



**“Mahindra Lifespace Developers Limited Q2 FY 2018
Earnings Conference Call”**

October 31, 2017

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LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Mahindra Lifespace Developers Limited Q2 FY 2018 Earnings Conference Call.

We have with us on the call today: Ms. Anita Arjundas -- Managing Director and Chief Executive Officer; and Mr. Jayantt Manmadkar -- Chief Financial Officer.

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 the conference is being recorded.

I would now like to hand the conference over to Ms. Anita Arjundas. Thank you and over to you, ma'am!

Anita Arjundas: Thank you. Good morning, everyone and Welcome to Q2 FY 2018 Earnings Call. As you are aware, the Indian Accounting Standards are applicable to the Company from 1st of April 2016. Hence, certain key operating entities like the World City, Chennai; World City, Jaipur; Mahindra Homes Private Limited; and Mahindra Bebanco Developers Limited are no longer consolidated on a line-by-line basis, but are consolidated on the basis of the equity method of consolidation.

During the second quarter, the Company has registered all its ongoing projects across locations with respective to the RERA registrations across states. So, wherever it has been applicable to our projects, all of them have completed their registration. Due to the time required to complete registration of various projects during which period marketing was not permitted and also, coupled with an increase in price of about 2% to 3% because of GST, we have observed lower sales during Q2, July and August were actually very low months, September did pick-up to normal. But on an overall basis, therefore, residential sales during Q2 were lower compared to Q1.

Demand in the Premium and Luxury segments continue to be weak. Demand has picked-up in the lower ticket size projects. In the previous quarter, we saw 60% of sales coming from the sub-Rs. 50 lakh segments. Today if you look at the sub- Rs. 75 lakh segment, they have contributed about 55% of the sales, the balance coming from the other segments.

Delay in approvals of projects in Mumbai due to the regulatory issues continued to impact our ability to put in a new portfolio into the operating mode and to contribute to revenues and profits.

We had two significant announcements: one during the quarter and one the month immediately after. The first was to do with a strategic partnership with the International Finance Corporation (IFC) wherein IFC and Mahindra Lifespaces will partner in the industrial clusters business for development of multiple upcoming industrial parks.

Recently, in this month, we also announced a joint venture platform with HDFC Capital to focus on Affordable Housing Projects in the sub- Rs. 50 lakh segments. Both of these partnerships are key to the growth plans for each of these business verticals as we go forward.

In terms of consolidated results, the key numbers are as follows:

Total income for the quarter stood at Rs. 129.1 crores, compared to Rs. 144.8 crores in Q2 FY 2017 and Rs. 148.7 crores in Q1 FY18.

The consolidated PAT, post minority interest, stood at is Rs. 13.6 crores for the quarter, compared to Rs. 32 crores in the previous year same quarter and Rs. 13.8 crores in Q1 of this year.

The Residential business including Affordable Housing, sold about 200 units during the quarter amounting to about Rs. 111 crores of sales value with an APR of Rs. 5,129 per square feet.

As I mentioned earlier, 36% of the sales volume came in from the sub- Rs. 50 lakh segments whereas around 55% came in from the sub- Rs. 75 lakh segments. There has been a strong focus on selling finished goods in the last few quarters. 37% of the total sales value on Q2 came in from finished goods.

Handovers have continued to progress in a good pace, and as of H1, we have a total of 875 units handed over to customers. We should be in a position to handover another 700 units to 750 units through the rest of the year.

In terms of the integrated cities & industrial clusters business, in Jaipur we signed three customers, all three in the DTA, totaling to about 6 acres of sales and in Chennai, we find one customer in the DTA for about 4 acres of sales. So, both the World Cities put together, contributed about 10 acres of sales amounting to around Rs. 20 odd crores of total sales value.

For the newly launched Industrial Park at Chennai, we have received all the approvals that are required to get the project started, so construction activity has started on the ground. Soft marketing has also commenced in terms of reach outs to customers. We will be formally launching the project in this quarter.

In the case of Ahmedabad, as we have mentioned earlier, the land acquisition has been completed. IFC which is partnering on this project, has already infused its share of capital into the project during this month and we are in the process of getting various approvals in place so that we can launch the project during this financial year.

I would now request Jayant to take you through the financial performance for the quarter.

Jayant Manmadkar:

Thank you, Anita. Good morning, everyone. EBITDA margin for Q2 FY 2018 stood at approximately 1.6% versus 12.2% in Q2 of FY 2017 and 11.7% in Q1 of FY 2018. The PAT

margin for the Q2 FY 2018 stood at 10.5% versus 22.2% in Q2 of FY 2017 and 9.4% in Q1 of FY 2018.

The reduction in EBITDA is attributed mainly due to lower revenue and contribution in absolute terms keeping fixed cost at similar levels during the quarter.

The PAT margin has improved marginally during the quarter versus Q1 FY 2018 due to higher other income. Company has further optimized its cost of debt which stands at 9.3%.

I would now like to throw the floor open for questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. We take the first question from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: My first question was with respect to the numbers that were shown in terms of fresh booking and it appears that it has been one of the weakest quarters that we have had especially for Pune and NCR whereas Bengaluru (Bangalore) has been somewhat better on a sequential basis. So, what explain this diversion because I mean, as I understand, because of GST have we seen this kind of sluggishness and it should have been there for Bengaluru as well? And the second, I mean, is it purely because of GST I mean if you could share your thoughts on what can in this quarter because I mean, I understand, because GST you would not have been able to complete some of these transactions but then the walk-ins would give us a better fair picture of whether the demand is slow in nature or is it purely because of GST?

Anita Arjundas: Yes. As far as Bangalore (Bengaluru) is concerned, I think, the reason you see a difference there is because we have launched the Phase-II of Windchimes in the last week of September. So, there is a week or two sales which has come in the last few days which contributed the quarter's performance for Bangalore (Bengaluru). So, early release of new inventory because what is left in Phase-I is about 40 odd units, not necessarily therefore may be desirable in terms of specific locations that people want, the more choice opening up has resulted in about between September and now about 18 odd units being sold in the last one month in terms of the newly released inventory. So that is the difference as far as Bangalore (Bengaluru) is concerned. And across markets we have two things happening while in the West we have got all our projects registered by July 1st because the website was ready earlier, the authority was in place. We got most of our approvals from one week of submission. So, we were effectively in a better position right from say the month of August. But in all other markets Bangalore for example got its registration only done in the month of September. Again, Chennai got its registrations done only in the month of September. So, there has been a couple of months delay in being able to go out and actively market because we had to take down advertising in terms of outdoor, in terms of communication. We could not take our print ads because that was the requirement under the RERA rules after July 1st. So that definitely was a factor. I think, there was also a factor in terms of a bit of slow down on ability to get residential sales during the period because there was some confusion

around whether customers who are referring should register as a broker or not register as a broker based on interpretations of the RERA rule. So, these definitely contributed to slower sales in July and August and if you couple that with GST while we were one of the early developers to actually go out there and put out the input tax credit from day one in terms of what the customer would get. The fact of the matter is that on most ongoing projects which are say upwards of Rs. 4,000 - Rs. 5,000 in terms of price point even after input tax credit you do have an impact of about anywhere between 2% to 4% depending on the stage of construction of the project at the maturity of its life cycle. And we did not absorb that we did factor that into pricing. So that had its own pain in terms of the time taken for people to take decisions and convert.

Prem Khurana: Sure. And how has been the walk-ins been for us in this quarter at least I mean on a sequential have we seen any improvement now?

Anita Arjundas: So, July and August were at I would say 40% of what we typically do in a month. September was at about 110% to 120% of what we do typically in a month. October should be in line with base line performance on a monthly basis.

Prem Khurana: Sure. And given the fact that I mean there is still no clarity on GST for the ready to move in properties and we are sitting on almost 220 odd units - 225 odd units. So how do you see this will impact demand because I mean essentially you are not allowed to claim any input tax credit benefits on the ready to move in inventory and we have this big inventory available with us and therefore, essentially...

Anita Arjundas: Actually, on ready to move in a way it is easier because there is no GST applicable. If somebody is buying a product after you got your occupancy certificate and his first payment installment is post OC then there is no burden of that 12% GST there is no IDFC but there is no 12% also. And to that extent ready possession is actually more convenient for a customer and if you look at the first half year which is why we have also been able to see greater traction round ready possession. Today, I think, the significant inventory is yearly only 66 units in Hyderabad and 76 units in Aqualily in Chennai. The Nova 53 units will be completed in the next few months. That is something which has a normal run rate of around 15 units every month, it should be finished in this financial year. Hyderabad there have been a few challenges around the local environment on registration of projects in that entire belt with the Government putting a embargo on registration. So that has impacted sales. But yes, I would not be too concerned about either Nova or Ashvita as projects Antheia and Boisar is about five units - six units all of that will be completed. Aqualily will be slower than we would like to see with 76 units as inventory.

Prem Khurana: Sure. And any specific comments on NCR, we still have some inventory to sell there I mean under construction projects and the market does not seem to be picking up any time at least it has been struggling for last years and there appear to be no sign up they are improving at least in the immediate future and we have Luminare to sell, so any comments there? Basically, I mean, are there any options available to us to be able to push volumes in this project?

Anita Arjundas: Yes. So, things continue to be slow in NCR at the moment as you rightly said and particularly in the luxury segment it is even more difficult. As far as Luminare is concerned, I think, if we look at the first phase, the first tower, we do have the units which are left over today are in specifically the lower floors and, so we are having a specific scheme to address the lower floor unit so that we can complete the sale of those units. We have been able to hold on to pricing at Luminare. But for the lower floor units which are not necessarily designed some of them are facing an EWS block, some of them are the first three - four floors where people do not necessarily see access to a view. We are running special schemes to get that inventory converted into sales.

Prem Khurana: Okay, sure. And just one last from my end. Could you please share any thoughts on a pipeline I mean MoU that we have in place now and how many these could be for HDFC platform?

Anita Arjundas: Currently, as far as the HDFC platform is concerned as we mentioned in our Press Release, we have moved the Palghar land from MLDL books into the platforms book this month. And we are working on one MoU for a land parcel of about 9 acres in the outskirts of Mumbai which would go under that platform. So, these are the two at the moment which one is clear pipeline we should be launching later this year which is the Palghar land. The other is still at an MoU stage, we need to get into due diligence and then close that transaction. We do have responsibility for approvals assigned to the land owners as part of the transaction. So, in our view, if that can be completed in a six-month process then we should be able to launch the second project early next year. We continue now to go out and look together for newer opportunities for the Affordable Housing platform. As far as the Mid and Premium segment is concerned, we currently have three transactions that we are working on in Bangalore (Bengaluru) and one in Hyderabad. As far as the Hyderabad and one transaction in Bangalore (Bengaluru) is cornered all due diligence is completed. We just have one CP in each of these particular land parcels for the land owner to complete for us to be able to move the land to our books. So that is pending. The other two land parcels in Bangalore (Bengaluru) are in early stages of diligence.

Prem Khurana: Sure. Nothing in Bombay (Mumbai) or Pune?

Anita Arjundas: Nothing in Bombay (Mumbai) at the moment. Pune, we are looking at a pipeline but nothing that we have closed in terms of being able to comment about it at least in this call, I think we should have a better update in the next call.

Prem Khurana: Sure. And ma'am this HDFC platform, is it a finite life platform or there is no timelines as such?

Anita Arjundas: There is timeline in terms of investment commitment, so there is a three-year period for both of us to be able to put in the Rs. 500 crores in the project, obviously, extendable by mutual consent. There is no other timeline in terms of exit.

Prem Khurana: So, I mean, is it fair to assume that you would have to put in Rs. 250 odd crores over the next three years?

Anita Arjundas: We have to put an amount Rs. 125 crores because we have 25% of the overall economic interest in the platform though we hold 50% of the equity. So, based on the instruments that we will be funding the project with we will be putting in 25% of the total funds, but 50% of the equity.

Prem Khurana: Sure. Just one last from my end and I will come back in the queue for more. This other income that we see will be dividend income from some of our subsidiary especially from Jaipur and Chennai is it something else?

Anita Arjundas: We had other income coming in from Jaipur in the form of dividend. We also have dividend coming in from Mahindra Integrated Township Limited but that would have been construed in the consolidation. But there was dividend from these two entities. There was also interest income coming in from the Gujarat SPV with IFC coming in as a partner and taking up 50% of the stake Lifespaces has taken out 50% the funding that it had given to acquire the land for the project. And along with that, it has taken its interest income out also.

Moderator: Thank you. We take the next question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Just quickly a follow-up on the earlier question on, in terms what is the outlook on Mumbai and Pune market, I understand, NCR continues to be weak. But outlook on MMR and Pune, if you can share, considering we are fairly in advance stages in terms of RERA registration over here. How do we see the volumes when do we see the volumes picking up here?

Anita Arjundas: So, Mumbai proper we do not have a reference point in our portfolio because the only project which we had which was being sold was Vivante which is completely sold out as of this month. We had only two units or three units all of those three units have been sold. So, really there is no reference point for us from our own experience in terms of Mumbai volumes. As far as Pune is concerned it is backed to the normal level that it was pre-July. So, the September month Antheia for example has tracked around 15 units to 20 units per month which it typically does. Again, October, it should see about the same kind of volumes coming in. We should be able to sustain Pune volumes going forward. Mumbai, we will have to see as we launch a new project how the market reacts.

Kunal Lakhan: Yes. My second question is on the same line, so considering the hurdles which we are seeing in new launches in Mumbai what is the visibility of launch of Vivante Phase-II or for that matter your Andheri or Kandivali projects?

Anita Arjundas: From our point of view no direct visibility on this Kunal because both are resting with the High Court. As far as the dumping ground matter is concerned which effects Kandivali and Saki Naka and Kandivali is affected only by that. So, if the dumping ground matter is sorted out we can launch Kandivali. Kandivali, our understanding is that MCHI's appeal has been accepted in the Supreme Court. Supreme Court is looking at some kind of interim solutions to where the High Court is today. And we are expecting a judgment on the 13th of November. The view is that

there should be some form of opening up of developers taking responsibility for managing their waste and tying up with waste receivers, so as to enable permissions to be continued and construction to commence. So, if that goes through then Kandivali would be free of the current regulatory challenge. As far as Saki Naka is concerned, it has one of its two hurdles remote, the second remains which is the height approval issue in line with the High Court and Vivante II which has only the height approval matter pending. The Chief Justice of Maharashtra is supposed to set up a committee to hear the matter on a fast track basis enclose it but that still not happened. We do have height confirmation from civil aviation as per the height that we require for the project, but civil aviation is not allowed to release approval until the High Court matter is completed. Well, in terms of Pune and Chennai, I think as far as the Pune new project in PCMC is concerned, we have received all our approvals except the environment clearances which should because they have moved away from the MOEF driving the clearances to an integrated building plan department driving environment clearances. The state of Maharashtra is still setting up the new environment cells, a cell in PCMC has just being formed. We are awaiting for the matter to be heard by them. But otherwise all the building plan approvals are already been received for that project. So, if we can get the environment clearances in the next month since it is the same department that has clear the building plan that needs to clear for environment this should be in a position to launch in Q4. Same is the situation with Palghar all approvals in place, environment clearances received up to the committee level under the earlier dispensation but now we need the new building plan department to give the approvals. So, both of these would be a December or January launch subject to environment clearances completed in the next month or so. Chennai again, we have about close to 1 million square feet schedule for launch that is in advance stages of approval, so again we would like to be able to launch that at the earliest during this financial year. So, these three more visibility, the Bombay (Mumbai), the three in Bombay (Mumbai) are a function of the High Court situation.

Kunal Lakhan: Sure. So essentially for us to revive volumes in H2 if these new launches do not happen we will basically have to look at monetizing our ready inventory a little more aggressively?

Anita Arjundas: Yes. I mean, ongoing under construction inventory and ready inventory yes.

Kunal Lakhan: True. Any strategy towards that especially your ready inventory?

Anita Arjundas: Sir, ready inventory we already have specific plans in place for each of the markets, we have been using those efforts which is why you have seen I think traction of almost Rs. 80 odd crores coming in during the quarter from ready inventory, we will continue to push that. The endeavor will be to complete all of the value of the ready inventory is about Rs. 190 crores currently in our books at current selling prices and the endeavor will be to push all of that through and close the year with no ready inventory.

Kunal Lakhan: Sure, great. My second question is on our industrial clusters. The leasing momentum remains a bit soft at Jaipur for the DTA area, what is the outlook there like what is the strategy there to expedite the monetization of the area there?

Anita Arjundas: We are intensifying outreach efforts in terms of going and meeting specific customers who are looking at expansion reaching out to high marquee customers both international and Indian, so there is a greater outreach as oppose to customers coming in towards us. Definitely from the overall context of new capital investments there has been a level of sluggishness in this financial year in terms of company seeking to make new investment. In Jaipur, we have seen really the smaller localized Indian players, who are looking at small tracks of land and that is why while you have three customers getting added they typically are in the average size holding 1 to 2 acres. Chennai the pipeline is a little better and is also a little larger in terms of size between say 3 acres to 5 acres. All of them typically multi nationals but decision time is definitely taking more there and also almost all the customers we have signed up in Chennai in the last year have not been customers seeking to take land but there have been customers seeking to get build suit solution. Therefore, it becomes a three-way conservation, a developer who is going to build for them, us and the client. So again, the closure therefore is taking longer it has also put its bit of stress therefore on the average price realized per acre in Chennai because you have an intermediary who also has to, may cover his overheads and his profits on the product that he is offering to the customer.

Kunal Lakhan: Sure. But then based on the current pipeline I mean it does not seem like we are going to close something large either in Chennai or Jaipur, would that be a fair assumption at least for H2?

Anita Arjundas: In terms of the current lead base I would say Chennai would continue to see a few customers getting added every quarter in the 3 to 5 acres kind of range. Jaipur continues to be in the 2 acres - 3 acres kind of mode. We are working on an outreach with larger acreage requirements but the pipeline today is definitely not something that I can comment on in terms of giving finite numbers for H2.

Moderator: Thank you. We take the next question from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia: I wanted to get some sense from you as compared to your residential real estate kind of business which also could have been scale through a JV and an asset-light model which some of the other listed players are doing. We have taken two strategic directional calls in terms of JVs to scale that model one is the industrial cluster and one is the affordable housing tie-up which we have announced. So, what is your sense in terms of direction, some sense of yields, operating margins and why did we prefer these routes to scale vis-à-vis say pure play residential real estate business, if you could give some thoughts that will be very helpful.

Anita Arjundas: So, it is not to the exclusion of scaling of the residential real estate. In fact, residential real estate would be the significant scale engine in the overall mix. I mean, today if you look at our mix about less than 10% comes in from the affordable housing about 20% comes in from the industrial clusters and the balance is from the residential in terms of I am talking about top-line contribution. The reason we have seen no references to residential and is possibly because the IFC and the HDFC partnership have got highlighted in this quarter so that is top of my

invisibility. If you look back, we do have a relationship with StanC for a Rs. 1,000 crore platform that we put together three years back. We have deployed about 70 odd percent of that, there is still a 30% deployment pending. We have also defined our relationship with one more partner for the next round of fund that the residential business will need. But we need the MoU's getting into a mode where they can convert into deals for us to start talking about those relationships and announcing them. So therefore, in a summary from a capital perspective, yes, the residential would be an important component of capital needs. But it definitely will follow a more asset light model either in terms of the partnership or in terms of joint developments. So, a lot of the transactions that we are perusing in residential are in the JD mode and the intent is to look for significant scale in that part of the business. It is just that on these two pieces as far as the industrial clusters is concerned, we wanted to ensure that it can take care of its own growth requirements through a strategic relationship which can keep investing along with us and taking care of the capital needs of that business, so that we do not have to put in anything significantly more into that piece and the affordable housing is an endeavor to build the business from scratch to scale with the partner.

Prakash Kapadia: Okay. So, it is just a matter of time once we have some of the joint venture modalities and some of the negotiations are on we should see an array of launches and scale in that.

Anita Arjundas: Yes. And also, in terms of capital therefore, even for the residential the relationships have been identified and finalized the term sheets have done. But normally we do not go into public domain until we actually have an investment cheque to be cut by the platform. So, in the HDFC platform case since we were moving Palghar we completed shareholder documentation and made the announcement. Similarly, in IFC since the invest in the Jhansali was happening the Ahmedabad project, we went ahead and table that in terms of announcing the relationship.

Prakash Kapadia: Understood, that is helpful. And lastly, if you could give us some sense, on what is happening on the ground given that RERA has been implemented in certain key states, certain states are still adopting. So, are we seeing this as a beginning of a structural trend where some of the unorganized so called local players will face a lot of these challenges in terms of compliance the headroom to grow for brand like us is just the beginning of structural growth in the sector?

Anita Arjundas: Definitely, a huge paradigm shift in terms of structural changes. A lot of compliance, a lot of new ways of doing business that are being demanded out of people. I can only comment based on anecdotal conversations and anecdotal conversation seem to indicate that you clearly getting three baskets of players, one basket which clearly wants to exit and not be part of the industry. The other which wants to get into structured relationships, get into JDs be willing to put their lands out to more credible names who can drive sales, who can drive marketing, who can drive execution and for them to be more silent in the relationship. And the third is the organized players both corporate houses and some of the traditional players who have been professional from the beginning and have run business differently looking to scale up their own businesses given the opportunity arising out of bucket-I and bucket-II.

Moderator: Thank you. We take the next question from the line of Samar Sarda from Kotak Securities. Please go ahead.

Samar Sarda: My first question was on the Affordable Housing platform with HDFC capital. So just wanted to understand one is like what is the scale of projects we are looking at? Two you mentioned that the ticket size launch will be sub- Rs. 50 lakhs but would it be more towards a Happinest kind of a product where it would be around Rs. 20 lakhs - Rs. 25 lakhs, or more closer to Rs. 50 lakhs? Three, from a deployment perspective HDFC is also doing this with some of the other developers. So, all our on forthcoming projects will happen under this platform or some projects might also happen beyond this platform? Thanks.

Anita Arjundas: So as far as Rs. 50 lakhs is concerned that is an understanding between the parties that is the space that we will focus on. Currently the effort is to stay with the Happinest segment which means it would be sub- Rs. 25 lakhs. Over a period of item depending on locations that we choose and how it pans out, I would say may be that sub- Rs. 25 lakhs could go to sub- Rs. 30 lakhs or sub- Rs. 40 lakhs but that typically would be the range of projects that we would have. So we distinctly see possibly two categories of projects coming forth over a period of time those which are in the extended suburbs and those which are a little closer to the city with different formats and difference price points and different approaches but under the Happinest name. In terms of scale I mean, if you are looking at Rs. 500 crores investment as a function of where we look for land, it could mean anywhere between a 5 to 10 msft of development potential over the investment period because if we get closer to town then we definitely would look at land which is more expensive. Whereas if we stay in the extended suburbs then you are looking at being able to do about 10 million square feet of development. As far as the last question whether we will do anything outside of this platform, I think the understanding is that we would like to grow the affordable housing platform for Happinest with HDFC but like in any structure, if there is a land parcel that we believe strongly but they are not convinced by, we do have the freedom to go ahead and do it on our own.

Samar Sarda: Okay. And any restrictions on the markets or you could invest across markets?

Anita Arjundas: We have agreed that initial focus will be on Mumbai, Pune and then we will extend to other geographies as we go along that restriction is based on a desire to create a certain scale in these two markets first rather than spreading ourselves thin.

Samar Sarda: But just for the sake of argument, say for example, HDFC's recent investment in Pune, so that will also restrict your investment decisions with respect to that particular micro market of Pune, so would not that be a competition internally.

Anita Arjundas: I mean we have to look at it that they are a fund, they have a large pool of capital to deploy, they will look at multiple relationships some of them strategic, some of them transactional. So, it is not as of that we are going to consume the whole corpus that the fund has.

Samar Sarda: Okay. And one last question on this is like most of your acquisitions will be outright or you will be also looking at joint developments under this platform?

Anita Arjundas: In this platform, we would by in large stay focused on outright, the Affordable Housing platform, in the Mid segment and Premium segment we continue to look for a greater proportion of JDs to outright.

Samar Sarda: Okay. The other question was with respect to the StranC platform, I missed out one of your answers earlier, you mentioned, you have invested 70% of that Rs. 1,000 crores platform. The new deals you are looking at in Hyderabad or Bangalore (Bengaluru) you mentioned which is the part I missed out. Is this part of the platform exercise or your regular BD exercise?

Anita Arjundas: One of them is part of the platform, the others are MLDL is looking at it on its own at the moment. Out of the others that MLDL is looking at three are on JD mode one is on outright mode.

Moderator: Thank you. We take the next question from the line of Deepan Kapadia from KDK Capital. Please go ahead.

Deepan Kapadia: I want to know what is the vision for the next couple of years on especially the growth pattern that we are trying to set in because the IFC partnership and the JV partnership that we are having with HDFC, how do we plan to grow in at least couple of years, at least three years - five years something on that, sir?

Anita Arjundas: We normally do not share any forward-looking estimates as policy. But what we will be doing later in the year is working to schedule a strategy call, where we will share with the investor and analyst community our plans for the next three years - four years for each of the business segments and the approaches we are going to take. We would give some sense of not specific numbers but at least multiples of growth that we are targeting at that point in time. So, I would defer the question to that strategy call.

Deepan Kapadia: Okay. So basically, right now we will not be able to share a strategic call even for the next three years, we will wait for a couple of months to share it?

Anita Arjundas: Yes. I mean, we do have it internally set but I think in all fairness we would like to ensure that we put out invite to the wider community confirming that it is a strategy focused call and then take it from there.

Deepan Kapadia: Okay. I was just looking at a strategic direction not at any numbers, thank you for that.

Moderator: Thank you. We take the next question from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia: While you gave the broader road ahead what I was looking at is also some sense on operating margins in the industry and affordable business vis-à-vis residential business in terms of steady state operating margin. If you could give some color on that?

Anita Arjundas: So currently we look it as far as EBITDA margins are concerned, the industrial clusters tend to be very good because of the maturity stage of Chennai and Jaipur. So, we typically see around 40% to 45% EBITDA margins there. I think, the stress in that vertical really is being able to see greater volume traction coming through greater investments into the country, one. And two, as a connection to that there is a certain level of debt in those entities which tends to require interest servicing, so while you have EBITDA at 40% - 45% level the PAT margins tend to come down to about 10% level because of the interest burden to be serviced. A part of it gets addressed through the new relationship that we are entering into with IFC but a part of it is also yearly about getting greater volume throughput.

Prakash Kapadia: Correct. Which is a function of the broader manufacturing.

Anita Arjundas: This business is a function of the larger micro economic environment. As far as the residential is concern, the EBITDA margins on an overall basis I mean including affordable housing, for example if you look at the quarter on a gross contribution level we would be at around 30% but if you look at sales and marketing costs and thereafter if you look at man power and admin costs the issue really at the moment is that the scale of operations does not cover the scale that the organization has been established for in terms of fixed cost. And so, for us as far as the residential business is concerned while demand needs to improve, throughputs needs to improve, I think the bigger piece for us is about getting the launches out, all of those that are held up getting more new land parcels in and pushing overall scale of operation so that we can optimize our fixed cost.

Prakash Kapadia: Understood. And this 30% which you mentioned at the operating level including affordable would come down to what currently at the net level would be higher than that 10% which you mentioned for the industrial business or it would be probably similar?

Anita Arjundas: So, at an EBITDA level it comes down to about 10% again that is because it is a function of what the fixed costs are of the organization, what the sales and marketing costs are. So, you are looking at 30% gross contribution post sales and marketing post manpower and admin coming down to 10%. So, at PAT level, it is nearly coming up to about only 6% - 7%.

Prakash Kapadia: Okay. And essentially, what you are hinting at is there is some amount of capacity in terms of people, process, organization, which we have already build on, as we move ahead there is a room for operating leverage and margin improvement to come in the near-term once obviously the macro and some of the new launches get envisage.

Anita Arjundas: Yes, that is right. Because I think, at the site level we are optimal, at the site it is easier for us to scale up and scale down based on adding new projects, the projects getting completed but the

corporate resourcing is planned for a certain level of scale. So, if you had to look at the even going possibly a 2x or 3x of current scale levels we are not going to do more than 10% or so in terms of current cost structures at the corporate level.

Moderator: Thank you. We take the follow-up question from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: I am just one on Nagpur - Bloomdale, have we been able to kind of arrive at a resolution with our partner?

Anita Arjundas: So as far as the construction contract issue is concerned where the contractor who is also our partner did go to the High Court seeking a stay on us having him seized to be a contractor due to expiry of influx by time. That has lost us seven to eight months because he went to the single bench, he went to the double bench, finally went to the Supreme Court. All of them have upheld our stands on the matter and confirmed that nothing wrong was done and so not given any stay with respect to the construction contract. Therefore, really the next steps is for both of us to go into arbitration on the construction contract but that is more with respect to claims on either sides. As far as the relationships as shareholders, therefore, we are trying to work with them to see how best we can solve things going forward so that it is easier and smoother for us to run the business without any attendant issues and being able to service customers in terms of delivery commitments.

Prem Khurana: Sure. And on Thane land parcel?

Anita Arjundas: Thane land parcel, there was a hearing done by the Tehsildar who had given the judgment with a whole idea of reviewing his own judgment. The hearing was completed, and the judgment was awaited I think, unfortunately there has been some issues around that specific Tehsildar and he has been removed from the Government rules and now a new Tehsildar is to come in.

Prem Khurana: Okay. The process will start again.

Anita Arjundas: Yes. Basically, somebody else would review his judgment. We are fairly confident based on evaluation of all our documentation that there has been an error in that judgment it should be satisfied.

Moderator: Thank you. We take the next question from the line of Faizal Hawa from HG Hawa & Company. Please go ahead.

Faizal Hawa: Ma'am, my question is on a strategic basis is there any ambition from Mahindra Lifespace to be a nationwide player and leverage the Mahindra brand because as such if you see after RERA and GST there are actually hardly any national players of any note even DLF does not have national ambition, Godrej is the only person who has really scaled up. On a tragic basis, on a five-years to seven years basis, will we have that kind of ambition?

Anita Arjundas: Scale, definitely yes, of a significant nature in terms of footprints, I think, it is a function of how markets evolve if you are looking at five years to seven years. If I had to look at a 3 to 5 years window, then we would focus on the South and the West in terms of building market share before we look at expanding footprint because today we have typically about one project to two projects in every city which is not optimal scale from an organization perspective. So, I would rather have say eight projects to ten projects running in some of the co-cities before we start looking at newer cities.

Faizal Hawa: So, short point is that we may remain limited to under ten cities for at least in the next five years to seven years?

Anita Arjundas: Yes, that is true. And again, as things stand today in the Indian context those ten cities itself are from a depth perspective would be just about the maximum unless things start changing and you really have economies in these smaller cities getting more oriented non-cash transactions, getting more oriented to formal real estate. Getting job creation happening there in significant numbers, you can do one project and you can go and do two projects but there is not enough depth to do too many projects.

Faizal Hawa: So, the only thing that could change our thinking is job creation coming in, even if people offer you land and very good terms even that will not break our concentration and you will not go into some other cities.

Anita Arjundas: No, it is spreading resources thin and you need to staff just like you are staffing anywhere else the full organization. If you are deploying an organization over half a million square feet, 1 million of square feet it is suboptimal.

Faizal Hawa: And do you have some kind of an international player, whom you look up to as inspiration to look at scale and look how we could evolve over the next five years to ten years?

Anita Arjundas: Let us have a cup of tea sometime and I will have a conversation with you on this.

Moderator: Thank you. We take the next question from the line of Vaibhav Shah from ICICI Direct. Please go ahead.

Vaibhav Shah: Ma'am, just wanted to check it out regarding the Jaipur I mean we have got the approval for the DTA area and we were looking to launch it in the second-half. So, I mean, from your earlier commentary it was appearing that the sales momentum in the Jaipur Integrated Development would be subdued in the second-half as well. So just wanted to check it out what is impacting in terms of the overall market there?

Anita Arjundas: So, Jaipur as far as the second DTA is concerned, we have got all the approvals in place. In fact, whatever we have been selling in the last nine months have been from the new DTA. So, I think, it is a total of about 15 acres - 20 acres that have been sold from the new DTA so far. Unlike the first DTA where we had certain large customers coming in so we had 20 acres taken by Perto,

we had 20 acres taken by Rexam, JCB took about 100 acres. So, there we saw multiple large customers coming in and we are able to complete the first DTA very quickly, the second DTA has been slower primarily because we are not seeing too many customers of the larger nature coming into make significant investments. So really, it has been a function of both the overall investment climate from a point of view of people who are wanting to invest in new locations, in terms of new investments actually, in terms of new capital outlays for manufacturing. And second, then they start looking at options of five or six or seven different states and cities and you are competing for a smaller pie with other states. In Chennai, the destination was a lot more mature, the city is a lot more mature in terms of industrial climate, so it is kind of an easy choice for many people which is why you see a lot more of multinational customers they even in the limited portfolio that is looking at fresh investments. There is a greater traction in Chennai, but decision timelines are definitely longer.

Vaibhav Shah: Okay. Ma'am with regards to the Palghar project, is it on time? We were earlier expecting to launch it in month of October or November?

Anita Arjundas: So, as I mentioned earlier, we are delayed there because of the environment clearance. We have got all our building plan approvals as of October. We are good to go in terms of being able to launch. Now that we have moved the land to the HDFC platform, we are initiating RERA registration shortly. The one pending factor there is the environment clearance, we were approved by the environment impact assessment committee following that you have to get the approval from the environment impact assessment authority. But in the middle, the Central Government has changed the rules and said, to make it easier for the construction industry, anything which is less than 15 lakh square feet of development would be integrated with the building plan department for environment clearances and they supposed to set up an environment cell. So, since the Palghar is less than 15 lakh square feet, the authority is refusing to hear the project even though it is just a final approval because the new circular has come into force and the environment cell is yet to be set up in Palghar. So, it is procedural delay because the department now has to approve. It is the very department that has already approved the building plans.

Vaibhav Shah: So, ma'am, I mean, could you also throw some light in terms of the IRR in the project, given some delay in approval, what would be the impact on the IRR these Affordable segment project?

Anita Arjundas: We will need to come back to you on that specifically.

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

Anita Arjundas: Thank you. And I think, the focus for us for the next five months is going to be along the lines of many of the questions that we have in this call today which is really around ensuring that H2 sales momentum picks up both in terms of ongoing projects and the ability to launch as much of the new projects that we have plan for at the earliest, so that they can start contributing towards

both revenues and profits. Coupled with that, I think, as far as Premium Residential business is concern and the Affordable Housing business is concerned the focus will be on going able to add new inventory to be able to scale up the business significantly going forward. These two are really the two engines of focus for the next five months for the company. Thank you.

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

(This document has been edited for readability purposes)

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