“Mahindra Lifespace Developers Limited

Q3 and 9M FY '23 Earnings Conference Call”

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Moderator: Good morning, ladies and gentlemen. Welcome to Mahindra Lifespace Developers Limited Q3 and 9M FY '23 Earnings Conference Call. 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, MD and CEO from Mahindra Lifespace Developers Limited. Thank you, and over to you, sir.

Arvind Subramanian: Thank you, Lizan. Good morning, everyone, and welcome to our quarter 3 FY '23 Earnings Call. I'd like to thank all of you for participating in this conference call. A reminder, once again that, as you know, many of our key operating entities from the residential business like Mahindra Homes and Mahindra Happinest as well as from our IC & IC business like Mahindra World City Developers Limited, Mahindra World City Jaipur Limited and Mahindra Integrated Park, Chennai Limited are not consolidated on a line-by-line basis.

I'd like to take you through some of the highlights for the quarter and 9 months of the year. Let me start with the residential business. We've had a strong quarter with about INR 451 crores of pre-sales, bringing us to INR 1,452 crores the 9 months. You would remember that the full year FY '22 was INR 1,028 crores and the corresponding 9-month period in INR 709 crores. So on a like-to-like basis, it's 100% growth.

This has come on the back of 4 launches. We launched a new project, Mahindra Citadel in Pimpri in Pune. This was the land that was acquired in April, and we launched it in November. So within seven months, we've been able to get the designs completed approvals in place and been able to launch it to the market.

We also launched the second phase of Mahindra Eden in Kanakapura in Bangalore. Again, the first phase was launched in Q1 of the financial year received an outstanding response. And that encouraged us to bring forward the second phase by almost a year. It was originally slated to be launched in the next financial year. But given the response to the first phase, we brought it forward. We also increased prices quite significantly by almost 14% and even at those higher prices, we've seen an excellent response in Mahindra Eden. We did a formal launch of Mahindra Happinest-Kalyan 2. This is a project that was pre-launched in February last year. The main launch happened in December and again, we've seen a good response there.

And the fourth project that was launched was the second phase of Mahindra Happinest at in World City, Chennai. Again, very successful first phase, which was launched a year back, 100% sold at that phase. We brought the second phase in -- towards the end of Q3. Once again took the price up quite significantly, more than a 20% increase in price and have brought it to market.

In the coming quarter, we expect to launch 2 new projects, new activations, the second phase of Mahindra Nestalgia, in Pune and a plotted development in Mahindra World City Chennai. A lot of our management time and effort this quarter is going to be on preparing for new launches for the next year, particularly for the first half of next year, we would like to bring Kandivali project to market in the first half of the next financial year. We would also like to do a full-fledged launch of Mahindra Citadel. What we did in Q3 was a pre-launch, but we'll do the main launch in H1 of next financial year.

Within H1 next financial year, we are also intending to bring our new acquisition and Hosur Road, which we had announced last month to market. And we'll be looking at later in that year, bringing both the Dahisar project as well as the Santacruz redevelopment project that we had announced to market as well. So we are looking at a busy FY '24 from a new launch perspective.

Turning my attention to business development for the residential business. As you would have seen, we've announced 2 new transactions in January. One was in Bangalore of Hosur Road and the second was a society redevelopment project in Santacruz. Both of these are very attractive new opportunities for us. Bangalore is a market that we continue to build a presence in and society redevelopment as we had discussed is an area that we have been keenly pursuing for almost a year. So it's very heartening to see our first breakthrough in the society redevelopment space. We are very excited about the prospects and opportunities in terms of bringing in premium products in fully built-out neighbourhood in the city of Mumbai.

And hopefully, with this win under our belt, it should open the doors to many more wins in the quarters to come. Our overall BD pipeline in the last call, we had talked about pursuing a pipeline at a stage of maturity of about -- in aggregating about INR 5,000 crores of GDV. Out of that, around INR 1,000 crores has got converted. Roughly INR 1,500 crores has either been dropped or we've lost, and we've added back about INR 3,000 crores of new deals in the pipeline.

So today, we are working on a pipeline of about INR 5,500 crores. Again, these are in various stages of maturity. And we are hoping that a reasonable proportion of these will get converted in the next 2 to 3 quarters.

In this last quarter, we've also completed the conveyance of the Kandivali land, which we purchased from M&M as well as our planned 60 acers of land Thane of Ghodbunder. As I mentioned, we are working towards bringing Kandivali to market in H1 of the next financial year. And Thane we continue to be on track to bring it into the market in the early part of FY '25.

Turning our attention to the industrial business. In the quarter, we did INR 69 crores of industrial leasing. It's great to see the pickup in Origins, Chennai and Mahindra World City, Chennai. The last several quarters, much of our leasing has happened in Jaipur, but I have been mentioning that we've had a nice pipeline building up in our two Chennai parks as well. And it's good to see some of those deals coming to fruition in the last quarter. We continue to have a very active pipeline and are looking at roughly 50 acres of advanced pipeline to be converted over the next 2 quarters. The INR 69 crores of leasing in Q3 takes our year-to-date leasing to INR 255 crores, and this compares to INR 297 crores for the full FY '22. So again, we're looking at a strong growth momentum in the Industrial business as well.

Let me turn it over to Vimal to take you through the financial highlights.

Vimal Agarwal: Thank you, Arvind, and good morning, everyone. Moving on to financial performance for Q3 F '23. Here are the key points. The consolidated total income stood at INR 198 crores against INR 74 crores in Q3 FY '22. The consolidated EBITDA, which includes other income as well as share of profit from JV is stood at a profit of INR 5.5 crores against a profit of INR 20 crores in Q3 at '22. The consolidated PAT after non-controlling interest stood at INR 33 crores as against a profit of INR 25 crores in Q3 at F '22.

Our company has debt of to INR 280 crores at a consolidated level, while cash in hand and bank balance was about INR 228 crores. The cost of debt is 7.76% on a consolidated basis. But standalone cost was also almost similar at 7.72%. These are the key highlights on the financial front. I now request if the floor can be open for questions, please.

Moderator: The first question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Hi, Arvind congratulations on business development and strong pre-sales for the 9 months in the third quarter. So my first question is on the business development pipeline. Now I wanted to understand that typically you said this quarter, we have added INR 30 billion of INR 3,000 crores of new BD pipeline. So what is the time line of closure of this INR 3,000 crores, how much will be the closure time line where you will take some decision on this.

Arvind Subramanian: So typically, I would say, 2 quarters is what we would see as the maturity timeline for this pipeline between this quarter and next quarter, whatever gets converted, our experience has been gets converted within 2 quarters, then if it doesn't get converted in 2 quarters, it gets dropped.

Parikshit Kandpal: Now coming back to the last quarter, we had INR 5,000 crores of BD, you said 1,000 got converted 1500 got dropped and INR 2,500 gets carried over to this quarter. So do you expect it to close by whatever decision-making happens and happened by this quarter end on that INR 2,500 crores?

Arvind Subramanian: Yes, a lot of it should either one way either get converted or dropped by the end of this quarter.

Parikshit Kandpal: So if you can also give a breakup of the INR 5,500 crores of BD in terms of GDV and JVs and redevelopment and also geography split between Pune, MMR and Bangalore?

Arvind Subramanian: Yes. So roughly, rough split about 2,500 in Mumbai, 2,000 in Pune and 1,000 in Bangalore. And outright is about out of that 5,500 roughly 3,500 is outright, 1,000 is JDA and another 1,000 is between redevelopment and plotted.

Parikshit Kandpal: Question on the GDV addition over the last 3 years. So we have added INR 3,800 crores in FY '22 and now financial year-to-date, we have added INR 2,600 crores. So what will be the total value of the land acquisition cost of this entire INR 3,800 crores plus INR 2,600 crores. So if Vimal can answer that?

Arvind Subramanian: The acquisition costs have lined for GDV bagged INR 3,800 crores plus INR 2,600 crores

Parikshit Kandpal: Yes, for INR 6,400 crores, which we have valued?

Arvind Subramanian: An update on that, Parikshit, you may have picked it up in our release yesterday. This year, the Pimpri land that we acquired to enhance development potential there. So the value of GDV value has gone up from INR 1,700 crores to INR 2,300 crores.

Parikshit Kandpal: Added with to this year number i.e INR 1700 crores is INR 2200 crores is roughly about INR 500 crores, sir. The INR 2,600 crores become INR 3,100 crores now. So roughly INR 6,900 crores in the last 2 years GDV addition. So what will be the land acquisition costs, hard costs, which will be incurred and how much has been paid until now?

Vimal Agarwal: So overall Parikshit, the way it will operate and for example, the Kandivali land, where the payment is staggered. At an overall level, what you can assume, if it's not a JD or a redevelopment, usually the cost will vary between 15% to about 23%, 24%, depending on the geography in which we are operating. That's what I will sort of stay with so far as the specific numbers are concerned, Parikshit.

Parikshit Kandpal: How much of this will be like paid off? What will be the pending cost on the GDV to be likely incurred from the balance sheet?

Vimal Agarwal: We would have incurred almost about INR 400 crores in the last nine months.

Parikshit Kandpal: And what is pending to be incurred on these?

Vimal Agarwal: Almost similar.

Parikshit Kandpal: And how are you going to fund it, Vimal? How do you look at funding it?

Vimal Agarwal: The two things. So far as operating cash flows are concerned, the company continues to be fairly robust in terms of collections and overall cash flows. We are running ahead of our plans in that sense. That's one. The second important point is that the balance sheet, as you know, is completely sort of unleveraged. And to that extent, there will be long-term borrowing, etc, which we will start seeing.

Parikshit Kandpal: Last question to Arvind you had the Alibag plotted land. So just wondering now what is the response there and now you're planning to bring the Chennai one on the MWC land plotted. So what's your outlook on overall plotted development, as an overall strategy in the GDV, so do you think this can become big in the coming years? Because in Chennai, you are seeing a depleting presence besides industrial, I mean industrial not much inventory is left, I think resi also coming to at the end, so how do you see the Chennai market where you started a big part of your business, how do you see that play out for the residential, please? From the plotted side, if you can try to help us to understand how the product?

Arvind Subramanian: Sure. So Alibag and Chennai very different, while both are plotted. Alibag is positioned at the premium end of the spectrum, and Chennai will be a mid-market plotting market. I'm quite hopeful that we will see success in plotted development. Many of our peers have made attractive successful business in plotting. So I'm hopeful that we will also see similar traction. The Chennai One that we are launching this quarter will be the first and hopefully will be followed up by more such launches. We're also looking at new business development in the plotting space, particularly in Bangalore and Pune.

Moderator: We'll move on to the next question that is from the line of Himanshu Upadhyay from O3 Capital.

Himanshu Upadhyay: Congrats on good set of numbers, and it becomes much more clearer the way the company is moving ahead and visibility is there. I have a question on this employee remuneration and benefits. If we look at the nine months, and even the quarterly, the employee remuneration and benefits is down around 6% to 7%. So has there been some cost rationalization, or there was some one-off event, can you just give an idea?

Vimal Agarwal: Yes. So overall, a couple of things, Himanshu. One is that as we are expanding the number of projects on which we are doing the construction, we do follow a consistent accounting policy of inventorizing our some of that cost. And that is one key aspect.

The second one really is that what you are possibly seeing is Ind AS accounted cost and to the extent there are costs which are at JV level also which are getting incurred. At an aggregate level, if you look at consistently in terms of remuneration increase, you usually see about 10%, 11% of increase year-on-year on a decent growth trajectory.

Arvind Subramanian: Himanshu we're actually building the organization steadily because as we are growing the business, we are building capacity as well as capability. So there is no manpower rationalization. If anything, we are investing in talent. We believe that's going to be one of our key advantages.

Himanshu Upadhyay: No, I agree because we see in last year revenue in nine months what we did was INR 253 crores, including other income if I exclude other income, it was INR 241 crores, and in these nine months, it is INR 351 crores. But the employee remuneration has moved from INR 66 crores to INR 61 crores. So that was a thing and hence the question was even if when my revenue is increasing, my employee remuneration has fallen by 6%, 7%?

Vimal Agarwal: Yes. So as I said, two things which are not visible in the numbers, which you quoted. One is the inventorization, for example, Bangalore is a market where the project got launched, Phase II got opened up is leading to higher inventorization in that particular project. And second is the cost allocations, which we do across our projects and across entities. There's a bit of overall optimizations also we would have done in terms of taxabilities from a structuring point of view.

In terms of headcount, if you look at annual report, the count would have gone up, levels would have improved and the increments, etc as Arvind mentioned would have been decent.

Himanshu Upadhyay: And see, any time lines for Ahmedabad launch is what we had or we were looking for a partner for quite some time now. So what is the progress on that Ahmedabad launch?

Arvind Subramanian: So continues to be an area which is work in process. Looking as we had mentioned in the last couple of calls for the right anchor to create location still don't have headway on that.

Himanshu Upadhyay: And Murud, Raigad, 1,291 acres, is it we were going to develop with something like government project was that -- is it that land, or what is the project?

Arvind Subramanian: So we have 1,300 acres in Murud. And now interestingly, we see two axis of growth there. One is the second home market, which from Alibag will sequentially expand to Kashid and then to Murud.

And the second is this land is also in the hinterland of the Dighi port. And Dighi port is getting expanded and a lot of investment is coming into that area from an industrial perspective. So both of these are opportunities that we are evaluating quite closely and some combination of that is what we will eventually develop Murud for is the hypothesis.

Moderator: The next question is from the line of Pritesh Sheth from the line of Motilal Oswal.

Pritesh Sheth: The first question is on the projects that slipped out. Obviously you did well in terms of business development and added a couple of projects. But any specific reason that you can highlight on where we missed out on those projects? Is it just competition and the pricing that was offered or just any comments on that?

Arvind Subramanian: Yes, so largely competitive dynamics in any such pipeline, we will have a win-loss ratio. And we lost one society redevelopment project. We won one. So it was kind of a 50-50 in that space. And there was one other project as well which got dropped because of some concerns on the diligence front.

Pritesh Sheth: And second on this Kalyan-2, which we re-launched, we still see not much ramp-up in terms of sales, but there might be some bookings that would have slipped over to Q4, but are you overall now happy with the response that we have got for this project? And also, I think I noticed even we have a higher area available for development in Kalyan-2. So just comments on both.

Arvind Subramanian: Yes. So look, as the CEO of the business, I'm never happy until it is 100% sold out. But that being said, I think there's been good traction in this launch. I must openly state that we are starting to see some constriction of demand in that segment of the market, the sub INR 40 lakh kind of segment. That being said, we've got a good response to this launch. You will see the numbers coming through in Q4 because was launched in December, so much of the bookings will come through in Q4.

Pritesh Sheth: And in terms of launches, while we have highlighted about the new project launches that can happen in FY '24, that includes Dahisar, Hosur, and also the redevelopment one. I'm not sure if you also mentioned Kandivali, but apart from that, any phase launches that are planned in FY '24 maybe early part of second half?

Arvind Subramanian: So as I said, Mahindra Citadel which we launched in November, December, was a pre-launch. And we will have the main launch in Q1 of next year. Nestalgia, as I mentioned, the second phase is getting launched in this quarter. So again, you'll see some of that getting logged this quarter and some of it next quarter. So those are the new phases. Kandivali, as I mentioned, is certainly on track for H1 of next financial year.

Moderator: The next question is from the line of V.P. Rajesh from Banyan Capital Advisors LLP.

V.P. Rajesh: Congratulations for good sales numbers. My first question was regarding the housing society re-development project. So if you can give a little more detail as to why is this business more interesting? Does it have higher IRR and how long did it take to get all the key work done to even start the construction? Just wanted to know a little bit more about this new business that we are taking on.

Arvind Subramanian: So couple of things on that. One, it gives you access to certain markets where otherwise it would be very hard to participate. So, markets like the western suburbs in Mumbai are fully built out. There's no vacant land available. So redevelopment is really the only opportunity to create a presence there. These also tends to be higher price segment markets. So therefore a stronger gross margin on these kinds of projects.

In terms of timeline, we are structuring these dealsin a manner where a lot of our costs and investments start coming in only when the site is fully vacated, when all the members have vacated their apartments. So therefore, the IRR's are also looking healthy. That being said, this is our first redevelopment project. I'm sure there will be learnings. We are actively looking at the experience that other developers have gone through and learning from those, but we will go through our own learning curve.

But I do believe this is an attractive opportunity space, particularly with the Mahindra brand and the kind of trust with members of these societies. We automatically, we've had lots of calls ever since we've announced our intent to be in retail. This is the first we've had in a long process, but hopefully then this sets the tone for many others.

V.P. Rajesh: So, are you saying that by the announcement that you did this month or last month rather and the time you start working on the project you are not really going to put any capital into it except some minor fees etc, that you may have to pay for getting the land use change etcetera? Is that the way to understand it?

Arvind Subramanian: Yes, so largely what happens is that there will be some diligence costs, legal costs. We will start doing design because that is important as we get into discussions with the members about their apartment allocations, etc. Those are the kinds of costs. So it's much more about service costs rather than any land or development costs. Those start kicking in only after the site is fully vacated.

V.P. Rajesh: And then just on the balance sheet side, you mentioned that you will start taking long term debt so any idea what the size could be because obviously your cost of capital is very-very low and that's a big competitive advantage so I'm just curious like how much are you planning to put on the balance sheet?

Arvind Subramanian: Look I think we'll hand this over to Vimal, but in general we will continue to be very prudent about leverage. But Vimal, if you want to share any guidance around what we're looking at?

Vimal Agarwal: So conceptually the same point as in going by the land pipeline and assuming that you will have 15% to 20%, 22% of land costs if it's a Greenfield acquisition, there will be upfront cash payout which will be required. Two sources, operating cash flow, up-streaming of cash from internal joint ventures, etc. And the third one will be the long-term borrowings. And all three right now are going, the first two streams which are operating as well as up-streaming of cash are going fairly strong. And the third one will be borrowings. Debt equity right now is extremely low and therefore we don't have any challenges in terms of raising it at very-very competitive rates.

V.P. Rajesh: Right. But you don't have any particular figure in mind that you are about, what this term loan will look like?

Vimal Agarwal: So, our going in position say from, especially from finance point of view, is that will never be the constraint so far as we are getting good land parcels we will go ahead and invest.

Arvind Subramanian: In addition to what Vimal said about internal cash accruals from a collections perspective as well as up-streaming from the JVs, we also have forward visibility on cash, because of the strong pre-sales. So in many of the projects, it's only a matter of time as long as construction progresses that the cash will come in. So in that sense, there's a lot more predictability on the next few quarters of cash flow as well.

V.P. Rajesh: And then talking about the GDV pipeline that you were discussing earlier. So what is typically your win ratio in these types of data? Not win ratio, but how much of that actually materializes in your experience over the last two, three years?

Arvind Subramanian: Very hard to say and it's early days. Calculating ratios on a small basis is fraught with risk. So I won't venture into talking about win ratios, but as when I think Parikshit asked this question, typically two quarters is what it takes for these deals to either convert or get dropped.

V.P. Rajesh: I was just curious because you have had the experience for last two, three years now so you have a sense of how much are you going to convert into potential pipeline versus then dropping off or whatever reason?

Arvind Subramanian: Look, two years back we had said we want to do about INR 2,000 crores of annual GDV addition. We are well above that. We will continue to build on top of that. So anywhere in the

INR 3,000 crores to INR 4,000 crores range of annual GDV addition for the next year or two, I think that sets us up very well.

Moderator: The next question is from the line of Prem Khurana from Anand Rathi Sahres.

Prem Khurana: Congratulations for good set of numbers this quarter. So, I mean, the idea was to try and understand our business development activity a little better or two augmentation side little better. So when I look at the numbers, I mean, essentially over the last two years we've done almost around eight-odd transactions with GDV potential in excess of INR 8,000 crores. But when I look at the split, so there are two projects in Kandivali and Pimpri, where in it is an excess of INR 2,000 crores each. So these two in itself are almost 60% if I include Dahisar, the three projects make up almost 70% of the total potential that you have on books now or what you've been able to add over the last two years.

So the idea was to try and understand how do we think about the sizing of these projects because I mean, Kandivali and Pimpri seems that you want to create value over a longer period of time. With each phase you would want to raise prices and generate more value for the shareholders. And you have something like Kanakpura or some of these recent additions where it's around INR 400 crores, INR 500 crores quick churn kind of projects. So do we go with any thoughts in mind that you want to have this kind of balance between quick churn and long term value creation or it is as the opportunity comes and we evaluate and then go ahead with the opportunity?

Arvind Subramanian: Great question Prem, and I think we had talked about this maybe three or four quarters back. Ideally we would like to be in the let's say INR 500 crores to INR 1000 crores GDV range for each of these projects. And particularly in cities like Bangalore and Pune, I think that's a nice sweet spot because it allows you to potentially launch in a single phase or two closely spaced phases, construct quickly and get out. And given our focus on IRR, it's important that the overall project schedule in terms of land acquisition to completion is kept as short as possible. Typically, within four years, 4.5 years is what we target.

But that being said, as you rightly pointed out, there are strategic opportunities like Kandivli and Pimpri where we've taken a call to flex that upper limit. In the city of Mumbai, we will typically see deals which are north of INR 1,000 crores just given the price points in the market and the kind of land supply side dynamics that exist. In Pune, Pimpri was potentially an exception at INR 2000 crores now or 2,300 crores GDV. Again, there typically we would do INR 500 crores, INR 700 crores kind of GDP transactions. But in certain strategic markets, Pimpri, this is a market that we have had significant presence in. This is our fourth or fifth project in Pimpri. Similarly, we will look at other markets like Kharadi and Hinjewadi, etc, which are very important micro markets in Pune where if the right opportunity comes across, we are open to looking at larger GDV transactions.

Prem Khurana: And on the redevelopment side because now we have experience dealing with these societies, so how was our experience with them in terms of timelines let's say compared to dealing with land owners and individuals here you are required to manage an expectation of number of people that the society would comprise a number of members and residents as well. So is it fair to assume that the conversion timelines would be slightly longer for society versus the open plots or the JD is that you do?

Arvind Subramanian: Significantly longer, not just slightly longer because, what you're having to deal with is in a typical land transaction you deal with one landowner maybe a family where there's two or three partners or family members who are taking the decision. Here you often have a 100-plus members taking a joint decision. And it is a highly emotive decision. This is their house, they have lived in here for 20, 30 years. Potentially, this is second generation living in the house. So it is not an easy decision to make in terms of which offer to go forward with, whether to redevelop at all, etc.

So it tends to be a much more iterative process in the transaction that we won, has been multiple rounds of discussions, multiple general body meeting that the society has gone through where we presented. And it's the same case in the one that we lost as well. So there's many reasons when a general body meeting is called for the decision not to be taken rather than for it to be taken. And one has to be patient and walk through that.

Prem Khurana: And just one last book-keeping question from Vimal, sir. In our presentation on Slide #33 which is segment performance. And when I look at the residential vertical, our net debt seems to be up around INR 120-odd crores sequentially. But when I try to kind of reconcile this with the kind of collections that we could have in this quarter and the construction spend that was incurred. There was a large gap. So why would we get to have this INR 120-odd crores, this of sequential jump in our net debt for the residential vertical. Consol is down, I understand, but in the residential vertical it seems to have gone up.

Vimal Agarwal: Your saying net debt has gone up versus last quarter.

Prem Khurana: Yes. So for the quarter, it's around INR 94 crores. And if you were to refer to last quarter presentation.

Arvind Subramanian: Yes. The position you are seeing is 31, December position, right?

Prem Khurana: Yes, 31, December versus 30, September sequentially INR 120 crores of rise.

Vimal Agarwal: Yes, that's right. So it's all kind of good is what I say. There are obviously, as Arvind mentioned, there are pipeline and therefore, there's funding requirement, which should be there.

Prem Khurana: Okay. But can we...

Arvind Subramanian: This is all towards the the land acquisition.

Prem Khurana: Okay. But the Kandivali payments still not done, right? And it is always reflecting as a part of other financial liabilities, so which is I was wondering if it was if there was any other payments that you would have made during the quarter.

Vimal Agarwal: Yes. So two things. One is that what you are seeing on the liability side is not a full liability because part of the consideration has been paid out, to the group. Second is the Thane land conveyance happened last quarter. Towards that conveyance, there were payouts, which we would have done to state authorities, etc. So both of these were the payments made.

Prem Khurana: And INR 70 crores would have gone to the partner as well in the Mahindra Homes the buyback that they would have done. So that again would have impacted to those things, right?

Vimal Agarwal: Absolutely. So as a data point, this is not specifically your question, but I just do want to share this -- in the last nine months, we have shared almost about INR 200 crores with external stakeholders, including, for example, the IFC World Bank or Actis or other partners, which we have. So to that extent, it again indicates a robust cash flow, which we are experiencing in the last few quarters.

Moderator: The next question is from the line of Pritesh Sheth from Motilal Oswal.

Pritesh Sheth; My question is on. I mean, on redevelopment. So while we are seeing not much competition in terms of outright land. But at the same time, redevelopment does sound a good opportunity even for smaller developers. So what kind of competition we have seeing in redevelopment, especially where you're targeting those group or a group society redevelopment rather than just one tower. So any comments on that?

Arvind Subramanian: So we see quite a lot of competition in the society redevelopment space as well. There are specialist players there, both very local players in particular neighbourhoods, who have built a strong reputation but also players at the city level, who built a portfolio of redevelopment assets. And just like us, there are other developers who are dipping their toes and starting to embrace redevelopment, who traditionally had not done the redevelopment. So we are seeing a full set of competition in redevelopment, which we also see in outright deals. We are not the only ones who are seeing this as an attractive opportunity. Many other leading developers are also pursuing this.

Pritesh Sheth: In terms of the projects we won in Santa Cruz, did we offer a better growth in terms of area? Or is it a brand which attracted the tenants to choose us as a redevelopment partner? Because I'm sure there would be enough competition for that project as well?

Arvind Subramanian: So the way these typically play out, and I'm giving you a very general answer. There's often first a weeding out of developers that the society would like to do the deal with. So that is kind of the technical qualification, if I can call it that, from a traditional procurement perspective. And then among that, there is then a pure commercial discussion that happens. So yes, in this situation, we did offer the best commercial terms. But we were also then in a short list, which comprised a peer group, which was very credible. So it's -- we're not there at that stage, competing with just any other developers.

Pritesh Sheth: And just if you can provide a split of the pipeline that we have right now around INR 5,500 crores out of that, how much is outright land or redevelopment and in particular, which cities that they are targeting?

Arvind Subramanian: Yes. I think Parikshit had asked this earlier. So just to reiterate, roughly INR 5,500 crores total split as 2,500 in Mumbai, 2,000 and Pune, 1,000 in Bangalore. And if I spread it by transaction type, roughly 3,500 of outright about 1,000 of JDAs and 1,000 of redevelopment in plotted.

Pritesh Sheth: And just lastly, I don't know if I have missed it out, but update on Thane, is it still FY '24 or still due to ‘25

Arvind Subramanian: We've always said ‘25 -- early part of ‘25. So it stays there.

Moderator: The next question is from the line of Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: So Arvind, My question is that last year, two years back, you have said INR 2,000 crores of GDV addition, INR 2,500 crores was pre-sales by ;25. We've been doing 2x of that, but still I see on the slide, FY '25, INR 2,500 crores. So it should likely have gone up by 2x. So any thoughts there?

Arvind Subramanian: So look, as you kept pushing me and I stuck with that stand, we would certainly like to do better, let land visibility build up a bit more and we can kind of update those -- so INR 2,500 crores is, as I've always said, it is a step in the journey. If we achieve it before FY '25, great, I mean, it just means that the journey is well on its course. It was never intended to be a destination.

Parikshit Kandpal: So second one is on the spill over of you said, did touch upon that there was some spill over of sales on December launches, which will get reflected in Q4. Between all these new launches which you did in this quarter, Pune, Bangalore and MMR. So how much would be the spill over deals, which would have not got recorded under this quarter and maybe will just flip over from December to next quarter?

Arvind Subramanian: I think let's wait for this quarter to close, for those numbers to come out. But we've got good response to those launches, Citadel as well as Kalyan. I think Eden Phase II, most of it has been recognized in the last quarter these spill over of last quarter to this quarter. Those are the two which came in at about December. So there was some booking that happened last quarter and some will happen this quarter.

Parikshit Kandpal: But in this INR 450 crores of sales, how much is the new launch contribution?

Arvind Subramanian: I don't have that on the top of mind.

Parikshit Kandpal: Take it off now.

Arvind Subramanian: We can take it offline.

Parikshit Kandpal: Yes. And just lastly on this sir, question on the warehousing. So we had a start-up with Actis of 100 acres. So when do you start monetizing this land bank in Jaipur, which year it comes? And lastly, on that operating cash flow of nine months. So post construction and other period costs follow have been a net operating cash flows for the nine months?

Arvind Subramanian: Yes. So the Actis joint venture is building out nicely. We are in a phase where the company has been incorporated. We are building out the management team and hopefully, in the next three months, the key leadership team should be in place. And that's when we will start bringing the land, the seed assets in, as well as look at virgin assets, greenfield assets as well to build out the business.

So over the next year or so, I think that business will start getting built out quite nicely. As you know, we are a minority partner in that. So we'll be largely playing kind of a Board and governance role rather than an operating role there in addition to providing the seed assets, Vimal you want to talk about operating cash flows?

Vimal Agarwal: Operating cash flows. So overall, for the first nine months, primarily because of very solid action on the IC leasing side, which has been talked about of about INR 254.85 crores. Similarly on the collections and sales side. We had operating cash flow positive of about INR 450 crores in the first nine months. And majority of this has been deployed either towards the acquisition of new land parcels or buying more development potential in the existing land parcels. Or towards payment of our existing stakeholders.

Parikshit Kandpal: INR 450 crores is after construction cost and after period costs, employee costs and corporate overhead, So post that is generated 450 crores of cash flows?

Vimal Agarwal: Number is after every operating cost line, including corporate overheads.

Parikshit Kandpal: And pay out of partners. Does it include pay out to partners also which you mentioned about INR 208 crores?

Vimal Agarwal: The operating number and to that extent, the financing or the investing activity is not included.

Moderator: The next question is from the line of Ronald Siyoni from Sharekhan.

Ronald Siyoni: My first question was you know, which is the sales, the sale we have done over the last 2 years and say before that. What kind of movement you have seen in terms of the gross margin, operating margin and return on capital and such. You know, sales done before the two years and new sales, you know, over the two years.?

Moderator: Mr. Siyoni, we are not able to hear you.

Ronald Siyoni: So first question was the sales booking which we have done over the trailing two years, and before two years. So what kind of margin trajectory you have since before two years and last trailing two years in terms of operating margins and gross margins and return on capital employed. How we have evolved over the trailing two years, the new launches, which we have done?

Vimal Agarwal: Yes. So a couple of points here, and this is more like a summary of what we have been responding to in the last four quarters or so. In general, as the sales numbers first and then we get into the gross margin numbers. We were at about INR 700 crores per year till about FY '21, and then last year was INR 1,000 crores. And right now, it's closer to INR 1,500 crores as we speak.

Now with every passing quarter, there are two things which we have done. One is a much stronger control on the cost, and that comes on with very active interventions we have got on the design side as well as costing sides to get our estimations much more accurate closer to reality, so that we can ensure the realization -- the net realizations are much superior. And the last two launches, which we have done, we had usually done better than our guardrails, which, for example, on the profitability side, all costs taken will be closer to about 18% or upwards. And this is about four percentage, five percentage points better than the old projects, which you just talked about now.

Ronald Siyoni: So 18% on the operating level, which was better by 4% to 5%, you mean to say?

Vimal Agarwal: Yes.

Ronald Siyoni: And second question was in terms of. What we have seen the rise in the interest cost. So have you kind of seen some flatness or sluggishness in the -- especially in the affordable housing side or in terms of footfalls or the closing of sales by customers. So what kind of interest rate impact have you seen, especially on the affordable project?

Arvind Subramanian: Yes. So Ronald, I covered this in my opening comments, we are seeing some constriction in demand on the affordable side, particularly less than 14 lakh kind of ticket size. A combination of higher mortgage rates and also inflation is starting to pinch affordability in that segment. That being said, it is still a robust market. So while the overall market might be kind of flat or declining compared to the mid-market, which is growing quite significantly. Within that, the stronger players are still seeing good traction.

Ronald Siyoni: And sir, last question would be setting aside of 40 lakh categories in the upper categories, what kind of percentage on an average, there is a mortgage lending taken by the customer?

Arvind Subramanian: Roughly 60% to 70% of sales in that segment happens through mortgage.

Moderator: The next question is from the line of Manan Patel from Airawath Capital.

Manan Patel: Sir, the first question is related to IC business. I hope to understand like this quarter, we had 8 acres of sales in the SEZ and we were talking about some policy change. So has that policy change happen? Or -- how do you think about that SEZ part of the MWC City?

Arvind Subramanian: So we're still waiting for clarity on that. So this is the Desh bill that was announced in the last budget and the rules were to be formulated around how that will get implemented in the SEZ, which effectively the spirit of that is to open up the SEZ for units that also serve the domestic market. The specifics are still awaited. And we are hoping in the next few months, we will have some clarity on that.

Manan Patel: Sir, second question as you mentioned to one of the previous participants that INR 450 crores of operating cash flow in the nine months. So I understand it would be lumpy in our business. But for a full year basis, in general, should we assume a north of INR 600 crores in cash flows over the next few years?

Vimal Agarwal: Arvind articulated it very well FY '25 numbers. So to that extent, directionally, the operating cash flow is going to be sort of reflective of the sales trajectory, which we are on.

Manan Patel: And sir, last question, even though we have very less land left in MWC Chennai but realization came down to some extent. So any particular reason for that?

Vimal Agarwal: No, fundamentally, very limited land parcels and the location of those land parcels can be inside the world city, there are a few land parcels, which are residing outside of the World City premises in that sense, what we call as outside boundary lands. And every land transaction to that extent is negotiated and depending on the location, trajectory overall area, etcetera, the pricing gets fixed.

Arvind Subramanian: Going forward also, you will see us doing some transactions of what we call outside boundary land, which is beyond the boundaries, the planned boundaries of the world city. Those are significantly lower price. There's fundamentally no infrastructure, nothing. None of the world city infrastructure is extended there. So it's a different market altogether.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to Mr. Arvind Subramanian for his closing comments.

Arvind Subramanian: Great. Thank you, once again, all of you for participating in the call. As we mentioned, we are on a very steady and planned growth trajectory. The numbers are back on all the operating its residential green sales, industrial paying cash flow or land acquisition. These are all trending in the direction that has been indicated. And with your support and blessings, we hope to continue on that trajectory. We are seeing a strong cycle in the real estate sector. So there's favourable tailwind as well, which we hope to take it advantage of that. Thank you everyone.

Moderator: Thank you. Ladies and gentlemen, on behalf of Mahindra Lifespace Developers Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.