



Mahindra Lifespace Developers Limited
Q4 FY16 Earnings Conference Call

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Moderator: Ladies and gentlemen, Good morning and welcome to the Mahindra Lifespace Developers Limited Q4 FY-16 Earnings Conference Call. We have with us today Ms. Anita Arjundas – Managing Director and Chief Executive Officer, Mr. Jayantt Manmadkar – Chief Financial Officer and Chief Investor Relations Officer, Ms. Sangeeta Prasad – Chief Executive Officer Integrated Cities, Mr. Sriram Mahadevan – Business Head, Happinest and Mr. Siddharth Bafna – Senior General Manager, Investor Relations. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’, then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Anita Arjundas. Thank you and over to you, ma’am.

Anita Arjundas: Thank you, Good morning and welcome to the Q4 FY16 Earnings Call. The consolidated total income for the quarter stood at Rs.282 crores with a post-minority interest PAT of Rs.49 crores as against Rs.268 crores and Rs.31 crores respectively in the corresponding period previous year, a growth of 5% on top-line and 59% on bottom-line respectively. The consolidated income for the full year stood at Rs.877 crores with a post-minority interest PAT of Rs.93 crores as against Rs.1,148 crores and Rs.266 crores respectively in the previous year. Previous year performance includes the impact of the sale of property in Byculla wherein the company had development rights on part of the property. Excluding the impact of this transaction, total income for FY16 remained flat whereas there was a marginal drop in PAT post minority interest. The drop in profitability this year is largely attributable to a lower leasing activity at the two World City projects where we leased close to 30 acres in FY16 as compared to 68 acres in FY15.

In the residential business we sold 305 units worth Rs.294 crores during this quarter, an increase of close to 120% over the last quarter, largely due to a good response to our new launch Vivante in Mumbai. We have also seen good performances at Windchimes in Bangalore, Ashvita in Hyderabad and Bloomdale in Nagpur. For the full year we recorded sales of Rs.830 crores as compared Rs.708 crores in the previous year, a growth of 17%. Significant contributions during the year have been from Luminare, Windchimes and Vivante. APR for the year also moved up based on the product mix and APR is currently at 7,163 per square feet as opposed to 5,141 in the previous year.

On the execution front, we achieved revenue recognition milestone at six phases across five projects and project completion at five phases across four projects. In total, during the quarter we completed 1.21 million square feet, taking the total completed development for the year to 3.3 million square feet which is more than twice of what we completed in FY15. We have also completed construction of Phase-I, as part of this completion, of Happinest Avadi at Chennai in just 20 months from launch, vindicating our business model of faster turnaround in the affordable housing segment to be able to deliver homes to customers in that segment faster. Currently handovers are under way across four projects, Aura, Bloomdale, Iris Court and Aqualily with over 800 units handed over this financial year as against 540 units in the previous year.

In the integrated cities, we signed one new customer in the DTA at Mahindra World City Jaipur, while two customers acquired additional space for expansion - one in the Handicraft SEZ and the other in DTA. The overall performance at Jaipur however remained muted as decision making process continued to be slow by customers. In Mahindra World City Chennai, the land that was required for the last phase of development and sale has come into the books of the company; however we await the layout approval from the government before we can launch this inventory. During the quarter we also had equity infusion by Sumitomo Corporation into the North Chennai Industrial Cluster. The entity has now become a 60:40 joint venture between Mahindra World City Developers Limited and Sumitomo Corporation.

I will come to the focus areas for the coming year at the end of the Q&A, but I would now like to hand over to Jayantt to take you through the financial performance for the quarter.

Jayantt Manmadkar:

Thank you, Anita. Good morning, everyone. The Q4 performance has been driven by consistent focus on sales and execution. Profitability in the quarter has been additionally driven by revenue recognition in higher margin premium projects like Luminare and Windchimes, savings in cost of some of the projects that we completed recently and the share premium from Sumitomo Corporation in JV at Chennai. We have continued to focus on reducing interest costs and the weighted average interest cost after excluding ICD, OCD and CCDs is currently at 10.4%. Net debt is at Rs. 1,400 crores and the net debt equity ratio at 0.89. During this month we have also paid back Rs.125 crores of Rs. 500 crores NCDs that was taken in MLDL books.

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

Moderator:

Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Anubhav Gupta from Maybank. Please go ahead.

Anubhav Gupta:

For the fourth quarter your total revenue was Rs.2.6 billion, can you give the breakup of how much you booked from the JV with Sumitomo and how much was the development revenue?

Anita Arjundas:

All of it was development revenue Anubhav, the JV will not come into top-line, it is an equity infusion. So it is only the share premium that comes in - share of share premium that would come into the profits.

Anubhav Gupta:

So out of this 2.6 billion you did mention in your presentation that 11% was from industrial parks, rest all was development revenue?

Anita Arjundas:

That is regular leasing activity in Mahindra World City Jaipur.

Anubhav Gupta:

And so if you compare the revenue on YOY basis it is pretty much flat but still the EBITDA margins have improved considerably. So what is the main reason for that apart from booking revenue from high end projects like Luminare and Windchimes. Is there any other factor to the increase in EBITDA margins?

- Anita Arjundas:** As I mentioned in the opening remarks, one is what you rightly said, which is higher margin projects is bringing in revenue recognition during the quarter. There have also been savings in some of our projects which got completed during the quarter; we have had three projects recording construction cost savings, so that got ploughed back into profits and finally the share premium coming in from the Sumitomo equity infusion.
- Anubhav Gupta:** So what was the entry, I mean you have not booked in the revenue so how is it coming into P&L?
- Jayant Manmadkar:** This share premium is actually collected when the shares are issued by the joint venture company today, what we have Mahindra Industrial Park Chennai Limited. From the consolidation accounts standpoint what happens is that the income which is received against sale of a proportionate share in the net assets of the company or the subsidiary and when whatever money that you receive is more than the net worth, that is the income during the consolidation of the books. So to the extent of share premium, number one, it is the income which is the realized income and therefore that is the other income in the consolidated books of MLDL.
- Anita Arjundas:** So the land valuation profit is not anywhere in the picture, this is clearly for the share price valuation which is coming into profits. As the entity starts operations and sales, the unrealized gain coming from land valuation will come in subsequent years.
- Anubhav Gupta:** So that is into the other income.
- Jayant Manmadkar:** Yes.
- Anubhav Gupta:** Excluding that also, the EBITDA has been quite strong which is good. Second is the inventory at your completed projects - you did specify at around Rs.15 billion, so that is almost equivalent to two times of your current annual pre-sales rate.
- Anita Arjundas:** No, the Rs.15 billion refers to sales completed, what is not completed has not been valued because we do not want to assign a value to it. You see the number of units that are not sold it is about 380 units which would approximately, at current prices, be at value of between Rs. 150 to Rs. 200 crores.
- Anubhav Gupta:** So just few comments on the markets in which you are operating, so for FY17 your main markets are Mumbai of course, Bangalore, Chennai, what is the overall sense, how do you see presales? Presales for you in FY16 have been quite good, how do you see this momentum going on, what will be the marketing strategy and selling strategy just to maintain this momentum?
- Anita Arjundas:** So we have been focusing on both sales and marketing efforts to keep sustenance volumes up which is why you see a certain level of decent sustenance performance across projects. We continue to have dominant market share in each of our micro markets for each of our projects in terms of velocities that we are recording; the effort will be to continue to push that through

during this year. In addition, we will have, based on approvals coming in, two to three launches during the year - we expect to be able to launch the second plot in Andheri East, there is the Sakinaka project and the Palghar project in Happinest. We are also trying to get the Kandivali project in Mumbai, the fourth project going, but that may not necessarily be something we will be able to launch in this financial year. So these are the four, at least three of the four projects should come in to add new project contribution to sales. Windchimes will have a second phase getting launched, that again is an important phase and would almost be like a new launch that should push the volumes in Bangalore, besides a sustenance effort across other projects. Also, I think what you should know is that a lot of our projects are getting completed, are getting handed over - we have about 2,500 units now ready for handover in this financial year across projects with maturing development. With peoples' ability to see completed project, it should also support the balance sustenance volumes.

Anubhav Gupta: And in terms of your key markets, which market you are most comfortable with, where do you see the pricing pressure is going to come in FY17?

Anita Arjundas: From an overall perspective I think we have seen markets like Bangalore and Hyderabad as being, I would say, Level I markets on consistency of performance and ability to keep price at a certain level. The next layer I would look at is Pune and Nagpur. Mumbai is something we have just entered into, we have had a good launch, and we will have to see how this year pans out. NCR and Chennai would be the most muted markets in the portfolio.

Moderator: Thank you. We have the next question from the line of Ujwal Shah from Quest Investment. Please go ahead.

Ujwal Shah: Ma'am, I just wanted to understand a bit more about the Jaipur DTA business, so we have actually sold close to 10 acres of land in Q4, what was the sales value exactly for this?

Sangeeta Prasad: For Q4, the sales value has been around Rs.12 crores and it has been a combination of DTA and SEZ, we have done a new DTA sale of around 3 acres and some 3-odd acres of expansion in DTA and the rest has been an SEZ sale, so it is a combination.

Ujwal Shah: So what I do understand is we used to sell lands in Jaipur, the average selling price used to be closer to Rs.2 crores per acre if I am not mistaken, is it that the prices have softened in that area or has it been a conscious decision to just push the sales across?

Sangeeta Prasad: No, we do not have this flip-flop strategy for pricing because that will affect the market in the long run. The new sales which have happened which I said around 2.5 to 3 acres has been on the DTA sales at around Rs.2.1 crores per acre. The remaining, because of SEZ, is at Rs 1.2 and Rs 1.3 crores per acre, the expansion in DTA is on the basis of a very old MoU which was at an anchor pricing that has dipped the average price per acre. So current sales are happening above Rs 2 crores per acres, about 3 acres of expansion sale in DTA happening at the old MoU price,

there was some land encumbrance issues which have been resolved and we have closed the lease deed this year, so that is why the dip in the average price.

Ujwal Shah: And in terms of the profitability that we have seen, when do we see the losses at PAT levels that we have been seeing for probably last four or five quarters, do we expect FY17 to be much better with all those changes that we are going to see in terms of change in product mix for DTA, conversion of SEZ land, how is that progressing ma'am and what about the PAT?

Sangeeta Prasad: Just to give you an overview let me talk about Chennai and Jaipur both. Chennai, as Anita had mentioned earlier, we had just in the month of March got the approval from the Government for the expansion land which has been under approval stage for a while, so that opens up a lot of lucrative inventory and we will be seeing those sales creeping in and giving us profits. So the profits of Chennai will show because the revenues will come in and convert to profits.

Ujwal Shah: That is 40 acres, right ma'am?

Sangeeta Prasad: So 40 acres as you know, the average price per acre is above Rs.3 crores per acre. As far as Jaipur is concerned, you are right, we have got the product mix approval. DTA Phase-II which we have got as part of the product mix approval is in master planning stage, we will be submitting the master plan to the Government authorities and the moment we get the approval we release inventory of around 400 acres in the market and we shall be launching that product sometime in the next few quarters, so that will also bring us saleable inventory which is important for us to generate profits. As far as the Special Economic Zone is concerned, you are aware we have submitted our proposal to the Government of Rajasthan for the multi-product SEZ status and after the Government of Rajasthan recommends it, it will go to the center. We will see that in the next few months we should be, if things go right, getting the approval. So that is important. This year the focus will be on releasing inventory, saleable inventory as well as getting the marketing and sales strategy. Just for your information, the lead pipeline is coming, the gestation period by customers has been longer but we are looking at getting those sales through this year that is the strategy for the World Cities.

Ujwal Shah: What is the fixed cost that we incur on a per quarter basis at these two World Cities, ma'am? Jayant sir, can you help me out with that?

Jayant Manmadkar: Can we come back to that in a few minutes?

Ujwal Shah: Sure, ma'am. Secondly, I also wanted to know about the South Mumbai property where we have just won the tribunal, so what is the potential of that property and are we planning to redevelop that or probably sell it off, how do we see that?

Anita Arjundas: The property is currently eligible for a 3 FSI and therefore that could be approximately about 50,000 to 55,000 square feet of development is possible on the property. In terms of next steps

on it, we are yet to firm up on way forward on whether we will do a development ourselves or whether we will sell it. That is something which will crystallize in the next two to three months.

Ujwal Shah: And ma'am, in terms of the progress on Sumitomo JV, can you give some broad guidelines now that things have fallen in place in terms of the JV partnership, how do we see this JV going forward?

Anita Arjundas: Where we are right now is going into the program management mode for the project, so there are various milestones. I will ask Sangeeta to share a little bit more on details, but essentially the focus will be to be able to launch this project sometime towards the end of this year.

Sangeeta Prasad: We capitalized the JV as you know in January 2016 and from then on what we are focusing now is on the design, the detailed design and engineering, so that will enable us to get a hang of the cost. And also parallelly what we are doing is we have submitted the EIA papers to the government and we are getting our master plan and layout submitted. The only thing which is coming in the way if I may is the Tamil Nadu elections, the Code of Conduct kicking in there- there is a certain element of inactivity in the state, so what we are doing is we are readying all our internal preparations whether it is design, engineering, getting the BOQ in place, that is what we will focus on in the next couple of months. And as soon as the elections are over and things are clearer we should be pursuing our approvals which are the environment and the master plan layout approval. And if all the things go as per the program management schedule which we have devised we should be, as Anita mentioned, be ready for soft launch sometime in the end of this financial year.

Ujwal Shah: And lastly, ma'am can you help me out with the Palghar update, how is that shaping up, so when can we expect that to come in?

Anita Arjundas: We have completed building plans for it, we are in the process of initiating submissions, we are also getting some clarifications from the government on whether it would qualify as an 80-IBA project because there is some confusion around definition of municipal limits and municipality. So we should get that sorted out, if it is eligible we will submit in the month of June, if it is not eligible we will submit in the month of May.

Ujwal Shah: Any broad based idea in terms of what could the initial launch be like and the size or something?

Anita Arjundas: I think I will ask Sriram to share with you the broad contours of land parcel, how much of area, how many units, pricing is something we will come to closer to launch.

Sriram Mahadevan: The land parcel is about 22 acres and technically the way we have planned it out it will house around 1,400+ tenements. We intend to launch the first phase by the end of the last quarter of this financial year FY17 and it all depends upon a little bit of clarification which we are seeking on the 80-IBA tax exemption. So if we fall within the jurisdiction then we might be able to get

benefit of that to boost the profitability of the project further. So we are just looking forward to it in terms of getting the clarification and moving accordingly.

- Ujwal Shah:** So Phase-I most probably will be launched in 4Q 2017 and it would be 1,400+ tenements, if I am not mistaken?
- Anita Arjundas:** 1,400 is the total size of the project.
- Moderator:** Thank you. We have the next question from the line of Puneet Gulati from HSBC. Please go ahead.
- Puneet Gulati:** Just if you can help me understand or give some more color on your completed projects, what would be the share of your partners, the units which have been unsold for various projects?
- Anita Arjundas:** The units unsold that we have in the Investor Presentation is only our share.
- Puneet Gulati:** So how much would the partner's share be roughly?
- Anita Arjundas:** Out of all these projects there is only one project which is completed and which has a partner which is the Ashvita in Hyderabad; their share of total units is about 20%. We have sold part of their units, so their balance units are being sold along with our units.
- Puneet Gulati:** And what are your thoughts on how long will it take to liquidate this entire inventory?
- Anita Arjundas:** Well, I guess it varies project to project, some of them you will notice are just two units, three units, four units, so it is more specific to location and the project and that is a matter of days or months depending on how that goes out. The projects where we have recently had inventory getting added is Hyderabad because in Hyderabad there is a system by which you are not allowed to sell a certain percentage of units in the project until you give the occupancy certificate and until you meet the obligations of EWS. So when we finished the first three phases, those units got unblocked, that is why you see a surge in terms of number of units in Hyderabad. The slower projects really would be projects like Aqualily in Chennai where it will take a little bit of time to get that inventory going, and otherwise I think the rest are fairly in control. Avadi is about 125-130 units, it has been maintaining a rate of 20 to 25 units a month and so we should be through till the next few months.
- Puneet Gulati:** And how much area do you expect to complete and deliver in the current FY17 financial year?
- Anita Arjundas:** Would not be able to put out a number right now.
- Puneet Gulati:** Broad range?

- Anita Arjundas:** Do not have the number right now, so I think as we get into maybe the next quarter call we will share some references of what the year is looking like.
- Puneet Gulati:** And given the level of stress with some of the other developers are you seeing an increased inclination for joint ventures and joint developments and are the prices coming down a bit?
- Anita Arjundas:** In terms of land prices, not necessarily but in terms of projects owned by developers coming on the table for JDs it is much more reasonable area share requirements, definitely yes.
- Puneet Gulati:** And are you seeing any differences in the way things are being approached because of the Real Estate Bill getting passed?
- Anita Arjundas:** I think it is more a combination, on the Real Estate Bill at this point in time I would say it is the whole aspect of some of the developers being under fair amount of financial strain and also realizing that they cannot necessarily develop, construct, market all the land banks that they hold, they might be better off getting credible names to come-in and develop and sell the projects. So I would see the trend more being on that front than a concern around RERA at the moment.
- Moderator:** Thank you. Our next question is from the line of Hitesh Doshi, an Individual Investor. Please go ahead.
- Hitesh Doshi:** I am just carrying forward from the last question, how is the momentum on the business development front for the next one, two, three years?
- Anita Arjundas:** It will be a strong focus area for us Mr. Doshi, we definitely would like to see the business growing significantly. There are some strong targets for the business development team this year in focus markets, so we would like to get land. The attempt will be to do a combination of joint developments and outright, more of joint developments because we do see opportunities now coming to the table with good commercial terms on JD.
- Hitesh Doshi:** The land holders are understanding the importance of branded players and they are coming more, I mean are you seeing the momentum coming on the business development front? You are not able to scale up, the way people are buying more and more from branded players we are not able to see that kind of momentum on business development front from either you or from other developers also. So I mean when you would see things happening in that direction?
- Anita Arjundas:** There are more deals, as I mentioned earlier, coming on the table from developers, better quality of deals in terms of commercials, a better understanding of what it will take to make a deal work. We continue to be stretched on quality of title and technical due diligence. In the last one year, we ventured close to 120 days on four deals and then exited them at the end of the period either because we had issues on title or issues on technical due diligence. So I do not think commercial closure is a concern in terms of being able to hit a number that both parties are comfortable with.

It is really quality of title and quality of technical issues that has had a high dropout rate for us last year.

Moderator: Thank you. We have the next question from the line of Ankita Bora from B&K Securities. Please go ahead.

Ankita Bora: My question was on leasing activity which was a little bit muted for this year, how do you think it will pan out for the next year and what would drive them? And second question would be which projects would come under revenue recognition in this year FY17, development projects I mean.

Anita Arjundas: We will not be able to share specific forecast, as I mentioned we do have about 14 live projects looking to add about three to four projects during the year, so a combination of all of these would drive sales. We closed last year with a 17% growth on sales, we definitely hope to improve that significantly this year, so that would be one metric. In terms of execution, I think we are strongly focused on meeting timelines and delivering on time, so all of the projects are fairly on course; a few projects might be a few months delayed but otherwise all of them are on course in terms of their schedule. We will see projects that we launched this year, I mean last year Luminare has already hit revenue recognition, Windchimes Tower II has hit revenue recognition, so the second part of Windchimes which been launched should see revenue recognition next year. We would also have Vivante getting into construction and we will be targeting revenue recognition there, plus multiple phases of existing projects.

Ankita Bora: And also would you want to highlight on the demand for Vivante project in Andheri?

Anita Arjundas: So we launched in the last week of December and it really opened up for sales in January. We saw about 70% of sales happening during the launch this quarter, so that has been a good response. What we have now left is limited number of units in that phase. We will be targeting to complete sales in what is left in Vivante I and we are in the process of getting approvals for second plot next to Vivante I, which will get launched as soon as the approvals come in.

Moderator: Thank you. Our next question is a follow-up question from the line of Anubhav Gupta from Maybank. Please go ahead.

Anubhav Gupta: My question is directed towards the head of the Industrial Park Business, so FY17 seems to be a very important year for the industrial park business. After two years of muted activity you have got 40 acres sorted out at your Chennai project and Jaipur the product mix approval has also come, how do you see the demand for these in the sense that are you seeing IIP or manufacturing activity picking up, you are witnessing more inquiries, how do you see the demand panning out for this segment?

Sangeeta Prasad: Just to clarify, the 40 acres in Chennai we have got the approval for the land but we are in the process of getting the master plan layout approval which is a little delayed because of the election

season in Tamil Nadu, so that is from the supply side of Chennai. And Jaipur, you are right we have got the product mix approval last year, but again, we need the master plan approval for the domestic tariff area (DTA) which is work in progress and so is the multi-product special economic zone approval. While the in-principle product mix approval has come but these approvals need to be in place to effect sales to customers. As far as the demand goes, yes we have seen demand from engineering, we have seen demand from fulfillment and logistics centers. There are two elements which we are seeing, which is the gestation period, people are taking longer to take a decision, the inherent demand is there but instead of a six month cycle it has now increased to a six to eight months cycle. Then also the category of demand, there is a demand even for built to suit which is also something which we are pursuing so that we can effect those deals in the way the customer wants. Engineering, fulfillment centers, standard design factories, IT to some extent, auto ancillaries are the key areas of demand which we are seeing in both Chennai and Jaipur, but Jaipur specific there is a demand for handicraft as well in the special economic zone.

Anubhav Gupta:

So are you comfortable if this whole inventory hits the market, say for example in first half FY17 are you confident of good sales or you would want that these approvals to get further delayed so that whenever they hit the market.....

Anita Arjundas:

I think the approval should come irrespective of the demand. Yes you are right the economic indicators are still not exciting and capital investments by corporate is yet to hit the road in terms of any significant capex coming in, whatever we see today are largely driven by infrastructure spending on roads by the government. So that is still some distance away and it will have an impact on obviously the number of customers that we get to Jaipur and also the closure rate or the conversion rate in terms of time. But at the same time it is the location, it has good infrastructure, good access to land and therefore corporates which are looking to grow should be good targets for the Jaipur business. As far as Chennai is concerned, it is a little bit more driven by multinational interest in that location, most of the customers we acquire are MNCs, while the interest levels have not gone down significantly but at the same time there is time being taken in terms of closures even there. So it is not going to be easy in terms of doing large numbers at the World Cities next year but it definitely is an area where you will see better traction than we have seen in the last couple of years aided both by improvements in market, our efforts and the product mix change. But no, I think the approvals are irrespective of what happens with demand.

Sangeeta Prasad:

It should be important that we get the approvals because if there is a customer waiting and we do not have it that will be hara-kiri for us.

Moderator:

Thank you. We have the next question from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand:

Most of my queries have been answered but I think my query is more on the regulatory side of things, firstly of course we have been hearing a lot of noise around the whole regulatory environment improving in Mumbai with the number of approvals required cutting down to by

almost half. So are we seeing any on-ground improvement in the process, are we heading towards a single window clearance or the implementation is yet to come through?

Anita Arjundas: Partially there in bits, some level of ease of doing business that the Maharashtra Government had announced, a few approvals are coming in faster. But yes, some distance to go in terms of being seamless single window, added to it I guess the issues around the High Court judgment etc. are not necessarily helping matters.

Abhishek Anand: Then if we look in the same light with Real Estate Regulatory Bill, now what is our take on the bill? Firstly, of course the bill will benefit organized players ... So basically just trying to understand the regulatory bill coming into picture, do we have any tentative timelines when the bill will come through, when the state governments are planning to pass the bill and how is Mahindra going to be impacted by the bill?

Anita Arjundas: From a timing perspective, whatever we understand from the government is that the rules are being drafted and then the regulator has to be put in place so that expectation is that the whole process would take about a year and then thereafter these states will have to set up their own regulators. So the broad consensus seems to be that it is at least eight to 12 months away in terms of implementation that is in terms of timing. From our perspective, at a very primary level which is having approvals in place I think there we are fully compliant, we have for the last several years been launching all our projects with approvals, so we do not have concerns in terms of having anything which is inventory sold not backed by approvals or inability to construct, that part of it is not relevant to Lifespaces. So really again the second piece is around commitments in terms of what you show on your plans, what you construct, execution timelines, you are aware that has been a strong focus area for us in the last few years. I would not say we are fully there yet but at least in most projects in a range of between zero to four months, zero to six months max as opposed to much higher delays that we see across markets and that is execution efficiency that we will further improve upon. So that really leaves only the third factor which is the money that is to be set aside in the separate bank accounts for construction and land cost which is 70%. In most markets you would find that land plus construction would at least account for 60%. So really what you are not having access to is about 10%. In a market like Mumbai it is a little more difficult, land itself accounts for 40% to 50%. Therefore, I think there you are able to take out a lot more upfront because you are allowed to take out land cost as you collect from customers. So I think from all of those perspectives it is fine, what we lose is a certain level of fungibility of money across projects. And when I say fungibility I am not saying diversion, I am talking about when a project has generated enough cash flows to take care of its operations it tends to support the construction requirements of some of the other projects, that flexibility will be lost to the organization because each project will have to kind of be self-sufficient on its own.

Abhishek Anand: Also, just trying to understand particularly at the launch of the projects, so clearly the Bill or rather the Act talks about you needing a complete CC for the whole project instead of phase wise CC before launch, so in your view is that practical or it is better to split projects into various phases into standalone project? So will this actually impact the project launches significantly?

- Anita Arjundas:** The CC that they are refereeing to is a commencement certificate for launch which is fine because in Mumbai anyway you have an IOD and a CC, you can launch on the basis of IOD but you really cannot start construction without the CC and there is generally a couple of months lag between the IOD and the CC, so from our perspective no impact on that.
- Abhishek Anand:** So the Act talks about CC for the whole project instead of a phase, so for instance in Vivante we would require CC for both the phases instead of a single phase.
- Anita Arjundas:** Vivante has two projects, it is not two phases and each would anyway have its own CC.
- Abhishek Anand:** And secondly in terms of collection, so as you were explaining the 70% rule, so does that impact the JDA negotiations which you might have down the line because of course the land owners will get a similar deferred kind of a payment. So will they require more security deposits post the implementation of this Act or you believe that it is limited impact in those negotiations?
- Anita Arjundas:** It is a grey area, there is still lack of clarity on how refundable deposits will be treated, and whether land cost is only equal to land, what about other costs around architects' approval, manpower which is a little unclear. So we have written to the Ministry seeking some of these clarifications. In the meantime, as far as JDAs are concerned, we are either structuring them as deposits or we are very clearly putting in enabling provisions in the negotiation around the Real Estate Bill and impact on the partner.
- Abhishek Anand:** And also the interest cost in lieu of the land purchased, so will that be part of the total construction cost, any clarity on that or still we are yet to get any clarity?
- Anita Arjundas:** Your guess is as good as mine.
- Moderator:** Thank you. We have the next question from the line of Ashish Jalan from Reliance Mutual Funds. Please go ahead.
- Ashish Jalan:** So my first question is with respect to the Jaipur World City, how much DTA area would be left as of now?
- Anita Arjundas:** Around 20 acres.
- Ashish Jalan:** Of the existing portion. And the master planning once it is completed, additional area would be available by when?
- Anita Arjundas:** So that would be around 350 to 360 acres that would be saleable area out of the 500 of the gross area. We should be looking at the approvals coming in the first half of this year.
- Ashish Jalan:** And there was also some tax demand on Jaipur World City, around Rs. 322 crores, so if you can give some clarity on what exactly is this demand and how do we expect to tackle it?

Anita Arjundas: Well, it is going to be a long explanation, but quick summary is that there is something called a land charge which is like an economic rent. We have paid as per the formula that is applicable for the land economic rent as per our estimates and we have paid the entire amount. There is obviously a different view from the Jaipur Development Authority. We are in discussion with the UD department which is the Urban Development Department of which the Jaipur Development Authority forms a part, and also with the Government of Rajasthan. As you are aware the Government of Rajasthan, through RIICO is a shareholder in the company itself. And I would not want to comment too much on it, but in our view we have paid what needs to be paid and there needs to be a common understanding between the Government and the company in terms of closure on the matter.

Ashish Jalan: So any timelines you are expecting in terms of closure of this issue?

Anita Arjundas: Difficult to define at this moment, we have not paid anything against the demand, we have submitted our views, and we definitely have held a couple of meetings with the Government to discuss the matter. In our understanding they would be reviewing it internally at the Government itself and taking a decision at the earliest.

Ashish Jalan: So no provision is envisaged to be made on account of this demand presently?

Anita Arjundas: No.

Ashish Jalan: And in terms of the multi-product SEZ, once the approvals come would you expect the demand to be significantly different from what it is today because of the restriction that is there in terms of the four industries that you can allow?

Anita Arjundas: It will definitely open up more industries for us, today we are restricted to only light engineering and handicrafts and IT. IT is fine because that is services, but manufacturing we are just very narrowly limited to two industries, a multi-product SEZ will open up multiple industries.

Ashish Jalan: So you expect much greater velocity in terms of the demand in that area?

Anita Arjundas: There should be an improvement. And it is just not multiple industries, sometimes a company does multiple things, and they do not want to set up a plant only for one activity. So having that flexibility helps them also take capex decisions easily.

Ashish Jalan: And there was an earlier question on the fixed cost in the World Cities, I mean if you have any clarity or numbers on that around how much would be the annual fixed cost in the two projects?

Anita Arjundas: So both put together would be around Rs. 15 crores as far as manpower and admin costs are concerned.

Ashish Jalan: So that will essentially cover the bulk of the fixed cost?

- Anita Arjundas:** Yes.
- Moderator:** Thank you. We have the next question from the line of Rajendra Mishra from IDFC. Please go ahead.
- Rajendra Mishra:** So would it possible to share inventory numbers for the company market wise?
- Anita Arjundas:** It would be there in the Investor Presentation, I think either the Company Profile or the Investor Presentation has a geographical map which has market wise completed, ongoing and forthcoming.
- Rajendra Mishra:** Perfect, so I will have a look at it. And my second query was, you said 14 live projects and three and four expected this year, so what will be the number of projects as we speak one year from now? I mean my point is any project which is getting completed and will be off the radar?
- Anita Arjundas:** Yes, so Aura has been completed in the National Capital Region, it has 30 units of finished goods to be sold but it would fall off from execution front, and even from the sales front it should be done this year. Similarly, Iris Court in Chennai is completed from an execution perspective, and has about 35 units to be sold, and should be done this year. So these would be two which would step out. Ashvita would be again completed by the end of this year but we will have some inventory left to sell, the mortgage units will come in so there will be some inventory there. So we would have three projects going out from the execution front, two going out from the sales front.
- Rajendra Mishra:** And three to four would come in the next year?
- Anita Arjundas:** Yes. I mean you can take a range of about at any point in time between 15 to 20 projects live for the next two to three years at least as an organization.
- Rajendra Mishra:** And my last query is on this outlook, I joined a little late so I do not know whether you shared the outlook for next year, so you said 17% growth for FY16, so have you shared your outlook or range of growth estimates?
- Anita Arjundas:** We do not give guidance or not share any outlook, I have just said that sale on the current projects grew by 17% this year and we should be adding new projects, hope to maintain the sustenance or improve on it and therefore do better in FY17 in terms of the sales order book.
- Rajendra Mishra:** But just if I may ask, since you said that your focus will be to release the inventory so would that mean we will see a higher growth profile than this year?
- Anita Arjundas:** I mean as I mentioned that is the intent, that is the objective of the company, let us see where we go based on the market.

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing remarks.

Anita Arjundas: Thank you. The focus for this year will continue to be on driving sales and driving execution, the two key pillars that are very critical to drive revenues for the company. Collections will continue to remain a focus area. We had a good fourth quarter last year in terms of collections, Rs. 200 crores collected during the quarter. The efforts on collection will continue to be pushed so that we can see better cash flows coming in. From a growth perspective, as I had earlier mentioned we have two projects in different stages of approvals that is Andheri Plot-A and Sakinaka. We are in the process of getting into submission mode for Palghar and Kandivali, these are the project which we would be targeting for launch in FY17, early FY18. Besides these we have started work on two more land parcels, one in Pune and one in Chennai inside the World City, these are existing land parcels and between the two would give us about 1.3 to 1.4 million square feet of new launches into FY18. Again, a lot of focus is on getting in more land, this year was a year where we just had one acquisition and one resolution, Palghar was the acquisition, the South Bombay property was the resolution that we had. But FY17 will be a focus year in terms of bringing in land parcels into the company across business segments. So that would be the broad focus areas. In terms of the World Cities, as already mentioned getting in the approvals quickly in the early part of the year, driving sales interventions to get customers to come in and invest would be the focus areas besides getting the Sumitomo joint venture project off the ground and launch during the year. That is it from my side. Thank you.

Moderator: Thank you, members of the management team. Ladies and Gentlemen, on behalf of Mahindra Lifespace Developers Limited that concludes this Conference Call. Thank you for joining us and you may now disconnect your lines.