, quarterly basis or yearly basis, they are not very encouraging. What is the reason behind that – is it lack of launches or you are seeing less demand for the product?

Anita Arjundas: I would say it is a combination of three factors: one is the launches of some of the new land parcels which were to take place towards the end of FY14, not really having taken place and which are likely to happen in the coming year, but those really would not have impacted revenues so much so as sales because they were not scheduled for revenue recognition. So the second critical factor therefore is demand across locations. While we have seen stable demand we have obviously not seen demand to the extent that we would like to see happening across these locations. And the third most critical factor as I mentioned already in the call has been the fact that in World City Chennai we did not have inventory available for sale. Chennai was a critical contributor to the top line and the bottom line in the previous year, and that has impacted the numbers in this quarter.

Anubhav Gupta: If you look at the FY14 revenue from the World City it is around Rs.1.5 billion so it is quite a sharp decline versus last year's Rs.2.3 billion, so if this Chennai's 40 acres get added ….?

Anita Arjundas: So if you look at the value of the Chennai's 40 acres, we are currently selling in that location at about Rs.3-3.5 crores/acre, so even if you look at Rs.3 crores/acre as a reference, that 40 acres is worth about Rs.120 crores of revenue which ideally should have come in FY14 and did not happen. So effectively the breakup between the two is that Chennai contributed a little under Rs.50 crores and Jaipur contributed just a little over Rs.100 crores.

Anubhav Gupta: Lastly, if you look at the reserve and surplus for FY14 the number has declined, why is that?

Jayantt Manmadkar: The number has declined because, if you remember in the first quarter, we had taken an upfront recording of the redemption premium to the reserves share premium account to the tune of Rs.102 crores. That is the primary reason for you see a decline in the reserves.

Anubhav Gupta: What is this other income of Rs.20 crores in Q4?

Jayantt Manmadkar: Other income is primarily the investment that we have in mutual fund as well as fixed deposit in the bank. So that is the interest of fixed deposits and dividend of mutual fund that is primarily coming in as the other income.

Moderator: Thank you. Our next question is from Mahesh Bendre of Quantum Securities. Please go ahead.

Mahesh Bendre: Last year was pretty ordinary year; sales have de-grown by 4%, and profits have declined by 29%.So as we head into new year what is the outlook for FY15 – do you see a sharp recovery in the financial performance or the second half that will decide that?

Anita Arjundas: As we already mentioned, critical to the performance going forward as far as the World City Chennai is concerned would be realization of the Rs.120 crores there and we see movement being possible there only once the elections are over, until then things are going to be silent. In terms of sales demand on existing projects there is a certain stable velocity today which will again pick up more likely in the second half rather than in the first half. And as far as new projects are to be launched we are seeing six launches that we are planning to focus on getting into the market this financial year. They would be distributed across the year based on how the approval cycle moves in different cities, given the fact that we have a fair amount of low activity happening right now across cities because of the elections.

Mahesh Bendre: So, is it fair to assume that first half of this financial year will also be weak for us?

Anita Arjundas: We do not normally share a specific outlook, I think I have just shared with you what the numbers stack up to in terms of sales, in terms of inventory availability, in terms of approvals. We also see the first half of the year being able to translate a significant transaction that the company is working on to be able to achieve closure on that which will support the first half numbers, and we have several projects that we were looking to achieve completion towards the end of Q4 that have slipped into this financial year, and so those would again come into support the first half. So, we will have projects in Nagpur, projects in NCR, contributing to financial performance in the first half of this fiscal. So I would not say it would continue to be muted, but definitely there are multiple factors at work that will determine the numbers; some of it completely within our control and others will be based on the environment.

Mahesh Bendre: In terms of pricing is there any limitation on our side in terms of pricing given the environment we are into?

Anita Arjundas: I would say some markets are stagnant, so you do not see price appreciation, in certain other markets you see marginal price appreciation. So it is not as if there is a drop in prices. If you look at average price realization for the year we moved up by 10%, which is driven by both mix and appreciation. So compared to last year's average price realization this year we are up by 10%, I am talking about FY13 to FY14.

Mahesh Bendre: So we have consolidated net debt of Rs.1200-odd-crores, but our financing cost is very low, am I missing something?

Jayantt Manmadkar: Our interest cost in the consolidated books is Rs.50 crores as compared to last year of Rs.31 crores, so that represents the debt level the way we see as of now.

Mahesh Bendre: No, but we have around 1200 crores of debt, and for last quarter the interest cost was around Rs.3.3 crores?

Jayantt Manmadkar: The interest to the extent it is utilized for acquiring the land parcels gets inventorized as per the accounting standards. So the full interest will not be seen today in the interest cost.

Mahesh Bendre: So that will capitalize?

Jayantt Manmadkar: Yes.

Moderator: Thank you. Our next question is from Aashiesh Agarwaal of Edelweiss. Please go ahead.

Aashiesh Agarwaal: I had a few questions; the first one on the margins in the quarter that appears to be quite low, so if you could just like help us understand that?

Jayantt Manmadkar: On the margins, when we look at the project, as we explained in the earlier part of the call is that it is a function of the city mix where the projects are running which are contributing to the revenue. In FY14, the main contributors to the revenue were the projects in Pune, Hyderabad, Nagpur and Chennai as compared to the cities like Mumbai, NCR, Bengaluru, hence, the margin levels are on the lower side. And also the MWC, if we see last year the contribution of MWC to the total profitability and what it is this year is relating to the overall sales what we have seen in World City. So, that is another factor which impacts the overall margins for the company for the year FY14.

Aashiesh Agarwaal: The other thing that I was seeing is the pace of work in some of your projects were slow and I think one or two projects have actually reported some marginal decline in your work completion. So are we seeing any cost escalations getting built in over here?

Anita Arjundas: There has been a marginal decline in one project that is in Iris Court in Chennai which on the cost to completion recalibration that we have done, has seen some increase in cost and therefore that is being factored in consequent to which you have the percentage completion coming down.

Aashiesh Agarwaal: So what would have been the cost that you would have built in earlier and what are you building in now?

Anita Arjundas: We practically released most of the work orders for the whole project, so we are pretty much on a final cost kind of scenario, so this is just a final quantity validation, rate validation, tenders issued a little later. If you recall last year, this was one of the projects that did see a change in contractor happening partway into the project because of non-performance, and therefore obviously there has been some higher cost associated with replacing a non-performing contractor with a performing contractor, and in the cost to complete exercise that we normally do on a half yearly basis we have recast the numbers for that particular project. We also recast the numbers in case of one more project but that has not impacted percentage completion but largely two projects have seen a recast on cost to completion among all the ongoing projects.

Aashiesh Agarwaal: Would it be fair to say that about 5% to 10% would be the increase in cost that you would have built in, just a ballpark number is something that we are looking at?

Anita Arjundas: I would say it would be sub-5%.

Aashiesh Agarwaal: I was also noticing the pace of work appear to be little slower in the Aqualily IIC2 and the Bloomdale IIC. So anything unusual or it is a normal little pick up?

Anita Arjundas: No, it will pick up. Aqualily IIC was originally planned as one large phase which was about 9 buildings but we decided to focus on the first 6 buildings which is IIC1, which is why you see concentrated activity in IIC1 and lower activity in IIC2. It is just a question of prioritizing the construction in line with sales, so the buildings that had more sales happening, have been focused on in the last 6-months, and we will see IIC2 picking up now as part of normal process. As far as Bloomdale IIC is concerned, it was a slow start, no specific reason or specific issues, the villas and row houses which are part of IIC should pickup.

Aashiesh Agarwaal: The other one on operational front was sales in L'Artista, Pune project where the sales seem to be a little on the slower side, you have done more than 50% work on this project, but you are seeing about 6% sales having happened so far.

Anita Arjundas: Yes, there are totally about 16 units to be sold there and we have sold 1 unit to date and we have about 3 to 4 hot leads that we are working on. And yes, it has been a little slow there considering that it is a segment that is at the upper end of the market and a limited audience that is relevant to the project, so we have efforts ongoing and should be able to get the numbers coming in. But it is the project that we would definitely like to see sales following construction because being a signature project, as the product evolves our ability to maximize on price will be much better.

Aashiesh Agarwaal: The other question was on the forthcoming launches. I understand approvals are always a little dicey, but could give some numbers or some quarter in terms of which quarter you would see which projects coming through?

Anita Arjundas: Very difficult to give specific dates, Aashiesh. What we would endeavor to do is to launch all of them in this year that will be the effort, and I would see most of it getting skewed to the second half except maybe one or two.

Aashiesh Agarwaal: So I guess of the 5 or 6 projects we are looking at, about 3 to 4 happening in the second half?

Anita Arjundas: Yes, around that should be happening, and obviously that is a function of no surprises on approvals anywhere along the way.

Aashiesh Agarwaal: Unusual changes in regulations.

Anita Arjundas: Yes.

Aashiesh Agarwaal: There is a stake purchase in MWCDL we have done in the quarter. Could you just take us through that – where were we and what have we taken into and how much we would have paid for it?

Anita Arjundas: So if you look at the Mahindra Group's holding of 89%, we held 83% and 6% was held by one of the holding companies in the Group, so we concluded purchase of that 6% based on valuation done by the valuation agency, and picked up the 6%, so we currently are at 89% with TIDCO having 11%.

Aashiesh Agarwaal: Would you be sharing what valuation you would have picked this up at?

Anita Arjundas: We will get back to you on that.

Aashiesh Agarwaal: Does the increase in non-current investments pertain to the same during the quarter, is it some other factor?

Jayantt Manmadkar: Aashiesh, if you see the standalone notes, we have given the details of what we have taken these shares; there are 12,75,000 shares acquired by the company, and that is ….

Aashiesh Agarwaal: No, I am referring to the consol statement.

Jayantt Manmadkar: It would not come in consolidated, because in consolidated, investment as well as the share capital gets knocked off.

Aashiesh Agarwaal: Because I was seeing the consol non-current investments have also increased sequentially from December to March.

Jayantt Manmadkar: That is basically shift from the short-term investments to long-term investments. Some of the amounts which were given for short-term they are now more than 1-year period, and therefore in the Schedule 6 format that gets shifted to the long-term, total remains same.

Aashiesh Agarwaal: On the Byculla land parcel, you were negotiating a sale. If you can give some update on that?

Anita Arjundas: As things stand, that is on track, Aashiesh, we have completed all the CPs to the transaction. We have the consent terms filed with the arbitrator, the arbitration award has been issued, and the arbitration award basically enables us to either jointly sell the property or to jointly develop the property as the parties may decide. As far as the first endeavor, which is jointly sell the property, is concerned, we are on track in terms of closure.

Aashiesh Agarwaal: So this quarter should we be able to see the money coming in?

Anita Arjundas: One way or the other, yes, I think we should see the transaction concluding or be able to look at the development on the project… I would not want to comment on it at the moment. The consent terms allow either of the situations and we are on track as far the sale is concerned.

Aashiesh Agarwaal: On the Jaipur Residential bit, obviously we have sold some bit of the commercial component; the lands at Jaipur SEZ, and it has been a while that we have purchased this; we started work on this SEZ. So would you think that we are in a position to may be have some launches on the Jaipur residential this financial year?

Anita Arjundas: Not this financial year, but this financial year we definitely are starting the master planning for the residential township. So that is a process which we have already initiated in terms of selecting the planner we would like to work with etc., and so you would see FY15 being focused on getting the master plan approved and really working towards activating the development on the residential front in the following year.

Aashiesh Agarwaal: FY16 should be pretty interesting from that perspective?

Anita Arjundas: Yes.

Moderator: Thank you. Our next question is from Sandipan Pal of Motilal Oswal Securities. Please go ahead.

Sandipan Pal: Firstly, I just look for the breakup in the revenue, how much have you probably booked in revenue from the processing area sale, I guess there is only one in Jaipur?

Anita Arjundas: It would be very marginal; I think out of the Rs.102 crores of revenue that Jaipur has done, obviously Evolve leases are in the SEZ and are a significant number so that would add up to about Rs.15-16 crores, there would be some O&M income from the SEZ again so you can assume Rs.20 crores of annual recurring income that has come from out of the SEZ portion. In terms of leases I do not have the number immediately but I do not think it is more than a couple of crores.

Sandipan Pal: That is the only lease we have done right?

Anita Arjundas: From the SEZ, yes.

Sandipan Pal: Again coming back to margin side I was just looking at your standalone margin, though is low but still there is some sequential improvement in standalone margin but when I come back to consol, there is a sharp decline. Now I understand that three projects in consol have commenced revenue recognition plus you have this couple of crores for processing areas. So which project particularly has led to huge drop in margin from the consol side?

Anita Arjundas: The World City in Chennai.

Sandipan Pal: So all these three projects, because we have …

Anita Arjundas: Not the Residential in the World City in Chennai but the industrial land lease itself. Last year if you look at the audited results, Chennai contributed about Rs.50 plus crores of profits. So this is on pure industrial land lease. So this goes back to the 40 acres that is to be leased which has not happened in the year and would contribute significantly to profits. As I mentioned transactions are upwards of Rs.3 crores there whereas costs are around 50 lakhs.

Sandipan Pal: No, actually my question is that sequential margin because last quarter consolidated margin was near about 30% and this quarter if I am not wrong it is around 14%.So just wanted to check… because three projects in the Residential side outside your standalone has contributed to the revenue. So are the margins of these projects considerably low?

Anita Arjundas: Can we come back to you on this one, Sandipan? We have not got the question clearly, so maybe if you could speak to Jayantt on this directly and he will provide you the details.

Sandipan Pal: Okay, I will do that ma'am. Secondly, on the election side, I just wanted to check what is your view overall if the post election we get a very stable government, do you think the recovery in the demand for say pricing will come very soon after that or it will be a little bit of mid-to-late cycle recovery, and if so which are the market you are pretty positive on that if the whole thing fall in place then maybe we can see very good momentum back in those particular markets?

Anita Arjundas: My personal point of view, I think if you have a decisive mandate in terms of the government then we should see may be an immediate spike on prices in some of the markets which are conventionally investor-driven and then settling down over a period of time to a level which may be better than where we are today; the focus being more on volumes rather than price. Whereas other markets like say a Bengaluru or Chennai or even Hyderabad which have seen uncertainty could see slow but steady improvement in terms of prices and volumes.

Sandipan Pal: Just coming to this Hyderabad market what is your view on this market after this probably rising clarity on the Telangana things – is it that a market which now will gain a lot of interest and you look forward to add more project in this market going forward?

Anita Arjundas: What I will do is I will ask Smeeta to take the question on how things are looking on the bifurcation of the state front and therefore how its impacted demand, how are things looking right now, and then we will come back to whether we will add more there or not.

Smeeta Neogi: I will go by what we have seen in terms of a sales traction for the Hyderabad market. There was definitely a subdued sentiment when the Telangana noise was at its peak, and then there seems to be a renewed interest, because a lot of our customers have come back in terms of trying to close the deal or having long discussions on the pricing and the structuring. So we see that the Hyderabad market is picking up at this point in time and post the elections, there would be a lot more stability in that market.

Sandipan Pal: Coming back to you ma'am then probably is this a market where you look forward to expand in the near term or you will just wait for some more time?

Anita Arjundas: We would look for may be one more project but without significant investment, so we would look at a structure similar to what we have on the current project, a joint development where we have low upfront investment, reasonably aggressive area share coming to us as a desired state of a project that we would like to do there. So what I would say is we would look for attractive land parcel which meets the terms that we want, and if we find that is working then we will take up the project there, otherwise we will wait. But we definitely will not put large investments in unless there is clarity.

Sandipan Pal: In Jaipur it seems that the Residential area is pretty large. Firstly, does the market have that kind of appetite to absorb the whole Residential segment, maybe even in 10-15 years time, especially given the fact that around your project there might be some of the other developer who have launched their project even 3-4 years back, so, they have actually eaten into some amount of the initial demand in those markets. So, just your view on that?

Anita Arjundas: As I mentioned in the last call, we are looking at some reorientation of the product mix driven by the changes that have happened on the SEZ regulation which do allow a smaller multi-product SEZ now, plus increasing the size of the DTA plus looking at an optimal residential township that would drive what the product looks like, and that is something that we would have clarity along the way during this year. So, specifically, to answer your question we may not have a township as large as what is today seen in terms of planned area excluding the industrial which is about 900 odd acres, it might be more optimal, and would therefore allow us to build a strong residential destination there. We are looking at other levers that will become part of the township and not just housing and then develop that as a holistic destination which can be sold over a fair period of time. The other point that I would like to leave on Jaipur is something we mentioned earlier also… it does not necessarily mean that we would want to do all of the residential development ourselves unlike the model we followed in Chennai.

Sandipan Pal: That means you like to even go for some divestment or…?

Anita Arjundas: So there would be options of playing the role of a master developer and getting some residential development done by us and getting others to come and do development. The approach will be different in terms of building a destination, creating optimal size, allowing multiple players to play, and from our point of view also ensuring that we gain traction faster.

Moderator: Thank you. The next question is from Ritwik Sheth of Span Capital. Please go ahead.

Ritwik Sheth: My first question is regarding the ongoing project. We have about 4.7 mn sq. ft. So how much have we sold till date in that?

Anita Arjundas: We have sold about Rs 1300 crores of value which works out to about 3.21 mn sq.ft.

Ritwik Sheth: How much have we recognized from this?

Anita Arjundas: Recognized Rs 730 crores and we have the balance to be recognized.

Ritwik Sheth: That will be over the next 12 to 18 months?

Anita Arjundas: Yes, should be - more or less.

Ritwik Sheth: On the forthcoming projects, there is about 6.5 mn sq.ft. So, what is the status like – have we received all the approvals or under what stages are all the approvals?

Anita Arjundas: If you look at the forthcoming there are two categories; one is forthcoming of existing projects which is about 2.7 million. So that is part of that 6.5 which we spoke about. So, let us just go to the new forthcoming that is about 3.84 mn sq.ft. All of them are in different stages of approval and the projects that I mentioned will get launched at different points in time hopefully during this year.

Ritwik Sheth: Just a long-term question for the next 3 to 5 years, where do you want to take the company, any ballpark figure, like right now we have done about 0.85 mn sq.ft. in FY14. So, over the next 3 years or the 5 years can we hit 2 mn sq.ft., 3 mn sq.ft?

Anita Arjundas: We do not share specific forward-looking statements, but I think the intent very clearly is, as far as the Residential part of the business is concerned, to see significant scale jump over what we have been doing currently which is at around 1.1-1.2; this year was lower at about 0.85, but our range has been around 800-900 units p.a., we would like to see that going to upwards of 2000 units.

Ritwik Sheth: So, in the next 3-5 years, can it be safe to assume that?

Anita Arjundas: I would not put a number out there, but I am just saying that as a company that is what we are working towards.

Ritwik Sheth: In the earlier question someone asked about interest and you said that some interest has been capitalized. So what is the amount of interest which you have capitalized in FY14?

Jayantt Manmadkar: Can I get back to you? Because the total number I will have to give you at the consolidated level, because we look at it at a consolidated level.

Ritwik Sheth: Regarding the margins, what is the margin differential between the MWC and the non-MWC projects – is there any drastic difference?

Anita Arjundas: The MWC Residential and the non-MWC Residential or the World City business in terms of Industrial land vs. Residential?

Ritwik Sheth: The Industrial land and the Residential?

Anita Arjundas: If you look at the Industrial land, it is obviously a function of what stage a project is. Chennai is at its peak, literally, the cash cow stage in terms of the last few acres. Today, the margins there are upwards of 300-400% whereas if you look at Jaipur the margins are in the 50-60% range. Compared to that, Residential, excluding markets like Mumbai and NCR would be in the 30% gross margin range.

Ritwik Sheth: Just sticking to the Chennai MWC, you mentioned that there is 40 acres in the Industrial segment, and you expect Rs.120 crores over the next 2-3 quarters. So, is it safe to assume that you will fetch about Rs.60-70 crores at the PBT level or more, what kind of figure can we take for that Rs.120 crores?

Anita Arjundas: I think we have given you some cost references; current sales as we mentioned is upwards of Rs.3 crores, costs are around Rs.50-60 lakhs.

Ritwik Sheth: So Rs.75 crores we can expect PBT like about…?

Anita Arjundas: I think the critical thing there is getting the approvals. I would say that is important. It is also obviously getting customers. We have not signed any MoUs there, because in the earlier phase when we had customers signed up, it involved a couple of years waiting and in couple of cases we had to cancel MoUs. So, at this point in time we will start doing transactions only after we get balance 2 acres of land from the government for us to be able to realize this 40 acres.

Ritwik Sheth: But, you are confident of selling it in FY15 like in the first half or the second half?

Anita Arjundas: I would not want to comment about the specific numbers please.

Ritwik Sheth: About the Byculla land parcel, is it that you are planning to divest it – so, what kind of cash inflow do you expect from that land?

Anita Arjundas: We have given the mandate to Cushman & Wakefield for the sale. Since then a buyer has been identified. There were certain CPs identified to the transaction; about 12 of them which have been completed, the last being getting the consent award which has been done. And so, we are in the final stages of transaction discussion. There will be numbers out there in public domain which have been spoken about by the media; we have not really put a number out and I think you have a reference from what is there in media.

Moderator: Thank you. The next question is from Prashant Kanuru of Zen Securities. Please go ahead.

Prashant Kanuru: For the revenue that you have recorded in this quarter how much would that translate in terms of mn sq.ft in terms of volume?

Anita Arjundas: I am not sure how you would compute that because if you are looking at sales we can share what sales was done for the quarter but revenue is going to be a function of percentage completion across different projects at different levels of completion.

Prashant Kanuru: Say suppose if you have completed 55% of the project for the full year and the last 25% was done in Q4, something like that…

Anita Arjundas: So you are saying convert that into mn sq.ft.?

Prashant Kanuru: Yeah, how much would that be?

Anita Arjundas: Not necessarily the best way to do the numbers, but ….

Prashant Kanuru: Just the Residential part, World City?

Anita Arjundas: We can share that with you offline. We do not normally look at what the completion of work translates into in terms of the area because it does not necessarily add up to that math.

Prashant Kanuru: So it goes into books, project wise, so it would be difficult for you to…?

Anita Arjundas: Yes.

Prashant Kanuru: But otherwise how much was the average realization at which revenue was recognized across the projects?

Anita Arjundas: For YTD average realization was about Rs.4,300 per sq.ft.

Prashant Kanuru: For Q4?

Anita Arjundas: It is the same; about Rs.4,250.

Prashant Kanuru: World City business model, the lease that we talk about is a multi-year lease or Rs.3.5 crores/acre that we talk about, what we get every single year that we lease out that 40 acres, so we get into Rs.3.5 crores?

Anita Arjundas: I wish it was that way, but no.

Prashant Kanuru: Numbers do not match, so I wanted to understand.

Anita Arjundas: It is a 99-year lease which is recognized at the point of time of lease. So the entire consideration is a non-refundable lease premium. So, 100% of revenue is booked in the year of lease and cost is written off in the year of lease.

Prashant Kanuru: What you are saying is this revenue will not be spread out over a period of few years but all will be taken lump sum at one-go?

Anita Arjundas: Yes.

Prashant Kanuru: Expenses will however be spread out over the year as and when they are incurred?

Anita Arjundas: So there is a cost to complete, for example, in the World City, Chennai, all costs have been incurred, so what you see in inventory cost is pretty much the final cost, there are no further cost to be incurred.

Prashant Kanuru: But whatever you are able to lease out will be taken lump sum in P&L; it just depends upon how many new leases you are able to do every single year?

Anita Arjundas: Yes, that is right, absolutely.

Prashant Kanuru: So depends also on your land bank which is left out?

Anita Arjundas: Yes.

Prashant Kanuru: Apart from this, say, the Residential Townships that you have developed, is that a part of the SEZ which has been de-notified, you can use it for Residential, what is the ownership structure there?

Anita Arjundas: As far as the World City Chennai is concerned, it has close to 250 acres which is part of the Residential Township; all of it is part of the SEZ, so it is a notified area; the non-processing area of the SEZ. And there are two entities which have long-term leases of these lands; one is Mahindra Residential Developers Limited which does the Aqualily Project, and the other the company called Mahindra Integrated Township Limited, both of them are controlled 96% by MLDL.

Prashant Kanuru: Supposing it is more like what we do in Dubai that we give you a long 99-year lease, you do not have the title to land or anything?

Anita Arjundas: No, you have leasehold rights which are perpetual, you do not have conveyance ownership of the land.

Prashant Kanuru: But that does not affect the realization per sq.ft. as opposed…?

Anita Arjundas: No, it does not.

Prashant Kanuru: Regarding the input cost, Cement, Steel and the Sand prices, do you see any moderation there or are they still holding high on a QoQ basis post-monsoon, how is Q4 playing out and are you seeing any moderation there on that front?

Anita Arjundas: Marginal moderation as far as steel is concerned. Cement during the monsoon was lower, but thereafter there has been a slight uptick. And Sand is driven by local situations depending on whether there is a ban on sand mining or not. So, very volatile in that particular commodity's case; it varies market-to-market.

Prashant Kanuru: And what about the demand pattern like if you could just give a breakup – how many of them are investors and how many of them would be end users for your projects and for also a real estate sector as such, what would be your perception – how many of them are investors, buy at the beginning of the project and sell it out later on and how many of them are end users?

Anita Arjundas: I will ask Smeeta to take this question.

Smeeta Neogi: The investors versus end users is very market-dependent. So, for example, if you take a market like Gurgaon, you would find a large percentage of investors and very few end users at the start or at during the mid stage of the project. Towards the end the percentage of end users increases. Whereas if you see in a market like Hyderabad or Chennai, the percentage is completely the opposite. So, you have large numbers of end users and more investors. If you look at a percentage for our organization it would be to the tune of about 25-30% investors and balance end users, barring the Gurgaon market.

Prashant Kanuru: And about Mumbai project?

Smeeta Neogi: In Mumbai, we do not have any project, so we do not have any reckoning at this point in time.

Prashant Kanuru: What about Pune?

Smeeta Neogi: Pune would be about 25-30% investors and the balance end users.

Prashant Kanuru: And what do you foresee the end users appetite as a company? because for you to get the advance payments or certain down payments to go on with your construction projects and instead of taking debt, you would need the appetite of these investors who are the initial buyers, who usually buy with a hope to make certain returns as the construction progresses, so what sort of investment interest do you see from investors side, because there are chances of the investors interest waning down with the inflation coming down, interest rates coming down, and financial products becoming relatively more attractive than what they are now, so do you see any such phenomena shaping up as of now which is in initial stages and which can later on become bigger?

Smeeta Neogi: If I were to read your question, right, one of the concerns could be that "Do investors pay in terms of Construction-linked payments and therefore does our cash flow get affected?" It does not, because our investors fortunately for us have been consistent in terms of their payments, so it has not really affected us significantly. Going forward, I think the way the market is going, people are increasingly going into multiple homes. So there will be a percentage of investor increasing but their appetite is dependent on their ability to service that investment. And with bank loans being fairly reasonable to obtain, and investor being fairly aware of what they are putting into the pie, I do not see there is a significant challenge for us in terms of investor versus end user and their interest in our projects.

Prashant Kanuru: Suppose, tomorrow a scenario arises where say internationally the coal prices and the crude prices do correct to some extent, and rupee becomes stronger, both of them happening together, the input cost would come down and there is a few new projects, that would offer house at a lower price, so would the company be in a comfortable position to then renegotiate the sale agreement as in reduce the price because input cost has also come down for this?

Smeeta Neogi: We do not renegotiate our sale agreement upwards or downwards. So, when we have entered into a sale agreement, it is a commitment from our end to the customer and it is a commitment from their end to us. So, we stay with the same pricing as per our sale agreement.

Prashant Kanuru: So there is no chance of you bringing it down because your input cost is coming down or?

Smeeta Neogi: No, we don't.

Anita Arjundas: There is no rework on contracted pricing, it is constant; neither upwards or downwards. I think if you look at the whole history of our collections, if you had to look at last year customer collections, we would have about close to 95% of what is demanded by the end of the year and you would see maybe around 5% which is upwards of 60 days in terms of dues. So, you are really seeing a fairly tight collection control mechanism. Secondly, if you had to review cancellation data, again, at an all-India level, it is less than about 3-4%.

Prashant Kanuru: This is for MLDL or …?

Anita Arjundas: MLDL.

Moderator: Thank you. The next question is from Shiladitya Dasgupta of ICICI Prudential. Please go ahead.

Shiladitya Dasgupta: Just wanted to get a sense of this short-term loans and advances on the consolidated, is up by around Rs.250 odd crores. Similarly, on the standalone side this number has come down. Can I get a better understanding of what is happening here?

Jayantt Manmadkar: Short term loans and advances in consolidated books have increased from Rs.428 crores to Rs.684 crores. If we compare it to last year, the investment in the optionally convertible debentures in one of our JV companies that is what is reflecting here, that is the only factor.

Shiladitya Dasgupta: Why is non-current investments up from Rs.18 crores to Rs.178 crore?

Jayantt Manmadkar: If you refer to the standalone balance sheet, full amount that is invested in the JV will come and when we look at the consolidated balance sheet only 50% of that will come.

Shiladitya Dasgupta: So, this non-current investments is going up because of the JV?

Jayantt Manmadkar: Correct.

Shiladitya Dasgupta: And short-term loans and investments are also going up because of the same reason?

Jayantt Manmadkar: Short-term loans are basically the advances which are given in the normal course of business.

Shiladitya Dasgupta: So, why is it up in the consol and has come down in the standalone?

Jayantt Manmadkar: In standalone what I explained a while ago… the ICDs which were given to the subsidiary companies shifted from…

Shiladitya Dasgupta: Okay, now I got it.

Moderator: Thank you. The next question is from Aashiesh Agarwaal of Edelweiss. Please go ahead.

Aashiesh Agarwaal: House-keeping question, what would be the cost of debt for FY14?

Anita Arjundas: If you leave out the optionally convertible debentures that are part of the Mahindra homes transaction structure, then it is about 11.68%. It is there on Slide No.23 of March 2014 Company Profile Presentation.

Aashiesh Agarwaal: The last question that I had was on the pipeline of new acquisitions that would be holding at this point of time…?

Anita Arjundas: We right now have two MoUs which are still active; one in Mumbai and one in Bengaluru, where we are still waiting for the land owners to complete certain requirements for us to be able to do the transaction; these are the two that we are currently working on.

Aashiesh Agarwaal: That is a little low in number, so you would be obviously, hoping for more…?

Anita Arjundas: Yes, we will look for opportunities as they come along in terms of the markets of focus, but in terms of what is signed as commitments from both sides on pricing, on commercial, subject to due diligence being satisfied, we have two MoUs live.

Aashiesh Agarwaal: Because this question was also coming from the background that, in the recent past; we have seen a couple of land transactions having taken place in Mumbai. So are we seeing some kind of alignment between land owners' expectations and developers' willingness and in that context you were actually looking for some transactions more?

Anita Arjundas: I do not think there is anything which is out there currently in terms of the transactions that have happened that are at distress levels; they are completely on a market pricing basis, and we really need to see if there are deals which come along which have an element of discount. As things stand, land really has not depreciated.

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

Prem Khurana: My first question was regarding North Chennai Industrial where you are planning to acquire some 1,000 odd acres. If you could share some thoughts there or give us an update there, because you are planning to launch once we acquire some 600-700 acres of area, if I am not mistaken till last year you acquired 560-570 acres, so where are we in terms of acquisitions, when do we intend to launch it or would we want to wait for some more till the time economy revise?

Anita Arjundas: We are close to about 550 acres at the moment, and you are right, that the final intent would be around 600-650 acres. There are obviously, some critical parcels that we need, largely from the government, to be able to complete contiguity. But, we will be looking at working with possibly Phase I of that development which is today contiguous and can be taken up somewhere along the second half of this financial year. That would be activation from a point of view of planning, approvals, etc., not really sales.

Prem Khurana: How big would this contiguous land parcel that you are talking about?

Anita Arjundas: Around half of the total size we are planning; so that would be around close to 300 acres.

Prem Khurana: The land price have come into force after this land acquisition. So, have we seen any significant uptick in land prices or prices have been somewhat static….?

Anita Arjundas: Not yet on the Industrial side, I would say more on the Residential side, where I mentioned that land prices have not really come down; people are doing deals on a market price basis. As far as Industrial is concerned, I think the impact of the new bill is yet to be felt and it has not really translated into significant upside on land parcels, but what it has translated into is good value on lands which are developed. So for example, if we look at Jaipur, where you know that title is clean, where you know the project has gone into 5-6 years of infrastructure investment, 50+ customers already on board, we have obviously seen good appreciation in prices there; ~25% year-on-year between last year and this year.

Prem Khurana: And on Residential, we have had some increase in FSI for Bannerghatta and Gurgaon, land parcel pass, so have we acquired some more land parcel there, is it because of better utilization that we have seen this kind of increase, if we have bought new land how much would be spent for this ….?

Anita Arjundas: In terms of Bannerghatta, it is additional land area which was always part of the original understanding, it is just that it was coming in two stages because there were two discrete parcels with separate access but contiguous to one another; one needed certain approvals to be completed, so we completed the first Phase-I piece last year and the balance this year. As far as Gurgaon is concerned, it is additional development rights which were to come in along with some land; zoning related activities being completed by the land owner which were done, and those development rights have come in. So, we have had therefore additional outgo to pay for both these parcels for the incremental saleable area that we have obtained.

Prem Khurana: Would you be able to share that number or?

Anita Arjundas: We have not really shared even the Phase-I numbers which are the larger…

Prem Khurana: If I were to look at our press release, notes to accounts say that we have extended some Rs.100 crores to some vendor; and it is on a litigation, we have started some kind of process to recover this money. So, which project would this be? Is it the Nepean Sea Project that we were planning to have?

Anita Arjundas: That is the Napeansea Project.

Prem Khurana: So we do not intend to go ahead with that project. What is the issue there now?

Anita Arjundas: No, we do intend to go ahead; I think we are in conversation with the land owner, we should be able to see some kind of timelines emerging soon on the CPs to be met by them and it is just that we wanted to ensure that there is a certain focus in terms of them meeting their obligations within a time period. So, in order to protect our interest we have sought arbitration so that we could move towards the closure quickly.

Prem Khurana: But the sale consecration that we were supposed to pay to them remains the same…?

Anita Arjundas: As per the terms of the agreement. So provided what is to be delivered, the price remains the same, otherwise agreement does provide for certain deductions based on the area available to us.

Prem Khurana: Because it has almost been more than two years now since we have given them interest free loan, so would we be seeking some kind of compensation, it has been with them for two years now and they would have made some money even on this Rs.100 crores, would they want to have some kind of discount or some kind of reduction in price?

Anita Arjundas: We will come back to that, Prem, when we are in a better situation to talk about it. At this point in time I think it is at a sensitive stage of negotiation and closure. So, we will definitely keep you informed once we have more in terms of update.

Moderator: Thank you. As there are no further questions from the participants I would now like to hand the floor back to Ms. Anita Arjundas for closing comments.

Anita Arjundas: Thank you and as I mentioned earlier, our focus for this year will be on ensuring successful launches of the projects that are currently in the approval cycle across key markets of Mumbai, Gurgaon and Bengaluru, as well as sustaining higher momentum on our existing projects both in terms of sales and in terms of execution. We will also be launching hopefully with the approvals our two pilots in the affordable housing space. In the World City as far as Chennai is concerned, the focus will be on enabling the sale of the 40 acres and getting started on the NH-5 project. And in Jaipur the focus will continue to be on marketing efforts oriented towards getting customers in for the project as also recalibrating the product mix. That is going to be the focus for this year for the organization and we hope to see better numbers as we go along. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Mahindra Lifespace Developers Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

This document has been edited for readability