



“Mahindra Lifespace Developers Limited

Q2 FY ‘23 Earnings Conference Call”

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**MANAGEMENT: MR. ARVIND SUBRAMANIAN – MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER – MAHINDRA
LIFESPACE DEVELOPERS LIMITED
MR. VIMAL AGARWAL – CHIEF FINANCIAL OFFICER –
MAHINDRA LIFESPACE DEVELOPERS LIMITED
MR. RABINDRA BASU – INVESTOR RELATIONS –
MAHINDRA LIFESPACE DEVELOPERS LIMITED**

Moderator: Good morning, ladies and gentlemen, and welcome to the Q2 and H1 FY '23 Earnings Conference Call of Mahindra Lifespace 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 star then zero 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. Thank you, and over to you, sir.

Arvind Subramanian: Thank you. Good morning, everyone, and welcome to our Q2 and H1 FY 2023 Earnings Call. I'd like to thank everyone for participating in this conference call. As you are aware, many of our key operating entities from the residential business like Mahindra Home, Mahindra Happinest and as well as our IC & IC business, which is Mahindra World City Developers Limited, Mahindra World City Jaipur Limited and Mahindra Industrial Park Chennai Limited are not consolidated on a line-by-line basis, and I request you to view our results with that lens.

My team has given me copious notes on commentary on the global macros as well as the sector, which with your indulgence and permission, I'm going to leave to experts on this call. Many of you know that better than I do. And I'm going to dive straight into a commentary on our performance over Q2 and H1.

In my opening comments, I'd like to touch upon seven aspects of our performance. The residential sales, our cash position and collections, completions, some business development progress and outlook, our IC & IC business performance. I want, specifically, to talk about the joint venture that we announced with Actis and some comments on our sustainability journey.

So if I look back at Q2, I think we've had a solid if not stellar, quarter. It builds on a very strong Q1 and I had mentioned at the end of Q1 on our earnings call that I do not expect the same one rate to be maintained. Q2 as you know, is a seasonally weaker quarter for residential real estate, particularly in Mumbai and Maharashtra because of the monsoon and the inauspicious period of Pitru Paksh.

Despite that, our residential sales has been extremely strong. We've delivered close to INR 400 crores, taking H1 to just above INR 1,000 crores, which is an important psychological threshold. I did tell the sales team that the difference between ending at INR 990 crores and INR 1,000 crores is not just INR 10 crores. It's a lot more than that and I'm glad that they took up the challenge and were able to get us across the INR 1,000 crores psychological threshold. As you might recall, the entire FY '22, we did INR 1,028 crores. So seeing with that perspective, doing INR 1,000 crores in the first half sets us on a very strong footing for growth this year.

In this quarter, we launched one new project, Mahindra Nostalgia in Pune. It is very well received, just under 70% of the units were sold within the quarter itself. And it's contributed

roughly 35% of the presales for residential for the quarter. The rest of the 65% is a broad-based sustenance contribution across projects, across locations. And this is a discipline that we have been maintaining and demonstrating for the last several quarters but there is a very broad-based contribution to our sustenance sales.

The other important aspect I'd like to draw your attention to is very meaningful price hikes that we've been able to take within quarter 2, in some cases, as high as 6% to 8% within the quarter itself. And even in recent successful launches like Mahindra Eden and Luminare, which were launched in Q1, we've been able to take price up very quickly in the subsequent quarter results. We are lining up for a very strong second half of the year. We will be bringing roughly INR 1,000 crores in GDV to market. This includes both new project launches as well as new phases of existing projects. To touch upon a few of them, the most important ones, we are bringing forward the second phase of Mahindra Eden, the first phase did extremely well. This has -- you know with India's first net-zero energy project launched in Bangalore in the first quarter. We sold about 90% of the inventory that was launched, and that has encouraged us to bring forward the second phase, which was originally planned for launch next year. And we will be bringing that to market this quarter, this weekend itself. So it starts tomorrow.

This would be followed by Mahindra Happinest Kalyan 2, which we had pre-launched in February last year. We are reactivating that and doing a full-fledged launch later this month. The third launch that is lined up -- of a new phase launched that is lined up this quarter is Mahindra Happinest at MWC Chennai. Again, a very successful first phase launch where we sold out the entire inventory of 348 units within six months of its launch last year. So we are bringing the second phase, which is an equivalent equal number of units, another 348 units to market in this quarter.

Looking further into the second half of the year, we will also be bringing our Pimpri land parcel that we acquired in April, to market in the second half of this year and are hoping to launch a plotted development in Mahindra World City Chennai in the second half of this year as well. In addition to these, Mahindra Nostalgia, which, as I mentioned, was a very successful launch in Q2, we are looking at bringing to the second phase to market in Q4. So all these put together gets us about INR 1,000 crores of new GDV to market in H2, and this will ride on top of the sustenance sales momentum that we have been demonstrated.

Collections has been very robust, and this is, again, a good health indicator for the quality of sales that we are doing as well as the pace of construction. We have done INR 550 crores of collections in H1, which gives us very strong operating cash surplus and sets us up very well for growth in terms of new land acquisitions in the quarters to come. It's an indication that the cash cycle of the business is working very well.

Residential completions in Q2 was an area which was muted. And that explains why the revenue recognition and profit in the P&L are low. However, H1 remained very strong. Overall revenue of INR 190 crores that is roughly INR 68 crores. One of the completions we were expecting in Q2, which slipped into October was our project, the first tower of our project Vicino in Mumbai,

but we received the OC in early October. So while it's not recognized in the Q2 financials that will come into Q3.

Let me spend a little bit of time on business development. That's a question that I know many of you are keenly tracking. Let me start with an announcement or a positive news. Our Thane land parcel on Godhbunder Road, we've been able to get the SEZ denotification as well as other clearances to our development over the last couple of months. So we're now whole clear in terms of planning, which we've already initiated. This will be a mixed-use development, and we will be looking to bring a partner in for the commercial assets within that next year's development. We are targeting 15 to 18 months to launch this project.

Overall, on the residential business development in the cities of Mumbai, Pune and Bangalore, we continue to pursue a strong pipeline. We were expecting one deal closure in Q2, but there's some final wrinkles that the landowner needs to iron out in terms of conditions preceding to the deal and we are hoping to be able to close this within Q3.

Overall, there's a pipeline of roughly INR 5,000 crores of GDV, of which roughly INR 2,000 crores are in very advanced stages of discussion and, fingers crossed, should get converted in the next two to three quarters. The good news is none of the high priority deals that we had kind of spoken about or indicated in the last quarter, none of them have fallen off the radar. They continue to be very much in our sights, and we are in pole position on all of those deals. So aside the redevelopment is an area that we had mentioned is going to be an area of focus for us, particularly in the Mumbai Metropolitan region. It continues to be an exciting space.

We are in the final shortlist in two situations, both of which are taking longer to close, and that is the nature of the beast, unfortunately. In a society redevelopment, there are many members who weigh in on the decision. And very often, there are more reasons not to take a decision than to take a decision. We're finding it's taking a bit of time, but we continue to be fully focused as a management team and putting our best foot forward on those and continue to be, as I said, in a strong position.

We are in the final shortlist. Kandivali, we had intimated to the stock exchange that the closure of the deal will get pushed out from the original envisaged timeline of 30th September, 200. We are expecting it to close in the next few weeks, and everything is on track for that. There was just, again, one or two final clearances that were required from a CP perspective before we can close the deal. In the meantime, we have progressed on the design. We expect to be able to submit our drawing for approval by the end of this quarter and should be able to launch the project within six months thereafter.

I also wanted to provide an update on Dahisar, which is a joint development transaction that we had announced in October last year. We have completed our schematic designs and are ready for approvals. However, there has been a stoppage of new CCs being issued in that immediate micro market because of a circular from the Airport Authority of India for some radar interference that they have seen because they have an airport radar which is just across from the site that we are interested in.

We understand this conversational progress between BMC, the Maharashtra State Government and the Airports Authority of India at the center, and we expect this will get resolved in the next six months, after which we will be able to submit our plans which are ready for approval. And as I said, six months from there, we will be launch this. It remains a very attractive land parcel. It's got pushed out by a few quarters on the original plan because of this aviation issue. But the silver lining is in the meantime, the Metro line 2, which passes in front of the site has become operational. So that's further enhance the value of this development. And both partners, the land owner as well as us in a joint development, we have both committed to the deal, so working very closely with each other on this. There's no concern, per se for the deal.

Turning attention to the IC & IC business. We've done INR 186 crores of leasing in the first half, INR 68 crores in the second quarter. So we continue to maintain a strong momentum in that business as well. Jaipur continues to be the major contributor, but we do expect Chennai to come to the party in the second half. There are some interesting deals that are built up there, and we are expecting those to close in the second half of this year.

The strong lead pipeline that we have in the IC & IC business gives us confidence that we will have a good year in that business as well. Also, you would have perhaps picked up the news of Apple starting manufacturing at Mahindra World City, Chennai. Again, a good testament to the quality of facilities and the operations that we've run at Mahindra World Cities that we've been able to get such a marquee manufacturing client to start to set up operations there.

Around a month back, we had announced a new joint venture with Actis to build specialized real estate for industrial and logistics clients. Let me touch upon the logic of this new joint venture and the role that we envisage for ourselves. So firstly, why did we do this deal? Build real estate for industrial and logistics is a growing asset class with very strong value creation opportunities. There has been lot of investment coming in, but we believe we are still in early days of that investment cycle. We see it as a strong adjacency to our existing IC & IC business. It, in many ways, provides an additional leg in terms of our new service offering, but also an annuity business opportunity within that segment of our business.

And MLDL is one of the few developers amongst the organized developers or corporate developers who has had a successful track record in land aggregation or acquisition for industrial logs. There are very few developers in India who have been able to do that. How are we setting this up? It's going to be a separate Board managed and joint venture. We've kept it separate because this is a very capital-intensive business. Actis brings a strong financial capabilities and funds to the table. We've also kept it separate because we recognize that it requires very distinct operational capabilities from what we currently have in our IC & IC business. And therefore, the management team will be separate and our involvement will be largely through the Board rather than a direct management involvements.

The other reason why this has been kept separate is this is a business that requires a lot of entrepreneurship and agility and an autonomous leadership team who are incentivized appropriately operating under Board supervision, we feel is the right talent model to address this rapidly evolving market. Why Actis and how are we setting up the partnership? We ran a very

rigorous process with the help of one of the banks. And Actis emerged as the frontrunner for several reasons, their intent and appetite for this business, their track record in real estate and the trust that we built through our partnership with them in Mahindra Homes were all major factors that firmed the decision to partner with them in this joint venture. We will be a minority partner. The structure of the investment will be an opco and a set of propcos. We will be a 26% partner, roughly, in that portfolio of businesses. The stakes could vary between 26% to 33% in the various propcos.

We're also bringing roughly 100 acres of seed assets from our Mahindra World Cities into this joint venture. And expect the first phase of investment to be in the range of about INR 2,000 crores, out of which, if you do the math, it will be about INR 700 crores of equity, 26% of that is roughly INR 180 crores. So if you look at bringing 100 acres of seed assets, then the total investment from MLDL side is of about INR 180 crores, we are cash positive from that perspective. There's no incremental capital being invested in this joint venture.

Finally, I wanted to share a couple of highlights and achievements on the sustainability side. As you know, this has been a very important pillar of our strategy. Over the last quarter, we've been ranked a global sector leader among residential developers by the Global Real Estate Sustainability Benchmark, which is GRESB. As part of that, we've been Rank 1st in public disclosure. We have a 5-star rating and development benchmark and a 4-star rating in standing investors. We've also been recognized as the Climate Change Leader in India by CDP, and the only real estate company in the Leadership Band under CDP's Climate Change category from India. These are very strong endorsements of both our intent as well as actions on the sustainability side. Let me turn it over to Vimal to share the financial highlights.

Vimal Agarwal:

Hi. Good morning, everyone. Moving on to the financial highlights for the quarter end for H1 '23. The total consolidated income stood at INR 72 crores, as against INR 66 crores in Q2 F '22. The consolidated profit after non-controlling interest stood at a loss of INR 7.7 crores as against a profit of INR 6.5 crores in Q2 F '22. The company has debt of INR 331 crores at consolidated level as per INDAS, while cash in bank balance, including short-term investments, stands at about INR 203 crores. Cost of debt is 7.2% on consolidated basis, while standalone Mahindra Lifespaces cost of debt is 6.9%. With this, I'll request if the lines can be opened up for questions, please. Thank you.

Moderator:

Thank you, very much. We will now begin the question-and-answer-session. Anyone, who wishes to ask a question may press star and one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. You may press star and one to ask a question. The first question is from the line of Parikshit Kandpal from HDFC Securities Limited.

Parikshit Kandpal:

Congratulations on a decent quarter. My first question is on business development. So the last two quarters from -- or three quarters, our business development pipeline has been around INR 5,000 crores and since April have not seen any conversions from this pipeline. So the first question is, why is the pipeline not growing? And what is causing the delay because we have

had like one lumpy quarter and, again, that was slowdown almost six, seven months. So when do we think Q3, you said that is a period where you will see some of these closings. So how confident are you that a INR 2,000 crores number can be achieved and whether you can surpass that because the INR 5,000 crores number is not moving. I would have believed that there could be some deals which could have added -- would have got added in this quarter and taken this number higher. So if you can give more granularity on this? And whether the redevelopment projects are included in this? The ones you said at least two, three opportunities where you are in shortlisted for kind of final closure?

Arvind Subramanian: Thanks, Parikshit. So the way to think about the INR 5,000 crores, while the number looks static, I would split it into two buckets. There's roughly INR 2,000 crores, as I mentioned, which is the advanced conversations or high probability, high priority kind of target. That has remained, more or less, stable for the last four or five months, and it's actually the same deals that are in that pipeline. As I mentioned, we've not lost any of them to competitors. We continue to be in a strong position and are progressing well on this. The back part of the INR 6,000 crores, there has been some additions and deletions on that. So we feel that, as I have mentioned in the past, we'd like to be at about INR 3,000 crores of GDV addition for this year. We've done INR 1,700 crores in April. So looking to do another roughly INR 1,500 crores to INR 2,000 crores for the rest of the year. To get to that INR 5,000 crores to INR 6,000 crores pipeline is the right thing to manage. I don't want us to be scattered and spreading ourselves too thin because I don't want the management attention to be on conversion as much as it is on sourcing new transactions. This does not mean we are not actively scouting new transactions. But the priority as you rightly pointed out, in the last quarter, there has been no conversion. So the priority for me as well as our team is to ensure that we take some of these deals over the line in Q3 and Q4. I'm reasonably confident we will be able to do that. So I have no cause of concern for this.

Parikshit Kandpal: And the redevelopment opportunities are already included in the INR 5,000 crores? They are over and above?

Arvind Subramanian: No, they are part of this.

Parikshit Kandpal: And that is not part of the INR 2,000 crores, right, which you believe is an advantage here?

Arvind Subramanian: One of them is part of the INR 2,000 crores.

Parikshit Kandpal: So my second question is on the warehousing business. And you said 100 acres will be the seed assets. So you will be selling this to the joint venture and getting the money and then part of that goes to your share of equity investments, right?

Arvind Subramanian: That's right.

Parikshit Kandpal: And by when do you intend to transfer this 100 acres? And potentially this will be classified as a leased area. So it will happen in this financial year or next year?

Vimal Agarwal: I sense that it's going to take anywhere between two to six quarters.

- Parikshit Kandpal:** The third question is on the projects launch pipeline, which I believe is shifting by -- at least for the Kandivali project we were looking at 4Q launch. So now you're saying that December is the approvals and six months from there we launch. So it goes to the -- just about the monsoon quarter. So which is again not a very good time to launch. So do you see any risk of this moving in the second half of next financial year? And the same thing for Godbunder, you were expecting to have a first half launch or maybe FY '24 launch, now which looks to be moving to FY '25. So if you can give some more color on the time lines? some more visibility on the time line on these project launches?
- Arvind Subramanian:** Yes. So you're absolutely right. We moved Kandivali from Q4 of the current financial to first half of next year. I do see it happening definitely in the first half because as I said, we've advance quite well on the design. The reason for the delay is the commence got pushed out by a quarter. And that's why the launch is getting pushed out roughly by a quarter.
- Parikshit Kandpal:** And what about Godbunder?
- Arvind Subramanian:** Godbunder again, as I said, it's good that we finally have all the approvals we need to move forward and the permissions to move forward. We are looking at some alternate policies under which to develop it because it's a large 68 acre land parcel. And some of those land policies are in the process of being updated at the state government level. Waiting for that clarity to come in the next quarter or so, so that we can lock in exactly what our development plan there will be. And that's the reason we are pushing it out by a little bit because the indications we have is that some of the new policies will be attractive.
- Parikshit Kandpal:** Just lastly, I mean, the real estate market you see doing well, but I don't understand why you've started giving a subvention scheme for the Saki Naka projects. And are we running any other schemes or any other projects?
- Arvind Subramanian:** Sorry, Parikshit, your question wasn't clear, your voice is getting muffled.
- Parikshit Kandpal:** The Saki Naka project, I think you started giving the subvention scheme, right? 25:25:50, So any particular reason why have you started giving that subvention scheme?
- Arvind Subramanian:** No specific reason. We're experimenting with different payment plans to see what kind of resonates in the market. We've taken price up there quite significantly since the launch. So looking at different methods and seeing what resonates with different audiences. There's no kind of grand plan there of any sort.
- Parikshit Kandpal:** The last question for Vimal. So when do you expect -- I understand that Pune land payment has happened. So which complete the quality spending there, and on the Kandivali line, when do you expect to make the payment?
- Vimal Agarwal:** So Pune land payment has completely happened. Thane and Kandivali as it progress over the next three, four weeks or maybe just quarter we will make the payment. Kandivali as you know, it is not a bullet payment, its sole agreement, its either over 36 months, we'll follow the calendar.

- Moderator:** Thank you. We have the next question from the line of Adhidev Chattopadhyay from ICICI Securities Limited. Please go ahead.
- Adhidev Chattopadhyay:** The first thing is just more a question on the Thane land parcel now that you've got the de notification done. So just could you help us understand what sort of FSI we could churn out of this land, a broad range? And overall, for this land, have you done any rough estimate? What is the total FSI premiums or other approval costs, we will need to pay to avail the full FSI of the land? If you could just share your thoughts? I know that it's in planning stage, but just some color if you could give us. Overall, how much investment it would require? And would this approval cost you upfront or would it be split over phases? That is the first question.
- Arvind Subramanian:** Yes. Adhidev, as I mentioned in answer to Parikshit's question, there are some policy updates that are expected that are relevant to that development. So it's hard to nail down an FSI, but we do see it being in the range of 5 million square feet plus of development potential. And it will be a mixed-use development, as I said. It will have some commercial assets, retail as well as residential. And we are looking at, at this stage, once the policies are fructified and our mix has narrowed down, we are looking at potentially bringing in a partner on the commercial side.
- Adhidev Chattopadhyay:** Sir, second question again is on the business development. So the projects which we are hoping now to close out in the next two quarters, three quarters, so what is the lead time for the launch? I think four to five quarters post that and we will in FY '25 see the launches coming through?
- Arvind Subramanian:** Yes, I would say between three to four quarters, because some of them based on the confidence we have in the closure, we've already started the design on. So we will be processing in parallel. So I would say anywhere between three quarters to four quarters to get to launch.
- Adhidev Chattopadhyay:** Sir, last question. So again, in FY '24, of course, the two Mumbai launches, right, will happen in FY '24, as you said. So apart from these two launches, any other large value launches we expect in FY '24?
- Arvind Subramanian:** So some of these new land parcels, certainly, Kandivali and one or two of the new land parcels that we acquired will be the large value land launches.
- Adhidev Chattopadhyay:** And any plans to give any interest subvention or anything for buyers considering that interest rates have gone up, and we'll see a further round of rate hikes in this quarter as well. So what is the resistance you're seeing from buyers? Or is it all playing so far? And what are our plans to stimulate demand in case there is a slowdown?
- Arvind Subramanian:** So far, we are seeing demand being fairly strong and robust in the segments we are operating in. We continue to see very strong walk in as well as conversions. So no reason for us to consider interest subvention. For me an interest subvention is just a roundabout way of getting a price discount so might as well work with pricing. And we have demonstrated a fair amount of agility on pricing. We are able to take price up quickly, the converse should also then apply that when the need arises one moderate the price to be able to drive the volume on these. So it can't be a one-way street. So that's primarily the lever we will use rather than going down the interest

subvention part. Again, as Parikshit highlighted, we are looking at different payment plans, more so that we learn how the market responds to various schemes, what works for different audiences in different life stages of construction as well because it's important that what works at a prelaunch or a launch stage or early stages of construction, is not necessarily what works when the project has already topped out from a civil perspective.

Moderator: Thank you. We have the next question from the line of Pritesh Sheth from Motilal Oswal Financial Services. Please go ahead.

Pritesh Sheth: First is again on BD. So in terms of the INR 5,000 crores pipeline, does it also include any projects that maybe we are looking in Bangalore? And just a follow-up to that, so when we had this INR 2,000 crores of GDV addition as an annual target, at that time, we had only two markets in mind, which is Mumbai and Pune. Now with Bangalore also coming in, do you expect that out of the three markets, at least there would be a deal addition in two markets that would take your targeted GDV addition to maybe INR 3,000 crores, INR 4,000 crores on a constant basis? So just a comment on that?

Arvind Subramanian: Yes. Certainly, Pritesh. I think when I had indicated the INR 2000 crores, it was more than a year back and as you rightly pointed out, it was with a two market focus. So this year itself, as I had mentioned earlier, we are looking at roughly INR 3,000 crores. And every year, we will look to build more on that. So it will be in the range of INR 3,000 crores, INR 3,500 crores, INR 4,000 crores, steadily building it up year-on-year. As you know, these deals are lumpy. So it's not that -- so you could end up being at INR 4,000 crores and INR 3,000 crores or INR 2,000 crores, the each deal is typically between INR 500 crores to INR 1,500 crores in GDV.

Pritesh Sheth: That's great to hear. And secondly, now if the launch is also coming fast in terms of the second phase is that we are coming up with -- we are expecting Eden to get launched this quarter and second phase of Nestalgia also in Q4. So for the large deals that we have signed up these Dahisar or Chandivali or even the larger Pune deal and obviously, right now, it's difficult to comment since we haven't seen the demand velocity. But do you think that the sales -- I mean, the gap in terms of launches between the two phase could be one or two quarters so that we can churn up the inventory faster than what we have done earlier?

Arvind Subramanian: Yes, that will always be the objective and the desire, Pritesh. We've always maintained that our strategy is to get in and get out of projects as quickly as possible. So where we see robust demand, there are two factors that play into that. One is the demand. And its a first launch does well, then you get confidence to bring in the second phase over. But it's equally about the construction phasing. In certain cases, one is able to -- like we are doing in Eden, we are now constructing both phases concurrently with a stagger of just two months between the two phases. But in other cases, due to the site constraint, you may not be able to bring forward the second phase or third phase of the project, in which case it makes no sense to launch something and not be able to construct it. So one has to keep both, balance between both these aspects.

Pritesh Sheth: Yes, fair point. And just lastly, if I heard it correctly, so Pimpri second parcel, which we acquired last quarter is also slated to launch in Q4?

- Arvind Subramanian:** Yes.
- Pritesh Sheth:** So that we have pushed it earlier, is it? I think earlier we were planning to do it next year, but we have pushed it earlier?
- Arvind Subramanian:** Yes, we pulled it forward by a quarter.
- Moderator:** Thank you. Before we take the next question, a reminder to all the participants, anyone who wishes to ask a question, may please press star and one on their touchtone phone. We have the next question from the line of Shreyans Mehta from Equirus Capital. Please go ahead.
- Shreyans Mehta:** So my first question pertains to our Kalyan project, where we already started on a weak note. And it seems given the quarter, we see the loss in momentum. And last quarter, we were talking about some change in strategy. So just wanted to hear from you, I mean, how is it working now?
- Arvind Subramanian:** Yes. So Shreyans, as I mentioned, that is one of the launches we've lined up for this quarter. Just to put this in perspective, when we say it will be weak launch, we still saw a 25% of the inventory in six months. So by industry standards, that is not weak. By our own high standards, we would have expected more. And as I mentioned in the last call, there have been some learnings about the hits and misses in that. We've incorporated those learnings and we will doing a full-fledged launch of that project in this quarter.
- Shreyans Mehta:** Sir, second question pertains to our region, Ahmedabad. We had indicated that probably we are waiting for an anchor tenant. So do we have any time lines in place that by this time, we are going to wait for the anchor tenant then only or how will it work?
- Arvind Subramanian:** I'd say the next three quarters or four quarters we need to take for finding that anchor tenant. It's really important in these kinds of parts that the initial client profile is the right client profile, and we don't sell for the sake of selling. So we are being selective. We are being patient and we need to just grind it out.
- Shreyans Mehta:** And sir, lastly, my final question is pertaining to our IC & IC business. The thought process there was that the intention was clear that we wanted to monetize and move out of that. All of a sudden done and probably with the deals which we've done, on a net basis, we've sold and there will be a recycling of capital. But again, it is going towards the long gestation projects. Now again moving to that long life cycle projects. So just wanted to understand are we still following that strategy that you want to move out of that or probably you're moving in the same direction?
- Arvind Subramanian:** Yes. Look, I don't see this Shreyans as an either or. I see this as an interesting, as I said, extension or if you would call it an option value on that business. But at some stage, we will run out of land in that business, like we have run out in Mahindra World City, Chennai, the land inventory, is all sold. So what is the terminal value of this business is important for us to set up right now. One part of that terminal value, I mean, that will be operation and maintenance activity we do in the park.

But there are other sources of value that one can unlock over a longer period of time is what prompted the thinking to participate in this. As I said, we are participating as a minority joint venture partner. And in a sense, not putting incremental capital into this new joint venture. But I do see it as a strategically important action for us, not just as an opportunistic play.

Shreyans Mehta: So can we expect some sort of this thing to continue ahead as well or probably this would be one-off deals and probably our long-term strategy still remains of monetizing in the IC & IC business?

Arvind Subramanian: So certainly, in the industrial parks that we're already operating, we would be looking to monetize as quickly as possible and like the park piece is on, the number solar demonstrating. Now how this new business segment plays out, time will tell. We'll be fully committed to it if it turns out to be as attractive as it promises to be in terms of the actual cash flows and return on capital or IRR metrics that are very important to us. We will take a call in that stage about how much whether we want to invest in incremental capital on that. At this stage, will not as I mentioned, increasing capital, it is a capital value fairly release from the business such as getting -- a part of which is getting put back.

Moderator: Thank you. We have a follow-up question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My question is that over the last couple of years, we have been outperforming on the business development. So this year also – we may end up somewhere close to INR 4,000 crores. Just doing the one as presales projections into -- at the same when there into H2, we do exceed about INR 2,000 crores of presales. It seems that favorable we reach almost INR 2300 crores, INR 2400 crores, much ahead of your timeline of FY '25. Next year, we have a very strong launch pipeline on the starting put together, Dahisar and Kandivali close to about INR 4,000 crores of GDV, which may lead definitely in phases, but along with the such tenant sales can help us reach my estimate number about INR 3,000 crores. So how are you planning on the business development side from here on because numbers looks to be growing better than expectations the next couple of years? So we need to ramp up on the BD side from the INR 4,000 crores number to launch, so 25 going to INR 4,000 crores to INR 10,000. So how are we geared up internally as an organization and the business development team, and the execution then and marketing? So if you can just give your thoughts there?

Arvind Subramanian: So Parikshit, firstly, trust you to always take the upper end of any range that I mentioned. So I do want to reiterate that this year we are looking at INR 3,000 crores GDV and not INR 4,000 crores. I mentioned that because it's lumpy one to end up in INR 2500 crores to INR 4,000 crores is. And on your comment on presale, yes, first half of this has been INR 1,000 crores. I don't expect it to double for the second half. So don't do arithmetic summation. The deeper question you've asked about how we are gearing up the business development is important. We've actually added strategically to our team, certain very key capabilities particularly one on society development, as I mentioned that it's a different kettle of fish, and we brought somebody on board in the team who's done that for the lifetime, understands it very well. And a lot of the success we are seeing advance conversations we are on is credit to this new addition to the team.

Similarly, on the stressed asset side, we've added a person who has experience in that space. We currently still don't have any advanced conversations on that so we are actively looking at. But those are very strategic additions to the team.

Parikshit Kandpal: But what about your guidance? I think last time also I asked this question, so at some point of time, you need to revise that FY '25 guidance, which looks to be getting achieved much ahead of time?

Arvind Subramanian: So, I honestly, I'm not being coy or deliberately roundabout on this, but we do need to see closures on the business development side for us to revise that guideline. So I hold until that happens.

Parikshit Kandpal: And just on the Bangalore side...

Moderator: Kandpal, I'm Sorry to interrupt Mr. Kandpal, there are many other participants who are waiting for their turn. Thank you. We have the next question from the line of Amit Agarwal from Burman Capital Management. Please go ahead.

Amit Agarwal: This is for Vimal. So Vimal, in the last four quarters, in the residential, we have booked around INR 566 crores of revenue. And against that cost of sale is INR 520 crores. Just wanted to understand what all costs we included in cost of sales. And implied gross margin is 7.4, which is a bit different from the number that we typically give out. So if you can just help us reconcile those numbers?

Vimal Agarwal: So Amit, at a broader level, usually gross margin will include all the direct costs including prepaid expenses like brokerage, etcetera. See, it's important to, in a way, understand this last two quarters, the completions have been sort of very -- maybe the last phase or the last building or the last tower. And to this extent, the gross margins are lower than what we expect it to be.

The other thing really is that for example, this thing in our Nagpur project, we have taken one charge which is related to royalty payout with the local authority demanded, which we have gone ahead, paid, taken charge. But we will also doing the payment is under protest base, so we will be thinking first to recover it. So at an aggregate level, you will see improvement in margins from thereon as and when the newer projects gets completed, it should be much-much larger in terms of top line as well.

Amit Agarwal: And on that front, right, so on the projects that are in the pipeline and future development, the number that we gave out is around INR 10,600 is the revenue that we expect from those projects. And against that, there is a cost which you have given out expected. Can you also help out with the cost that is already incurred for the projects that are in pipeline, everything combined in the residential side?

Arvind Subramanian: Yes, sure. You can refer it to back to the investor presentation actually. There is a slide which talks about three parts. One is what's happened in our already launched projects. What's happening in the next phase of those launched products. And for the projects, which will come up for launch projects, land acquisition has happened. It's a fairly neat and clean chart in four

parts and talks about inflows outflows and net cash. Amit if you refer to that, we will gain about INR 3,500 crores of net cash positive. Let me know in case you need any further clarification or details around it.

Amit Agarwal: On that -- so total revenue is around INR 10,600 crores against that cost of INR 5,700 crores which are expected to be incurred. I'm asking what is the cost which is already incurred against this INR 10,600 crores revenue, which is expected to recognize in coming years?

Vimal Agarwal: Yes. So look at it this way, that projects which have got launched, usually see our marketing costs anywhere between say, 2% to 4%, and that's something which has reflected in the quarter in which those launches would have happened or those sales would have got booked.

Amit Agarwal: And what about land and the construction cost, which would be part of inventory for us?

Vimal Agarwal: Yes, it will be part of inventory, but you would have -- if you refer back to two calls, which has happened in the past, say, three, four quarters, usually our land payouts at times actually are very close to the launch. But whatever clients will do if the project is launched and convince is happened that's the time a project moves into inventory. Just to give you an example, Kalyan project, launch had happened in, say, March, February or March of this calendar year, conveyance actually happened a couple of months after that. And to that extent, and transition will reflect in quarter one of this financial year and not in the last financial year.

Amit Agarwal: Maybe I'll connect with you off-line to better understand. Just last question on this is from last quarter to this quarter, we saw a decline of around INR 500 crores on the future gross cash flow, right? Whereas the collection was lower than that and also the construction payment would have happened in Q2. So just if you can help us understand why there was a decline of around INR 500 crores on the gross cash flow expectation?

Vimal Agarwal: Yes, let's take this at offline, Amit. I'll be able to help you understand transition.

Amit Agarwal: Sir, just last, if I can squeeze in. Our construction payout is lower than the pre-COVID, right? So it was around INR 75 crores. Previously, we used to do about INR 100 crores. Is that in a way, a reflection of slower construction pace? Again, how should we read out that construction outflow number?

Vimal Agarwal: Yes. So see, fundamentally, our focus really is on cash collection and, therefore, more than the work done, the money spent on work done is focused on what action we need to take so that our collection and the demand can be sent out. And that's where you are seeing the collection number is looking very strong. A lower work done cost need not necessarily reflect a lower work done of lower demands or lower progress in a particular project. It really depends on the life stage of the project at which we are investing that money has been.

Arvind Subramanian: Also, Amit, I'll just add, Q2, again, because of monsoon, you will see every Q2 being slightly lower from a construction activity perspective. There is an impact of that

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

Himanshu Upadhyay: Congratulations on good set of numbers. I have two questions. One was on the IC business, okay? One was on the leased area, okay? We've seen pretty -- the growth has slowed down from last year. What is the buildup of or inquiry levels you are seeing? And what is expected once the economy starts opening a lot more conversions to happen, okay? Some thoughts on that, if you can give on IC and level of inquiries and what is happening there?

Arvind Subramanian: No, I think IC is on a very strong footing. I would encourage you, don't look at it necessarily quarter-on-quarter because these are long sale cycle businesses. So look at kind of trailing -- or a moving average of fourth quarters or something like that. So that would be more representative. We are on a very solid growth trajectory there. Last year itself was a record growth on a record leasing in our IC business. This year, we will look to match or exceed that.

Himanshu Upadhyay: And one thing is what are the corporate costs overall for the company? Just to understand what is our recurring revenue, which you need to have to break even on the residential side?

Vimal Agarwal: Yes. So it's a tough one. And frankly, again is a number which will really depend on the projects which are getting signed up and launched. What we usually look at next five years horizon and, therefore, allocation of the fixed cost over those five years, assuming that they follow a second trajectory. For example, if you look at recent guidance of INR 2,500 crores versus INR 700 crores we were averaging till about FY '20. The overhead cost allocation would have gone in a much more sort of higher base, and therefore, it looks much-much better. So that's the allocation approach that we follow.

Himanshu Upadhyay: And one more thing. When we see the gross margin, which is 7%, even if I add 3% or 4%, let's say, of sales cost and some amount of other overhead, it remains very low, okay? So would you say that the revenue or the realizations were low? Or do you think the cost increase has been pretty phenomenal and, hence, the gross margins are pretty low? What would be the reason because 10%, 11% is still, if I took whatever cost...

Vimal Agarwal: I'll just give you one example, its, well it's a combination of two or three factor. But an important one, for example, is Anthea project, there's a last phase at come up for recognition. Anthea is a large project and spread across 20 acres. If I have to look at the profitability of Anthea project across the life cycle it should certainly be in the range of, say, 20% gross margin. By the last phase, because of few cost which gets lockdown at last stage, you get to see a much lower number. But at overall level, what Adhidev was talking about was taking the pricing up on an ongoing basis and netting of the cost aspirations, which we were seeing till about a quarter back. All of those put together, all our projects, which right now are in various stages are at a decent margin.

Himanshu Upadhyay: And this leasing of -- or outright sale of land is it for residential in IC we have spoken or it was for our, let's say, industrial land, what we are trying to sell? I'm just confused, if you can help me out?

- Arvind Subramanian:** Look, we were referring to leasing an industrial.
- Himanshu Upadhyay:** So you are saying that sales also your thinking of from land?
- Arvind Subramanian:** This is leasing in the industrial parks business, Himanshu.
- Moderator:** Thank you. We have the next question from the line of Manan Patel from Airawat Capital. Please go ahead.
- Manan Patel:** Congratulations for the good numbers. Sir, my first question is on MWC Jaipur. So if I look at the numbers, we have been very well in the domestic segment, but SEZ is sort of being much slower. So with the current pace that we are going, we might exhaust the domestic part in next few quarters and then SEZ might be left. So you also referred to some policy change which might happen. So what are your thoughts on this?
- Arvind Subramanian:** Yes, you're absolutely right that there has been a much stronger demand on the domestic tariff area than the SEZ. But this is not peculiar to Jaipur or Mahindra World City. This is what is happening across the country. And it's an outcome of sun set of various incentives that have been given to SEZ 10 or 15 years back. So across the country, there has been a very muted demand for SEZ. The government has also recognized that and proposed what is called the Dsh bill, which was expected to be tabled in the monsoon session.
- We are hoping will come in either in the monsoon or winter session of the budget. What the basic premise for this bill is to say that rather than think about industrial parks, domestic corridor export, if India wants to be self-sufficient from a manufacturing perspective and be a manufacturing powerhouse, which should allow units to operate flexibly. So they will allow units in the Special Economic Zones to also cater to the domestic market. So in that sense, specifically coming back into specifically to Jaipur, it opens up the entire SEZ area for domestic manufacturing plants as well, and that will be a very healthy upside for us.
- Manan Patel:** That's helpful, sir. Sir, second question is on the margin and the IRRs that we think. So like, for example, in Eden, we have like preponed the launch of second phase. So with that, do we take the exposure of, like higher exposure to the commodity fluctuations down the line because we are like selling a lot more upfront rather than deeper a part of it at the later date? So are we exposing ourselves to the commodity fluctuations? And what are the steps that we take to sort of off-set?
- Arvind Subramanian:** Yes. So that's a great point, Manan. So the downside of selling a lot upfront is it that you're locked into fixed price contracts with your customers, but exposed to an increasing cost base on the input side. So therefore, in a roughly stable or moderate inflationary cost environment, it always makes sense to sell early. If one expects a hyperinflation in the cost environment, then holding back some inventory with the expectation that we'll be able to price that up would be a better strategy. We believe that we are not yet in that -- the last four quarters, five quarters, we see hyperinflationary period, but it has settled down and we are expecting the next couple of years to be more range bound from an input cost perspective. So we continue to pursue the

strategy of selling early. It is certainly, IRR accretive. In some cases, there is a trade-off there between getting more IRR and sacrificing a couple of 10 basis points or more of PBIT, but that's the tradeoff were willing to make.

Manan Patel: And sir, the last part, you referred to value engineering that we are doing, like we are on the journey, so where are -- like have we implemented that which can help our margins by a few percentage points that you have referred in the past?

Arvind Subramanian: Yes, absolutely. And I'll ask Vimal to also add on this, but in fact, all of our the entire leadership teams are taking this call from one of our construction site this morning. I've been here since 8:30 in the morning exactly on this topic. So we are spending a lot of time on standardizing design, value engineering, driving, modularity, applicability, all of which is geared towards driving more cost efficiency. But Vimal, would you like to add something?

Vimal Agarwal: The only impact versus the earlier approach where the action on productivity or value engineering was more localized, or project specific, right now, we have got two centers which have been formed, one which is the costing center of excellence and second is project management center. Both these work hand-in-hand and any best factories or leading factories which has picked up either internally from many of our projects or externally from any of the other projects contact us, attempt is still to do a pilot and then horizontally execute it across project. Therefore value engineering is going to be one of key pillars to drive some profits or to ensure that the costs are not going out of range.

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

Prem Khurana: Yes. So my question was with respect to our IC & IC vertical. So what I see is, we've been doing seriously good now in terms of leasing on an incremental basis. But the things that I observed that, I mean, when I look at total number of customers that you have and look at the operational customers that you have, I mean, I think initially we used to have this condition in our contracts with the clients that you would have to come and check operations in a year, 1.5 years.

I mean, the customer would start contributing early as possible. But the gap between our operational customer and total customers seems to be rising, for Jaipur, we have 127-odd customers, but then only 71 are operational. There is 56-odd customers are yet to start contributing, right? So I understand if you would have realized our payments but then the idea was to kind of make them operational and then make them contribute to the economic value that you would be able to generate from this? So have we have made any changes in the contracts that we signed because some of these customers have been with us for more than two to three years now? Yet to commence operation in this the case with Chennai as well wherein the more than 10-odd -- commence an operations?

Arvind Subramanian: That's a good observation. In Jaipur in particular, given the growth we've seen over the last four quarters to five quarters, its probably 30 or so new clients, what have we added, so one has to factor that in because once they lease the land, it will take them roughly 12 to 18 months to get

operation even if they hit the ground on day 1. But that backlog is an important thing, and we are actually in the process of reaching out to many of the clients who are not yet operationalized like you mentioned, some of the older leases that were done and finding out what the bottlenecks are trying to reactivate those, so those conversations are actually already underway. In fact in Jaipur there is something like 26 clients have hold who have already commenced construction.

Prem Khurana:

That's good. And second one was for Vimal sir. I think when I look at our presentation and the net debt number that you gave on a segment-wise basis, in -- I see that in IC & IC vertical, the debt has gone up. Not by much, but then there's a slight rise. So I was wondering if it is because when we are aggregating more in IC & IC and I see what will either in, let's say, not Chennai or in Pune, which is why the number would have gone up or is only a timing mismatch and wherein you've sold some inventory this quarter was the payment are yet to come to you?

Vimal Agarwal:

Actually, the second is the key. And we do have a few transactions, as we mentioned in pipeline. And we will see a positive movement in these numbers by the time we reach the next one. Part of it, the first point that you said is also right that there was a big aggregation, which may come on the South Chennai side as well apart from Pune, both are going. But there is more, I'll say more timing, and you'll see the movement Q3 or Q4 for this.

Moderator:

Thank you. We have the next question from the line of Jainam Shah from Equirus Securities Private Limited. Please go ahead.

Jainam Shah:

Sir, my question relates to more of a strategic purpose of Mahindra Lifespace. So we have been seeing that the proportion of value homes has been consistently declining in our overall portfolio. So sir, how we are strategizing between value homes and mid-premium houses? And what is the breakup of this INR 5,000 crores of BD pipeline into these two parts?

Arvind Subramanian:

So Jainam, there's no predefined kind of quota that we have between the value homes and the mid-market segment. We do what is right for a particular land parcel. In some cases, particularly in cities like Pune and Bangalore, the same location could be developed as a Happinest products or as a mid-market product. Because that's the nature of those markets. In a city like Mumbai, it tends to be geographically kind of aligned with North to South. As you go further North, it is more happiness as you move further. We are not in extreme South Mumbai, but let's say, the Western Suburbs or Central Suburbs, it tends to get with market environment. So we don't approach this as what should the mix be in the market. We just look at every land opportunity that we have every new project that we are exploring, what is the right product and the right audience. So it's an outcome rather than an input.

Jainam Shah:

And sir, one question related to IC & IC segment. So we have been seeing the realization being in the similar range of INR 2.7 crores or INR 2.8 crores for the Jaipur, and around INR 3 crores for Chennai. Sir, is there any specific reason for the same? Are we expecting some kind of increase year-over-year from this realization per acre?

Arvind Subramanian:

We've actually taken the realization up in Jaipur. If you look at the last few quarters, it has gone up from -- Vimal?

- Vimal Agarwal:** Yes, I just start with Jaipur, the realization has improved for the last few years. I think it's up almost by about 7% to 10%. Having said this, every land parcel has got a bit of positive or negative depending on the location we are talking about and so that's why we see this. Similarly, in Chennai there is not for the inventory left, within some commercial – largely commercial which is there. And every acre there has to be negotiating depending on the location FSI. But in general, the realizations are up, certainly for both margin are good.
- Moderator:** Thank you. Ladies and gentlemen, as there are no further questions. I would now like to hand the conference over to Mr. Arvind Subramanian for closing comments.
- Arvind Subramanian:** Thank you, Mitchell, and thank you for all your active participation and your questions. As we highlighted there are multiple actions lined up for the second half of this year, which includes ensuring successful new launches, new pre-launches as well as continued momentum on the IC & IC business. We are also extremely focused on driving the business well and hi-fi. We continue to be sharpshooting on that rather than spring and bring. And you will see hopefully some conversions in Q3 and Q4. Thank you, everyone, and appreciate your support.
- Moderator:** Thank you. On behalf of Mahindra Lifespace Developers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.