"Mahindra Lifespaces Developers Limited Q3 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2020 Earnings Conference Call of Mahindra Lifespaces Developers Limited hosted by ICICI Securities. 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 Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you and over to you Sir!

Adhidev Chattopadhyay: Good evening everyone and thanks for joining us on the call today. Today from the management, we have with us Ms. Sangeeta Prasad, Managing Director and Chief Executive Officer of MLDL, Mr. Arvind Subramanian, Chief Executive Officer of Happinest, Mr. Vimal Agarwal, Chief Financial Officer and Mr. Sumit Kasat, Head of Investor Relations. I would now like to hand it over to the management for their opening remarks.

Sangeeta Prasad: Good afternoon friends. First of all, a very Happy New Year to all of you since we are meeting first time in this year today. Let me start of with some of the good things which we have done and personally very delighted on the way Happinest Kalyan has panned out in the last quarter, all kudos to the Happinest team. Our thesis of understanding that verticalization and specialization work have been proved vindicated by the stupendous launch and the response of Happinest Kalyan. 782 EOIs worth Rs. 250 Crores which we will be booking in this quarter, so the booking has not happened in last quarter because these were happening in the last part of the last quarter, so we expect to see a substantive booking in this quarter from Happinest Kalyan. The other launch was a Vicino launch in Andheri East. We did a first phase launch to test how the market responsed, so around 60 units launched, 33 sold out and these have been booked in Q3. We have EOI which we will be booking in this quarter, so these are two highlights as far as sales in concerned.

Total sale for the quarter was Rs. 196 Crores primarily coming from the mid premium segment, fuelled by the finished goods sales coming from Antheia, Windchimes and Aqualily. The Aqualily flexihomes also saw sale out in Q3, so these were the highlights as far as the sales of residential business is concerned.

Now I will quickly go to the very other important thing in today's world which is, how is the cash looking. I am again happy to inform all of you, quarter after quarter the relentless focus on collections has been yielding us results, so we in the residential business collected Rs. 242 Crores in the last quarter and total for the year YTD Q3 is Rs. 735 Crores. We expect that the collection focused by the CRM team will continue and will give us further buttress into the cash situation of the company. While Windchimes is a part of the Mahindra homes, JV saw completion of 0.43 million sq ft. what impacted us in the standalone was the lag of any phase completion. So as you all know, in the standalone business today, all the projects are the one which were launched in the last couple of years, it will see completion earliest maybe in the last quarter of the next financial year and forthcoming, so that is one thing which I wanted to make ourselves sensitive to that the standalone revenue from MLDL will come primarily from finished good sales in the recent quarters and not from completion, while there will be some small sales completions. We have Eminente Commercial where we are in the final stages of receiving the occupancy certificate, there is not much in store apart from finished goods sales coming from Antheia. The work done for all the projects in standalone as well as consolidated is progressing well. There were some skirmishes because of labor mobilization, which we have covered up and we will be ensuring that our credo of delivering on-time continues in the forthcoming hand overs. As you all know, whether it is Vivante in Q2 or Windchimes in Q3 or Luminare, I am talking about all the significant completions have always been, if not ahead of time, surely on-time so that is one thing we would like to stick to as our strength.

Last quarter we were focusing on getting our projects in Mumbai and Pune ready for launch, incidentally because of the changes which happened in the political scenario, there were weeks where BMC was not at its smartest best in approving so we are seeing some of the approvals coming in this quarter and I will speak a little more about the launches. You have heard about them but just to remind you while Vicino first phase was launched in Q3, we see subsequent phases which are in advanced stages of approval. Coming into our kitty for launch, late February early March where the bookings will happen, or we will just collect EOIs depends on when we get our approval. The marketing and sales team is ready to launch. The other project, we have got the revised IOD’s for the project in Chandivali, so we are pushing for the subsequent set of approvals of CC and RERA so that should also see launch in the next month and that is the project in Bombay. So two projects in Bombay which we are running for and third one which is again personally gratifying is the project in Pune which we did an agreement to sale if you remember in the previous year this quarter, it is in advance stages of approval so it actually vindicates our hypothesis from land to launch what has been our focus to collapse the lead time so that is something which I see that March or early April we will see the product going into the market and the team is very confident of these three.

We have a small phase launch for Roots in Kandivali as you recall. We sold out the first phase of 83 units, remaining 43 is awaiting the TDR approval and we should be into the market very soon. So, these are projects which are in the near firmament as far as the mid premium is concerned while Arvind will talk in detail about what happened in Happinest Kalyan and the forthcoming Palghar 2 launch that is the other one which we are looking at for launch late this quarter or early next quarter.

Land pipeline I know we have been taking about it for a while, just to give you a headups on land, we would like to talk to you about the lands which are in advanced stages of term sheet. We believe that it is important for you to give you a picture but I cannot share with you exact details of those term sheet, but to cut the clutter 2.5 million square feet between Bombay, Pune and Bangalore which is the focus, are in advanced stages of discussion from a term sheet point of view, commercial negotiations are done so we are in the throws of completing the term sheet, again Arvind will talk a little more detail. There also we see over 1 million square feet term sheets in advanced stages of negotiation again mostly in the MMRDA region. So that focus is on because I know that as a company that is the critical area for fueling our growth engine.

Now the business which has impacted us a lot in this financial year and which has been hitherto be in profit fueling mechanism for this portfolio of products which we have in our company is the IC and IC Business. I do not want to preach to the choir as you all know the macroeconomic scenario specially from industrial investment point of view, from industrial productivity, capacity utilization, it is very ironic couple of quarters or if I may say year back we have thought that capacity will be coming in, but last year has been adverse, reverse effect, we have not seen capacity coming in while we have a pipeline. We are seeing the challenges of those pipeline being converted into reality in terms of lease deed and that is another thing which has impacted our financial performance, specifically the profits of this portfolio of real estate companies within the Mahindra stable.

I will go along between me and Arvin and Sanjay. We will try to give you a little more detail into what is happening into each of these businesses. As of now, I would like to reiterate that our credo of land, launch, completion and collection are the 4 we are focusing on. Some of it happening very well, some of it little slower than anticipated, but the team is geared up with specific verticals looking into their own areas and focusing on getting this thing done. One of thing which we are doing even in completion is for all the forthcoming project we are micro managing the towers, in fact each tower is a project so that we can get into the revenue stable as soon as possible, but these are lean times as far as completion goes. There is one in Nagpur which I gather will be coming in for completion in this quarter otherwise restricted completion in this quarter, so the focus is on the operational performance.

Thank you and I would like Arvind to give us a little more deep-dive into the Happinest business, how it is going, the launch and the forthcoming launches.

Arvind Subramanian: Thank you Sangeeta and good afternoon to everyone. So as Sangeeta mentioned we got Happinest Kalyan to market toward the end of the last quarter. I think it is a good case study for a lot of the things we have been talking to you about in terms of our approach to the business. Firstly, just for those who are not familiar with the land parcel. It is a 9-acre land parcel on Bhiwandi Kalyan road in Mumbai. This is a market which has seen a lot of activity in the last two quarters, many competitors have made significant launches in that market and we were probably the third or fourth significant player in that market to bring a new project, a new launch to the market. We concluded the land transaction on Monday the 4th November and we were able to get our RERA approval the same week, by Friday of that week, we had our RERA approvals and launched the project on Tuesday the following week, so within 8 days from completing land acquisition to launching the product in market, this is because of our focus around trying to get land with approvals and all the preparations that went into the sales and marketing launch ahead of time that we were able to get to market that quickly.

The launch was planned as a two-phase approach, so firstly we launched about 500 units and within that it was a two-phase launch that was a book building phase which was planned for about 4 weeks followed by actual allocations in allotments and bookings. The response was overwhelming and compelled us to two things, one we also brought the second phase to the market, so we now launch all seven towers and we also shortened the window for the book building sales from 4 weeks to 3 weeks. In the first week of December we started allocations and as we mentioned we have done just under 800 units by the end of December where customers have paid their first booking cheques. Very high confidence that all of those will get converted into firm bookings this quarter and move in to registrations as well. The feedback from the market has been very positive in terms of the superiority of the product that has been the standout reason for success. Getting the right customer inside to guide our product development and design efforts has helped us stand apart from the competition in what as I mentioned was a fairly crowded market. We are looking forward to lot more success in Kalyan, the success of the launch has also prompted us to re-sequence the construction activity, so we are now constructing the entire project as a single phase all 7 towers will get constructed together and we expect to deliver this well ahead of deadline that we have promised.

Looking ahead, we are gearing up for the launch of Palghar 2. As you might recall, Palghar 1 was again a launch that was stupendous success. Over 90% of the inventory in Palghar 1 was sold within the year of launch and we are hoping to repeat that success with Palghar 2. From a land pipeline perceptive we have about 1.2 million square feet of land in advanced stages of negotiation. We will share specifics with you as we get into definitive documents. We are expecting some closures in the next two or three months. Let me request Vimal to take you through the key financial highlights.

Vimal Agarwal: Hi. Good afternoon everyone. I will just read out the key financial highlights for the quarter. As per the financial prepared as per Ind-AS and more specifically as per the completed contract method under Ind-AS 115 following are the key numbers. The consolidated total income stood at Rs.85 Crores as against Rs.330 Crores in Q2 FY2020. The consolidated EBITDA stood at Rs.5.9 Crores as against at Rs.20 Crores in Q2 FY2020. The consolidated PAT post minority interest stood at Rs.1.8 Crores as against Rs.15.8 Crores in Q2 FY2020. So far as debt is concerned, the company has net-debt of Rs.54 Crores on consolidated level basis as per Ind-AS consolidation. At gross level, debt is about Rs.190 Crores at drawing cost of about 8.7% while the cash in hand is about Rs.136 Crores. With this I will open the floor for further questioning and then we will go one by one.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Gautam Gupta from Nine Rivers Capital. Please go ahead.

Gautam Gupta: Good afternoon everyone. Thank you for the opportunity. You know we have been looking at Mahindra Life for a while and as Sangeeta Ji mentioned, I believe a lot of the profitability has been driven in the past by IC & IC and the residential part may not have been that profitable. It would be good to get some color from management on how do you see this moving, both the Happinest and Non- Happinest, how would the units move, maybe the launches that you have had in the last few quarters, how different are there from what you have delivered maybe in the last year?

Sangeeta Prasad: So first of all just let me clarify what I said that this business has seen the portfolio management working well, the IC & IC has fueled profitability I never said that the residential did not.

Gautam Gupta: No, I did not imply that.

Sangeeta Prasad: Sometimes when we say things, it leads to interpretation, I wanted to clarify that. Nothing related to you it is about me if I have not communicated correctly , I should clarify. So, the whole idea of this portfolio management game frankly is about having different products in your portfolio, which gives you at different points of time the heft to improve your financial strength. So, let me explain, if you look at what has happened in the past in residential everything was on percentage completion, so every quarter we could see something or the other depending on work done, getting recognized, now there is a sharp absence of percentage completion, though I believe personally in the medium to long term that is very good. We will become more driven towards operational parameters that is what I mentioned earlier. So, when we are buying a piece of land in, whether it is a Happinest or in mid premium residential, we are keeping a very strong look into the financial aspect of that particular planned proposal, what it will do to us, but as you are also aware, markets have changed, so velocity with regards to expecting superordinate margins I think is becoming the reality. Earlier in residential business people would hedge, they would wait and watch.

The days of wait and watch is over. If you can sell profitability and sell well and complete well that is the order of the day, that is how we are looking at our business as far as residential is concerned.

Gautam Gupta: Fair enough so I understand where you are coming, I think it is a mature way that you all have been managing, I would rather sacrifice a few basis points for margin and protect ROC, protect cash, I understand that piece. I think it has been explained to us earlier also. I just wonder if there is any color you can give us in terms of the residential portfolio and I understand also overheads there is a timing gap but even at the gross level let us say land and construction cost, if I can call that gross spread, is that changing substantially going forward either because may be we have got a costing down or we have got a pricing little better than we had earlier also we are much more recognized brand than we were maybe a few years ago?

Sangeeta Prasad: Yes, that is the pursuit always in business. Let me explain, one of the things I will again bring the very key success factor in this business which is shifting from waiting and watch to velocity. We get all the parameters like I think Arvind spoke about it for Happinest Kalyan, I spoke about it for the Pune project how can I structure my deal where I do not pay, if I am I doing outright or joint venture or joint development, so if I am doing outright can I structure the payment term with the land owner in tranches rather than in one go, so whether it is Happinest Kalyan or Pune that is what we have done. Frankly for the Pune one also the last tranche will be paid only when the approvals come and I am almost on the verge of RERA, so that is one way of ensuring that at least IRR improves because you are not investing. The second is by doing faster approval and selling my holding cost so the way we look at margin is also the holding cost, the interest cost, the financial cost, rather cash also. The cashability comes in. These are all interconnected pieces which is what we are focusing on and that is where we see that the residential part of the business whether Happinest or the mid premium will see changes and a third very important thing which in real estate was never a big thing, is the manufacturing mind set of looking at period and fixed cost, you know because no one looks at it because wait and watch game because you now cannot depend on price appreciation. You only have to depend on how efficient are we and how effective are we in terms of selling and completing, so those are also the internal reengineering which we are working on. In fact, at present in all the parts of the business we are doing a programme management to get ourselves to think and work in that direction.

Gautam Gupta: Okay fair enough Ma'am, thanks for that perspective, very helpful. That's it from me.

Moderator: Thank you. The next question is from the line of Amit Dalal from Tata Investment Corporation. Please go ahead.

Amit Dalal: So given this whole accounting problems that we have if you were to just give us the number, what you would consider recorded sales for this quarter in terms of value and number of square feet broken up between Happinest and non Happinest?

Sangeeta Prasad: I will just give you the number. So, for the quarter we did Rs. 196 Crores which is equal to 0.26 million square feet of sale, primarily came from the mid premium which is Rs. 186 Crores out of Rs. 196 Crores As you remember I told Happinest Kalyan which had a stupendous launch, the booking of around Rs. 260 plus Crores will be happening in this quarter and Arvind how much square feet would that be?

A Subramanian: About 0.5 million would come from Happinest Kalyan in this quarter, which has got, as I said the advance booking in last quarter and 0.26 million square feet came from mid premium amounting to Rs.186 Crores total being Rs.196 Crores.

Amit Dalal: So this is Q3, I am saying Happinest gave us the revenue of Rs.186 Crores?

Sangeeta Prasad: Let me explain. All these are sales booking value. As I explained earlier if I complete a phase then only it gets revenue recognized, Amit you know we have had this discussion earlier.

Amit Dalal: As a business what you would consider completed sale in terms of getting 10% up front or whatever you take from the customer that sale is the book sale and then you might go over a next period of time so that would be how many square feet in Q3 and what was the value?

Sangeeta Prasad: Rs.196 Crores equal to 0.26 million square feet.

Amit Dalal: On Q3 right and that is primarily you said non-Happinest.

Sangeeta Prasad: Yes. It is a primarily mid premium, non Happinest does not sound nice.

Amit Dalal: And for Q4 you are giving an indication of Rs.280 Crores from Happinest, correct?

Sangeeta Prasad: From Happinest plus the Rs.260 odd Crores plus the mid premium which we will be looking in this quarter.

Amit Dalal: To meet the normal booking which you do about 180-200 Crores.

Sangeeta Prasad: We believe that if the launches with the approvals get through we should be able to do a better job of it.

Amit Dalal: Were you not even giving a non IND AS P&L in the past. You used to share that or not I do not remember?

Sangeeta Prasad: No, we have not. Only in the first year, we had done some comparison that was a transition year after that we thought we would rather focus on improving our operations rather than doing two sets of financials.

Amit Dalal: Yes, but that could always be lumpy I guess?

Sangeeta Prasad: So, you have actually brought a pertinent point, so it is actually on the shift from looking at lag indicators of revenue and profit. What I am doing and that is the question the gentleman asked earlier. What are we doing today to do things which can safeguard tomorrow. So am I collecting cash, am I completing, am I getting my land, am I doing my launches and getting sales that is what we are focusing on.

Amit Dalal: Now if you take Happinest versus mid premium segment and of course this is very difficult to know because it really depends on the velocity of sales, but what would be your expected margin for Rs.100 Crores of revenue comparing one model against the other?

Sangeeta Prasad: It would be late teens and early 20s.

Amit Dalal: And what margin is this?

Sangeeta Prasad: EBITDA margin. Around EBITDA would be like that.

Amit Dalal: You have to take interest also into consideration when giving the margin?

Sangeeta Prasad: Yes, we will take interest into consideration. The whole idea is between EBIT and EBT, how do I reduce the gap by doing what I told earlier, the velocity, so one of the things which impacts our business is the holding of a project. If I do not get the approval, some of the past projects because of the DCR34 being in quandary, we have had to wait a long time to get those projects launched so the interest has come and adversely impacted, I hope now the DCR 34 the government will not focus into getting another DCR in place, so we will have the stable approval clarity and we will get our approvals faster.

Amit Dalal: In this Bombay project you think that you are seeing enough interest from people or is there a lag in the number of enquires to number of booking?

Sangeeta Prasad: Of course, in the affordable segment I think the genuine customers are just waiting for the right product as has been vindicated by Kalyan project. The mid premium segment as I told you what is happening because of the trust deficit in the market good brands when they are coming with good products are seeing fairly good response because investors speculation days are over, so whoever is coming is asking a lot of questions, wanting to know more granularly, this is taking a little more time to covert, but now when a site visit happens it is a genuine customer, so that is one thing which we have felt when we launched Vicino or when we launch Roots earlier in Bombay which we are expecting to see in our Kandivali project. Because we are pre-RERA we cannot go and stock in the market, but people are interested in these suburbs where we are coming up with the projects.

Amit Dalal: I mean do you see Vicino having active demand?

Sangeeta Prasad: Yes, we are seeing active demand.

Amit Dalal: Okay thank you all right.

Moderator: Thank you. The next question is from the line of Arpit Ranka from Kovil Investors. Please go ahead.

Arpit Ranka: Few questions from my end. To start with, we saw Rs.90 Crores cancellation in Luminare last quarter and Rs.50 Crores this quarter round about. What is outlook for the next quarter and maybe one after that, is the worst behind basically?

Sangeeta Prasad: I do not know whether you were there in the investor call last quarter, these are sales which we have done earlier 3-4 years back at a certain price, so we took a prudent decision, if customers who had bought at a certain price and are not willing to carry on with us at that price, we gave them the option, if you want to retain or you want to cancel. Out of the 65 odd which were in that stage, 30 odd remained and 35 odd which you are seeing agreed to cancel with the forfeiture of 10% as per RERA which we kept with us, so as I said earlier most of the cancellations are over. Now at least we have a respite into selling what is available with us at the right market price to the right customers.

Arpit Ranka: Okay yes, sounds good. So, the second question I have is, what is the right way to think about IRR for a Happinest project, so far example maybe you can walk us through say Happinest Kalyan, what is the capital outlay that you will run through the project as it gets in the cash. It is the building I presume you already told 260…

Sangeeta Prasad: Can you repeat your line?

Arpit Ranka: Can you walk us through basically Kalyan as a case study to understand how does the ROCs for your Happinest project work and what is the right way for investors to think about it, so can you walk us through that?

Arvind Subramanian: Yes sure, so I think for the Happinest business the way we are gearing the business model is towards a high velocity business and therefore one should look at this as you rightly pointed out as an IRR play as oppose to earlier margin play, so margins will be as Sangeeta pointed out in the teens but IRR will be multiples of that and that is what we are tracking into both Palghar as well as Kalyan.

Arpit Ranka: Okay, to this extent Kalyan as a case study as you said, so the booking done so far is Rs.260 Crores for 5 lakh square feet sold in the total project size is about 8.5 lakh square feet. Assume we are able to complete the project by say December 2020 or even further depending on what you think is a right estimate for that according to your best guess? So, we will end up getting maybe say sales of about Rs.400 to 450 odd Crores from the entire project. Again, what is the capital which we have had to invest as of now and maybe by the time we end up finishing it? Can you just give us a sense on how much money does one of these projects kind of makes for you and then as you said your signing up mode ease around this and stuff like that so it helps us sort of understand the relevance of Happinest in the context of Mahindra Lifespaces as a whole?

Arvind Subramanian: Sure. I will give some thumb rules because we do not share project wise profitability, but I will give you thumb rules on which we operate the business. So roughly about between 20 and 25% of the revenue will be capital outlay in the combination of land and working capitals for construction.

Arpit Ranka: Okay, so the multiplier is fairly large and if you can complete the project in a year or a year and a half as you said the ROCs can be significantly higher?

Arvind Subramanian: I wish we would complete it in a year, year and a half, we have still a little bit work to do to get there. We are currently tracking at about 3 years for a 8 lakh square foot.

Arpit Ranka: Of course, I am just using basics, thinking through…

Sangeeta Prasad: **Arpit Ranka:** Ma'am if you do not mind, one more question from my end, so as a group what has happened is few large business houses have ended up becoming leaders in the real estate and we come from Mahindra Group and the group we have fairly large amount land parcels across, one of this the land parcel happens to be Kandivali if I am not mistaken and as you all know it is no longer industrial part of the city, it is more residential and this is more like from 5,10 year kind of trajectory, I am not wanting to understand what happens a year out or six month out or something, so, what is again the right way to think about it? Because it is an advantage assuming I mean, I am not saying we get undue advantage just being part of the group, but given that we are one of the top 5 developers in the country who know the business, rightly we should kind of be playing a part as and when that opportunity becomes available, so is it something even we should be aware of, should be conscious of or is it something which is not related to what we are doing?

Sangeeta Prasad: The good part is here you have answered the question in the best possible way. It would be our desire to see that for the group if there is a piece of land, what is the best use of that land, so at present the best use of the land is making the mobility business thrive, we always keep track of that at a group level and there have been in the past in fact I think the Roots project is housed on a Mahindra & Mahindra land. I think Antheia also was a similar project, so I am happy, and I am sure Dr. Goenka and his team are listening to you as well.

Because you are right, if it is something which can be put to more productive use we should put it, but that is all I can say at this point of time and we will constantly be talking, we are in constant conversation with each other as a part of the group to see what is the best, whatever is available in the group.

Arpit Ranka: Okay, sounds good. Just to extend this so purely from understanding in terms of capability in terms of doing scale, so say some PD that we do, currently we are doing say run rate of about, even last year we did PD of about 1.5 million, so do you think the constraint is partly, no good deals coming around or you think given the current set of organization, people and everything do, you think that this is the size where we can aim for right now, because other players are thinking really big in terms of multiplying their scale, operationally I am talking about, nothing else, so again how do you think about that, because even assuming Kandivali, which is a large 80 acre and which is 10-15 year kind of pipeline as and when it becomes available. As an organization, do you think we are ready for that kind of scale or do you think there is some work to be done or are we even thinking about it?

Sangeeta Prasad: We are thinking about it and as you see that is one of the reasons and I would like Arvind to add after this. The reason is, the verticalization because Happinest, I do not think I have to explain to you is a scale game anyway, similarly the reason we have verticalized is that we have focus, we have organization strength at this point of time to see how the scale can happen in both businesses parallelly that is another way of bringing scale. Since it was together, one could have impacted the other, now these are parallel independent variables, so that is one thing which we have done, and which are seeing is a preparation for getting scale and play, so I do not think there is an issue of organizational heft coming in the way of scale. There is always a gestation as you know, this is a gestation business as we get our land and as we start producing and completing, you will be seeing scale, which will include also inorganic if whatever as you said in the group, if there is a land which you can leverage. Both Happinest and mid premium are looking at those opportunities. Arvind would you like to add something?

Arvid Subramanian: Arpit let me just add I think scale at every step of our value chain the ability to scale is important and both Sangeeta and I have been gearing the organization up for that. Just taking you back to the Happinest Kalyan launch example that we will be able to cater to 800 units of sales happening in three weeks time frame. On our busiest day, the first Sunday of the allocation window, we were doing a booking every 3 minutes and 20 seconds that is an example of scale. To be able to manage that there was a lot of planning that went into the IT systems, all the sales were digital, 88% of our payments were made digital, only 12% by cheque, so all of this is part of the planning and execution that goes into planning for scale. Similarly, on the design side, on the construction side, we are investing and doubling down on building our in-house capabilities on construction management, on design management and on delivery management to make sure that the entire residential portfolio is geared to deal with scale.

Sangeeta Prasad: The other thing is we are also started using lot of technology in getting our internal organization equipped to handle more data, because as you know if you have technology as your crutch, as your catalyst then it also helps to get not only the customer side which Arvind and construction management side but also the data management of how we are doing. What the areas, where are the leakages in terms of financial leakage, how we will leads be managed, that one area where we have realized that so much, the movement you get churn the SFDC data, you get a lot of information to which you can analyze and direct to your marketing investment also, so there are many elements and as we both said, we are geared up for that, you will have to be a part of this journey and be a little patient.

Arpit Ranka: Thanks a lot. It is very reassuring and somewhat we can make out it looks like we are using the slowdown to gear up for the upcycle as and whenever it comes, so best wishes for all that. Thank you.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities Ltd. Please go ahead.

Adhidev Chattopadhyay: Yes, if you could just elaborate on what is our business development pipeline now for the coming 12 months because right now in terms of pipeline, I understand we want to close few deals which are there, but apart from the deals in pipeline what is the fresh pipeline for the next year which you are targeting?

Sangeeta Prasad: So, as I said that the ones which are in advance stages, is around 2 plus million in the mid premium and 1 plus million in Happinest apart from that we have around good pipeline and when I say good pipeline , I mean which we are negotiating, discussing, evaluating, around 4 million square feet which are in pre-advance negotiation stage.

Adhidev Chattopadhyay: Okay sure and in terms of land prices do you see any expectations moderating yet or do you still see the land parcel pretty expensive in relation to the margins you want to make?

Sangeeta Prasad: I was meeting some bankers in the morning today and we were discussing how India still continues to feudal and the Zamindari system is still going to be there for a while but that apart so obviously people who have had land parcels and have been in a high hot are first of all realizing maybe outright sale may not be the only mechanism they are willing to negotiate even on the terms of reference. It is taking time, but we are distinctly seeing people wanting to talk about different deal structures which they were not amenable to earlier, that is helping us because we also want to see that we have a portfolio of transactions which are not necessarily outright, so that we can share risk and capital both with the land owner.

Adhidev Chattopadhyay: Okay fine. My second question is again on this Kalyan Bhiwandi micro market, now after Thane, this market seems to have really picked up over the last 12 months so as you mentioned earlier on the call there have been a lot of launches in the area, a lot by your peers and yourself and also all of which have met with quite a good initial response. Do you see the market being large enough to continue to sustain this out of demand even in the coming years considering that lot of this projects are pretty large in size and when they are expecting quite a lot of inventory to come in even for the next 4-5 years?

Arvind Subramanian: So, look I think the definition of what is the market and where does the demand come from is also undergoing a lot of change. In Kalyan we saw 20% of our bookings coming from the Western Suburbs which would not be the traditional land one would use in this market. One would have thought that the catchment area would only be Thane, Mulund at best and for the north up to Ulhasnagar or Dombivli, but as I said we got 20% of our bookings from the Western Suburbs. We got about 5% from Vasai Virar. We got another almost 7-8% from outstation market, so these geographic limitations that we have in our mind to say this is a micro market and the demand is here, particularly in the affordable housing segment with end users, they are willing the crisscross the city for the right product at the right value proposition.

Adhidev Chattopadhyay: For these sort of projects what is the turnaround time in terms of, from launch to execution to the delivery, how do you like to base it?

Arvind Subramanian: How would I like to base it is very different from how it is. So, as I said here from completion of the land transaction to launch took 8 days, from launch to getting 2/3 of the sales was 6 weeks , so we are as I said constructing the entire all 7 towers as a single phase now, so hoping to deliver it well before the deadline which is committed.

Adhidev Chattopadhyay: And just my final question is on the Mumbai market within the city and suburbs, in terms of the demand scenario have you seen that improving over the last six months or have you again seen deterioration in interest, what is the overall sense you are getting?

Arvind Subramanian: Very mixed to be honest like with every category you will have winners and losers, but I think the pattern that is clearly visible is, combination of good product that has a good value proposition from a financial perspective for the customer is still working, not just in real estate, but in other categories as well. I think numerous examples that underlying demand remained strong particularly in the lower ticket size segments because these are end users, they have typically been planning for their purchase for a year plus often two years they have been in the market searching various products, so they are not looking to time the market and say that okay if I hold back by quarter I am going to get a product 3% cheaper or 5% cheaper. They are waiting for the right product, so if the product ticks the right boxes they are willing to commit.

Adhidev Chattopadhyay: Sure, that is very helpful yes. Thank you.

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

Faisal Hawa: With Anand Mahindra now taking more of a one participatory or a more of a role which is not very much into organization, do you feel that there could be more urgency into near term goals and targets as far as financials are concerned, that is one question. Second is do you feel that in the industrial cluster segment actually it is our strategy which has failed because we are trying to do the same thing again and again and even though the microeconomic conditions remain bad, we cannot be having so much inventories sitting and waiting for the economy to turn around, it is not that industry or skill development centers or even service centers are not coming up at all in other regions and third, do you feel that we should be doing something in the commercial space or in the whole living space to really get the sales up in these industrial clusters?

Sangeeta Prasad: So first of all, Mahindra group is 75 years old. I just wanted to bring the elements of the eternality and obviously I do not want to comment on anything other than the fact that federation of companies which have boards, which have management and which have a governance structure, which pushes people, guides people and motivates people to do better than they have done so that is about what I have to say and I do not want to comment more on that. The second thing you spoke about the integrated cities and you are right that we cannot just wait for the economy to turn to make our presence felt, so some of things before I ask Sanjay to talk in more detail on what he is doing in the integrated cities, some of the things which we have done Faisal is we have not looked at someone will come and buy land

and I will wait for them to buy land, so what we have looked at it is also which are sectors which are raising, so we have looked at food processing, we have looked at logistics and we are talking to people who may not be able to buy land, but are willing to take a piece of a factory which some one else will build for them. So, in the last couple of years we have also build this some of our transactions which are happened are build to suit transaction with an investor in the ploy, so that is one thing which we are focusing on. The second thing we are focusing on is talking to a few larger players who can form cluster and countries as well, so one of the thing is the country has approached us when we were talking to them and we met them and we went there, is to form an industrial cluster of SME companies from that country into our origins Chennai, so that is another thing which we are looking at that not just individual clients can be do a country or an industry cluster, which comes and take say 15 acres of land or 10 acres of land comprising 5-6 companies that is the second thing which we are doing. The third thing which we are doing to monetize is we did the IFC transaction, we are looking at can we get strategic partners more into our land parcels so that we can monetize and get some funds in and develop faster. As far as the specific other granular advances which we are doing, I would like Sanjay to join in and talk about it little more on this for the short term.

Sanjay: So, while all of us know the key weak outlook and as well as liquidity crunch is leading to more difficult and longer time cycle for even projects finance for small and mid size segments, that the same time over the last two quarters we have started seeing some overall positive developments, the first one was the corporate tax rate cut announcement. Many companies are evaluating that what is the right cost benefit analysis and secondly what is an appropriate structure to look at it. Second with the new infra projects announcement which has come in, we are seeing that some specific segments like construction equipment, ancillary machines and product suppliers have now started moving ahead in their discussions and that is reflecting directly in all the pipeline. Third thing realizing the current tougher environment all the three states in which we are present has taken significant efforts to invite new investments. Rajasthan has revamped a very competitive investment policy, Gujarat investment policy is under revamp is expected in sometime. Tamil Nadu government has done a proactive road shows in all the free target markets. We have started seeing some and in all of these we have worked in a cooperative manner together co-creating both the visibility as well as the pipeline with all the governments. One of the last things which happened in December end was there has also been a notification by the GST council where there is an now exemption on industrial land lease for GST where any of the government or state undertaking has more than 20% holding, that was a short term dip for Q3 for Jaipur because as you know it is a 74:26 holding, but we see that in the long run with cash being very critical for new prospect will become better. Some of that has already started manifestation. Jaipur already in the first half of January already signed one agreement to lease and as well as another MOU has also signed. In both MWC Chennai as well as Origins Chennai we also have signed MOUs where we have a certain part of the advance already from the clients and the traction for converting that MOU into leases is underway.

Faisal Hawa: Sangeeta Ji are we looking at just connecting with some distress developers, who would have said half a project complete or something and then lend our name to those projects so that we can get some quick sale into our books for the next financial year at least?

Sangeeta Prasad: We are certainly looking at such people, so we have evaluated not one but 2, 3 such deals. What we have found is that, one or two risk issues that when we go to a developer of a certain category and we realize that they have either not registered in RERA or if they registered in RERA they are not disclosing the right things, so we have been a little careful Faisal because what happens with the brand name which we have, whatever be the terms of reference it should not impact as adversely so we are looking at it but we are looking at it cautiously.

Faisal Hawa: So, does not look like something will come out of it even in the next financial year?

Sangeeta Prasad: That is too longer period to commit that nothing will come out of it.

Faisal Hawa: Okay thank you so much.

Moderator: Thank you. The next question from the line of Manoj Bahety from Carnelian Capital. Please go ahead.

Manoj Bahety: I have a couple of questions. The first one is like I understand that right now we are definitely facing a very, very tough macroenvironment, but if I look for companies from sustainable execution per annum, so what kind of target you are keeping for yourself like in 2-3 years timeline and what are the steps you are taking to reach to that. If I look at current year, till now I think we have done around 0.7 msft kind of sales vis-à-vis last year of around 1.7msft, so just wanted to understand that and my second question was like how do we see the profitability difference between affordable segment and the normal segment?

Sangeeta Prasad: So, you are right. We did around 1.7 million square feet which was triggered by few launches which was Roots in Kandivali, which was Lakewoods in Chennai and Centralis in Pune. The major launches, I am not talking about phase launches. This year we have had two launches. One was Happinest Kalyan and the other one was Vicino. Happinest Kalyan we are still not booked into the phase value, so that will be a quick jump of around 0.5 million square feet through 2.26 so that will give you immediately a jump into the million square feet and we have launches in place in this quarter which I have spoken to about earlier. So what we are seeing , that should bring up the sales value if not in terms of booking but at least in terms of EOI, I hope you were in the early part of the call when I explained all the launches, where you there?

Manoj Bahety: Yes, I was there.

Sangeeta Prasad: So those launches would help us buttress the million square feet number you were speaking of, so we should be able to launch and sell most part of 1 million square feet because we have already on 0.76 msft as far as Q3 sales is concerned, so that was your first question. Any further question on that?

Manoj Bahety: I just wanted to understand like I am not worried about let's say current year, but if you look at the company on a sustainable basis, what kind of target it is like whether you are targeting 2-3 million kind of sustainable sales and launches every year, maybe 1-2 year down the line, once we reach normalcy.

Sangeeta Prasad: I think you have forecasted rightly. At present, the focus is on the operational performance and getting land in place and the good part as I explained earlier in one of the questions is both the verticals of Happinest and mid premium are working in parallel so that should have a cumulative effect in terms of getting the million square feet into the 2.5-3 msft range.

Manoj Bahety: My second question was like how do we see the profitability difference between affordable and mid premium segment and what kind of proportion will be there between these two verticals?

Sangeeta Prasad: I think this was spoken about earlier. We spoke about the impact of margins in the late teens and we spoke about IRR above 20, what we are seeing is the whole business of Happinest is about if both businesses are about velocity, the Happinest one is about logarithmic velocity, it is faster, so the IRR will be the focus in that business. I am not saying that we will not make margins but by faster turnaround that should help us to improve the IRR and the focus on mid premium obviously will be on margins but also, I reiterate IRR because in today's world wait and watch in real estate is a complete no. I would rather sacrifice a couple of basis points to ensure that I sell, I collect cash and I complete.

Manoj Bahety: The last one question which I have are you looking aggressively on DM kind of model like where you get the complete land from other guy and you lend your name to certain developers, this portion I see is very small?

Sangeeta Prasad: You are right, it is at currently very small, so the way we look at it is ,we have defined internally certain guardrails that if I am doing a project what is my effort outcome ratio, so we are open to DM at present, we are flexible, we are open to outright as I spoke to you about earlier outright where payment can be made in multiple tranches so that I can stagger my payment and improve my IRR and reduce risk of paying outright. We are looking at joint development, many of our projects are on JV platform and we are looking at DM, as long as the DM is worth its salt.

Manoj Bahety: Okay thank you for taking my question.

Moderator: Thank you. As there are no further questions from the participants. I now hand the conference over to Mr. Adhidev Chattopadhyay for closing comments.

Adhidev Chattopadhyay: Thank you everyone for joining us on the call today. I would now like to hand it back to the management for closing remarks.

Sangeeta Prasad: Thank you Adhidev so the closing remarks are not too much. It is getting doubling down on the operational excellence part of the business, getting our launches which we have in this quarter and which are for a forthcoming quarters, getting the completions done. We have spoken about it so I do not want to again repeat, not moving the radar from cash collection, giving velocity more marks over rating and watching and last but not the least, all the terms sheet which are in final stages of negotiations converting them so that we have projects in the future which can help us grow to some of the numbers we spoke about earlier. Thank you.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

This document has been edited for readability purpose)

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