“Mahindra Lifespace Developers Limited Q1 FY18 Earnings Conference Call”

July 26, 2017

MANAGEMENT:	**MS. ANITA ARJUNDAS -- MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, MAHINDRA LIFESPACE DEVELOPERS LIMITED** **MR. JAYANTT MANMADKAR -- CHIEF FINANCIAL OFFICER, MAHINDRA LIFESPACE DEVELOPERS LIMITED** **MR. SRIRAM MAHADEVAN -- BUSINESS HEAD (HAPPINEST), MAHINDRA LIFESPACE DEVELOPERS LIMITED** **MR. SUMIT KASAT -- HEAD (INVESTOR RELATIONS), MAHINDRA LIFESPACE DEVELOPERS LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Mahindra Lifespace Developers Limited Q1 FY 2018 Earnings Conference Call.

We have with us on the call today: Ms. Anita Arjundas -- Managing Director and Chief Executive Officer; Mr. Jayantt Manmadkar -- Chief Financial Officer; Mr. Sriram Mahadevan -- Business Head ("Happinest"); 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 telephone. Please note that the conference is being recorded.

I now 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 Q1 FY 2017 earning call. As you are aware the Indian Accounting Standards are applicable to our company for the period commencing from 1st of April 2016 and certain key operating entities like the World City Developers in Chennai, The World City Jaipur, Mahindra Homes, and Mahindra Bebanco Developers Limited are no longer consolidated on a line-by-line basis but are consolidated on the basis of share of profits based on equity holding.

Before we get into the specifics of the results of the quarter and the operational performance I thought I would spend a few minutes talking about the key regulatory changes that have impacted industry at large but specifically the real estate industry in the last few months. The first being RERA and the second, GST.

As far as RERA is concerned, almost all of the states in the market that we operate in have notified their roles. One as late as yesterday that was Haryana. The only state that is still pending to notify its rules is Telangana, in terms of the states that we operate in. Tamil Nadu, Karnataka, Haryana, all of which have notified only in the last month have indicated July 31st as the date by which registration have to be completed. In most of our projects we have either completed registrations or in the process of completing the registration now that the online website is opened up in states like Karnataka and Haryana. And we should be complete with respect to all our registrations of all projects that we need to register by the end of 31st of July.

In terms of GST, we have started invoicing on the basis of GST both in terms of vendor transactions and in terms of customer transactions. It actually we have gone out on the 1st July itself and communicated to all our customers about the input tax credit that will be available to them arising out of GST. On an overall basis, however, you will find that there is a net impact even post input tax credit of between 2% to 4% increase across, across the industry I would say maybe there are few instances where it is 0% increase but by in large the increase is in the range of 2% to 4% depending on the stage of construction and depending on the whole cost structure of the developer.

Now, moving to specifics of our own operations. During the first quarter, we successfully completed rights issues thanks to participation of all of our shareholders. We have a close to 130% over subscribed and completed rising of the Rs. 300 crores that was put out. These funds as stated in the transaction documents were used for the purposes of retiring debt on a short-term basis. The intent; however, is to be able to channelize this capitalization towards acquisitions of land for further growth of the company.

As far as consolidated results are cornered Q1 stood at about Rs. 149 crores of revenue compared to about Rs. 116 crores of revenue in the same period previous year. And consolidated PAT post minority interest stood at about Rs. 14 crores vis-à-vis Rs. 17 crores in the same period previous year.

In the residential business, we sold about 255 units, worth around Rs. 140 crores during the quarter. Average price realization was lower than usual at 5,000 per square feet, primarily driven by the fact that over 60% of units sold by us were in the sub-Rs. 50 lakhs category. So, clearly, a certain amount of revival in terms of volumes as far as sub-Rs. 50 lakhs are concerned, some movement in the Rs. 50 lakhs to Rs. 1 crore category, very slow movement in the category about that.

In terms of finished goods, we do have around 300 odd units as finished goods at this point in time. There has been a strong focus on finished goods during the first quarter. And in fact, about 35% of total sales for the quarter came through sale of finished goods. We will continue to ensure that we complete all of the finished goods in the system before the end of this fiscal.

As far as execution and revenue recognition milestones are concerned, we had two faces and two projects achieving revenue recognition and one project, one phase, achieving completion during the period. We currently have eight projects which are in different stages of handovers and after handing over 2,250 units last year we already handed over about 360 units in this quarter itself and should be upwards of 1,000 plus units as we go along the year.

In the World City business, we had Jaipur doing one transaction with the customer in the SEZ of close to 6 acres. And in Chennai, we again had one customer signing up in the DTA for around 4 acres. Jaipur has completed its inspection with respect to its multiproduct SEZ contiguity. A recommendation has gone from the Local Development Commissioner's Office to the Central Office and we are expecting this file to be approved in the Minister of Commerce in the near future. So that, we can go ahead and actually launch the SEZ to a larger base of companies.

As far as the two new industrial clusters are concerned, there has been significant progress as far as the Chennai development is concerned most of the approvals are in place. We have initiated development activity on the ground last week and they have also started soft marketing to customers.

In terms of the Ahmedabad industrial cluster, land acquisition was completed in Q4 of last year. We have completed the master planning and we are currently in the process of getting our approvals in place so that we can launch this project during the year.

An additional input as far as the residential business is concerned, you are aware that we have six projects schedule for launch in different stages of approvals. Three of them however, are however in the city of Mumbai and are linked to the resolution of the dumping ground matter and the height matter which is resting with the High Court.

That is it from the perspective of the operations. So, I will now request Jayantt to briefly touch upon the financial performance and then we can open for questions.

Jayantt Manmadkar: Thank you, Anita. Good morning, everyone. EBITDA margin for Q1 FY 2018 stood at 12.9% versus 14.4% for the same quarter previous year and the PAT margin for Q1 FY 2018 stood at 9.3% versus 15.1% in the same quarter previous year. The impact on EBITDA and PAT has been due to lower margin which is primarily because high proportion of low margin projects contributing to revenue. The company has reduced approximately Rs. 250 crores of debt during the quarter by utilizing funds raised out of rights issue.

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. First question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just wanted to understand in terms of RERA, how do you really see now, where have you received registration so far and what happens if you do not achieve registration by 31st July?

Anita Arjundas: So, we will achieve registrations of all our projects by 31st July. Currently all projects in Maharashtra barring one is registered and I have received the registration certificates. The last project will be submitted for registration this week. And in Tamil Nadu we have completed registration of one out of two projects, the other one will be finished this week.

Puneet Gulati: How long does it typically take to get you registered?

Anita Arjundas: I think, the whole effort is honestly on the pre-registration which is getting everything in order. There is a lot of documentation sort, there is a lot of information sort, there is a lot of certifications, so that takes several weeks of effort. Once you are done with that you can upload all data in an hour or so and you get your registration in a couple of days. But that has been the in Maharashtra. I must say has been very efficient about the whole process. In the other states Tamil Nadu for example, does not have its website up, so it is a physical hard copy submission that we have done. Karnataka notified its act on the 10th of July and it has opened up its website yesterday, so we will register this week. Kerala the cabinet approve the act yesterday.

Puneet Gulati: But do they have website as of now?

Anita Arjundas: Website was two days back, I do not know about today. So, we will have to do a hard copy submission.

Puneet Gulati: So, in terms of hard copy, will it take two days or can it take longer?

Anita Arjundas: We do not know because most of these states do not even have a define regulator, there is somebody who is holding acting charge. So, we do not know how long they will take to come back. We are ensuring, we complete all our submissions before the 31st.

Puneet Gulati: But in Tamil Nadu, you said, you received one registration but they do not have a website. So, how long was the process there?

Anita Arjundas: We have submitted a hard copy.

Jayantt Manmadkar: They have acknowledged…

Anita Arjundas: And they have acknowledged receipt of the hard copy. The certificate, we do not know when they will issue.

Jayantt Manmadkar: Verbally they have told that it will take a month for them to go through entire thing and come back.

Puneet Gulati: So, in the interim, you are free to market and sell the product.

Anita Arjundas: I honestly, do not have an answer for that question.

Moderator: Thank you. Next question is from the line of Nikhil Upadhyay from Securities Investment Management. Please go ahead.

Nikhil Upadhyay: Three - four questions. One is, what are our plans on the L'Artista project in Pune? How are we going forward with that?

Anita Arjundas: You want me to take it question-by-question or you want to finish all questions?

Nikhil Upadhyay: Depends. If you are okay, I will give all the questions.

Anita Arjundas: Then you can go ahead with all the questions.

Nikhil Upadhyay: Yes. Secondly, if you can elaborate on the South Mumbai property, so how much we have received or paid to the land owner? And has there any new legal case in file? Third was in the margins if the residential project has been quite low. As you mentioned that it was also a mix of lower priced projects being more marketed. But overall, how do you see the margin profile improving for us? And lastly, how much money we have blocked for the new land in the Integrated City projects and how do we plan to reduce the capital intensity there?

Anita Arjundas: Okay. So, as far as L'Artista is concerned, now that the project has been completed and received all its occupancy certificates, etc., we have been focusing on getting customers on board. We have a few bulk customers who are interested in looking at the whole complex. Conversations are underway with them and we should be working towards closing that in the near future. As far as Gulistan is concerned, as you are aware we took a conveyance of the land a couple of years back on the payment of around Rs. 160 odd crores with an obligation to pay the balance, if the NOCs that were to be produced by the erstwhile land owners were produced to us. So, the conveyance was done based on that. We took shareholder approval to sell the land to the family trust which was completed in the last financial year in Q4 at about Rs. 167 crores. The balance Rs. 60 crores were payable to land owner based on they delivering what they were to deliver and if we are required to pay the same, we would in turn get the amount from family trust, so that it was a pass through cost to us. The NOCs were submitted by the erstwhile land owners, we had some issues with respect to the NOCs in terms of our view being that the NOCs were not compliant with, what was expected out of the consent terms. Consent terms did provide for it be arbitrated by one of the arbitrators who has looked at the matter over the last 3 months and just recently in the last week June passed the verdict that the conditions have not been fully complied and therefore, we do not have to pay the balance consideration. So, as it stands there has been no challenge to that verdict, we will have to see how it goes. And your third question was with respect to margins, yes, I think the mix has been fairly contributions from the Happinest projects for the joint development project of Ashvita in Hyderabad, so these are the lower margin projects. But a lot of it honestly is also the amount of throughput that we need to have in terms of number of projects in the organization so as to be able absorb the overall cost structure. So, at a specific project cost level it is not that we have seen any increases in cost. What we have not seen is any increase in price over the last couple of years. What we have not seen is a reduction in sales and marketing cost. In fact, sales and marketing cost have gone up. So, if you look at flat prices, higher sales and marketing cost, no impact on cost of construction but a larger base of overheads or a small base of output and that really is the summary of the margin structure. And really, it will improve as a function of multiple things. One is a higher margin projects kicking-in in terms of sales. Now, these also tend to be our greater than Rs. 1 crore which had challenges in terms of sales. So, we need the premium segment, luxury segment kicking-in in terms of sales. We also need more projects running in the organization have to be able see better margin throughput so some of the new launches have to come into the Market. Your last question was on the World City business in terms of how have we funded the land acquisition done recently and the capital intensity in that business? As far as the Gujarat land is concerned, currently Lifespaces has given debt to the entity to acquire the land and that is how the whole land has been funded. However, we are in the process of finalizing a strategic financial investor into this space. We will come back with more information may be a quarter from now. But the idea is to be able to allow that business to fund itself going forward along with the financial investor participating with us.

Nikhil Upadhyay: Just one question, extension on the margin side. As you also mentioned that this year our focus would be to liquidate the 300 units of finished goods and with some project launches which you mentioned, around six launches which we are looking at. Do you think that the margin profile for this year can sustain in this range because the cost of marketing and advertisement and sales would actually remain elevated level because of the new launches and the liquidation of the finished inventory?

Anita Arjundas: So, as I said, it is a function of some of our higher end projects kicking-in and contributing to revenues. They definitely are higher in terms of margin profile than some of these projects. So, if we have the NCR project, the Bengaluru (Bangalore) project, the Andheri project getting launched. All of these will help improve the margin profile inspite of the fact that marketing spends will be higher.

Moderator: Thank you. Next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: First, just to continue on this the liquidation that we have seen in our completed inventory. So, are we putting in any extra efforts to kind of liquidate inventory or it has been moving because there appears to be much more demand for ready to move in properties, or people want to kind of buy properties even before the GST comes in play because they would get to save some taxes. So, basically want to understand whether the run rate that we have seen in the quarter would sustain and your pay assumptions how long would it take us to kind of liquidate the entire 300 odd units that we have in our completed inventory now?

Anita Arjundas: So, I would say Prem, it is a combination of both the points that you mentioned, obviously there has been focused efforts for each project which means some amount of incentive, some amount of scheme, some amount of price correction, so that we are not having a holding cost there but at least we do some discounting and get the inventory off the books. But at least in the last month I would say it has also been higher enquiries among customers because there is no service tax there, there is not VAT**,** project completed, they know they can get delivery in one or two months. So, obviously, there is a financial arbitrage so to speak with the customer even arising out of regulation. Combination of both, but I would say April and May performance has been driven by focused effort on each of the finished goods in terms of what will it need to sell it and June has been combined with the market environment because often what we also have in specific projects you need different solution like I have certain project you may have only top floor units left or in a certain project you may have only the ground floor units left. So, it is different motivators in each project and you need to incentivize based on that.

Prem Khurana: Sure. And any idea how long would it kind of liquidate this entire inventory especially on Nova side because there we seem to be sitting on almost 80 - 90 odd units now.

Anita Arjundas: Yes. So, I think Nova is more a question of being superefficient on completion. And I do not see a problem there, that project has been always able to do a run rate of 10 units to 12 units in any given point because we completed in March. We can hand over in the month of August, we have already completed by March. So, no, I do not see any problems.

Prem Khurana: And Ashvita, these units are the same where we use to talk about I mean our stuck because of the regulatory approval I mean…

Anita Arjundas: Yes, no, Ashvita, 15% of units are blocked because under the Telangana rules you need to keep it for EWS and project completion. So, every time you finish a phase, you see a percent of the unit get released. And the units that get release are ground floor and first floor units because those are the units which are mortgaged. But just a little bit more of effort because you are not giving customer choice.

Prem Khurana: Okay. And ma'am, the fact that we have been able to sell good from our existing inventory or from completed inventory why did our collection seem to be down? It is probably one of the weakest that we have seen over the last two - three years now.

Anita Arjundas: Yes, that has been courtesy, the whole RERA issue because if you read the Central Act, they have said that effect of May 1st you cannot collect more than 10%. Irrespective of notification, registration, nothing you cannot collect more than 10% agreements are not registered. We do have a certain number of customers who are at higher threshold. Who are still not registered, they have top collections.

Prem Khurana: Okay. Which also explain the jump in receivable in this quarter, okay. And how about construction spend, there again we seem to be going a little slow I mean the number is again down to almost Rs. 62 odd crores, previous low that we have seen with us was around Rs. 67 odd crores now given the fact that we have been doing more high-end products. I mean, if I look at portfolio composition now Luminare and Mumbai projects would be on a higher side on a per square feet construction basis.

Anita Arjundas: Yes, Prem, they will start kicking-in because Luminare's example is getting into the finishing stage, it is high-end finishing so it is expensive. We will see good numbers clocking in there. Similarly, Windchime is getting into finishing, Vivante is getting into finishing. So, the rate per square feet for finishing is much higher than the civil structure. And therefore, the numbers will start tracking up now. There have been a little that has been in the mode of otherwise construction as far as structures are concerned. So, it is just lower throughput in terms of number of projects and the higher value which needs to come from finishing taking a little bit of time but it should come through in the rest of the year. I would not look in work done numbers on a quarterly basis, this year I would look if we can deliver Rs. 500 crores - Rs. 600 crores throughput by the end of the year.

Prem Khurana: Sure. And how about I mean on the SEZ side, how do you see GST to impact demand profile? I mean do you see some of these clients to kind of go into way and watch mode to get some more clarity on GST implementation and then finalize their decision or the pipeline is healthy with us and we would be able to convert the number enquiries into final transactions?

Anita Arjundas: So, from a SEZ perspective honestly no implications on GST because commercially there is no impact on them.

Prem Khurana: Because in Jaipur we were relying on I mean we have convert a part of our social infra into DTA zone and we were relying on this to drive numbers for us at least this year. So, on DTA side I presume, you have implication of GST for these guys, right?

Anita Arjundas: Yes, I mean I honestly look at the implication for GST earlier arising out of opportunities and centralized warehousing, centralized logistics, not necessarily in terms of capacity planning at this stage. So, we should be able to continue to see that momentum. As far as the SEZ is concerned I think some small benefits in terms of Work Contract Act, entry tax, some of these species fall away even when units are putting up their units which they earlier were subject to in the pre-GST regime.

Prem Khurana: Okay. Any timelines in place for Chennai Industrial Park launch North Chennai?

Anita Arjundas: In a way it is launched.

Prem Khurana: No, I mean official marketing.

Anita Arjundas: Officially, marketing has started, it is just that we have not gone out to media and said project is launched. But marketing efforts has started because we have the requisite approvals in place and construction work has started on the ground. We just wanted a certain amount of work to be finished in the ground before we formally launch it. The effort will be to get an anchor customer on board before we formally launch it.

Prem Khurana: Sure. And just one last on Bloomdale, have you been able to kind of resolve with our partner because they seem to kind of come to standstill now rather I mean the way the operation come down, you suffered losses in this quarter in that entity MBDL**.**

Anita Arjundas: Yes, we are working on it. The matter is currently on court as far as way forward is concerned but parallelly we are conversations to see if we can resolve it between the parties. So, I think both legal and non-legal mechanisms are being pursued.

Moderator: Thank you. We average a follow-up question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Within your sub-Rs. 50 lakhs segment, do you have a sense how many people have actually availed of the government the credit linked subsidiary scheme?

Anita Arjundas: So, for Happinest we do have that data, for the others we will need to check. For Happinest it is basically sub-Rs. 25 lakhs. We have had about 100-odd customers who already got the PMAY subsidy and another 135 in the pipeline.

Puneet Gulati: This was for last one quarter I presume?

Anita Arjundas: About 10% of all customers. 1,300 units have been sold in Happinest.

Puneet Gulati: Okay, only have availed.

Anita Arjundas: 10% have availed.

Jayantt Manmadkar: Actually the maximum subsidy has come to the customers and Happinest Avadi where in the first phase we sold 600 out of which almost 100 customers have got. So, it is technically 16% in Avadi**.** In Boisar it is a bit slow because Boisar customers are technically what we feel are not fitting into the credit link subsidy kind of a profile. So, they are mostly investors and might be their income level is slightly higher and that is why they are not eligible for the…

Anita Arjundas: Yes. But Puneet, also one of these would have customers who applied under the first wave which was the Rs. 6 lakhs income criteria. What has been subsequently announced in Q4 which is the Rs. 12 lakhs and the Rs. 18 lakhs, some of these customers would now be eligible. That is yet to be activated. What we are referring to when we say 130 out of 1,300; 10% is really people who were under the original scheme which is sub-Rs. 6 lakh income.

Puneet Gulati: Okay. So, basically the Rs. 18 lakh scheme is still not activated.

Anita Arjundas: No, I mean it was announced on the 31st of December, the government put out the notification in Q4…

Puneet Gulati: March, yes.

Anita Arjundas: And NHB really now only started activated those applications. A little early for us to comment on how many of our customers would be eligible under the 12 and 18. 18 would relevant both for Happinest and also for the other sub-Rs. 50 lakh products.

Puneet Gulati: Right. And are you looking at setting up or increasing the pace of your affordable housing projects to benefit from the income tax profit deduction?

Anita Arjundas: Yes, so we have one schedule for launch hopefully in this quarter which is the Palghar. And we definitely are actively scouting for other land parcels in Maharashtra with the intent of launching more in that space.

Puneet Gulati: And has government assured you that there will be no what you call tax on this or is it only implied from the bill?

Anita Arjundas: Like the standard 80-IB provision. Like any 80-IB provision it is available but obviously subject to compliance of the conditions and for the assessor to determine that you are compliant.

Puneet Gulati: Okay. And will you still have to pay MAT in the interim?

Anita Arjundas: Yes, we will have to pay MAT, but if you are doing it in Lifespaces then anyway the profit that comes from full tax payment on other projects subsume that credit. So, if you do it in MLDL you would get the benefit straight.

Puneet Gulati: You will get the benefit, right.

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

Prem Khurana: My question was with respect to new business opportunities recently we raised around Rs. 300 odd crores through rights and presume this was largely mean for acquiring new land parcel because I mean we have run our inventory in some of these existing markets like Hyderabad we don't to have any new project to offer. So, any comment would be very-very helpful on new land acquisitions that you are looking and any timelines by which you would be able to close some of these transactions?

Anita Arjundas: Currently have MoUs in new locations, we have one in Bengaluru, we have one in Mumbai in Thane to be precise, we have one in Delhi, and one in Hyderabad. And Delhi again I am referring to Delhi not Gurgaon. So, these are the four MoUs where we have closed with the land owner in terms of commercial terms. There is one in Pune also, so that is five of them. As far as all these deals are concerned, in at least three out of the five we have completed title due diligence and technical due diligence and we are good to go except that there are certain CPs to be satisfied by the land owner. Only on the basis of those CPs being satisfied we can complete the transaction, so we are waiting for that to over. And the other two are still at a preliminary stage. Besides this, we are actively looking at other parcels of land. So, the intent, yes as you rightly mentioned is clearly to be able to add significantly to the number of projects that we have under execution. We have 13 projects - 14 projects last year I think three - four of them are completed in terms of execution, all of them will be completed this year in terms of any leftover inventory to sell. So, we will be down to single-digits in terms of the number of projects. We need to definitely get these six launched, add more.

Prem Khurana: Sure. And most of these transactions will be outright buys I mean, how is it played in JDAs and outright buyers in these five - six transaction that you talked about?

Anita Arjundas: So, out of these five, three are outright embedded in joint ventures and two are JDs.

Prem Khurana: Okay, sure. And how has the land prices been after this talks about RERA and GST? Have you seen any correction in land price or land owners turn kind of a little accumulative in terms of negotiating now?

Anita Arjundas: Not, really. It again depends on who is selling. So, if you look at land owners who are not in need of money, land owners who held the land, they are happy to wait, so they won their pricing. As far as developers are concerned who are looking at JDs together or who are looking at selling off their lands then definitely is a little more sensitive towards the price. But really depends on who you are buying from.

Prem Khurana: Sure. And ma'am what will be the average size of these projects on million square basis or square feet basis, average size for each of these projects.

Anita Arjundas: So, from I recall, one is about a little over 1 million; three are 8 lakh square feet; and one is about 4 lakh square feet.

Prem Khurana: Okay. So, largely 8 lakh odd square feet.

Moderator: Thank you. Next question is from the line of Rohit Agarwal from Motilal Oswal. Please go ahead.

Rohit Agarwal: I have a couple of questions. The first question is on the margin, you explained that the costs have gone up but the prices have also not gone up and the margins are contracted largely because less inventory and less sales because you are doing less projects. When do you see that changing?

Anita Arjundas: We will need to get as I mentioned earlier some of the higher ticket price sales coming through and contributing to revenues, as also some of the new launches planned.

Rohit Agarwal: Like few quarters away?

Anita Arjundas: Yes, I would say a couple of quarters away.

Rohit Agarwal: Okay. The second question I just wanted to understand, you explain that probably 15% - 20% of the people actually who book the flats have their subsidy element. So, is it true to expect that may be 70% - 80% are investors?

Anita Arjundas: Not really, it again depends on the projects. If you look at the Happinest in Chennai, about 70% of our customers are actually end users. We have handed over 600 units, we already have 500 of them occupied, at least 350 by the buyer himself, the rest is rented out. So, therefore, very clearly, people have bought but not necessarily in the sub-Rs. 6 lakh income segment. Some of them have been sub-Rs. 6 lakh, some of them have been may be Rs. 8 lakhs, Rs. 9 lakhs, Rs. 10 lakhs, Rs. 12 lakhs income segment. But they have been able to afford that home, they have been able to be comfortable with what they saw there and therefore they have gone in. If you come to Maharashtra it is a little more stuck, I would say the percentage of investors there is definitely higher than what it would be in Chennai. So, while Chennai would be only 20% - 25%, Maharashtra would be may be double of that and therefore, the number of end users are lower there.

Rohit Agarwal: Okay. And the third question, it is generally not really related to your company but generally to the sector that particularly in the sub-Rs. 50 lakh segment, are you seeing that the customers are now understand and they are really going ahead with the cheque payment and loan payment or they are still a lot of builders who are in the marketplace still taking the cash?

Anita Arjundas: I honestly would not know because we have never operated on. It is difficult to comment from what we have heard from comments in the market place, I think there has been a significant move towards cheque.

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

Puneet Gulati: So, you commented that joint development with land owners who are under stress are giving favorable terms and they are probably erstwhile developers also. Are you seeing an increase proportion of these or in your interaction or for business development purposes the proportion of developers versus pure land owners has remained pretty much the same?

Anita Arjundas: The proportion of developers has definitely gone up significantly.

Puneet Gulati: Can you give some more color in terms of what percentage?

Anita Arjundas: I mean, okay, if we are looking at 10 deals at any point in time I would say, earlier you would have 0-2 coming from developers today it would be more like 4 to 5.

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 her closing comments. Over to you ma'am!

Anita Arjundas: Thank you. Thank you for being on the call today and I would say the last six months have definitely seen a lot of fluidity, a lot of changes, much more than industry would like to deal with in such fast succession. But that is the reality that is ahead of us today. And from certain aspects it is good for an organization like us, particularly certain aspects of RERA because what for us was defined principles of doing business has today become level playing field in terms of how other people would also need to do business. To that extent that ability to pick-up more opportunities in the market place and for it to make financial sense will improve. So, really, the focus as I see the next nine months for us really would be to (a) get finished goods to zero; (b) push the maximum amount of sales that we can on sustenance. We do have about close to Rs. 2,000 crores of cash flows that can be generated through our ongoing project after accounting for all construction spends. And then, we have the forthcoming projects which are yet to be launched. So, really getting those six projects out in the market place including the two industrial clusters, these would be primary focus areas. In Jaipur, again and in Chennai a huge push on getting numbers up so that they contribute significantly because margins there are good, if we can get more sales coming in there that would be meaningful contribution. These really would be the focus areas for the company in the next eight months. And thank you for being with us on the call today.

Moderator: Thank you very much, ma'am. Ladies and gentlemen, on behalf of Mahindra Lifespace Developers Limited, 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)

Contact Information

Investor Relations: Sumit Kasat, Head - Investor Relations
Tel: +91 22 6747 8645
Email: KASAT.SUMIT@mahindra.com

Corporate Office:
5th Floor, Mahindra Towers,
Worli, Mumbai - 400 018

CIN: L45200MH1999PLC118949

www.mahindralifespaces.com