



Mahindra Lifespace Developers Limited  
Earnings Conference Call

**October 19, 2012**



**MANAGEMENT: MS. ANITA ARJUNDAS – MANAGING DIRECTOR & CEO,  
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LIMITED.**

**Moderator:** Ladies and gentlemen good day and welcome to the Q2FY13 earnings conference call of Mahindra Lifespace Developers Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of presentation. If you should need assistance during this conference call, please signal an operator by pressing \* and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Anita Arjundas, Managing Director & Chief Executive Officer of Mahindra Lifespace Developers Limited. Thank you and over to you, ma'am.

**Anita Arjundas:** Thank you and good morning everyone. I have my colleague Jayant Manmadkar with me on the call. As you are aware, we shared our Q2 results late last evening and I trust you have a copy of the investor presentation that has been uploaded on our website.

Just a quick summary on the results before we move over to the question and answer session—The good news has been that we have seen some traction on the approvals front which allowed us to launch our new project at Pune and construction will commence in this project during the quarter. The other positive trend that we have noticed is that off-take remains healthy across markets for reputed brands with a focus on execution. So wherever we have an inventory currently which is in Chennai, in Nagpur and now in Pune, sales progress has been steady. The trend on execution has, however, been a matter of concern in the last few quarters. We continue to see issues around labour availability and also contractor performance with respect to financial strength. Haryana saw at least 45 days being lost due to a High Court stay order on tanker or ground water supply being used for construction. We have made arrangements for alternative sources as approved by HUDA & construction has recommenced. We are increasingly shifting to technology and larger contractor firms as a long term mitigation mechanism. On the cost front, so far we have had no concerns so far and we have been able to maintain ourselves at the budgeted levels.

With the above factors, Q2F13 has been more or less maintained at Q2F12 levels across both revenues and profits and on an overall basis, H1 shows a 14% growth in revenues and a 25% growth in PAT. On the land front, we added one more land parcel in this quarter taking the total land available with us for new projects to 1 million square feet added in the first half of this year and we have MoUs of about 4.5 million square feet that are currently under title due diligence. This will enable us to add the much needed land banks for future growth because most of our current land banks are residing in the World City in Chennai. At the subsidiary level, the residential subsidiary developing Iris Court in Chennai was able to commence construction with a receipt of final approval. This will allow the company to get into revenue recognition mode of the sales that has already been completed once it achieves the construction percentage threshold. At the World City in Chennai, Lear Corporation was signed on as a customer in the second quarter. They have already started construction. In Jaipur, we have signed an MoU with a leading player in IT who has taken about 100,000 square feet of space in Evolve, our IT Park within the World City. Both locations have seen a good surge in exports with Jaipur crossing 100% over the

previous year corresponding period. Today, we have about 12 companies operational in Jaipur and another 8 which have commenced construction. However, at the consolidated level, we still have MBDL which is developing Bloomdale at Nagpur, and MITL which is developing Iris Court at Chennai, that are yet to get into a revenue recognition mode because of the new accounting guidelines and also the fact that Chennai has yet to convert its 75 crores of MoUs into sales plus Jaipur has not really seen much traction on its forthcoming sales. Therefore, at the consolidated level, numbers have been lower than the corresponding period of last year both on the revenue and PAT fronts for H1.

Happy to share with you that we released our sustainability report this year which is the first in the industry in India. This is the triple bottom line approach to sustainability where we have had the report audited by KPMG and application level checked by GRI at a level rating of A+ which is the highest rating that can be got with respect to disclosures and transparency. So that is it for me for now from a quick update point of view and we can now open the floor for questions.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from Anubhav Gupta from May Bank. Please go ahead.

**Anubhav Gupta:** Can you please give us the break-up of revenue, the consolidated revenue between the sale of housing projects and sale of SEZ projects please?

**Jayant Manmadkar:** During the current quarter, the sale from SEZ is primarily from Chennai which is to the tune of Rs 25 crore and the rest of it is primarily from the residential projects.

**Anubhav Gupta:** So why is it like Jaipur didn't contribute anything?

**Anita Arjundas:** Jaipur had only lease rentals from its already leased out facilities at Evolve. It did not have any addition in terms of customers for land lease.

**Anubhav Gupta:** Coming to your residential segment, the H1 presales were quite low, if we compare it to H1 of FY12. So that means you would have to launch quite a number of projects to get to the presales level of FY12. So could you please tell us what all projects are going to launch and what will be the size of those projects?

**Anita Arjundas:** I think if you look at the Investor presentation and if you look at the forthcoming projects and the ongoing projects, if you look at Slide #13 which has the ongoing projects, the significant addition is the project in Pune which is about 1.6 million square feet where as I mentioned, we have already commenced sales in the latter half of September once we got our approvals. So that would be a significant contributor during the year to sales. Bloomdale, Iris Court and Aqualily are ongoing projects which have steady sales. They will continue to contribute. The other significant contributor will be a forthcoming project, Slide #19 which is the Hyderabad project which is in its final stages of issue of building permit. We hope to be able to launch by Diwali and that will again be a significant contributor to sales in the balance 5 months.

- Anubhav Gupta:** So last year your total presales were Rs. 6 billion and in H1 you have been able to do only Rs 1.3. So do you expect that the presales will match FY12 number?
- Anita Arjundas:** We don't normally share any forward looking numbers, but our attempt would be to be able to keep pace.
- Anubhav Gupta:** Can I have a contact point in the company for future communication?
- Anita Arjundas:** That would be Jayantt Manmadkar who is the CFO. I think we have shared his email ID or if not, we will circulate that at the end of the call and you could reach out to him.
- Moderator:** The next question is from Pankaj Shah from Enam. Please go ahead.
- Pankaj Shah:** Just wanted to check GE Gardens, we have been not been able to do much progress from the last 2 or 3 quarters and I am sure this quarter also we have not done any progress. I am aware about the car park issue that we had with the residential customers. Is there any progress that we have done after the quarter end and how do we see about this piece?
- Anita Arjundas:** Since you are aware of the issue, I don't need to explain it, Pankaj. We are still trying to resolve that so no movement on that front. We have stopped sales as I mentioned two quarters ago and we had even asked the current customers who signed up whether they want to remain or they want to exit till we resolve the issue. All of them have chosen to stay back at this point in time. We are working hard to get that issue sorted out but it is difficult to put a timeline to it today because I think when you have a few hundred people involved, a lot of time gets taken up.
- Pankaj Shah:** Right, so we have yet kept the estimated completion date at December 14. I am sure we will have some delays over there also?
- Anita Arjundas:** Let me put it this way, If we are able to start by December 12, then we should be able to stay with December 14.
- Pankaj Shah:** And all of your sales currently are on hold over there. You are not selling any other units over there right?
- Anita Arjundas:** No, nothing at the moment.
- Pankaj Shah:** And can I get a breakup of the debt in the books of both the parent and subsidiary because I assume we have done some acquisitions in this quarter as well. So if you could just help me out with the breakup for both the parent as well as the subsidiary at debt levels?
- Jayant Manmadkar:** Pankaj, as far as the parent company is concerned, the debt is the construction finance of Rs 180 crores and as far as subsidiaries are concerned, it is totally Rs 693 crores, where Jaipur is about Rs 315 crores and Chennai is about Rs 180 crores.

**Pankaj Shah:** Thirdly, can we also get the breakup of the other income because I guess a substantial portion of the income this time has been in the other income. So that has seen an upward surge, so what contributes the part of the other income in this quarter?

**Anita Arjundas:** I think Jayant will be able to give you the breakup, but roughly it is divided between dividend from subsidiaries, dividend on mutual funds and interests on ICDs and also the sale of one apartment that we had in Mahalakshmi which we have been keeping for many years. We had sold two of the leftover units last year and we sold the balance one unit this year.

**Pankaj Shah:** So can we have the breakup for all of them in monetary terms?

**Jayant Manmadkar:** As far as dividends from subsidiaries are concerned is to the tune of Rs 8 crores, then this sale of flat is about Rs 8 crores and there is a dividend we get on mutual fund which is the investment that is made of surplus funds and also the intercompany ICD interest. So that is to the tune of about Rs 10-10.5 crores and there is about Rs. 3.5 crores which is the income which we get because of the shared services with subsidiary companies.

**Pankaj Shah:** And moreover ma'am already mentioned I think that the approvals are actually starting to pick up, but we still see execution delays because of the issue of labour availability. Are we expecting the execution pace to pick up in the coming quarters because clearly I think we were expecting Bloomdale to hit revenue recognition stage both IA and IB in this quarter, but that has not happened. So do we really see this labour issue as a major problem or we are expecting some execution to come in the coming quarters at a faster pace?

**Anita Arjundas:** I think the issues have been slightly different across projects. Labour was a common theme I would say across the industry for the last 9 months. I would say the last quarter has actually seen the labour situation improving which typically happens post monsoon where the labour starts coming back. The specific issues I would say with respect to Bloomdale are not to do with labour. Bloomdale is using MIVAN technology and so therefore we had some delays on the MIVAN coming in from offshore and it took some time getting the clearance and getting it into Nagpur. We are actually at a stage on the project where all buildings are ready to receive the MIVAN to start construction upwards, but it is just that the MIVAN delay consumed a few weeks and we should be able to catch up on this and use automated technology as a solution to better execution. As far as Gurgaon is concerned, which was Aura, I did mention about the High Court issue with respect to water. So from September 2 when the High Court ban took place till about 20<sup>th</sup> October, all tubewells were sealed in all sites in Haryana and also HUDA did not allow companies to access construction water by tankers, means effectively we had no water supply to any site for construction purposes. Now the solution that has been worked out is that HUDA is supplying sewerage water from its sewerage treatment plant. We have put in a temporary STP in the last 45 days which can handle the treatment of sewerage water because it is not good for construction as it is today and we have tested that water. We have now reopened the site and we have labour back in the site, I think as of today between two contractors on the ground we have more than 400 labours already on the ground. We should pick up speed there

again, but we lost 45 days because of the whole High Court stay on access to ground water or bringing in tanker water. Reasons have been different in different projects, but we should see a pickup in pace of execution in Q3 and Q4.

**Pankaj Shah:** I just missed out, but Gurgaon High Court issue for the water has been sorted?

**Anita Arjundas:** It has been sorted. So right now the understanding is that HUDA would supply sewerage water to all developers and it is the developers' obligation to ensure that they go to the HUDA sewerage system, collect the water, treat it and then use it. I wouldn't say it is completely out of the woods because right now we are getting more or less what we want, but then there are days where you get three instead of five tankers, there are days when the sewerage system shuts down because it is not working and therefore you don't get anything. It is not the best of solutions to work with, but I think that is what the whole of Gurgaon has to deal with currently.

**Pankaj Shah:** So because of this, what is the impact that we expect on the operational cost because as I see, Pune has some issues, Gurgaon again has an issue, delays on account of MIVAN technology also. Do we expect the operational cost to increase in the coming quarters?

**Anita Arjundas:** No, as I mentioned I think on the cost front, we are fine with respect to all our projects as things stand today. We do not envisage any change in cost of construction as of current estimates on Aura or Bloomdale.

**Pankaj Shah:** Are we seeing any delays in pickup of demand from customers because of the fact that the RBI has not resorted to easing of rates or sales to remain pretty healthy?

**Anita Arjundas:** Not really as I mentioned right in the beginning, I think what we have seen is that whether it is us or whether it is a few other reputed developers, when projects are launched, there doesn't really seem to be significant concern around offtake unlike what is quoted in the market. I think that is primarily around the comfort that execution will be focused on, the projects have their approvals and therefore people feel better buying from somebody who they can depend on or trust. So if you look at Pune for example, I think we have as of date sold over 90 of the 120 units that we put out for launch and that is within 30 days of launch with no reaching out on media, no advertising, just through reaching out to our customers and people who were in touch with us on the project. At a pricing which I think is reasonably aggressive in that market – we launched at Rs. 4500 base price. Plus, if you look at the other elements like location premium, floor rise, car park etc, it actually goes to Rs. 5000 per square feet.

**Pankaj Shah:** And we are seeing healthy demand even at that price?

**Anita Arjundas:** Yes, we are seeing healthy demand even at that price.

**Moderator:** Thank you. The next question is from Abhishek Singh from B&K Securities. Please go ahead.

- Abhishek Singh:** Just wanted to know couple of questions regarding land in Chennai SEZ project. Basically what we saw in the presentation is like 19 acres of land has been converted from the commercial to an industrial land, but the increase in land has been more than that. If you see that the industrial land has actually gone up by 28 acres. So any reason for this particular thing?
- Anita Arjundas:** We had some land which was outside boundary, technically outside boundary as per the current master plan, but which has been converted into being a part of boundary and therefore that is another 9 acres that has come in.
- Abhishek Singh:** But no additional cost has been incurred for this thing?
- Anita Arjundas:** No, this is land which was sitting in the books at cost of land.
- Abhishek Singh:** And ma'am regarding our JDA projects in Sopan Baug and Alibaug. I believe what you have given is our share of saleable area like 0.23 million square feet in Alibaug.
- Anita Arjundas:** No, that is the total project size.
- Abhishek Singh:** What will be our share in that?
- Anita Arjundas:** In Sopan Baug, it would be 80% and in Alibaug, it is share of profit not share of area, our share is 90%.
- Abhishek Singh:** Sopan Baug is revenue sharing?
- Anita Arjundas:** Sopan Baug is area sharing, 20% of the area goes to the land owner.
- Moderator:** Thank you. The next question is from Danesh Mistry from Tata Mutual Fund. Please go ahead.
- Danesh Mistry:** I think Pune as you mentioned has sold out pretty well. So how is it working out for you and what are the kind of phasings that you got planned out for this project because as you are saying probably sold 90 out of 120. So are you expecting to launch immediately after this or are you waiting to start constructing and then kind of show some progress to customers before you?
- Anita Arjundas:** No, we would be releasing may be another 100 odd units which really comprises Phase-I of that project of about 200 units. So we will be taking up construction of the 200 units together. So around Diwali or so we may launch the next 100 units and thereafter follow the phasing plan that we have for the total project, both in terms of sales and construction milestones.
- Danesh Mistry:** When do we see to complete this project, I do not want the entire thing, but when do we plan to finish kind of launching at least this project, the full project?

**Anita Arjundas:** I think it would be launched in tranches so you would see about 200-250 units getting launched at intervals of may be every 6-8 months and therefore sales would take place over about 3-1/2 to 4 years, but construction would stretch to about 5 to 6 years.

**Danesh Mistry:** Got it and with respect to Jaipur, what are we seeing on the ground in terms of the SEZ part or the DTA part, our clients talking to us now and how is it looking over there. What are their concerns if any in terms of this now?

**Anita Arjundas:** As far as SEZ is concerned, we are seeing good traction for IT office space. So we have a fair number of customers who have been coming in IT office space. I think even if you look at the Evolve construction numbers and leased out numbers, even for the fourth building which we have started construction, we already have a customer for the total area and so therefore what we have there across 4 buildings is about 70,000 square feet of space left in the third building which we should see getting absorbed in the near future and therefore I think as far as IT office space is concerned, there still continues to be good traction. Which really takes us to the manufacturing side on the SEZ where things are fairly slow and I think it is a combination of both export performance on an overall basis in the Indian context to external markets wherein not too much of Greenfield investment is coming in at the moment and added to that, the confusion around the Direct tax code and the SEZ incentives. So currently people seem to be sticking to being at their current locations, managing with existing capacity and trying to manage with being able to play both domestic sales and export sales and not get locked into one format. So that is definitely impacting leads on the SEZ front at the moment, but on the DTA front, very active interest. We should have closed one large customer in the second quarter. They had some incentives pending to come in from the Rajasthan government which had come in, but there were some changes needed that is currently under process and we should be announcing our second large customer in the DTA manufacturing area shortly. We have also seen a fair number of leads coming in for the DTA both from existing SEZ customers and from suppliers to the OEM company that is going to establish at Jaipur. I would say things on the DTA front are active. On the SEZ front, we will need some more effort all-round.

**Danesh Mistry:** Related to this, any views on this current land bill and acquisition bill and what they are recommending, any impact on us in that sense. I know it is still there so, just your thoughts?

**Anita Arjundas:** There is still some distance to go in terms of implementation. Obviously, you need parliament nod for which I think the government needs the majority vote for the Act to be able to get it passed, but the good part is they have come down to two-third consent. I guess they still have not addressed the fact that when there is private procurement happening, R&R should not apply. You could do it when you are doing a government acquisition, but not when somebody is selling at market price. These are issues that industry has raised to the government and will continue to raise. With respect to our immediate projects, I would say in fact it is positive for Jaipur in the sense that here is 3000 acres which is clean, perfect title, infrastructure development at an advanced stage and to that extent I think as it gets more and more difficult to add land, we will see better interest. On the Chennai front, it is private procurement, we are 50% down that



journey. We are trying to finish it at the earliest so that we do not have to deal with attendant issues. So that is where we are at the moment on these projects. Immediately no impact for us, but I think long term yes it does raise issues on access to land for industrialization.

- Moderator:** Thank you. The next question is from Anand Agarwal from Jefferies. Please go ahead.
- Anand Agarwal:** You mentioned that MRDL and MITL you have not started revenue recognition right?
- Anita Arjundas:** MBDL and MITL.
- Anand Agarwal:** But under the new regulation, how are you looking at revenue recognition because if I look at under MITL for one of the phases of Iris Court, you crossed 48% completion. So how do you look at that?
- Anita Arjundas:** That particular phase of Iris Court has had revenue recognition, but Phase-II which has had about 50% or 60% of the units being sold could not start construction because it had some approvals pending and therefore there, there has been no revenue recognition. Phase-II is also the portion of Iris Court that is at fairly good pricing because if you recall, Phase-I was something where we had done a bulk contract with Mahindra employees who were coming up in the Mahindra Research Valley and to that extent less profitable than Phase-II. Also on Phase-I, we had the additional upper floors height approval pending which is why for sometime we were stuck at the third floor. With all of those approvals coming in, we have started work again on the upper floors and so we should be able to complete Phase-I hopefully by the end of this financial year.
- Anand Agarwal:** And in general to get a sense assuming the approvals come through on time, what is the typical time it would take you to hit the revenue recognition threshold, will it take like 3 to 4 quarters from the approval time I guess?
- Anita Arjundas:** I really would not hazard a guess on that number at the moment. I think it varies project-to-project. It depends on whether it is a 22-storey structure, whether it is a 15-storey structure, whether it is a villa, and so for something like a villa you have to maybe almost finish whole of the civil work and timelines would be different from say somewhere where you have two basements coming in and then construction on top. So it will vary project-to-project.
- Moderator:** Thank you. The next question is from Sameer Baisiwala from Morgan Stanley. Please go ahead.
- Sameer Baisiwala:** This is regarding the Jaipur SEZ and first question for the Evolve to the extent that you have already leased. What will be the average lease rentals?
- Anita Arjundas:** It would be at about Rs. 26 to 27 as far as rentals go. For some of the customers, we have fit-outs also. So those fit-outs would be at Rs. 22 to 23 and CAM charges would be between Rs. 7 to 8.
- Sameer Baisiwala:** And the second question is for the residential component which is about 714 acres, I think it includes social as well. How to plan to monetize, how would this unfold as you go forward?

**Anita Arjundas:** Immediately at this point in time, we do not have plans outlined for the residential. My view is it would be a combination of self-development and getting others to develop unlike Chennai where we focused on 100% self-development.

**Sameer Baisiwala:** And any timeframe when do you want to commence?

**Anita Arjundas:** At this point in time, what we have started is ground research in terms of demand in the area, the kind of supply available and we should be getting a master planner on board for the 700 acres master plan sometime towards the end of the financial year / early next financial year.

**Sameer Baisiwala:** So the earliest launch is may be 2 years away?

**Anita Arjundas:** I would think so yes.

**Sameer Baisiwala:** How do you break residential and social within this 714?

**Anita Arjundas:** So that would come out of the research that we are doing and the master planning that we will do. Like we did that in Chennai, broke it up based on what are the land uses we thought were relevant for the project, what we thought would be needed we have factored that in and arrived at a master plan. Once the master plan is ready, we will be happy to share it because then it will have breakup of residential, social, institutional, and commercial.

**Sameer Baisiwala:** And just one final question again Jaipur SEZ. Looks like not too much is left in Evolve as far as leasing is concerned. Do you plan to have another tower on self development basis meant for leasing out or is this going to stop over here?

**Anita Arjundas:** The entire Evolve in fact comprises 10 buildings in its master plan comprising a development of about 1.4 million square feet. What we have done is in a modular fashion. So we have finished the first three buildings and the fourth is under construction. Given the fact that we have commitments on leasing for most of it, we will now take up the fifth building.

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

**Prem Khurana:** Just to begin with in Chennai, we seem to have done pretty well in terms of presale this quarter, more than 60% of presales seems to have come in from Chennai projects. So just wanted to understand is it to do with the markets sentiments or we have put in any additional efforts to kind of see this upsurge in the presales number?

**Anita Arjundas:** One, overall the market has been stable, but I would not say there is anything which is a specific spike in the market that has contributed to a better performance. So it has largely been a better focus from our side on lead generation activities, marketing campaigns oriented towards the kind of customers that have resulted in conversions based on past data analysis and greater number of feet on street from the team side. So I think it has just been a stronger focused marketing effort.

- Prem Khurana:** So would these marketing efforts include some kind of freebies or some kind of discounts?
- Anita Arjundas:** No freebies or discount.
- Prem Khurana:** And in case of Chennai SEZ, we have to receive a small land parcel from Tamil Nadu Government to kind of conclude our MoUs into final agreements. So have we made any progress over there?
- Anita Arjundas:** Not really, On that, as I mentioned, we still have that 2+ acres pending. So therefore, we still have about 74 crores of MoUs which need to be converted into sales pending at Chennai.
- Prem Khurana:** And how about our North Chennai SEZ, the last where we required 520 odd acres?
- Anita Arjundas:** We are pretty much at the same level between Q1 and Q2 as far as North Chennai is concerned.
- Prem Khurana:** So does it mean the launch would get pushed back by one quarter or two because we were planning to launch it once we acquired some 800 odd acres?
- Anita Arjundas:** We still need that critical mass to come in. We need to be able to I would say at least add some important 150 acres before we can start planning for master planning and launch. We are processing about half of that currently. Let us see how it goes in terms of title due diligence and if we are able to add the balance 150 in the next few months, then we should still be able to look at how we can launch at the earliest.
- Prem Khurana:** In case of Jaipur SEZ, our area seems to have increased from 2670 acres to 2800 odd acres. What was the issue there?
- Anita Arjundas:** The total area of Jaipur is intended to be 3000 acres, but we got 2600 odd acres from the government both through government land and through land acquisition and there was about 300 odd acres which was tied up in litigation for the last few years. So we won the cases pertaining to most of them that is why you see the increase from 2600 odd to about 2800. We have another 100 acres which is under processing where the case is closed. Government is processing the papers for us and that will just leave us with two cases to close before we get the entire 3000 acres.
- Prem Khurana:** And last query- it was indicated that we have entered into some kind of MoU for 17 acres of the DTA zone. So when do we expect to close that transaction?
- Anita Arjundas:** That is the one where I mentioned to one of the earlier participants that there were some incentives which needed reworking with the government and that is under process and it has to be cleared by the Cabinet, which should hopefully get done in this quarter.

**Prem Khurana:** And our new launch in Pune, I was doing my channel checks and I got to know from someone that it is kind of soft launch for our employees only, Mahindra Group employees. So is it true or it is on offer for others as well apart from our employees?

**Anita Arjundas:** Normally, we follow a practice of keeping the first 15 days open for our internal employees, so the period from September 19 to end of September was internal and we had about 40 units being sold internally. Thereafter we opened it out to the market and the balance 50 units have been sold to the outside market.

**Prem Khurana:** So do we offer any differential payment plans or some kind of discounts to our internal employees?

**Anita Arjundas:** There is a lower rate per square feet which typically ranges from anywhere between Rs. 25 - Rs. 100 per sqft depending on the price of the project, but no differential payment terms. In this project, it was Rs. 50 per square feet being the difference for a Mahindra employee.

**Prem Khurana:** In your earlier comment, you indicated that in Bloomdale Nagpur, you were using MIVAN shattering for construction instead of doing old conventional method of construction. So what kind of cost differential tends to be there apart from time saving?

**Anita Arjundas:** I do not think cost differential is in the area of positive variance. It is either equal or if at all may be a few percentage points costlier, but I think what you would get is better finishing. The whole of plastering gets eliminated because the MIVAN finish is adequate to directly take primer and paint so eliminating a lot of sub-processes. You save a lot more on time. So in the long run, I would say the initial additional cost impact would get negated by the time saving and by some of the sub-processes being eliminated.

**Prem Khurana:** And our residential development vertical, project vertical, the margins seem to have come up if I have to compare with last quarter. So any specific reason, have we booked any incremental cost in our Aura Phase-I that we have delivered during the quarter or there are some final cost adjustments or something of that sort?

**Anita Arjundas:** Aura Phase-I delivered a saving at the end of completion. So that has been factored in. It was a small saving about 2-2.5% of the total project cost. So that would have improved Aura Phase-I margins.

**Prem Khurana:** But then our overall margins were down by some 10 odd percentage points on a sequential basis if I were to look at your segmental margins. So any specific reason for that because I believe I was under the impression that since we have started booking new launches, the margins should have been little higher than last quarter.

**Anita Arjundas:** The new launches are not into revenue recognition. Pune, the construction is yet to start.



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**Jayant Manmadkar:** You need to look at it at a gross contribution level and not at the operating profit level, so you will realize that as far as gross contribution is concerned which is typically project profitability, there is no movement, and there is no drop in terms of any project profitability.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference back to Ms. Anita Arjundas for her closing comments.

**Anita Arjundas:** Thank you everyone for being here and no further comments from my side. We will just get down to trying to see how we can make the best of the next two quarters and deliver some good results.

**Moderator:** Thank you very much. On behalf of Mahindra Lifespaces Developers Limited that concludes this conference call.

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*This document has been edited to improve readability.*