



“Mahindra Lifespace Developers Limited  
Q2 FY2021 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to Mahindra Lifespace Developers Limited Q2 FY2021 Conference Call. We have with us today from the management, Mr. Arvind Subramanian, Managing Director and CEO; Mr. Vimal Agarwal, Chief Financial Officer; 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, please signal the 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. Arvind Subramanian, Managing Director and CEO. Thank you and over to you Sir!

**Arvind Subramanian:** Thank you. Good morning to everyone and welcome to our Q2 FY2021 earnings call. Firstly, I would like to thank all the investors and analysts who are participating in this call. As you would all know, many of our key operating entities from the residential business like Mahindra Homes and Mahindra Happinest as well as our IC & IC business like Mahindra in Chennai and Jaipur as well a few origins are not consolidated on a line by line basis and therefore the financials do not fully reflect the organization’s throughput. I will start with the few comments on the context of the economy and the sector and then talk about our performance over Q2.

As we all are aware, COVID-19 is still a big drag on the economy. Overall, for the year, the economy is expected to contract by as much as by about 10% as per various analysts and Q1 for which we have numbers, we know that **GDP** contraction was just under 24%.

Coming to indicators for Q2, credit growth from 3.9% in August 2019 has been only 0.5% in August 2020. Personal loan grew at 13.3% in August 2019, grew 28.6% in August 2020. IIP we have numbers for July was at 125.2 in July 2020 versus 140.1 in July 2019. India’s retail inflation measured by the CPI; the Consumer Price Index grew by 6.69% in August 2020 versus 3.39% in August 2019. So, each of the macro indicators are unfavorable compared to similar periods last year.

The real estate sector, as we have all been seeing and based on statistics that have been, details have been released by the Maharashtra Government, Mumbai in particular has seen a very strong rebound with the number of properties sold growing by as much as 112% in September compared to the previous month.

The Maharashtra Government move to cut stamp duty on property registrations for a limited period has certainly provided strong tailwinds and we are seeing interest from Mumbai as to conclude the transactions and registrations before December. From a decline of 70% to 80% year-on-year sales for a broader market in Q1, Jefferies estimates that sales would likely be down by 40%-50% year-on-year in Q2. New launches in Q2 from a sector perspective, have been at just under 80%, 79% of pre-COVID levels and the affordable and mid segments which is the segment that we operate and from a residential perspective

compared 72% of new supply. Construction activity is also picking up pace as much as I think we are tracking to about 65% to 70% of the labor strength from pre- COVID levels.

Coming to our business, in Q2 we achieved net sales of 115 Crores about 1.6 lakh square feet, mid premium contributed to 80% of that and affordable to 20%. We are very happy to see a broad-based recovery in sales across our entire portfolio.

Luminare has been a bright spot in NCR where we saw 51 Crores of net sales. Finished goods inventory has also been moving well and the average price realization for the quarter stood at 7150 per square foot.

Collections and handover have also picked up pace t quarterly collections were at 134 Crores which was 86% more than the previous quarter and we handed over 60 units which is more than double of what we handed over in Q1.

As I mentioned, construction activity is picking up pace, we are at about 75% of our labor strength from pre-COVID levels and this is gradually increasing.

In the first half, we had very limited completions and that reflects in the P&L. During Q2, we completed one phase at our Bloomdale project.

In terms of new launches towards the end of the quarter in the last week of September, we had launched our second project in Palghar which is in the affordable housing segment and we launched 485 units about 1.8 lakhs square feet. We are very happy to share that response has been tremendous, this entire launch was done digitally with no face-to-face customers meetings, all meetings were done virtually, there were no site visits, no show flat, no experience centre, all meetings were done through video calls and we received a very good response.

These sales will be recognized in Q3 since the launch was done towards the end of September. In the foreseeable future, in the second half of this year, we are expecting to do at least 4 residential launches, two in the Mumbai region, one in Pune and one in Chennai.

Our land pipeline continues to be quite strong. I had in the last call mentioned to you that we are targeting to build up about 2,000 Crores worth of sales value in terms of new land deals by the end of this financial year and I am happy to share that we are track to do that.

We will be announcing land transactions only when we sign definitive documents, so I expect some of these to be announced by early in Q4. In the IC & IC segment, we have done sales of 8.1 acres for a total value of about 21.34 Crores during the quarter.

With that let me request Vimal to share the financial highlights for the quarter.

**Vimal Agarwal:** Thank you Arvind. Moving on to the financial performance for Q2 FY2021 the consolidated total income stood at Rs 37 Crore as against Rs 22 Crore in Q1 FY2021. The consolidated EBITDA stood at -8 Crores versus -19 Crores in Q1 FY2021.

The consolidated PAT post minority interest was -13 Crores as against -20 Crores in Q1 FY2021 while operational performance has shown considerable improvement which has been talked about as you know, the revenue is recognized post completion of projects and in H1 and more specifically Q2 the completion of project was at a slower pace and therefore that is the impact you are seeing in our financial numbers for Q2.

Moving on to debt number, we continue to do well so as far as debt and cash position is concerned. The company has about 307 Crores of debt on IND-AS consolidated level while the cash in hand was about 150 Crores. On a consolidated basis, the cost of debt stood at 7.35% versus 8.7% in March 2020 while on a standalone basis cost of borrowing in MLDL which is Mahindra Lifespaces is now at 6.5% which is the lowest ever we have seen for last many years. We expect the cost of borrowing to further improve in Q3 as well as in Q4.

These are the key numbers, and we can move to the Q&A.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

**Adhidev C:** Good morning everyone. Thanks for the opportunity. Sir, firstly just wanted to know what is the sort of sales guidance or sales target we are looking to achieve this year and possibly next year especially the large launch pipeline and business the urban pipeline which you said at the beginning of your speech? Thank you.

**Arvind Subramanian:** Good morning Adhidev. I think given that first quarter was extremely difficult for the industry and for us and almost a complete washout, I think we will be very well served if we get similar level of sales as we had last year at the end of the year.

**Adhidev C:** Sir anything next year like FY2022 means where you said four launches in second half and what are the land transactions are expected to announce, so any target you are looking to see for the next year?

**Arvind Subramanian:** Yes, we would like to be in four digits next year certainly from a residential sales perspective but of course it all depends on how the pandemic plays out but if I would look at it from where we are today, we would certainly target a four digit sales from the next year.

- Adhidev C:** Okay, just on that business development pipeline, so the transactions post quarter announcement you said in the early Q4 when do you see the earliest possible launch for this project, when will it get off the ground you expect that?
- Arvind Subramanian:** I expect at least a couple of those to be launched by the Diwali season next year, so that is what we are gearing up for.
- Adhidev C:** Thanks Sir. That is it from my side. I will come back in the queue with more questions.
- Moderator:** Thank you. Our next question is from the line of Mahavir Mehta, an individual investor. Please go ahead.
- Mahavir Mehta:** Good morning Arvind Ji. I would like to ask you few questions like in residential business till date how many MoU you have signed with landowners and what is size of it? How many projects we will launch till March 2021? Second, in IC & IC, how is demand there and any big land parcel enquiry from buyers?
- Arvind Subramanian:** Mahavir, on both your questions, firstly on the residential side, we are expecting as I said four new launches in the second half of this year two in Mumbai, one in Pune and one in Chennai.
- Mahavir Mehta:** What about the Bengaluru one?
- Arvind Subramanian:** Bengaluru one is going to take a little bit longer. There are still some CPs we are working through with landowners so it might push out a little bit and from a land pipeline as I said we are on track to go ahead, given you an indication that we will do three to four land transaction and bringing on board about 2,000 Crores worth of sales potentials so we are on track to do that and you will see announcements starting Q4.
- Mahavir Mehta:** Okay and in IC & IC?
- Arvind Subramanian:** IC & IC actually the pipeline has been building up very well, there are some very large leads in the pipeline. The challenge we are having there is with international travel being restricted, most of these transaction will require, these are MNCs and their teams need to visit the land site to do their physical assessments and before they sign on the dotted line, so there is a very good build up, I am expecting once international travel starts we should have signs up happening in quick succession.
- Mahavir Mehta:** Any big land parcel enquiries from buyer?
- Arvind Subramanian:** Yes, there are some very large transactions in the pipeline. Fingers crossed, pray for us.

- Mahavir Mehta:** Thank you so much. Great. Thank you.
- Moderator:** Thank you. Our next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.
- Prem Khurana:** Good morning. Thanks for taking my question. Just to begin with recently done lonely digital launch in Palghar, can you share your thoughts in the same and how was the response taking this in? Is it possible to have the similar kind of launch track with some of these new launches that you spoke about because as I see it in terms of ticket size Palghar is significantly lower, so the risk that you are taking I mean as a buyer is lower where the people ideally could be dare to commit at but when it comes to digital launches like Chandivali or Andheri the ticket size would it be difference, is it possible to have similar kind of launch strategy there or is it the strategy would defer from project to project, that is my first question? I will take the further questions separately.
- Arvind Subramanian:** Thanks for the question. Firstly, Palghar was an experiment we tried. We wanted to push ourselves to see whether it would be possible to sell apartments to genuine end users without a face-to-face meeting and we wanted to use the opportunity to push our capabilities from a technology perspective as well as from sales and marketing perspective. So, I am very happy with what we have achieved but more importantly what we have learned through that launch. We have understood how customers engage on the digital platform, how to keep their attention because you know in a face-to-face meeting when a family is sitting with you at your site office, they are okay spending two hours in a conversation but online meeting and a video meeting one has to run the sales conversation very differently, so there has been tremendous learning, the fact that it has been a successful launch and we have got great response is only the icing on the cake. Going forward I do not expect that we will do purely digital launches as I said this was an experiment, we tried to test both the feasibility as well as to push our capability side. Going forward, we expect it will always be a mix of physical and digital and that is the way it should be but now with this experience under our belt we know how to play that mix much better than we had in the past. You had also alluded to the fact that this may be a low risk opportunity because it is a lower ticket size. I must highlight that for the audience and for the buyers who bought in Palghar, this is a very high-ticket size. So the audience we were tapping here, many of them are going for loans, this is the first home they are buying, so for them that 10 lakhs or 15 lakhs or 20 lakhs is actually a very significant outlay and they took it with as much seriousness and that was again very revealing for us as somebody who buy 2.5 Crores apartment in our mid premium business would.
- Prem Khurana:** Sure, and Sir small clarification of this Palghar II received EOIs right? but are these EOIs kind of conditional I mean sense that PP would be given a chance to visit the property before they consummate a transaction, is that once they have given you a go ahead and they

are fine with the price they will have to go ahead with the transaction or is it a conditionally EOI wherein they are allowed to visit the site?

**Arvind Subramanian:** No, actually we netted a large number of EOIs already and as I said those numbers will be part of our Q3 results but we have been concurrently netting those EOIs and there is nothing conditioned about them, that scheme closed on October 31, so whichever customers chose not to net their booking they have been refunded their token amounts in the next two weeks.

**Prem Khurana:** Sure and two more questions if I may please, on Luminare have done seriously got this quarter, what changed there I mean suddenly over, last year we were seeing cancelling and you had very good quarter, a single largest contributor, this quarter is Luminare, so were there any concentrated efforts as in residential either you have given them some staggered payment plans or reduced prices, what has changed with Luminare this quarter?

**Arvind Subramanian:** Luminare, I have deep conviction, it was always a good product and it was just about how we were taking it to market and discipline around sales, so the Luminare success story has largely been driven by this putting in place very strong sales disciplines, expanding the distribution, following up with leads, making sure that rigor is there in the entire conversion process and that is what has yielded results, the good thing about Luminare, it is not just about the overall number in the quarter it is also about the consistency in both walk in as well as booking, it is a month-on-month the story is getting repeated which gives me a lot of confidence that we are doing the right thing there.

**Prem Khurana:** Sure and one last if I may please, on ED side business, that is good share, how is the construct between you prefer JD over outright buy or by existing pipeline you spoke about which you would be able to close by Q4 early and how is the construct, I mean if you share qualitative thoughts there?

**Arvind Subramanian:** We are discussing both outright as well as JD and in fact in one of the recent conversation, the conversation flipped from outright to JD because we were simultaneously keeping both on the table and the landowner preferred then to switch it to a JD, so we are open to both and we are seeing good quality of deals as well as willingness of landowners to meet us midway in terms of our ask on both consideration as well as payment terms. Many of those deals we are trying to work it in a manner where approvals will be done by the landowner and significant amount of the payout for the land consideration will happen upon receipt of approvals which also helps IRR significantly as you would know.

**Prem Khurana:** Sure and just one last if I am with your permission, our net debt has gone above almost on Rs.48 odd Crores during this quarter and you said I think construction is still not that in entirety I mean we are still at around 75% odd, you said seriously good collection I mean given the fact that we were facing COVID issues, is it there made some initial payments towards some of these lands transactions?

- Arvind Subramanian:** No, there is no initial payment towards land transactions in the debt. Those are more just capital reallocation essentially, so there is no land consideration in that. Even though there has been some collection perspective, our collection has more than covered our construction cost as well as our fixed cost for the first half, so I mean operating perspective, we are self-efficient, collection is funding our operations.
- Prem Khurana:** How much is the construction spend during the COVID, I think it was not there in the presentation this time?
- Arvind Subramanian:** About 61 Crores for H1
- Prem Khurana:** Thank you. Thanks a lot for taking my questions and all the very best.
- Moderator:** Thank you. We will take the next question from the line of Rohit Potti from Marshmallow Capital. Please go ahead.
- Rohit Potti:** Thank you for the opportunity. My first question is on the debt side, so it is great to see the cost of debt coming down to such extremely low level but just curious to know, for our JVs a lot of our entities are in JVs or partnership with other entity, so will the cost of debt be the same for those entities as well like our affordable housing and our IC & IC businesses?
- Arvind Subramanian:** I will ask Vimal to answer that.
- Vimal Agarwal:** The reason for overall cost or rate of interest coming down is driven by two things, one is what is happening around in terms of macro and more specifically so far our own entity is concerned because of the robust balance sheet and the cash position, we are getting those advantages. Now within our entities, what is happening is if you are looking for long term debt position, the leverage is lesser versus the short term borrowings which you are doing which means that if you are borrowing for construction purposes then the opportunities to borrow at a lower rate is significantly higher versus if you are borrowing say for land acquisition, the extension of that really is that if you look at NBFC side, the rate has not seen so much of softening versus say the banking side. Within that what we have experienced is that MLDL which is the parent company for lot of these subsidiaries and all, the advantages are the positive significantly higher versus other entity largely because in other entities, the debt is not so much on the working capital side, it is largely on the long term side. Is that clear?
- Rohit Potti:** Yes, so it was qualitatively helpful, but could you give us a range of interest rate for let us say the entities that we have, and we do not consolidate on to our books?
- Vimal Agarwal:** Yes, debt will not directly or indirectly comes to our book, will be closer to may be 8%-8.5% versus MLDL where the rate is in the range of 6%-6.5% as we spoke about earlier and



I am sure you know that so far overall in the real estate sector is concerned on the blended basis, it will lower at least by 350 basis points versus industry averages or more.

**Rohit Potti:** Maximum interest rate that we are paying into any entity that we are part of would be at around 8.5%, is that right?

**Vimal Agarwal:** Broadly you are right.

**Rohit Potti:** That was very helpful. My next question is broadly on our land acquisition strategy, so I have been following the company for some time and for the last several years, my understanding, I mean I have friends who visited and bought some of your products and the customers are extremely happy with Mahindra brand and quality and if I see over the last few years, one place where we have sort of land business, business development or land acquisition and previously always mentioned our intent to go aggressive there but the eventuality is not born out or intent so far, So, how are you approaching it differently this time and what gives you the confidence that this time around we will be able to build a really robust pipeline and on the land acquisition that we do could you give, I mean you have already given lot of flavor but could you give more flavour on what is the turnaround time that you expect each of the land that you acquire, do you expect to launch within a month or two months, I think one or two projects in the past you have done that. So, are you extremely focused on not minding paying a little higher but having a very quick turnaround for any land for sale you buy?

**Arvind Subramanian:** Yes, let me answer the second part first and then the first you are absolutely right we want to buy land which we can bring to market quickly because we are not in the land banking business, we are not trying to buy land and hold for a future demand and that also is guiding what kind of land we are buying the size of the parcels, the locations etc., so we want to buy land where if I have the approvals market is ready to absorb that inventory tomorrow. So, that is the very strong filter that we apply and therefore we also structure our transactions in a way where I mentioned earlier a large part of the land consideration is paid closer to approvals and therefore closer to launch. In terms of what is it that we are doing differently and what gives me confidence is we are building in the right direction. I think it is two things, one the environment itself is quite different in the last six months compared to what it was in the last three years. There was a lot of froth in the market in the last three years and therefore positions from the landowners side had hardened they were wanting to extract maximum value, today they are as I said far more amenable to meeting us half way and structuring the transaction in a way that makes sense for us as well as them. So, there is a window of opportunity that the pandemic has created which for strong, well-funded players like us with low debt bodes very well. Second, internally as well as I alluded to, we are much sharper now in terms of what we are looking for as well as how we evaluate land than we were may be a year or two back. We have gone through our own learning curves and

therefore are able to move much quicker, asses more rigorously, we are a very IRR focused business and that is our main hurdle in land evaluation.

**Rohit Potti:** That was helpful and a follow up to this land acquisition strategy once more. So, if I remember correctly our broad strategy was to focus on our core market of Mumbai, Bangalore and Pune and have continuous exposure in NCR and Chennai. Does that remain or have we changed our stance given the strong resurgence in Luminare space?

**Arvind Subramanian:** So, it remains the same and just to clarify Mumbai, Pune, Bengaluru will be the markets where we will seek to buy new land for residential. Chennai a large part of our residential strategy sits in Mahindra World City Chennai where we have a large amount of land still to be developed for residential and we are wanting to wait and watch we want to complete Luminare well. There is still one more tower to do there so launch will come up early next financial year and then we will take a call.

**Rohit Potti:** That was helpful and my last question, when I compare Mahindra to all the other real estate developers it is interesting to note that probably or the only builder of scale which is not a promoter driven entity so, I believe all other entities have promoter family directing the course of the business. So, I just wanted your thoughts on the advantages and possible disadvantages of this situation or is there anything in that at all?

**Arvind Subramanian:** I do not know. It is hard to put as simplistic frame around advantages and disadvantages. Each has their benefits, A promoter run company can a lot more entrepreneurial. One person takes a decision it is a very intuitive gut feel business, call that a promoter can take which as a professionally managed and board managed company one has to think of decision making a little bit differently. Whether it is better or worse is very hard to judge, I think broad basing r decision making makes it more sustainable. We are not dependent on one-person brilliance to take the business forward. But just in your earlier comment you mentioned where one of the few players scale with professional management. Professional management yes scale am glad you consider us to as scale I feel which I will ask them way to go build scale, I think there is a lot of headroom for growth.

**Rohit Potti:** Thank you for your detailed answers and they are really appreciated. I will get back in the queue.

**Moderator:** Thank you. Our next question is from the line of Chintan Parikh from HDFC Securities. Please go ahead.

**Parikshit Kandpal:** This is Parikshit here from HDFC. My question is again on the business development side so, earlier we were looking at some outright deals also on the land side, but now we are again thinking of doing mix of outright and JD. So, has the overall land acquisition or BD size increasing for us is it going to increase on the levels which we are thinking earlier?

**Arvind Subramanian:** Yes, but it is going to increase as I said in a sustainable way. Now I do not want to go out and buy 5 million square feet of land while the opportunity is there the pipeline is this. We also need to buy land which we can then as we spoke about earlier in the conversation one, we can bring to the market quickly and we can launch successfully. So, it is about keeping both of those in lockstep that we buy land, In the past few years land acquisition has been a bottleneck, we want to make sure we buy land and we can sell it in the market as quickly as well. So, both of those engines have to fire at the same time. So, we want to build it in a sustainable way in this year if we are able to do those three or four transactions Rs. 2000 Crores worth of gross development value going into net sales. I mean it stretches out well and we will grow from there year-on-year.

**Parikshit Kandpal:** The second question was more on the distribution side, now we are building up a pipeline on the BD side, so how are you placed in terms of distribution setup and what are we doing there to market these projects, projects when they come to the launch phase?

**Arvind Subramanian:** Thanks for asking that question. In fact that has been a very significant area of focus for us over the last six months. We have really strengthened our distribution. I had mentioned that in the context of the question on Luminare. But the same applies to Mumbai, Pune and Chennai as well where in all of these markets we are investing a lot of time and effort to build out our distribution, so just to share some numbers in Mumbai for example, we now have almost 3000 empanelled channel partners and in projects like in the launch of Palghar but also going back almost a year to the launch of Kalyan what has really driven the success has been the retail distribution, the long tail of channel partners who brought one deal, two deals and that to me is a very sustainable platform to build on. In the past there have been a few large channel partners who have done 50, 70, 100 deals. We cannot rely only on that we also need breadth of distribution so, in Mumbai we have as I said now empanelled 3000 channel partners, we have an app which we use to engage with them they are finding that app very useful, we track the usage of that app in the last month we had almost 600 active users on that app and that app is used to both disseminate collateral to them, run schemes, they can submit their brokerage, request invoices on that app, so it is an end to end engagement platform for our channel partners.

**Parikshit Kandpal:** So now, since you have earlier touched upon that my vision is more professionally driven, so the risk and the reward have to also flow into the key employees or management. So, what are the steps you are taking there to boost their morale go about and keep selling and regain market share in the market. So, end plans any you have worked out on that as in terms of high soft scheme or something?

**Arvind Subramanian:** Yes, in the last time in the AGM we had taken an approval to enhance the limits both the soft schemes of 2006 as well as 2012 schemes and the reason that was done was to create a stronger incentive compensation mechanism with the leadership team to start with and then

the rest of the organization. So, that is something we are working on very actively and we should be in a position to put something in place within this financial year.

**Parikshit Kandpal:** Just lastly on the land bank again, you said we will start announcing some of the deal closures earlier in fourth quarter of financial year FY2021 so typically what are the key locations or key reasons where you are looking to add this land bank?

**Arvind Subramanian:** These the pipeline as I said is Mumbai, Pune, Bangalore that is where we are looking to acquire new land for residential.

**Parikshit Kandpal:** And this will be like average ticket size it be like in that 7000 to 14000 kind of realization?

**Arvind Subramanian:** Yes, I would say if we also include our portable portfolio from 5000 to 15000 PSF and ticket size is from roughly Rs. 30 lakhs to Rs. 2.5 Crores.

**Parikshit Kandpal:** Largely it will be like loft sided more on the mid-income luxury side or mid-income to luxury side but not much really on the affordable side?

**Arvind Subramanian:** No, as I said all the way from Rs.30 lakhs or Rs.25 lakhs to Rs. 2.5 Crores.

**Parikshit Kandpal:** That is all from my side. Thank you, Arvind and all the best.

**Moderator:** Thank you. Our next question is from the line of Himanshu Upadhyay from PGIM. Please go ahead.

**Himanshu Upadhyay:** Good morning. I had a question on Mumbai is one of the focus areas for us and in terms of launches how are you looking at because the thing the stamp duty has been reduced and we are seeing a lot of traction what we read in newspapers till December and then till March. Is there something we can really use that opportunity to do the things before December all the launches or you think it may take time and again, when we are seeing this Rs.2000 Crores sales value type of projects? Is there something focus more on Mumbai or it remains Pune and Bengaluru only because we have not seen much happened for us in MMR for last two year-three years and whatever we had Sakinaka it is still pending for a very long period of time. First question around these things faced to Mumbai focus.

**Arvind Subramanian:** Mumbai you are absolutely right I think the fact is this stamp duty reduction is time bound, that there is a steeper reduction till December and then a lesser reduction till March. We have to plan our launch calendar accordingly so; we are trying to push for a couple of launches in that window and honestly between December and March it is a 1% difference. So, as on this we launch in the December to January kind of window we would get so the registration is done by March and the good thing is it is in the interest of the customer to complete the registration so that they can take advantage of that, it acts as a positioning

function for the customer. So, we are planning accordingly you are absolutely right. From the land pipeline perspective several of our deals in the pipeline are MMR deals so you will see a strengthening portfolio within MMR as well.

**Himanshu Upadhyay:** Again, in Nagpur, that project has been there for a very long period of time. Is there some traction we can see even in Nagpur Bloomdale because some amount of reduction in stamp duties still in Nagpur so, are you seeing something can be done and we can get out of those projects at a better rates faster something or do you think no improvement you are seeing in Nagpur?

**Arvind Subramanian:** I think Nagpur has been a kind of a steady. Shift we are not seeing a significant offtake, part of it is also is just about the overall market and the absorption in that market. It is kind of flattish and therefore the opportunity to significantly increase velocity is limited so, that is the challenge with Nagpur, but it is steady shape. It is clocking month-on-month at the same run rate and in the next may be 12 months to 18 months we hope to sell most of our inventory there.

**Himanshu Upadhyay:** When we are talking about this Rs.2000 Crores will it be majorly mid premium why this question is because if I see affordable which has come up in last few years, the ongoing and forthcoming is something like 3 million square feet and mid premium is something like 4.64 years and where we have been for more than 25 years. So, what we have seen is affordable you have been able scale up, but mid premium has been a pain. When you are saying it does depend more on mid premium asset?

**Arvind Subramanian:** So, it is both as I said this question came up earlier as well, the pipeline is both affordable and mid premium ticket sizes from about Rs. 25 lakhs to Rs. 2.5 Crores, like you rightly said there is gaps to fill on the mid premium side so the pipeline reflects that, you will see deals happening in that space.

**Himanshu Upadhyay:** The clarification what I wanted was what happened in affordable that we could get so much of development potential or these things and mid premium it was slower. What was the issue just to understand that affordable could scale up so well and mid premium could not, some thoughts on or yours that affordable we could do better and not on mid premium?

**Arvind Subramanian:** Yes, look I do not know whether it is too early to say better or worse it has been 2 years story and our business is bit lumpy. So, you do one transaction it looks like the weightage has shifted to one part of the portfolio rather than the other. Going forward I expect reasonable balance about 50-50 balance between the affordable and the mid premium segments both in terms of contribution to sales.

**Himanshu Upadhyay:** I have seen Chennai project the affordable housing, we are giving a Rs.10000 rental guarantee type of schemes. Would not if you give guarantee type of things it will be more

investor type of people which will come and then you can have lesser people residing in the projects and more rent seekers. How are we looking at such schemes what you have?

**Arvind Subramanian:** Well this is called rental guarantee but in fact this is pricing scheme and it is just about structuring it in different ways so that the customer sees either their EMI getting offset or some other benefit that they get back. These are different ways to structure the pricing. I do not think they necessarily attract only investors. We have seen when we launched in the past that end users have also been attracted to such products because they see math and how does it do overall, what the outgo is for both on an overall basis as well as a monthly EMI basis.

**Himanshu Upadhyay:** Okay, and two last questions, if we look at 2015 one of the good years when we launched, we were able to launch 2.5 million square feet type of things. Can we expect 2022 or coming back to those levels because after that we have been 0.9, 0.5, type of launches do we think that in next two years we can reach back to those levels which we were doing in five year-six years back or you think it will still take further time from here on based on the pipeline what you are looking?

**Arvind Subramanian:** All I will say is Insha-Allah. I think that is what we are trying to gear ourselves up for fingers crossed we should get there.

**Himanshu Upadhyay:** Last question, in the AGM speech I was seeing a hearing of the Chairman Sir, so there he seemed quite optimistic on the development or the factory set up or the SEZ type of business what we have and it seems very confident he categorically stated that a lot of business will move from manufacturing from one of the large countries to us and we are seeing traction. But can you tell something on how the enquiry level is or let us say if last year we were having some of many at a point of when these many enquiries and currently we would have these many enquiries. Just to understand that because though we are seeing optimism and I think in Q1 also even Q4 we had some amount of optimism but in numbers we have been not able to see. So, just qualitative aspects if you can tell us some idea or just you elaborate on that because in AGM speech out of 15 minute-20 minutes half was on that discussion or it seems that quite optimistic?

**Arvind Subramanian:** I think one of the reasons we are upbeat of our other business is because there are favourable global geopolitical trends and we have been reading about many MNC's wanting to shift their manufacturing or at least expand their manufacturing beyond their traditional markets with China and that is reflecting in the pipeline build up. We are seeing large enquiries as I mentioned from MNC's who are currently manufacturing in China who want to either set up a second facility or other things from a country like India. Now, there are two of the factors to keep in mind with this business, one it is a long cycle business and enquiry to a conversion takes anywhere from six month to twelve months because these are pretty major decisions being taken by these companies, about where to set up a factory is a

very sticky decision it is not taken lightly. Second, as I said more tactically and near term, because international travel is restricted while enquiries and evaluation has progressed commercials and negotiations have progressed the actual signing is still held up because these clients expectedly want to visit the site before they sign on the dotted line. And the third is the India story, has to be viewed while sitting in India we are very optimistic and upbeat about the Indian economy and what it can do. These kinds of global manufacturing locations or India is always up against other options like Thailand and Vietnam, even if you keep China out of the picture which has also been very competitive over the last few years so, we have seen a lot of manufacturing investment moving to those countries. So, while India is typically always among the top three choices it is never be standout first choice. We have to sell India, we have to then sell Mahindra World City or Origins within India to these clients.

**Himanshu Upadhyay:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Biplab Deb from Antique Stock Broking. Please go ahead.

**Biplab Deb:** Good morning Sir. Just two questions, one is that we had in hearing commentary and we have been seeing data from the real estate developers. The residential sector has been witnessing recovery across market and surprisingly in all price points and so, in case of Mahindra Lifespaces can you give some insights, what trends are you seeing like is it more skewed towards ready to move in or is it skewed to some ticket size. I was just trying to understand, also what is the reason of recovery it is good for us, just trying to understand is it because of the lower interest because 7% is very low or is it a complication of mirror of factors like in Mumbai may stamp duty cut, low interest cost, developer giving some kind of relaxation in payment, some discount, etc., just trying to understand this recovery and the set of good numbers everybody is reporting?

**Arvind Subramanian:** I think there are actually four factors contributing to the very sharp rebound in sales. The first is because Q1 was completely shutdown there is suddenly a deferral in demand from Q1 into Q2 people who were intending to transact in Q1 are now buying in Q2. The second is there is clearly a set of customers and our research is bearing this out that because of the lockdown experience being locked up in their homes with their families for eight months at a stretch not being able to move out at all they have realized that they need to move to a better quality home either larger or with better amenities etc. So it has brought more people into these may be customers who have been lucid dabbling with the idea of buying a home but have not committed to buying a home but because of the lockdown experience and all committed to buying a home and have started transacting. The third as you rightly said is the interest rate cuts and home loans becoming far more affordable driving overall affordability in the market and the fourth is local factors like this and duty cut in Maharashtra which has certainly provided a strong impetus to closed transactions, as I

mentioned earlier there is a time bound nature to that if you do then open ended stamp duty cut the effect may have been different the fact that it is 3% cut up till December and then a 2% up till March, provides some kind of a sourcing function or an urgency to close the transaction. So, all these four factors have contributed to the sharp rebound in sales and this is as you rightly pointed out and our portfolio bears this out it is across all price segments. We do not play in the super luxury Rs.5 Crores plus kind of ticket size but at least the segments we play in all the way from the Rs.10 lakh segment in Palghar to the Rs.4 Crores product in Luminare we have seen very healthy uptake in walk ins and transactions across the portfolio.

**Biplab Deb:**

Thank you Sir, Next question is on your strategy Mahindra Lifespaces strategy. This is what I understand, correct me if I am wrong, the residential market over the past two year- three years has been under consolidation means that reputed developers like Godrej everyone they are selling they are gaining market share whereas tier 2, tier 1 developers are unable to sell at the same not able to get funding. So, post-COVID this consolidation seems to be gathering pace and expected it to gather further pace in such scenario the reputed developers including corporates like Godrej, Birla Estate, Adani are getting into aggressively to real estate development and into new markets some players who have been doing business in Bengaluru he is entering Mumbai, NCR so on and so forth. In such scenario from the point of deal sourcing if I have plot of land for sale, I will go to developers Godrej, Birla, Mahindra and all so, in terms of deal sourcing as well as distribution as well as selling. How is Mahindra placed? How does Mahindra Lifespaces intend to distinguish itself in which category you want to grow? What is your strategy and initially 5 minute-10 minutes I missed your presentation that is why I am asking this question, Sir? Where do I see Mahindra in next three years what is the status?

**Arvind Subramanian:**

You are absolutely right. Mahindra brand and the credibility that we bring as a group to this business is a huge differentiator in a market where customers have burnt their fingers dealing with fly by night t developers who have not delivered to their promises either from a timeline perspective or a quality perspective. So, single biggest proof point of this the success we had with the digital launch in Palghar the zero-touch launch. If it were not a Mahindra offering, I do not think we would have seen such a good response. The fact that customers were willing to trust us and make bookings and not just enquiries were actual bookings with us without having visited any site, without seeing a show flat, without meeting a salesperson face-to-face is strong testament to the fact that the Mahindra brand matters. This also matters not just from the sales perspective but also from land deal perspective because I am seeing land owners who earlier would shop around their land with multiple developers and go for the highest price that they get, now starting to understand that there is a certain risk associated with the transaction and I would rather deal with somebody like Mahindra where once the deal is committed it will happen and there is a certain surety that the transaction will get closed, the cash flows will get realised for the



landowners so on both the sides, on the supply side as well as the demand side there is tremendous value that the Mahindra brand brings and more generally like you said the organised players will stand to gain through this shake out.

**Biplab Deb:** Sir, this is my final question. This is in continuation to my previous question. So, in the next three years where do you want to be in terms of millions square feet, probably say 4 million, 5 million or in terms of booking presales in terms of Crores, how much presales do you want to be, where do you see yourself in the next say three years?

**Arvind Subramanian:** In the next three years to four years I would like that the business should be a Rs.2500 Crores of presales per year, we are pretty clear with that goal set for ourselves .

**Biplab Deb:** Okay. Thank you, Sir. That is all from my side.

**Moderator:** Thank you. Our next question is from the line of Manan Patel from Equirus PM. Please go ahead.

**Manan Patel:** Thank you for the opportunity. Sir, my first question is regarding our capital so as you said they are land deals in the pipeline and the cost of debt we enjoyed is like among the best in the industry, so do you see this debt rates or interest rates available at much higher amounts of debt and will you be inclined to raise debt at these levels if and when you get these land deals done?

**Vimal Agarwal:** So, Manan, fundamentally I think the priority for us to get a robust land pipeline and then go ahead with the transaction. So far as funding, borrowing or availability of taking any loan is concerned that is I believe is not a challenge as such and we have tied up line with significant sums which we can deploy as and when required.

**Manan Patel:** And these rates are applicable to the additional debt that you may raise in the future as well?

**Vimal Agarwal:** I am not resting to any specific rate what I can tell you is the lines which we have tied up right now are the most competitive rates which are available across the industry, across markets, across players in real estate.

**Manan Patel:** Understood and as the land deals get done, do we see that debt amount going up substantially?

**Vimal Agarwal:** What is your belief Manan?

**Manan Patel:** I understand that you might not be inclined to raise equity so I think debt might be a good option for you?

- Vimal Agarwal:** Manan, the way it really operates is that you will always optimise between the money you have in your bank, borrowings which you want to do from financial institutions and also the risk appetite you have in the sense that you wanted to do joint venture or do you want to go solo, so it is the combination of all these three, really depends on which transaction are we talking, which macro market we are talking about and based on that we decide on such acquisitions and investments.
- Arvind Subramanian:** See, look overall guidance on that would be we will not go bizzark with debt. One of our strengths so far has been we have been a low debt company, strong balance sheet, we will protect that.
- Manan Patel:** Understood. Sir, my next question is on the strategy of the business as a whole, so there are two businesses largely IC & IC and the residential so they have completely different dynamics so are there any plans or thought process of separating these two business lines in medium or short-term?
- Arvind Subramanian:** We keep evaluating that and at the right stage we will do that. Right now I do not think either of those businesses are large enough to warrant that, the complimentarity of the two businesses, one being the B2B, one being B2C, does add some advantages for portfolio as a consolidated business but when we achieve scale we will try and unlock value because as you rightly said the dynamics of these businesses are a very different, the capabilities are different, investor appetite will be different so we will look at the right stage.
- Manan Patel:** My last question, is in your presentation you have mentioned that real estate is one of the key sectors of the group but from the numbers or scale perspective the other group entities are way larger than the real estate entity, so when you make that statement so what are your parameters that you are looking at and does that consider your aspiration to reach a much higher scale in the future?
- Arvind Subramanian:** Yes, certainly. It is about our aspirations and also the group's expectation from us. They do see this business having the potential to scale. They have given us the reassuring support all along but even more so in the recent times and particularly thinking of it contractually there is a very clear understanding that the time has come now, this is a window of opportunity coming out with COVID situation where like many before you have commented and questioned that there will be a shakeout in the industry, there will be consolidation of market shares and players like us should make our moves at this time.
- Manan Patel:** Thanks a lot and wish you all the very best.
- Moderator:** Thank you. Ladies and gentlemen, we would like to inform you that we are extending the call for ten minutes to accommodate few more questions from the participants in the queue.

We will take the next question from the line of Rohit Potti from Marshmellow Capital. Please go ahead.

**Rohit Potti:** Thank you for the opportunity. I have just one more question. You have detailed very much on how you intend to allocate capital to the residential business, is there any intend to do more deals on the IC&IC business as well because as one of the previous participant mentioned the Chairman did mention a lot about that sector and about the warehousing opportunities in that sector, so do you see doing more locations in that segment or for now we focus on the residential?

**Arvind Subramanian:** Sir, from the capital allocation perspective the focus should be residential I think IC there are opportunities within there portfolio itself to monetize existing assets and there is a pipeline there so I do not expect significant capital deployments in IC & IC business over the next couple of years at least.

**Rohit Potti:** That is it. Thank you.

**Moderator:** Thank you. We will take the next question from the line of Vipul Sanghvi from Systematix Shares. Please go ahead.

**Vipul Sanghvi:** Good afternoon gentlemen. My question is in follow up to the four factors that you have highlighted which is driving the recovery, so I just wanted to ask that do you see the pricing correction also kind of triggering the amount of increased interest that we have seen or have you seen any material pricing correction in different micro markets that you operate? That is my first question.

**Arvind Subramanian:** That is interesting, and my answer will be counterintuitive. In some of our most successful projects if I were to take Palghar for example as well as Kalyan which was launched last year, we have actually increased prices by 8% to 10% in this period and are still seeing good velocity, so pricing is a very local project specific decision and I know many journalists in particular not analyst like yourselves or investors who are deep into the business but the casual commentators will talk about across the board price tag I do not think that is the way this industry operates, even within the same micro market you will find assets trading at a very different realizations, it depends on the capital locked in and what the priority is at that developer or at that point of time. In our portfolio we are fortunate that we have had some strong launches which has allowed us to move prices up and that will continue to be our strategy going forward that we will offer value at the time of launch and then move prices up quickly after that.

**Vipul Sanghvi:** That helps. My second question is agreed that there is an increased momentum due to several factors as you highlighted be it in general plus some local factors, do you see equal

amount of aggression from the banks and the mortgage funding with NBFCs to take up this increased business or do you see equal amount of aggression from their side as well?

**Vimal Agarwal:** You are referring to how are banks and NBFCs looking at real estate industry that is your question?

**Vipul Sanghvi:** I am wanting to understand are they willing to participate equally aggressively to pick up the increased volume that we are seeing in last some time?

**Vimal Agarwal:** See, again so far as Mahindra Lifespaces is concerned we are seeing very strong support from the financial institutions and there is absolutely no sort of reduction in intensity; however, at an overall industry level whatever feelers we are getting I think the financing is not easy per se in the sense that the NBFCs and banks are being cautious and in a way are evaluating their strategy is what I will say so it could be, I will not say very optimistic scenario right now, they will be cautious in the next steps.

**Arvind Subramanian:** I would think if I add to what Vimal said, six months later if we were to analyze, capital allocation from the banking sector has increased towards real estate, as a sector I do not think that will happen if anything it will be flat or declining because of various issues around their loan portfolio but within that I am a strong believer in this, whenever there is a challenge at this sectorial level the stronger players will get disproportionate advantage because within that the redistribution of funding will happen toward the stronger players.

**Vipul Sanghvi:** That answers my question. Thank you so much gentlemen.

**Moderator:** Thank you. Our next question is from the line of V P Rajesh from Banyan Capitals. Please go ahead.

**V P Rajesh:** Thanks for opportunity. I have two questions. First one on the residential side, you referenced your IRR as one of the key prime areas on whether you go for land parcels or not so if you can just share what kind of IRR you target in these part, does it differ from the affordable housing projects let us say or mid-market projects?

**Arvind Subramanian:** We have the same hurdle across affordable housing and mid-premium, and I would say our project IRR level unlevered is in the high teens, any deals below that we do not look at and therefore equity IRRs will be significantly higher than that.

**V P Rajesh:** Secondly, on your industrial parks given the announcements from the government regarding PLI, are you seeing an increase in enquiry across the industry segments like for example we are seeing folks like Vitris expanding on the electronic sides, textile company is also looking at it and obviously pharma companies looking at the PLI schemes, so I am just curious if you are seeing the demand in your industrial space because of these?

**Arvind Subramanian:** We are and there are some industries that have suddenly almost mushroomed in terms of demand. Renewable energy is one where the dependency on for example solar panel manufacturing, China dominated the world's global supply chain, many of those players are looking to setup manufacturing in India now both because India as a large buyer, with the amount of solar energy that is coming, but also it serves as a competitive base for manufacturing for exports.

**V P Rajesh:** So, therefore the prognosis for the industrial side is pretty robust, is that a fair to understand your comments, given all these new industries coming up to look forward manufacturing side?

**Arvind Subramanian:** I would be more measured in my prognosis right now just simply because there is a very high dependency on economic policy and India's competitiveness as much as it is on individual past competitiveness. So, we are very coupled with how the India policy framework evolves in, what happens in terms of incentives for local manufacturing, import substitution etc.

**V P Rajesh:** Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to handover the call to Mr. Arvind Subramanian, Managing Director and CEO for closing comments.

**Arvind Subramanian:** Thank you Inba. Thank you once again everyone as we had discussed Q2 has clearly the industry stepped on the corner from an abysmal Q1 and the company has also done very well in the second quarter on a sequential basis. Trends going into the third quarter are also strong, but we will have to keep watching this space. It is very hard to think too far ahead in the kind of environment we are now operating in and we will have to keep navigating and deftly maneuvering as trends unfold in the market. Construction activity as well as footfalls have increased across the portfolio and we are working towards some impactful residential launches in the second half of the year and the BD side which was many questions on that, we continue to be focussed on that target of getting to three or land deals contributing to Rs.2000 Crores of gross development values by the end of this fiscal. Just picking up on the last question on the industrial side again strong build up in pipeline, we will have to keep pushing and with some luck once international travel opens up, we should some signings in that space as well. Thank you again.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of Mahindra Lifespaces Developers Limited that concludes this conference. Thank you joining us, and you may now disconnect yours lines.