



“Mahindra Lifespaces Developers Limited Q2 FY19 Earnings
Conference Call”

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MANAGEMENT OF MAHINDRA LIFESPACE DEVELOPERS LIMITED:

MS. SANGEETA PRASAD – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

MR. ARVIND SUBRAMANIAN - CHIEF EXECUTIVE OFFICER, HAPPINEST

MR. JAYANTT MANMADKAR – CHIEF FINANCIAL OFFICER

MR. SUMIT KASAT – HEAD, INVESTOR RELATIONS

Moderator:

Ladies and gentlemen, good day and welcome to the Mahindra Lifespaces Developers Limited Q2 FY19 Earnings Conference Call. We have with us on the call today Ms. Sangeeta Prasad – Managing Director & Chief Executive Officer, Mr. Jayantt Manmadkar – Chief Financial Officer and Mr. Sumit Kasat – Head, Investor Relations. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sangeeta Prasad. Thank you and over to you, Ma’am.

Sangeeta Prasad:

Thank you. First of all, good afternoon everyone and I think happy festivities. This is the festive season. We are between Dussehra and Diwali, so wish you all happy timings for the season. I have with me also Arvind Subramanian, who is the CEO, Happinest alongside Jayantt, your tried and trusted friend – our CFO. So, let’s see what has happened in the last quarter. But before I get into the last quarter, I just wanted to remind all of us that our organization’s throughput is not measured in our financial performance because of IndAs line-by-line consolidation of all our operating entities are not done. So, what you see in the topline is not reflecting of the organizational throughput. Coupled with IndAs 115, what it does is, because of the completed contract methods. It only enables topline when a phase or a project is completed, and I just wanted to highlight these 2 contexts in the scheme of what is going to follow as we go along in the subsequent quarters. In the residential business, we continued with our launch idea after Roots in Q1, Lakewood’s in Mahindra World City Chennai was launched in August 2018. It is a total saleable area of 0.9 million square feet with 747 number of apartments comprising essentially 2 and 3 BHK aimed at a very, very sweet spot of 40 lakhs to 50 lakhs per unit.

The last quarter also saw a few highlights which were in terms of Rs. 250 plus crores of residential sales and around Rs. 249 crores of collection. So, these were 2 of the highlights. This kind of reinforces our focus on operating metrics as you would all realize that if you are looking at completed contracts as our revenue recognition method. The best way to attain that is to create pipeline from sales, create pipeline through launches and that has been our focus for the last quarter. Apart from that I would like to highlight to you some of the nuances of our sales. Our sales had been triggered mostly by the new projects Roots at Kandivali and Lakewoods in Mahindra World City Chennai which contributed to Rs. 88 crores of our Rs. 256 crores of sales in the last quarter. Finished goods inventory sales stood at Rs. 79 crores and this was triggered mostly by the finished goods sale of Windchimes Phase-1 as well as Ashvita and Antheia in the last quarter. Average price realization for the quarter stood at 6,400 per square feet, reflecting higher contribution for 1 crore and above ticket size product, primarily because of Roots and Windchimes.

The highlight of Mahindra Homes was the completion of Phase-1 of Windchimes, which is 0.44 million square feet of saleable area and the redeeming fact is that we actually completed the project 5 months ahead of the committed timelines. Now let us look at this, we have spoken about this demand part, now let us look at our supply part, because for a growing and sustainable organization the supply part becomes critical, especially for a company like ours. So, we signed a definite agreement for the Happinest brand at the Bhiwandi-Kalyan road with the development potential of around 0.8 million square feet. It should be coming into the market in sometime. You would be happy to know that our 2 MoUs which we have been talking of dearly in the last quarter as well are coming into the final stages of definite agreement and we shall be talking to you as we go along in the subsequent quarters. Both of these land parcels would amount to 1.4 million square feet of development

potential. The last quarter also saw some good performance in the IC & IC segment. Both Mahindra World City, Chennai and Jaipur added between them 5 customers and contributed to Rs 67.4 crores of lease value.

The strategic partnership with IFC fructified into their investing around Rs. 195 crores in Mahindra World City, Jaipur. We have also added around 70.8 acres in our Origins, Ahmedabad project which has taken the total area of Ahmedabad Origins to 340 acres from 268 acres. The approvals are in the final stages for Origins, Ahmedabad and we look forward to get all our approvals and launch this project in the subsequent quarters. Apart from that, we are delighted to inform you we have signed an LOI with an anchor cost customer for Origins, Chennai and hopefully we should be hearing some good news soon. So, all these are helped MLDL post strong financial performance. So, focus on operating metrics, focus on completion, focus on launches is helping us continue our momentum for the future quarter. And now I would like to hand over to Jayantt who will talk to you in detail about the financial performance of us.

Jayant Manmadkar:

Thank you Sangeeta. Good afternoon everyone. As updated by Sangeeta, pursuant to a new accounting standard, IndAS 115, which is effective from 1st of April, 2018. Company has started recognizing revenue on completed contract method versus percentage of completion method followed earlier. Hence, FY19 financials are not directly comparable to the previous year financials. The consolidated total income for the quarter was Rs. 93.9 crores against Rs. 129.1 crores in Q2 FY18 and Rs. 175.8 crores in Q1 of FY19. The consolidated PAT, post minority interest, stood at Rs. 21.2 crores for the quarter as against Rs. 13.5 crores in Q2 of FY18 and Rs. 26.7 crores in Q1 of FY19. The PAT margins stood at 43.9% for the quarter as against 10.4% in Q2 F18 and 15.2% in Q1 of FY19. EBITDA margins stood at 57% for the quarter as against 23.4% in Q2 FY18 and 24.4% in Q1 FY19. Improvement in EBITDA has been mainly contributed by the sales mix of the projects as well as strong performance by industrial cluster business and completion of Windchimes at Mahindra Homes. Further in the current market liquidity challenge, happy to inform that MLDL consolidated borrowing cost, based on IndAS, continuous to be below 9% levels and the company has substantial liquidity on hand.

I would now like to invite question from the participants.

Moderator:

Sure, thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question can press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and 2. Participants are requested to use handsets while asking questions. Ladies and Gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan:

Just quickly on the revenue recognition, I think you have completed Phase-1 of Windchimes this quarter. So, just wanted to understand, why that has not come for revenue recognition?

Jayant Manmadkar:

Kunal, we have completed revenue recognition for Windchimes Phase-1 and as Sangeeta explained Mahindra Homes is a joint venture as far as accounting consolidation is concerned, where it is consolidated only based on the equity method of accounting and not line-by-line consolidation. That is the reason where the bottom line it contributes, it does not reflect in the revenue when I look at consolidated IndAS performance of MLDL.

- Kunal Lakhan:** So, if you can just give me a break up of the profits from associates that we have booked because I think there has been fair bit of sales or leasing even in the World Cities. So, if you can explain how much of these profits have come from Windchimes and how much of these profits have come from Jaipur and Chennai?
- Jayant Manmadkar:** So, MHPL, and again I am telling you the profits which is contributed by that particular legal entity during this quarter. So, Mahindra Homes has contributed Rs. 31.9 crores PAT, then MITL which is Mahindra Integrated Township Limited has contributed Rs. 2.5 crores. Mahindra World City Developers Limited which is our Chennai World City has contributed Rs. 12.1 crores and Mahindra World City, Jaipur Limited has contributed Rs. 12.5. So, these are the major contributors to the PAT.
- Kunal Lakhan:** That's almost adds up to about Rs. 59 crores.
- Jayant Manmadkar:** Yes, but if you take our share into that it comes to about Rs. 41 crores.
- Kunal Lakhan:** We have done in terms of margins, we have done some Rs. 67 crores of leasing and on that we have made about Rs. 25 crores of profit. Is that understanding, right?
- Sangeeta Prasad:** Yes.
- Kunal Lakhan:** And I just wanted to get some sense on and firstly like you know the area that we have leased would that be majorly DTA or is that SEZ as well?
- Sangeeta Prasad:** Combination of both, Kunal because as Chennai is just DTA and no SEZ left there. Jaipur has some DTA land, so it is a combination of both. So, out of the 2 customers which comprise of 12.3 acres in Mahindra World City, Chennai all are DTA. 3 customers in Mahindra World City, Jaipur, 2 are DTA and 1 is SEZ.
- Kunal Lakhan:** Just a follow up on that area in Jaipur that we have fair bit of SEZ area in Jaipur. So, what's the outlook considering the SEZ deadline is approaching now March 2020. So, what is the sense like how, could we see some accelerated demand coming up in the next few years?
- Sangeeta Prasad:** So, it is quite interesting that you ask this question. If you recall in the last quarter, which is the April to June quarter when we launched our multi-product SEZ, we had our anchor MoUs, if I may already have signed in and then we did our lease deed. So, we see the continued interest in coming and signing in the multi-product SEZ primarily for couple of reason. Multi-product SEZ enables any customer to come in and sign and second what we offer is just not the SEZ benefit, but the benefit of an integrated business city. So, people find it convenient, so we see a good pipeline in the World City, Jaipur for the multi-product SEZ and we see each coming in now as well. We will be seeing more customers coming in the SEZ area.
- Kunal Lakhan:** In terms of the definitive agreement that we have signed at Kalyan, what is the plan here, firstly what is the consideration that was paid for this and what will be the plan here in terms of product? Are we looking at Happinest product here or?
- Sangeeta Prasad:** Yes, we are looking at a Happinest product, so who better than Arvind, my colleague the CEO of Happinest to share a little more on the concept of that product.

- Arvind Subramanian:** Yes Kunal, so overall it will be a Happinest product between 1 beds and 2 beds in that market and we are proceeding well on concluding the approvals needed to get ready for launch and hoping to launch this project in fourth quarter.
- Kunal Lakhan:** And what is the consideration paid for this land?
- Jayant Manmadkar:** Kunal, we do not put the land cost in the public domain because this is the thing which is in any case not closed. So, we would like to hold this question at this stage.
- Kunal Lakhan:** In terms of the partnership with IFC, so the money is now come in the Jaipur SPV, World City rather. How should we look at it in terms of deployment of this cash and going forward basically?
- Sangeeta Prasad:** So, the deployment of this cash is in 2 forms. One is to deleverage ourselves from other, what should I say, obligatory debt and also to invest in development in the SEZ and the DTA itself.
- Kunal Lakhan:** And one last one from my side. If you look at a debt profile like bulk of a debt is sitting in MHPL and Luminaire's, I mean, incrementally we have not seen much activity there. How should we look at it going ahead because with no sales and no cash flows? It will be difficult to like you know retire, let alone retire like service the debt, so how should we look at it going ahead?
- Sangeeta Prasad:** So, one of the things is Luminare is part of our company entity called MHPL, which has another project called Windchimes. So, if you have seen the Windchimes sales and the cash flow, that is fairly redeeming, but coming back to Luminare, you are right. Luminare has shown some early traction, but not satisfactory to our requirement but we are, this project is the Phase-1, the tower A is almost in the final stages and what we believe in a project of this kind, once the OC comes, there will be an interest in ready to use units because of the GST benefits. So Kunal, what we are seeing in the market, there are 2 kinds of sales triggers - one is at the launch and one is at the finished goods stage. So, this is what we intend to exploit. So, it is the exploitation of the finished goods advantage, both from a ready to use as well as from a commercial benefit due to GST and for the larger entity of MHPL, which is larger loan, there is the Windchimes also which is chipping in.
- Kunal Lakhan:** Just one last one from my side, if I may. So, in terms of the whole NBFC liquidity crunch now, how do you look at like markets like say Mumbai and NCR panning out going ahead? Are you seeing some signs of consolidation, some signs of polarization already happening or what is that you are seeing?
- Sangeeta Prasad:** Yes, you are right. We are seeing, thanks to the way, so before I go into the NBFC liquidity crunch I will just harp-back and talk about what is happening in the market place. As the regulatory authorities work towards making the way the business is conducted more transparent and symmetrical and responsible, we see that many developers who used to take advantage of the arbitrage of asymmetry, are finding it now difficult. Because now they have to deliver at the right time, they can only collect money when it is as per the rules of the game. So, we are definitely seeing notwithstanding the liquidity crunch. Liquidity crunch is actually adding to their woes. We both these factors are adding to a large number of players in the market wanting to breathe out of this space and trying to look for partners or people who can rescue them. And we are seeing a fair amount of opportunity and as we go along I hope we will come back to you and share some news in the next subsequent quarters.

- Moderator:** Thank you. The next question is from the line of Adidev from ICICI Securities. Please go ahead.
- Adidev:** Sir, my question that on the upcoming launches now for the rest of this year and early next year. So, that two Andheri projects, when do we see the launches? What is the status of approval and further our new project in Kalyan will it come under HDFC platform or it will, we will be launching this on our own?
- Sangeeta Prasad:** So, Mumbai is a very whimsical market. Thanks to the regulatory authorities wanting to do things and not at all allowing us to project what they will do. So, if you have seen lately in the last 2-3 months, the DP 34 has really come up in fashion. And we were all hoping that the DP 34 will get un-launched, if I may on 24th of October, now it has got postponed to 30th November. Now BMC being in this state of flux, is going sluggish even on the proposals which have been submitted like our proposals for the 2 new projects which you are talking off because they are not wanting to put pen on paper till they see some certainty from the DP 34. So, that is one. I just thought I will foreword all of us that there is this issue. Lately if you know, it is a very breaking news couple of days back the High Court has also passed this impasse of three NOC. So, because they believe that the committees are not forming technical people, so they want to reconstitute and till that time the three NOCs will be kept in abeyance. So, one of our projects, the Saki Naka project is impacted by the three NOC and both the projects are impacted by the BMC going sluggish. To top it all, while the High Court had delegated it to the civilization authorities that the height can be decided by them. One of our projects, our Andheri project is also impacted by the civil aviation authorities, not yet passing signature on what should be the height of that project. So, we are following up on them and let's believe that the authorities will become a little more kind to us and we can launch the projects anytime soon. As far as the Pune project is concerned, it is little under control because it is waiting for the environment approvals, post which we will go for the rudimentary CC and RERA. So, there is a little more certainty than the other 2 projects. But the push is, as you would have seen we want to create the, build the momentum of launches every quarter. So, that is what we are trying to do. Push the system in giving us approval. So, that we have launches regularly and frequently because that keeps us up and the market energized.
- Adidev:** And on Kalyan project like, is it under platform or will it be, you will be doing on your own?
- Sangeeta Prasad:** It is under the HDFC platform.
- Adidev:** So, means is this transaction almost done or like means you'll be see will it work like the same you have done earlier you will be selling the land means stake to them and then it will go through or it will be a profit share what is the structure you are proposing here?
- Management:** The land is referred under platform currently.
- Sangeeta Prasad:** It is taken in the platform directly. So, it is almost like a land as part of that company called Mahindra Happinest Developers Limited and it will conduct business as usual.
- Adidev:** Secondly, on a what is our business development plan for the rest of the year?
- Sangeeta Prasad:** So, as I mentioned earlier in my opening statement that apart from the one which we spoke about where we have done the definitive agreement which is the Happinest 1. There are 2 more MoUs which are in advance stages. We are actually now discussing heatedly with the lawyers, our lawyers and the land owner's lawyers on the

definite agreement and those 2 MoUs should see fructification in the near future. There are couple of MoUs which are also on the way. So, these 2 MoUs will see fructification into definitive agreement and we will see a couple of MoUs also coming our way in this quarter and the next. Just to keep you informed, last time we have touched upon it but just to reinforce our approach. What we are trying to do even if the buy is outright, we are staging the buy in terms of transaction, we are not paying upfront 100% at the first agreement to sale the definite agreement. We are waiting for the approval and then we are, so what it does, it first helps us to defray our outright payout. Second, what it does it keeps us under pressure to design go and get the approvals so that the land to launch period because for us the critical success factoring future will be land to launch and launch to completion. So, we are trying to collapse it by doing this 2-3 initiatives.

Moderator:

Thank you. Next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati:

Just starting on with the MoU part, are you seeing any improvement in the terms of MoUs so far compared to what you did in the past?

Sangeeta Prasad:

We are; the land owners are realizing there are not many buyers in the market. So, we are a tuned to that particular shift in the market as I told one of your colleagues earlier as well that apart from greenfield we are also seeing people, developers who in this current market regime because of regulations and liquidity crisis wanting to have someone to come and make them breathe easy. So, this is another thing which will help us to negotiate better because of our bargaining power.

Puneet Gulati:

So, what you are saying is you will, will you also enter into already partially completed, partially sold projects?

Sangeeta Prasad:

We will be evaluating some of them and as a brand we have to be very cautious on this because RERA obligation has to be considered. But you are right we will look at them because we will not close our eyes to it. But we will also not close our eyes to the obligation which may come back to us with vengeance. So, we will be evaluating, and we are evaluating.

Puneet Gulati:

Wouldn't that be very tough you will have to look at all the sales agreements which would have been done before you entered, that quite be tedious, right?

Sangeeta Prasad:

Yes, there are different levels of projects available. Some projects which are, where actually the customers are wanting someone to rescue them. So, then you have a greater bargaining power, so before you sign in you actually get a customer NOC. So, we are that is what I am saying the perspective is not just going with speed but going with velocity means it thought and direction and understanding how to do these projects because if we go and just hurtle and hurtle into our project we may fall flat. So, you are very right thank you as a friend, well-wisher warning us of all these things. We are aware of these risks and we will be evaluating projects with that. So, customer understanding, customer NOC couple of projects has to come to us with the customers are actually wanting someone because they have paid a certain amount and that project is been in abeyance for a while.

Puneet Gulati:

So, would you also look at large projects which are under IBC and maybe partner with NBCC to complete those projects. Is that an opportunity you will ever consider?

- Sangeeta Prasad:** We will always evaluate right opportunities because this is the right time for us to win and grow because there are very few players like us whoever brand and access to capitals. So, we shall be, I reiterate, looking at opportunities but trade with caution, so that we do not hurtle and fall flat.
- Puneet Gulati:** Now since, this NBFC issues is so topical just 2 things I wanted to understand is have you seen some NBFCs approaching you with these projects or is it largely developers themselves approaching you with potential MoUs?
- Sangeeta Prasad:** So, usually developers directly are cagey about approaching us because developers have massive egos. So, what we see is there are they use their conduits which could be NBFCs, which could be ARCs, which could be banks, which could be channel partners.
- Puneet Gulati:** So, is it an increase in NBFCs coming to you versus the channel partner ...
- Sangeeta Prasad:** I will look into my lead source and give you that answer but as I said that we are looking at what of the deal and not who brought it. Obviously, who is very important because the credibility of the who determines how we will evaluate that deal.
- Puneet Gulati:** And specifically, again some NBFC driven for your affordable housing project are you seeing any instances of issues in credit curtailment or your buyers backing out after just signing the contract. Or do you anticipate that to happen at all?
- Arvind Subramaniam:** So far, we are not seeing any significant shift in terms of intent to cancel. There are challenges with some NBFCs because of the liquidity crunch in terms of following through on disbursements of sanction loans as well as doing new sanctions. But in those cases, our depth of relationships with other NBFCs is quite strong. We are able to redirect business to other NBFCs. We are watching this and tracking it carefully as if now know significant alarm bell.
- Puneet Gulati:** And lastly in terms of you mentioned there are slower approvals coming in on Mumbai side. Any similar experience that you can share about Bangalore and Chennai in house the RERA authority behaving there?
- Sangeeta Prasad:** So, it is not exactly the RERA authority, it is the whole process of approval to be fair to the RERA authorities. RERA authorities are relatively faster than the other authorities which give you IOD CC environmental and the DTCP kind. So, it is not the RERA, it is the ones in between who come in the way of faster approval. Environment has been distinctly slow in the last few months. In fact, our Pune project which has been in the environment juggernaut for a while, but we hope that meetings will be called in the next month and we should be getting our environmental approval next month.
- Moderator:** Thank you. Next question is from the line of Prakash Pakhadia from Anived Portfolio Management. Please go ahead.
- Prakash Pakhadia:** Coming to the point which you have mentioned Sangeeta on no players which have access to capital and brands. So, if you could give us some sense of how much of these players would be in terms of numbers and their market share would be what low single-digits for the industry over the next 4-5 years? What trends do we expect and

what is our stance on this? Do we see more aggression in terms of newer launches and sales momentum from our end?

Sangeeta Prasad: So, Prakash, the topic you raised is the very fascinating one. I would love to meet you one-on-one and discuss more.

Prakash Pakhadia: Sure, I will send an email to Sumit on this for sure.

Sangeeta Prasad: But however, yes there will be a distinct shift in the way the market will work. The expectation is responsible players because the market is driving towards the end-user demand. So, people will be looking for responsible players. People who they can trust and have faith on. That's an overall topline interpretation I would but I would love to meet you and discuss with you and get your thoughts on the subject.

Prakash Pakhadia: Will definitely right an email and on the Mumbai, I think earlier there was a 6 months window for the debris and beyond that any clarity, visibility or in the interim that only stays because you know they were?

Sangeeta Prasad: Yes, there has been a little bit of a toggle flip flop. There was a ban, then there was a relief and there was something else. So, if I step back as a real estate developer and look at environment, this city has been very unkind with environmental surroundings. So, what has happened is there has been extreme reactive approach even by the court. So, there are 2 aspects. Yes, I believe strongly and as Mahindra we are very conscious when environment comes before anything else. But in this bit of reacting to an environmental issue, it has impacted many people who were going in the right direction. So that's the uncertainty which plagues, for what I say it's not the rule, it is the uncertainty and the toggle flip flop which comes in the way. So, you have a role follow it well, implement it well, but don't do a yes-no, yes-no kind of thing. Personally, I think that is what kind of mars the progress of people who are wanting to do good business.

Moderator: Thank you. The next question is from the line of Jigar Shah, who is an individual investor. Please go ahead.

Jigar Shah: My question is on GST. I just want to understand how does GST impact JDAs?

Sangeeta Prasad: Of course, GST impacts JDA. It is an abstruse subject Jigar, so when we are transacting the deal, we have a certain way of doing it. So, we are taking a tax consultant views in my mind. So, whether we should do area share, revenue share, is there anything presumptive which comes in the way, which kind of stifle the negotiation. So, case-to-case we are looking at each of the JDA transactions.

Jigar Shah: After the GST, there has been some slowdown in JDAs because of the tax coming in during the agreement level?

Sangeeta Prasad: So, the discussions are more tenuous, I agree but it is not a slow-down because if there can be transactions which can be structured. You are right that in the beginning when GST came and JDA was looking a little difficult but with right way of structuring and with right advice from a tax consultant, not only us I think generally, these can be structured even in the JDA format.

Jigar Shah: So, GST is happening at agreement execution level, right in the area sharing as well as revenue sharing?

- Sangeeta Prasad:** I think this is a subject which again like your previous colleague, we can discuss at length and I can take your inputs also.
- Moderator:** Thank you. Next question is from the line of Sehul Bhatt from CRISIL. Please go ahead.
- Sehul Bhatt:** My question is regarding happiness brand. So, considering that the Palghar, Boisar and Bhiwandi will be out of BMC limit. How is your experience in terms of title clearance or approval time starting from and till you launch the project compare to typical project which are there in city limit?
- Arvind Subramanian:** I think we have had a good experience at Bhiwandi. At this stage, hard to compare like-to-like because there is no portfolio within MCGM limits for us to compare against.
- Sehul Bhatt:** So, is it more or it is in line with the city limit approval timings.
- Arvind Subramanian:** I think it's similar, both the process and timelines are similar.
- Sehul Bhatt:** And all of these projects will be coming under 80-IB limit, is it?
- Arvind Subramanian:** That we will take a call on each individual deal that we do because there are many factors that lead to that decision.
- Sehul Bhatt:** So is it possible that within a same phase even let us say you register different phases of different towers of same project under RERA. So, you can enjoy 80-IB for one tower and not for other, is it possible?
- Arvind Subramanian:** No, it is not possible. My understanding is 80-IB is at land parcel level, at a project level, not at an individual level.
- Sehul Bhatt:** And how has been your experience in terms of pricing for Boisar and Palghar considering the competitive environment and the volume of supply which is there. So, are we able to increase or at least maintain the pricing for last 2-3 years?
- Arvind Subramanian:** So, we have certainly increased pricing at Palghar, currently that is the project that is the focus of sale in that belt, so we have increased pricing over the course since it was launched in February or so.
- Sehul Bhatt:** And my last question will be what if the project is already registered in the RERA and something like what we saw in the couple of months back on construction ban continues for longer time, which are not in control of developers. So, will RERA timelines still hold true in such a scenario?
- Sehul Bhatt:** So, I think there is a clause of force majeure?
- Sangeeta Prasad:** Yes. We would like to let you answer the question. You are answering the question we will just no comments.
- Moderator:** Thank you. Next, we have a follow-up question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

- Kunal Lakhan:** Just on in terms of completion pipeline for the second half, how should we look at it and how would that flow to the revenues?
- Sangeeta Prasad:** That is a nice question to ask, to understand, how we will look in the next few quarters, is it?
- Kunal Lakhan:** But in terms of project completion pipeline like what are we looking at to the next ...
- Sangeeta Prasad:** So, yes, we have mapped out completion for each quarter because we believe that for each quarter, we should have completions going because that gets the topline and for this quarter we have couple of completions and for next quarter again, a couple of completion. See the reason why I am not naming them because it is not merely my completion which will enable revenue recognition I need to get the OC from the statutory authorities and I need to fulfill some obligations which are beyond my control. So, by just giving you my completion targets, will not enable me to get revenues on the books. You will get our investor data, you will get a fair idea which are those projects, nearing physical completion.
- Kunal Lakhan:** On MHPL, we have some Rs. 640 crores of debt, which is coming from the promoters via OCDs and CCDs. What kind of coupon are we paying on that?
- Jayant Manmadkar:** So, coupon as per the instrument is 14% but it is purely based on the cash flows, the way they are generated in the business.
- Kunal Lakhan:** With now that the net worth being negative on that entity, I am presuming that we are not paying any coupon and it will be deferred to whenever we generate in cash?
- Jayant Manmadkar:** No, net worth negative is a function of again an Accounting Standard 115 because of the revenue recognition method that we have adopted, we have adopted modified retrospective approach and therefore, on all the ongoing projects, there is a reversal on 1st of April that actually happens through the reserves and it is a technical. So, I would request you to look at it as a technical negative net worth, not as fundamental status of the company or the legal entity.
- Kunal Lakhan:** So, MHPL on a cash flow basis, is servicing debt?
- Jayant Manmadkar:** Yes, very much.
- Moderator:** Thank you. The next question is from the line of Prem Khurana from Anand Rathi.
- Prem Khurana:** So, one was basically wanted to understand so how do we recognize revenues on, I mean is it on delivery or is it on completion because, I mean essentially, where to look on numbers on a sequential basis deliveries or handovers have come down but despite that and our completion project completion is higher. So, the numbers would be recognized based on completions or handovers?
- Jayant Manmadkar:** So, Prem the revenue recognized exactly the way clause 38 of IndAS 115 specify us to follow to which has the requirement like we have to obtain OC, we have to also ensure that the unit is ready for handover, we have sent the offer for possession and we are reasonably clear based on our assessment that the customer has ability and

intention to pay. So, there is a framework which works for this as based on that framework we either pass or fail a particular unit for recognition. And that is how the recognition is met and the accounting standard itself gives very clear guidance in terms of what is the transfer of control which is not only the possession physically to be done.

- Prem Khurana:** So, OC is the first milestone that you need to achieve to be able to kind of test for the other 2 requisites, right?
- Jayant Manmadkar:** Correct, first milestone which has to be passed.
- Prem Khurana:** The transaction they have done with IFC and the money that we have received so, the money was received in 2Q or it has been received subsequent of quarter and what are we use this money for and also if you could explain the structure whether it is a cash out or it will be an equity infusion and a new entity by the incoming partner?
- Sangeeta Prasad:** First of all, it was infused in Q2, early Q2 if I remember correctly, July. So, that is one. No, it is not any separate entity or anything it has come into Mahindra World City Jaipur Limited. It is structured as a debt, but it is actually having, it is similar to what we have done for there is a threshold if we get the distributable cash then we will payout to the owners. Otherwise no, so that is the way it is structured.
- Prem Khurana:** Ma'am, given the fact that it is a part of your existing entity, so how do we demarcate. I mean how do we kind of local expense this?
- Sangeeta Prasad:** You are very right. We have done a memorandum of accounts. We maintain it, we keep track of it and between IFC and Mahindra we have a committee which looks at all the memorandum of accounts, looks at the distributable cash and take decisions on the basis of that.
- Jayant Manmadkar:** Prem it is exactly similar to how we would divisional accounting in the same legal entity that model.
- Prem Khurana:** And just one last from my not on this launch pipeline, I mean the way the things are in Mumbai. I mean, I am not sure you will be able to launch Saki Naka any time soon or not. So, how do we kind of intent to deliver on our guidance we launch at least one project on a quarterly basis and given the fact that whenever you launch we are able to sell which is what is reflected by the kind of a responses like we had for Kandivali project, so how do we intent to get deliver on that one project each quarter kind of launch that we were talking about earlier?
- Sangeeta Prasad:** Yes, first of all thank you for remembering our intent. I remember the meeting we had a few months back, Prem thank you for being attentive. You are very right that these uncertainties in the Mumbai Regulations. So, what we are looking at is we are looking at is we are looking at how we can launch we have some thoughts in place that we kept the requisite because 13th November is when the DP34 is expected to be launched. And we have IOD for the project, so I think we should be able to launch if not in this quarter in the next quarter. We should be expected unless something else comes in the way. So, someone else or just little earlier you were talking about force majeure it is almost in the realm of statutory uncertainty which comes in the way of the launch. Then we have a project in Pune which fortunately does not fall under these wrangles as you know so which is in the final stages of environment approval and I believe that once we get the environment approval, we get into our CC and RERA mode, we should be able to launch that.

- Prem Khurana:** And the 2 MoUs that spoke about earlier would be one each in Bangalore and Pune, right?
- Sangeeta Prasad:** Yes.
- Moderator:** Thank you. Next question is from the line of Srivatsa Venkat from UTI Mutual Fund. Please go ahead.
- Srivatsa Venkat:** I just want to know, what would be the timeline for launch of both the Ahmedabad and the North Chennai? I think, in the last meeting you are hopeful of North Chennai coming in probably by this year end. So, any timelines you have in mind for both these projects?
- Sangeeta Prasad:** So, North Chennai have got all its approvals. Work has started there because the approach in this business is that if you want good customers and especially anchor customers to come in, you need to show some visibility of development. So, in a way it is launched as a work done but we believe a proper marketing launch. We are very fastidious on this. The reason being that I should get an anchor customer, I do not know whether you were there in the earlier part of the call what I said is that we have signed an LOI with an anchor customer and we should be seeing it getting converted into a definitive deal in this quarter, we should be. Because when the whole thing is about from abroad, they need to legally incorporate themselves here, so it takes time. That is what is taking time. So, between this quarter and next quarter we should be seeing that coming in. So, it is almost what we have told you earlier that it will be hopefully in this year. As far as Ahmedabad is concerned it is in the final stages of getting its approval and we are pushing for the approvals. Let us hope we get them soon.
- Srivatsa Venkat:** And just on the World City Jaipur part, of course somebody else also ask this question, so like there is a sunset clause on SEZ. So, technically if you are still having unsold inventory as on 2020, what would be the option post that? Do we have to convert it into a DTA or can we still sell any inventory post-2020?
- Sangeeta Prasad:** There is no embargo on leasing out land in SEZ. It is only the sunset clause for incentives and the benefit. So, as I explained earlier we have a good pipeline of leads because people buy into Mahindra World City, Jaipur not just because of the incentives, but because of the ecosystem we give them. So, that's the way we are seeing it and always in world, if there are things which do not pan out the way, we will see it when it comes, at present we do not have any such concerns.
- Srivatsa Venkat:** And if I also see the average price per acre especially for Jaipur it seems to have come down from Rs. 2 crores to Rs. 1.9 crores. So, is there any reduction or it is just a mix?
- Sangeeta Prasad:** It is a mix issue. So, as you know that DTA sells at a much higher, so it is a DTA-SEZ mix, if there is a little polarization towards DTA it will go to the 2. If there is a little polarization towards the SEZ it will go to 1.9. Fundamentally, the prices are going up, they are not going down.
- Srivatsa Venkat:** And of course, just my question on the NBFC side, lot of people have asked, but given the kind of slowdown we are likely to see for most of the NBFC because of the liquidity. So, do you see that being some kind of an impediment on the demand side because with the approvals are taking time or more specifically on the Happinest side as well. But overall in your portfolio, do you see that as a big challenge in the coming quarters?
- Sangeeta Prasad:** At this juncture, we are not seeing this is as a challenge, but we are waiting and watching.

Moderator: Thank you very much. That was the last question in queue. As there are no further questions, I like to hand conference back to Ms. Sangeeta Prasad for closing comments.

Sangeeta Prasad: So, thank you for all those good questions that shows that you have interest in us and we would like to tell you that the whole idea is to create pipeline because as I told you earlier that with completed contracts coming in residential, revenues are become a lag indicator. It is only how we work to sell, how we work to get completion done, how do we get land and turnaround it faster will enable us. So, if I tell it very fervently, it is in my abbreviated language, LLCC – Land, Launch, Completion & Customer that is the focus this team is having. And we will continue to have that focus and, in the end, happy festive season wish you all a very happy forthcoming Diwali.

Moderator: Thank you very much. On behalf of Mahindra Lifespaces Developers that concludes this conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

(This document has been edited for readability purpose)

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