"Mahindra Lifespaces Developers Limited Q1 FY23 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY23 Earnings Conference Call of Mahindra Lifespaces Developers Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arvind Subramanian - Managing Director and Chief Executive Officer of Mahindra Lifespaces Developers Limited. Thank you and over to you, sir.

Arvind Subramanian: Thank you Jacob. Good morning and welcome to all of you to our Q1 FY23 Earnings Call. As you all know, many of our key operating entities from the residential business like Mahindra Homes and Mahindra Happiness as well as from our IC & IC business, which is Mahindra World City Developers, Mahindra World City Jaipur and Mahindra Integrated Park, none of them are consolidated on a line-by-line basis.

Now, it is customary to start with a little bit of a macro view on the economy and the sector, but I am going to dispense with that because many of you are deeper and more expert on the macros and I am in fact, I will use some of the Q&A time to ask you some questions for a change on that.

Let me share some of the key highlights of our performance in the first quarter of the year. On the Residential business, we achieved sales of Rs. 602 crores versus Rs. 145 crores in the same quarter last year which is over a 3-fold increase. Sequential quarter wise also, we have grown by about 85%. That as all of you is contrary to what the typical trends in this market are Q4 tends to be strong, Q1 tends to be a bit softer, but we have been able to grow very strong on the back of sustenance sales across our portfolio as well as do very strong launches in Bengaluru and Gurgaon and the Eden in Bengaluru was India's first net-zero energy project, it sets us on course to our pledge that by 2030 all new projects that we will launch would be net-zero and Luminare in Gurgaon which all of you are very familiar with will be launched in the third tower there which is the final tower, again had a great response to that. In addition to these two, we also launched a new phase at Happinest Tathawade which has again done quite well.

Over the next several months, we expect to launch quite a few new phases as well as new projects. In earlier this month, we have already launched Amansa, Nestalgia and Pimpri Pune. This was the land parcel that we acquired last year from M&M and that is received that is Pune's work Biophilia-inspired homes, again has received great response, 250 units launched, more than 50% were sold within a month. We expect to launch two new phases of existing projects in Mahindra World City Chennai in the coming months and are also looking to launch the larger Pimpri land which we acquired in April as well as the Kandivali project in the second half of this year.

From the land acquisition perspective, in April we announced acquisition of 11.5 acres in Pimpri. This has a total development potential of about 2.1 million square feet and a gross development value of about Rs. 1,700 crores. We are seeing a continued strong pipeline in BD roughly Rs. 5,000 crores worth deals in various stages of the pipeline. Interesting spaces that have opened up significantly since we last spoke is one, society redevelopment where we are seeing a lot of action in Mumbai. Even since, we have announced our intent to do society redevelopment, we were getting several interesting enquiries, some small, some big and we are in advanced process in a few of them. As you know society redevelopment does take some time to rectify the required consent of all the members and various processes to be followed, but we are very hopeful that within this year, we will make our first foray into society redevelopment.

Collections has also been extremely strong, Rs. 271 crores of collection during the quarter continues to be an area where our internal cash accruals are extremely strong and are providing us enough push to fund future land investments. Utilizations were very few in this quarter and that reflects in the revenues that you will see in the P&L, so there was a little bit small phase in Happinest Avadi that got completed. On the IC & IC business continues to be an area of great momentum. We had ended last year with about Rs. 297 crores of leasing. We have started this year in the first quarter itself with Rs. 118 crores of industrial lending. This is a business as I have mentioned in the past where we have strong powered visibility given the long sale cycles and we are quite confident and hopeful that this year will be very strong year for the IC & IC business.

Let me request Vimal to update you on the financial performance.

Vimal Agarwal: Thank you, Arvind. I will move onto the financial performance for the quarter. The consolidated total income stood at Rs. 117.3 crores as against Rs. 154.2 crores in Q1 FY22. Consolidated EBITDA including other income, a share of profit from JV stood at Rs. 53.7 crores as against the loss of Rs. 16.8 crores in Q1 FY22. The consolidated PAT after non-controlling interest stood at Rs. 75.4 crores as against a loss of Rs. 13.9 crores in Q1 FY21.

Company has debt of Rs. 327 crores at consolidated Ind AS level while cash in hand and bank balance is Rs. 402 crores. Our cost of debt stood at 6.79% on consolidated basis while standalone cost of debt per MLDL stood at 6.3%. I will request if the floor can be opened for questions now. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Congratulations on an outstanding performance, I really don't have many questions, you delivered on all the accounts, but just if I annualize the current quarter momentum on pre-sales and the leasing, it seems to be too ahead of your FY25 guidance of Rs. 2,500 crores pre-sales and Rs. 500 crores of leasing, so where do we go from here? Are you upgrading your guidance now, are you preponding it, so how are you looking at this number, these two numbers?

Arvind Subramanian: Parikshit, I fully expected you to annualize one quarter. It has been a great quarter. We are extremely delighted with kind of response we got with. Let us not get ahead of ourselves. As I mentioned, a lot of that two new launches which we did, so the key focus is to pay that balance in the system where we bring enough new opportunities, continue to drive sustenance sales that their entire balance in the system is very important. We are still at early changes of that journey, so need to fill in the top of that fund.

Parikshit Kandpal: We have two major launches coming up, one in Pune in Kandivali in the second half, so all possibility looks like it is going to be a record yet, so is it like we are still waiting for more clarity on this to fall on this timeline, then you will increase your guidance, I am not able to understand?

Arvind Subramanian: Lesson I've learned in this business is it never happens, till it happens, so yes, let us wait for it, fingers crossed we should have a good year.

Parikshit Kandpal: Secondly, on the BD pipeline, so we have seen the cost failed, what I hear from locals that we had to stop sales in Gurgaon, Bangalore, we have to open up so just wanted to understand, we have been primarily focusing on Pune and Mumbai, MMR, so how do you see these two since you have local presence in these two geographies, are you going to go deeper in both these geographies as well, if you can give some sense on the BD pipeline in these two segments out of the Rs. 5,000 crores which you have highlighted?

Arvind Subramanian: Bangalore certainly as we had mentioned in the last call as well that is the third market that we have committed to opening up. I am sure at some stage we will recommit to NCR as well. It is just we want to do it in a planned and kind of methodical manner. Every new city that we open up, we must make sure that we have the right team on the ground, the right partners in place in terms of distribution, contractors, suppliers, all of that and therefore spreading ourselves into too many cities too quickly, I think it is premature for that. So, three cities at least for the next couple of years and we will take it from there.

Parikshit Kandpal: Next on the BD pipeline, it is like Rs. 5,000 crores is what looks like, so it would be pretty much there in the last quarter also, so thing is that nothing has got target here, so if you can give some sense, little more granularity here if you can give a breakup of MMR Bengaluru and Pune and the probability wise, if you can say are we like really high conversion could happen here like say 60-70% because last time you did mention 50% of it can get converted, so if you are seeing the probability increasing here on the conversion side?

Arvind Subramanian: So, not fully right to say, nothing has changed because I would say we have done the Rs. 1,700 crores of the Pimpri conversion from that earlier Rs. 5,000 that I mentioned so we are back at so it is minus 1700 and then back at 5000 roughly, so entire sense there have been additions to the pipeline. Roughly, I would say, just bring the numbers as we speak, about Bangalore is still early days, so Bangalore is a smaller component of probably 20% of it is Bangalore, 40-40 between Mumbai and Pune and different nature of transactions, there is outright, there is JDA, there is as

I mentioned society redevelopment as well as some distress as such that we are looking at. From a stage of pipeline perspective, I would say, couple of conversations that are probably adding up to about Rs. 1,000 crores that are at an advanced stages, hope for it to close them towards the end of this quarter or in the next quarter.

Parikshit Kandpal: And the balance 4000 are still like high probability conversion kind of target, so which can be….

Arvind Subramanian: Yes, these are all conversations where commercials have been discussed and various other terms have been discussed before we can get into term sheet.

Parikshit Kandpal: Just last and final, this change in the channel, Mr. Nanda after having long stint here has been driving this business up to this level, so just wanted to know the new Chairman is commenced, what is your thought process, so how are you looking at this business, though he has been part of that as an independent director, so what kind of strength he brings and given he has been dealing with real estate for the long time on the legal side, so how does it add the overall strategy over the next few years?

Arvind Subramanian: I think it is a great, not addition in the sense he has been on the board already for 5 years, but change at the helm Mr. Nanda has been our founding director and longstanding chairman in many ways, deeply familiar and entrenched with the business and kind of one of those entrepreneur founders. He at this stage of his life wants to spend more of his time on some of his foundation and the work he does in senior citizen and therefore requested to be relieved from the board and retired from our board. Mr. Amit Hariyani as you mentioned is one of the leading advocates in India for over 35 years and has built very strong practice, known to be particularly in the real estate one of the leading law firms Haryanian company that he is continuously the managing partner, therefore brings deep domain knowledge, understand the business and given that he has already been on the board for 5 years as an Independent Director, understands the context of the business where we are headed and has completely in sync with what we are trying to achieve.

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

Adhidev Chattopadhyay: First of all, congratulations to the team for an excellent performance and the great start to the year and I hope to see this sort of performance being sustained in the coming quarters as well. Sir, I had some book keeping question based on your opening remarks, sir, firstly, what is our plan spend on land cost and approvals for the entire year and how much would be your spend in this first quarter?

Vimal Agarwal: In the first quarter, quarter 1 we could spend roughly about Rs. 40 crores on the **_15.**32 **Resi** side and another Rs. 30 crores on the IC side to acquire some of the smaller land parcel this spend now, so full year visibility is concerned, I will request to stay with the guidance which Arvind mentioned in terms of visibility of land transaction. The nature of those transactions is a kind of transactions will happen whether it is JV or any other JDA or revenue share that is something which will emerge and based on cash outflow we get.

Arvind Subramanian: Sorry for the technical glitch. Adhidev, you were asking about funding of land transaction, so.

Adhidev Chattopadhyay: Rs. 40 or Rs. 240 crores just before you proceed for this quarter, I couldn't get that?

Arvind Subramanian: 240. So, very comfortable with going forward as well, so as we had said we have done Rs. 1,700 crores of B2B accretion in the first quarter even if we were to do a similar value in the entire rest of the years. It would mean another similar amount of Rs. 240 crores, even that Kandivali land there we purchased as you are aware is the staggered payment structure, so from a cash funding perspective that is it.

Adhidev Chattopadhyay: So, to understand correctly, we have spent 240 and another Rs. 250 crores for the rest of the year, is the minimum spend?

Arvind Subramanian: I was just giving an example of similar JDA accretion with similar spends, but again as Vimal said, it depends a lot on whether there is a society redevelopment transaction, JDA transaction and outright. I am thinking of worst-case scenario saying everything is outright in other Rs. 200-Rs. 300 crores which is breakup.

Adhidev Chattopadhyay: So, I will just take it Rs. 500 crores is the bare minimum sort of spend which we are doing and sir, just for this quarter, what would be the GDV of the new launches we have done and there are two launches in Bangalore, Luminare and Tathawade, what is the GDV and how much of the quarter sales have come from this new launches, if you could share that breakup?

Arvind Subramanian: GDV with Rs. 1,000 crores between these three since you taking full of Eden**,** so about 1000 crores was the GDV, in terms of percentage of sales roughly 70% would be Eden and Luminare.

Adhidev Chattopadhyay: No sir, I am saying out of this Rs. 600 odd crores for this quarter, how much would be coming from these three new launches, just?

Arvind Subramanian: Of these Rs. 600 crores we have sold during Q1 broadly 75% come from the new launches which are sales covering and the balance from all the ongoing sustenance sales.

Adhidev Chattopadhyay: And sir, followup to that is for the rest of the year, whatever launches you have highlighted, right, the Pimpri the new one we have done in Chennai, whatever the planning and Kandivali and Pimpri, sir any ballpark balance what would be the GDV of the launches we have planned, I know it will be in phases, but for whatever phases we have planned any indicative GDV number, indicative value we are planning to?

Arvind Subramanian: So, I would say let me just go through those, I think Pimpri is about Rs. 1,700 crores, likely about one third of that is what we will launch, let us say about Rs. 450-Rs. 500 crores. Kandivali is about Rs. 2,300 crores, again we will probably launch one fourth of that, so Rs. 500 crores there, so added up to about Rs. 1,250 to Rs. 1,500 crores.

Adhidev Chattopadhyay: This is what something we are reasonably confident of launching definitely within this year, I know it depends on the approval?

Arvind Subramanian: We are working quite hardly, we are now back to launch it in the second half subject to any externalities we can't confirm.

Adhidev Chattopadhyay: Sir, last question is on this construction cost, obviously last quarter we saw obviously because of the global situation, the commodity price is going up, they have cooled down a bit, now how are you looking at the construction cost in this quarter and what sort of price hikes you have taken and what is the outlook going ahead?

Arvind Subramanian: In a lighter way, I am looking at it very hard and my gaze is constantly fixed on the construction cost. It continues to be a challenge while there is suddenly a softening in steel price, etc., but it is not to be extent where we can feel that we are out of woods yet so cost continuous to be strong area of focus for us. As I mentioned in the past, we are using 3 broad levers to address the cost inflation, one is design efficiency and value engineering, the second is procurement and contracting and the third is pricing and all these three are being actively pushed.

Adhidev Chattopadhyay: Sir, in percentage numbers could you like juxtapose what a sort of construction of cost inflation expecting for the year and we are sticking to a pricing discipline of rising prices at 1 to 1.5% every quarter, is that the same template which is being followed or is there any change to that?

Arvind Subramanian: No, it is absolutely the same template. What we have added to that is bit more dynamism in the pricing where it has almost become like yield-based pricing as sales pick up as velocity happens and more inventory gets sold, we move the price up faster, rather than doing this time bound price increases. We seem that as Parikshit commented in Luminare as well as Mahindra Eden where even during the launch, we have been able to take price up. So, 1 to 1.5% is the bare minimum per quarter. We, in many projects are able to over achieve that.

Adhidev Chattopadhyay: Are there any plans to incentivize home buyers with whatever interest rate expected to go up further, it may take a pause was after what has happened FOMC meet but any thoughts on subsidizing costs on the EMI front?

Arvind Subramanian: Nothing as of now that is equivalent to price discount so it is a different structure, we are giving a price discount, so not looking at that actively right now.

Moderator: Thank you. The next question is from the line of Pritesh Sheth from Motilal Oswal. Please go ahead.

Pritesh Sheth: Many congratulations for a great set of performance. My first question is on launches, we have obviously spoken about you've partly uncertain in last couple of your questions, but if you can get exact clarity on what sort of launches can come this quarter even 3 months plus, minuses, it is okay, but what are the near-term launches that we are looking at?

Arvind Subramanian: In Chennai, we are looking at launching two new phases in the next 2-3 months. We launched one earlier this month which was in Aqualily, we are launching the next phase of Lakewoods and the next phase of the balance of Happinest MWCC in the next 2-3 months which is sequencing on it out so that we don't do all three together. Those will be the eminent branches.

Pritesh Sheth: And given how Kanakpura this one been, are we looking at the second phase this year itself because we are almost like 75% sold out in that, so we will be launching that another phase this year or probably we will go slow and launch it next year?

Arvind Subramanian: We are keeping our options open, so we will get our era and be ready to launch later this year, but I want to play it by a year depending on how we are seeing the cost inflation as well which is locking in a price and then being paced with cost inflation is not something I would like to do, so selling it closer to when we actually need that sale to happen and the cash flow to happen would be a smarter strategy, so we will wait and watch and as I said here, we will keep ourselves ready to launch the second phase, whether we launch it or not, we will depend a bit on the outlook on the cost side.

Pritesh Sheth: And both Dahisar and Kandivali should be this year or first quarter next year, is that the timeline we should look at?

Arvind Subramanian: Kandivali certainly second half of this year is what we are targeting. Dahisar might take a little bit longer. We are working through some approval related issues there, so it may slip into first quarter of next year.

Pritesh Sheth: So, our beginning of the year guidance, target of having 2.5 million square feet launched this year, we have already done 1 million square feet, so still looks reasonably visible, right?

Arvind Subramanian: Certainly.

Pritesh Sheth: And another question on the IC & IC segment, so we had Jaipur fully contributing in this quarter, what is the visibility on Ahmedabad and Pune? When will that contribute to our IC & IC segment?

Arvind Subramanian: Yes, so we are this quarter hoping to have some strong conversions, this quarter or next quarter in Chennai, so there is a good pipeline that picked up there. Ahmedabad is still a little bit further away as I mentioned in the last few calls, we want the right anchored customer there, so while we do have several enquiries for smaller plots etc., it is very important to start with the right anchor with those assets given complexion in the past, so we are still looking for that breakthrough and Pune, I would say, 24 months away from the launch perspective. We are in land aggregation stage, then we get into master planning and approval, so I will say, 2400.

Pritesh Sheth: And lastly, on realizations in Bangalore, would that have been higher given how the project offering is overall, right now we are generating 7000 on a saleable, what is the pricing strategy there, Bangalore project?

Arvind Subramanian: We have given the strong response we have seen in the first phase is certainly seem to take price up and we have already taken it up during the launch as I mentioned, the velocity was very strong, so we had good volumes as the entry level price that we launched at with quickly to get up after that and are continuing to see sales at the higher price as well. So, we will use the rest of the inventory in the first phase to test out the price elasticity in the market which will also give us guidance for the second phase launch pricing and timing.

Pritesh Sheth: So, if you can elaborate where we started and where we are right now?

Arvind Subramanian: I think we started at roughly 6,900 and something, just under 7,000, we are currently selling at about 7,300-7,400, somewhere between that.

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

Prem Khurana: Congratulations on very good set of numbers this quarter. Sir, I think I mean if you could share your thoughts on the recently proposed bill, DESH which would come to replace SEZ how do you see it impacting our IC & IC vertical especially Jaipur SEZ because as far as I understand in the DTA part won't see any material damage essentially because you don’t get any tax benefits, but the SEZ part, would you be required enough and if you requires go for DESH get that re-notified or you will get automatically re-notified and come under the new bill, any initial thoughts, I understand it is still early days, but any thoughts would be helpful?

Arvind Subramanian: I feel glad you picked up DESH, I think it can be a significant upside for us in Jaipur given we have a large SEZ there and SEZ demand has been muted over the last few years as some of those benefits have subsided. so I think DESH offers a wonderful window of opportunities to revitalize the SEZ area. The rules are still not clear, the draft bill was out for review, but the rules were still being framed when we last checked, so unclear whether existing SEZ automatically migrate to DESH or whether it needs to be re-registered or re-notified in some form, but broadly what it allows us to do is as industry is operating in the SEZ who also served the domestic market and that gives you the best of both world, for your export business, you get the export oriented benefits and for the domestic business you have, but consolidate the operations is much more cost efficient for the client. So, we actually think if that intend is fully delivered through the actual fine print of the acts and the rules, the SEZ could become even more prime than the DTA.

Prem Khurana: Sir, any push back from clients am I looking to kind of lease some space on SEZ side, but they are waiting for some more clarity on they is to come and decide whether they want to go ahead with the transaction now or wait for the bill to come through and then decide, DTA I understand doesn't make any difference, but on SEZ side because it has been little slow the SEZ area?

Arvind Subramanian: Yes, so there is pick up in enquiry. It is still too early to call it as I had mentioned the sales cycles tend to be long, so customers are starting to show interest in the SEZ, I am sorry from the back of their own calculations of whether the DESH bill will come through and in what form it will come through, I am sure they are doing their crystal ball gazing and based on that engaging in this conversation, but the expectation was that the bill will be introduced in the monsoon session, no where we are on track for that yet, but hopeful if that happens then we will have clarity on it.

Prem Khurana: And on our Jaipur SEZ and even with Chennai what I have observed is the gap between the number of customers on board and the operational has been widening. I think initially we used to have strict timeline, so let us say, if I were to take space you should be at 1-1.5 years to be able to kind of start operating, but for some reason, some of these tenants have been with us for a long period of time, but the operations have not commenced as if I were to look at Q1 number for Jaipur specially, we have 120 odd customers and only 69 are operational and there is 50 odd customers which are yet to kind of commission, does it mean that we would try extending more time to kind of commission operations or how would you explain this widening gap between the operational number and the numbers, in terms of total customers that we have?

Arvind Subramanian: There is one big factor to that is the strong sales we have done last year. Many of these would be customers who have been added in the last year and would be in construction base for setting up their operation, but it is something that I will need to break down in terms of how many of the ageing of this gap between 121 and 69, it is a good point you made to look at these things. Almost 30 are in construction phase is what Vimal reminds me.

Prem Khurana: And just one last from my side, so when I look at Kalyan phase 2, the second Kalyan that we have launched and when compare the response with initial Kalyan that is Kalyan 1 when it launched which yields significant success with Kalyan 1, but for some reason, I think Kalyan 2 has been little slow in terms of sales will loss, so is it because I mean the competition has gone up in that area or is it because now we only have some supply in the secretary market which is active and which is why we would have seen some slow response to Kalyan 2?

Arvind Subramanian: Candidly, Kalyan 2 has underperformed our expectation. We had gone into very detailed postmortem of that launch and what worked and what didn't. The good news is the product is very strong and feedback on the product is extremely strong. We tactically got a few things on in terms of our launch preparation timing, the tactics of the launch, etc., and as I said we were gearing up for a much stronger launch performance. We have underperformed on that, but we know what we got wrong and we will bring it back into market post monsoon and catch up.

Prem Khurana: And just one last from my side, on Ghodbunder, so we used to have this biotech SEZ approval for this, so I think before you launched this as a residential project or a mixed-use development, you would be going to kind of get that de-notification, has the process started or is it still waiting for some triggers to kind of go and approach the board of approval to get that de-notified?

Arvind Subramanian: The process has actually very advanced already, that is what we have been working on over the past year and there has been significant movement on that and it is in the last stages is what I would say.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

VP Rajesh: Congratulations on very strong quarters, so first question on the launching you said 75% got sold in this quarter and that sounds quite high, so if you can just go a little more in detail as to whether that was by design or we ended up selling more because the demand was so good, just wanted to get some more color on that and is that sort of the rhythm you want to be on going forward?

Arvind Subramanian: So, Rajesh, just to clarify, I think the point being made was 75% of our sales in the quarter, out of this Rs. 600 crores, roughly 75% was contributed by the new launches and primarily Eden and Luminare and Tathawade. Tathawade has a smaller value in the overall scheme of things, but yes in fact in Eden, we have sold more than 75% of the inventory and it is by design. We would like at every launch to sell maximize the sales given our focus on cash flow and IRR much more than on accounting profit. It does very well for us if we sell strongly a launch. Of course, that is subject to getting the cost versus price equation right which is where I said we would like to build that capability and we have demonstrated that in these two launches where even during the launch we are able to take price up and still maintain the velocity.

VP Rajesh: My second question is on the land prices as you talked about your pipeline and wherever you are looking for outright what are you seeing on the land prices, are they starting to stabilize or they still moving northwards?

Arvind Subramanian: Land prices are moving northwards. There is a lot more, since everybody is talking up the demand cycle being strong in residential real estate, land owners also read the same newspapers and kind of have heightened expectations for land valuation, but it doesn't worry me too much because at the end of the day land is anywhere between 10 to 20% of the topline. So, even if it increase another 2-3% points from a margin perspective and there are many ways to recoup that from cost to construction, comprising time, so yes, there is a heartening of land value, but I am not unduly worried about it.

VP Rajesh: And I know you talked about the planned launches this year, but I missed it, what is the total value of the plant launches this year from the FY23 context?

Arvind Subramanian: About Rs. 1,200 crores of GDV put together across all these.

VP Rajesh: So, theoretically we could be getting around 70-75% of that sales in this year?

Arvind Subramanian: Those were two different answers to different questions, you are not supposed interpolate the two.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from O3 Capital. Please go ahead.

Himanshu Upadhyay: Congratulations, great set of results after a long time, it is a positive surprise, really appreciate the numbers which have come. My first question is on the Jaipur SEZ or the lease area which is happening, you see pretty means let us say a few years, traction was more generally on the Chennai side and Jaipur was slower, now you have seen a significant improvement on the Jaipur side, but Chennai is slightly lower. What leads to a faster absorption in a particular market and will it be also let us say the newer launches which will be, let us say, Ahmedabad or Pune and new things which will happen that once the area becomes popular or favorable, the traction on easing will be must faster and it will slowly taper down or just because of one vendor is there and the large OEM is there, so a lot of vendors comes up and hence the traction happens, can you elaborate on the velocity and what is leading to such a good traction on Jaipur right now?

Arvind Subramanian: Yes, many factors go into that, I think first and foremost is the team on the ground, so I will give a lot of credit to Raja Ram and his team, Manoj who leads the business development in Jaipur, they have really put on the pedal and the result is strong trajectory of leasing in Jaipur, but yes, there is external factors as well state quality, how attractive is the state for investment, what kind of industries are they quoting and is there a momentum in that industry, for example, right now we are seeing lot of enquires in renewables and EV electronics so kind of spaces, so there is a combination of our execution plus partnering with the state government and riding off the momentum that the state has seen. There is certainly a kind of spiraling effect and it is not just about principle OEM versus supply chain as is the case in, for example, we have JCB as the large client in Mahindra World City Jaipur and many other vendors who were tying up also set up facilities there. That is one model of spiraling, but even without principle supply relationship, you do find that an initial momentum of leads and conversions leads to a lot more interest. And you call it a herd mentality or gravitation to the structures, which is very perceptible in their lifestyle.

Himanshu Upadhyay: And one thing, in the Mahindra World City Chennai, there is 60 acres of land outside boundary, MWC boundary and we have stated that we want to do that outright sales, this is also a lease what we give because on the slide 29 it is planned as land sale and others what I understand in World City projects or in the commercial space, you generally lease land, why would there be a difference or I am going wrong from there?

Arvind Subramanian: Yes, because this is outside the boundary and tends to be scattered land. There are few contagious land parcels, but many of them are small scattered lands outside the boundary of the main SEZ in DTA area, we do go for a tail model because the whole point, we are not providing services there, so then doing leasehold makes no sense, so there is no long-term value creation in it.

Himanshu Upadhyay: And one more thing, in case of Jaipur, we see commercial activity has reached a scale okay, but still the residential and social has not started picking up or what would be the stage when the residential and social starts picking up in a Jaipur type of Mahindra World City Project?

Arvind Subramanian: We have had our plans for the social and residential zone kind of in our top drawer for the last couple of years. We have been evaluating the market periodically to see what is the right time to launch that and are currently in the process of doing the same. It is kind of striking the right timing between how much employment is there and the profile of that employment and would they buy residential apartment, would they like to live in the same location with mid market or value housing, so that is what we constantly monitor as well as developments in the neighboring areas, how would is the quality of housing there and therefore the whole promise of the integrated city has created the value over and above what is available in the nego.

Himanshu Upadhyay: And one last question from my side, see, historically few years ago, JD was becoming much more popular and again we were also interested in that model and again society redevelopment, but today the raw material and inflation is in a flex or I would say it is on the higher trend and the certainty on the price rise, how sustainable it is not so sure, how do we assess land share or revenue share or we would like to go for outright purchase of land, some thoughts of yours and what risk mitigation efforts can be done once land is or let us say JD is done or a society redevelopment is, area share is made and then inflation goes up?

Arvind Subramanian: Yes, those are constant calculations and scenarios that we keep creating and playing with, you are absolutely right, it is very hard to be deterministic in an uncertain cost as well as price environment so we do our classical sensitivities and scenarios to understand what elbow room we have. We are compensating mechanisms like I mentioned, we are seeing heartening of land prices, but we feel that we have enough elbow room on pricing and cost of construction to mitigate that so those are the critical levers we employ from a type of transaction perspective, JDA versus outright we don't have any buyers or preference to either we do what is right for that particular location and that particular transaction in some cases, the land owner is very clear that he wants the joint development for his own reason of income and tax and various other things. In other cases, they are very clear they want outright, so it is often not a choice about, for a particular transaction you don't have both choices on the table more often and not it is one or the other.

Moderator: Thank you. The next question is from the line of Shaleen Seth from Seers Fund Management Limited. Please go ahead.

Shaleen Seth: Team, congratulation on the numbers, we are really happy to see this thought progression on the residential side, I have one small question, most of the questions are already answered, so this is one small question on the origin of Chennai part, I see it has been missing our sales for the past one whole year, financial year 22 and the first quarter 23, so any strategic reason as to why are we not aggressive on the IC side in Chennai, it is going forward we are close to 300 acres in this **46.01**?

Arvind Subramanian: Shaleen great question and your observation is absolutely right and I will only answer with watch this phase, as I mentioned pipeline is building up nicely in Chennai, we should be able to show some significant change in trajectory there in the next 2 quarters.

Shaleen Seth: Secondly on the Eden side, the project, the whole idea seem extremely good and going forward, are we aggressive on this side, do we plan to launch more of Eden around that area in Bangalore may be MMR, Pune, etc.?

Arvind Subramanian: Yes, if you are referring net-zero as a concept, yes, as I mentioned we are committed by 2030 that all our projects will be net-zero, every new projects we do will be net-zero. This is a full 20 as ahead of the Paris agreement 10 years ahead of what Mahindra group is committed so we are aggressively moving down that path. Eden was our first such project, but pieces of that has been done in earlier projects. Obviously, Eden is a culmination of work that has been done across various projects before that. That will net-zero energy, we still need to crack net-zero water and net-zero waste to make it entirely net-zero. You will see it we will have an increasing tilt towards that.

Moderator: Thank you. As there are no further questions, I would now l like to hand the conference over to Mr. Arvind Subramanian for closing comments.

Arvind Subramanian: Thank you Jacob. Thank you to all of you for participating in the call. As we discussed, we had a very strong quarter, set up us extremely well for the year. Always when your first quarter is good, you walk forward with a lot of confidence. On the residential side, we are seeing good pipeline of both land acquisition as well as launches of land that has already been acquired and on the industrial side, we do expect this to be an extremely strong year and matching our bettering the performance with the previous year. So, fingers crossed with your good wishes and blessings, looking forward to continue with strong performance. Thank you very much.

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