“Mahindra Lifespaces Developers Limited Q1 FY24 Earnings Conference Call”

July 27, 2023

MANAGEMENT: **MR. AMIT KUMAR SINHA – MD & CEO, MAHINDRA LIFESPACES DEVELOPERS LIMITED**
MR. VIMAL AGARWAL - CFO, MAHINDRA LIFESPACES DEVELOPERS LIMITED
MR. RABINDRA BASU - HEAD, INVESTOR RELATIONS, MAHINDRA LIFESPACES DEVELOPERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Mahindra Lifespaces Developers Limited Q1 FY24 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

We have with us on the call today, Mr. Amit Kumar Sinha - MD and CEO, Vimal Agarwal - CFO, and Mr. Rabindra Basu - Head of Investor Relations.

I now hand the conference over to Mr. Amit Kumar Sinha, MD and CEO. Thank you and over to you, sir.

Amit Kumar Sinha: Thank you, Seema. Good morning everyone, and welcome to our first quarter FY2024 Earnings Call for Mahindra Lifespaces. Firstly, I would like to thank everyone for participating in the conference call and as Seema mentioned, I will keep it short and then hand it over to Vimal and then we will open up for questions.

So let me start with three key messages from my side. Let me just try to cover the first message about how we see the market, the second message is about summary of our quarter 1 performance and third one is about our aspiration for future. So let me cover them sequentially.

1. On the macro, how we see the industry:
    - We see significant buoyancy in the industry despite high interest rates and despite pockets of slowdown that we have seen in some of the states and some of the industries, we see significant buoyancy in the real estate industry which is healthy for all of us. Residential demand continues to be high. We are seeing a high level of absorption across markets, especially in those markets that we are participating in and are core markets for us. There are many new launches which are already launched or in the pipeline. We also see prices holding steady in the right micro markets, we see inflation and prices going well in the same direction, so overall a healthy market. As you very well know, residential markets and the real estate market tend to be cyclical. We are two years into this cycle where we see the buoyancy to continue and hopefully this cycle will be longer than some of the other cycles that we have seen in the past.
    2. The last message on the macro from my side is we continue to find a lot of customers who are attracted and appreciative of the Grade A developers. There is a flight to quality that we see and hope that the organized Grade A developers will continue to capture share away from unorganized, less organized players in each of these markets. All in all, it gives me a healthy feel on the market and how we are positioned in this sector.

2. Message two is about how we have done in quarter 1. As you have seen in the announcement yesterday, we had quarterly sales of Rs. 345 crores. This does not include the Kandivali launch which was planned in quarter 1, but will happen in the subsequent quarters to account for some of the changes in the regulation related to Mother Earth RG area. It also does not include a very successful Lakefront Estates, our first plotted launch that we did in Chennai, most of that is captured in quarter 2, but overall Rs. 345 crores captures the sustenance sales of the project that we have launched in the past few years.

Part 2 of business update is the "number of launches" that we had planned:

In the last earnings call as mentioned to you that 9 launches are planned for this financial year, one launch has happened towards the end of quarter 1. We are seeing great success on the plotted launch as I mentioned, 282 plots were launched, 200 sold out in less than four weeks, so our first but great success that we had so far. The other eight launches as I mentioned, I am quite sure of 9, 8 will definitely happen, 9th one will be pushing hard, but Kandivali phase 1 is a key part of our launch, which is a large size launch, a project that we are all very excited to be launching later in the year, but overall, we feel very good about where we are today and we will be able to launch all these projects that we have planned in the current financial year.

The third part of business update is to talk about the "GDV" and land acquisition:

As we have put a lot of focus on business development and land acquisition, it currently stands at roughly Rs. 5500 crores. There are always additions and subtractions happening based on negotiations, diligence and realization of some of those land parcels into our potential launches. We continue to have a very disciplined stage gate process to pursue those land parcels that create value for us and that we will be able to bring to market in the shortest timeframe.

The IC business, last part, as you know, had a great last year. We had Rs. 456 crores of leasing in the last financial year. It is a lumpy business given China Plus One theme given domestic consumption story and given the GDP expectation that RBI and World Bank have put forward, we feel that we will have more and more interest in our IC business. It is a plug and play infrastructure, suits many of the companies, the pipeline is very healthy. We have closed 3 acres in the first quarter in MWC Chennai, but the pipeline is very strong, very long and we hope we will be able to convert most of these in the current financial year across all over IC & IC portfolio.

The third part that was the quick business update, but in the last earnings call I talked about and some of you had asked me about what our aspiration is, what is our strategy for the next five to seven years and I just want to cover that very quickly, in fact, we have included some details in the IR presentation that we released yesterday. We have had strong last two years of performance driven by our residential segments, healthy growth across all the core markets and as I said earlier, this has given us strong confidence that we can do better and can pursue larger opportunities. Our aspiration now is to be 5x bigger than where we are today, Rs. 8,000 to Rs.

10,000 crores of presales in the next five years, obviously focusing on customer centricity and focusing on profitability as we deliver these projects. This is a significant jump from where we have been in the past, but we feel that given the strategy that existed before, we are doing fine-tuning of that strategy and has given us confidence to aspire for more. We are also doing the right thing to augment our capability.

And let me highlight six things that I have released in the investor document yesterday, which are critical for us to deliver and execute well on this strategy:

- The first is the choice of portfolio as we are calling it a well-engineered portfolio for our business, it means where we play in terms of geography, we talked about Mumbai, Pune and Bengaluru, we talked about customer segments, we are going to play in mid premium as well as premium segment and where necessary, we will keep an eye out towards value segment also, product, what kind of product portfolio we will have, what kind of project sizes we will have and what kind of deal types that we will pursue and you heard about our successful wins on the society redevelopment side.
- The second part is the robust acquisition engine that is critical for us to deliver on this aspiration. One of the good news I would like to share here is the Thane land parcel which we have for some time, has received a very favorable IITT policy change which allows us to practically more than double the GDV value from 4000 that we had announced to north of Rs. 8000 crores. Obviously, we have a lot of work to do to bring this to the market. It is a mixed-use commercial plus residential requirement from an IITT point of view, but if you want to aspire for Rs. 8,000 to Rs. 10,000 crores presales in five years, Thane will play a major role in us delivering that.
- The third part is the customer centricity – Mahindra brand stands for a specific customer promise, and we are going to always exceed that through our designs, through our relations with customers, through our sustainability and technology solutions. That continues to be the differentiator, value proposition for all our customers who trust in the Mahindra brand and buy our products.
- The fourth part of our strategy is to ensure that we deliver an excellence in delivery of homes at the right cost structure and at the right time. You may smile at it, but I want to be the Indigo of real estate delivering the products that we promise to our customers on time in line with their expectations, in line with the cost and return that we have internally.
- We are having a first-time right approach to construction through very credible construction partners and contractors that will ensure that we deliver those promises in reality. IC & IC has always been a key part of our value proposition. This is how we have been able to extract cash and fund our real estate expansion. It will continue to be there.
- The China Plus One theme, the Indian consumption story has given a lot of big pipeline that I touched upon and we will continue to mine our IC portfolio to support our residential business and then finally, future proofing Mahindra Lifespaces through right set of operating model, right set of capabilities, right kind of systems and processes that will set us apart from our competition.

Those are the six elements of our strategy. I am happy to discuss more in the questions, but with these aspirations in line now for us, key part is to start executing well and you will start to see the action of our scale of journey on the ground in the subsequent quarters. With that, let me pause. I covered the summary of what, how we see the market, what has been our quarter 1 performance, what our aspiration is and how the building blocks of that aspirations are. I would be amiss if I were not to highlight the importance of Mahindra Groups backing to support our aspiration, as you may have seen that Mahindra Group has designated Mahindra Lifespaces as a growth gem, which means that there will be a lot of support, lot of backing, lot of resource allocation from different ways to support our aspiration. So with that, let me just pause here, request Vimal to jump in from his point of view and share the financial highlights.

Vimal Agarwal: Thank you, Amit and good morning to everyone.

Moving on to financial performance for Q1 FY24, here are the key highlights:

The consolidated total income stood at Rs. 110 crores as against Rs. 117 crore in Q1 FY23. The consolidated EBITDA including other income and share of profit from JV stood at a loss of Rs. 6.4 crore as against a profit of Rs. 54 crores in Q1 FY23. The consolidated debt after noncontrolling interest stood at Rs. 4.3 crores loss as against the profit of Rs. 75.4 crores in quarter 1 FY23. Our company has a debt of about Rs. 270 crores at Ind AS level, while the cash in hand bank and mutual fund investment stands at about Rs. 303 crores. Our cost of debt stood at about 8%. Operating cash flow for the quarter was Rs. 131 crore without including any outflow on account of land or TDR.

That is it from my side. We can move to the question answer session, please. Thank you.

Moderator: We will now begin with the question and answer session. We will take the first question from the line of Mr. Parikshit Kandpal from HDFC Securities. Please go ahead, sir.

Parikshit Kandpal: Congratulations on a decent quarter, sir. Thanks for outlining the strategy on Rs. 8,000 to Rs. 10,000 crores of pre sales guidance by FY28, so obviously this will involve 3X to 4X jump in your GDV addition, which is right now at about 3,500 on an average ballpark annually, so how does the organization geared up to deliver those kind of numbers because we need to have at least a rolling, trailing kind of GDV book of almost 4 to 5 times of the numbers which we are looking to deliver on pre sales?

Amit Kumar Sinha: So Parikshit, if I understood your question a little bit clearly that the aspiration is clear, but what are we thinking about the GDV additions and how do we want to pace that GDV addition right? Is that the question?

Parikshit Kandpal: Yes.

Amit Kumar Sinha: You know it is a very valid question and that is something that we have already started working on internally. So for us to do 8 to 10k, I think we will need to target Rs. 40,000 to Rs. 50,000 crores of GDV, simple thumb rule and we have categorized different types of deals that we need to construct and win and we call them four categories, the first category is mega deal which is large deals like. Thane is something which is easily a large deal, anything more than Rs. 5000 crore and we used to have two to three of those. With Thane, we already have one in the pipeline, which we already own. The IITT policy helps us. So of the 40,000, let us say lower end to start with 8000 is just one mega deal. Then we have category A, category B and category C. Category A is anywhere from Rs. 2,000 to Rs. 5,000 crores GDV and we at least we need four to five of those. Three of those we already have in pipeline, including Kandivali that you already know about, Citadel you already know about, we are launching the subsequent phases. Category B, because these larger deals tend to be in, let us say, in Mumbai and obviously large land parcels in Pune and Bengaluru, but typically in Bengaluru and Pune, you will find Category B, which is Rs. 1,000 to Rs. 2,000 crores; category C within Rs. 500 to Rs. 1,000 crores deal. So we expect 5 deals of category B and 15 deals of category C that we need to construct and win over the next few years and for us to achieve this, as I said on the mega deals, we already have one, similarly we have a few for category A, category B and category C, now the question is how do we create an upstream pipeline which we are working hard, we are looking at all kinds of outright, JDA, society redevelop and innovative structures to pursue that, a very large pipeline that we have already created, very disciplined stage gate process and that is allowing us to give us confidence that we will be able to get to 48 to 50K GDV over the next few years. Rs. 5,500 crores that I mentioned in the call does not include Thane, so that is already 30% there in terms of where we are today.

Parikshit Kandpal: And in terms of timeline, are these the closures now be more are instead of being like more lopsided towards like a particular year end, will this be more streamlined over the years financially because last deal we had was in April, was that Malad deal after that, nothing has really happened, so in terms of like announcements in terms of closures, how do you see the rest of the year planning out for you like Q2, Q3, Q4, so any deals happening in Q2, but really more now H2 kind of a thing?

Amit Kumar Sinha: My sense is you will start to see more action in the subsequent quarters including current quarter, but you are right, I think we are very careful with the choice of deals it needs to meet. Obviously our IRR return threshold, but also you have to negotiate very well with the land owners in terms of what the expectations are and the last thing I wanted to correct you at this time is at the peak of the cycle by at the highest prices and then bring them to market when the cycle is on the other side, so we are very careful about thinking about the location, the micro market, the commercials, the pricing, the IRR and those negotiations do take time, but I feel that you will start to see the outcome of all these efforts in the second half of this year.

Parikshit Kandpal: My last question is on the launches, so I know this Mother Earth issue has been going on, so any update on the hearing of Supreme Court hearing on this and when do you expect to launch this and what will be the phase 1 launches of both Citadel and Kandivali for this year?

Amit Kumar Sinha: So, Parikshit, great question. In fact, Kandivali is a key part of our launch. So we are not waiting for Supreme Court decision. We already have a backup plan that we are executing. We expect to launch this in the end of Q3 as of now.

Parikshit Kandpal: How much you are going to open in this phase 1, so I understand this will be almost Rs. 2,500 crore GDV and how much?

Amit Kumar Sinha: Yes, phase 1 is worth Rs. 1,200 crores of GDV.

Parikshit Kandpal: And Citadel launch and Citadel phase 1 will be how much?

Amit Kumar Sinha: Citadel phase 1 is launched. Phase 2 is very close to, will happen. Hoping that quarter 2 we are able to launch, but towards the end of quarter 2 or early quarter 3. Just the approval process just can't predict, but what was your question raised, the timing or the value? What were you asking?

Parikshit Kandpal: So both the timings which you clarified and in terms of value I think still there will be about Rs. 2,000 cores plus of GDV left over here, so how much will be the phase 2 of this project?

Amit Kumar Sinha: So phase 1 is already launched. Phase 2, which we are expecting to launch end of this quarter is about Rs. 700 to Rs. 800 crores. You got this right because these are the two of the three largest launches that we have in the current financial year.

Parikshit Kandpal: Yes, in the momentum here, I mean depends on the price point. If we are able to do it, it could be a big success and that could add to the Q3 numbers. My estimate is that Q3 is going to be really big for you. We should make up for almost 70%-80% of this years pre-sales.

Amit Kumar Sinha: Yes, we also hope the same.

Moderator: Thank you, sir. We take the next question from the line of Mr. Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Sir, just a follow-up question on Kandivali launch, so where are you exactly on the approvals now considering whatever the Supreme Court judgment on the RG areas and you said end of Q3, so what is the now launch contingent on in terms of the approvals?

Amit Kumar Sinha: Adhidev, I think we are following a two pronged strategy. The two prong strategy here, if Supreme Court judgment comes favorable, we already had IoD, we were ready to launch in a short period of time. We just had to get EC and RERA registration, but the IoD was done, so we are very close, but we held it back because of the Supreme Court decision or the imminent decision. However, given where we are today, we said let us not wait for the legal process to come through one way or the other, because there could be delays that we can't control there. So we already developed a plan B to say that if the judgment comes out which forces all the developers to abide by the 25% RG rule on Mother Earth, then what should our design be? Our designs are already, we have redesigned our project. It is complete. We are in the process of reapplying and the approval process takes anywhere from 3 to 5 months. So we are accelerating that at our end, but that is why the expectation is that if the ruling doesn't help us or gets delayed, we are ready with our plan B, which should have a launch at the end of quarter 3.

Adhidev Chattopadhyay: Second question is on our geographical diversification, obviously, we have so far stuck mainly to Mumbai and Pune markets and a bit of. Bangalore, so to get to this Rs. 8,000 to Rs. 10,000 crores of sort of GDV over a longer term, have you thought about any geographical expansion beyond what we are focusing on currently?

Amit Kumar Sinha: Adhidev, I think I will give you some data. So right now, we are focusing on MMR, Pune and Bangalore. I think we believe that we can attain Rs. 8,000 to 10,000 crores across these three markets. The MMR market is currently roughly Rs. 100,000 crores and we have Rs. 500 crore, so we have 0.5% share. In fact, the largest guys, Lodha have 7% to 8% share and all the organized players combined together are less than 20%. So there is a significant opportunity for organized players to grow their overall share in this market alone and if we target 4 to 5% market, which is a modest 4 to 5% in 5 years, that itself gives us Rs. 5,000 to Rs. 6,000 crores because by 5 years this market will be Rs. 150,000 crore. So, we feel that that is attainable given what I talked about Kandivali, Thane and a few others that we have in the pipeline. Similarly, Pune is roughly Rs. 60,000 crore, Bengaluru is Rs. 70,000 crore going to be by 2028 and we feel that if you are able to get Rs. 2,000 to Rs. 3,000 of the market in 5 years from now, that allows us to get Rs. 6,000 from Bombay, Rs. 2,000 from let us say, Pune, Rs. 2,000 from Bangalore with some puts and take and we will go deeper in this market rather than trying to spread ourselves too thin across more markets. As you know depth is more valuable in this market than breadth and if you feel that we have attained the market size in each of those markets, which makes us strong then we may look at another market but at this time, we feel that focus alone will give us the aspiration that we currently have in mind.

Adhidev Chattopadhyay: And Sir, last question is on this Thane land parcel now with whatever the policy you just come through, so by when do you think the earliest that we could see the formal launch of this project and what are the approvals and other things you need to go through to get there?

Amit Kumar Sinha: So, it will take four to six quarters, four quarters, if you are very lucky, six quarters from now, given the IITT policy comes with some conditions and some approval requirement that we are working on, so it will take most likely be next financial year.

Adhidev Chattopadhyay: So by the current timelines, the second of FY25 is a reasonable assumption right when this project could see the first phase being launched?

Amit Kumar Sinha: Yes, that is a good assumption, Adhidev and in fact, it has two parts Adhidev, 50% is towards IT, which is mostly commercial, 50% is residential and the policy currently says that for every million square feet of resi unit to deliver a million square foot of commercial. So it requires us to carefully do the planning, so that we are able to bring both to the market and meet with the policy guidelines and that requires us to work on this deal contours smartly and creatively.

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

Pritesh Sheth: Firstly, just continuing on the Thane, so you said you have 50:50 split between IT and residential, even the development has to happen simultaneously, so probably if you are not planning to do commercial right now, maybe if you are looking for a partner, can we still start development of residential and maybe later on take the development of IT?

Amit Kumar Sinha: Pritesh, good question and that is exactly what we are navigating because the commercial, the policy as per our understanding today and we are trying to clarify, it is very recent is the following. It seems to imply that the delivery must be together, so it is not the construction or launch, but the delivery. I can't offer possession to residential customers till I have done equivalent delivery on the commercial side and the commercial construction cycles are much shorter compared to residential, so we will have to think through how we navigate through this, but you know something that we are working through it right now.

Pritesh Sheth: And this Rs. 8,000 crore would again be split 50:50 Rs. 4,000 crore each residential and commercial, right?

Amit Kumar Sinha: Yes, actually the FSI is very high. In fact, the FSI is probably double what we are trying to consume. So if you were to theoretically multiply the FSI available with the prevailing price in the commercial and residential side, it will be even higher, much higher in fact more than 50% to 75% higher, but for us to leverage that land parcel, which is a very pristine land parcel with lot of green adjacent to Sanjay Gandhi National Park, we are not planning to consume all the FSI. We want to make a great product that residents will love, corporates will have a choice of Grade A space. Obviously, we have to work on the commercial aspect of it, but it could be a walk to work kind of a project that we are thinking through and those require careful design consideration, commercial consideration and making sure that we abide by the policy contours.

Pritesh Sheth: And just to clarify your five-year strategy, Rs. 8,000 to Rs. 10,000 crore of sales would obviously also include IC & IC, what is the contribution split between the two? IC & IC, would we expect to go to Rs. 2,000 crore in the next 5 years or Rs. 500 to 1000 crore is what we are thinking, and this would come from residential?

Amit Kumar Sinha: IC, it is going to be closer to Rs. 500 crores annually because that is a business which is very lumpy. It is something which is in specific geographies. If you had land parcel across the country, I can say that I can grow it. We are, we have it. As we would articulate this strategically, our goal is to use the IC&IC land banks and the infrastructure that we have to generate cash that allows us to build our residential business. So, I think we are going to smartly manage how we want to sell, at what timing and what prices, but it is not going to be anything significantly more than Rs. 500 crores annually.

Pritesh Sheth: So large chunk of it would come from the residential itself and just lastly on the margin, not talking about the current ones because I understand the lag between what we recognize and what we booked actually, but in terms of, our target for the acquisitions that we do from here on, we have been guiding about 15% to 18% kind of EBITDA margin, but should we target or are we going to target industry equivalent margins of around 20% and above from the launches or acquisitions that we do from here on?

Amit Kumar Sinha: So I think 2 parts to your question. I think what you see in numbers is a lagging reflection of what happened 3, 4, 5 years back. So it is the accounting rule that gets in the way of real economics, but the way we think about is exactly what you articulated. We are aspiring for growth, but something that will not do at the expense of profitability, I think even at Mahindra Group, given my previous role, profitable balance growth is what we aspire for and in our projects we target the range that we just talked about as IRR, but as a company we are always looking for 15% ROE for the overall company and that takes into account the lagging, the project that have started earlier, but also the project that we are starting today. So that is how we want to instill financial prudence in our decision making for future launches as well.

Pritesh Sheth: So I was asking with this 15% ROE target, is it the only target that you run with and what is the kind of implied EBITDA margin that this 15% ROE target has? Is it still like 15%-18% or higher than that?

Vimal Agarwal: Yes, so this 15% ROE number is group mandatory number across all growth gems. To that extent, our aspiration will be to breach that number in the years to come. Now the other point on EBITDA margin or IRR is fundamentally driven at project levels, for example, our project IRRs will be upwards of 15 irrespective of the project and the location of the geography we are getting into. Our gross margins usually will be (+20%) after taking into consideration all the costs which are at direct level as well as the allocation which comes so far as the project is concerned.

Moderator: Thank you. Our next question is from the line of Mr. Shreyans Mehta from Equirus Securities. Please go ahead.

Shreyans Mehta: Few clarifications, as far as the launch of our redevelopment projects and Dahisar, are we on track for the same?

Amit Kumar Sinha: Shreyas, great question. We have two society redevelopment projects in pipeline. The first one was won in January, the second was one was in April in the Navy. The first one is Santa Cruz. We are targeting the launch of both the projects in Q4. However, I will be honest, it is a learning for us. It is very different from just buying a land parcel. In this case, in one society we have 70 plus residents, the other society, we have 170 residents. For us to get clearance, we need to make sure the contact with each individual homeowner who is staying in that complex is done. We want to do it in the right way. We are not trying to find a shortcut to accelerate. We want to be just doing the right thing with each of the existing residents as well as buyers. So my sense is both of them should happen in Quarter 4, but I will update you at the end of quarter 3 if you are able to, if you are facing some hurdles in getting them off the ground, but it is a key priority for us. My teams are very focused on making sure that we bring these to market before we start signing any new major redevelopment project.

Shreyans Mehta: And as far as the Dahisar is concerned?

Amit Kumar Sinha: So Dahisar is something which we have not included in the current financial year because it is still awaiting some approvals without which we cannot move ahead, so we are waiting for those approvals.

Shreyans Mehta: Second is on our IC & IC part, this quarter was on a very soft side, so any particular reason for it and how do you see the full year panning out?

Amit Kumar Sinha: So this is a business which is lumpy business as I touched upon earlier, we have a very healthy pipeline, Shreyans, and it will start to convert in the later quarters. After the financial year end, things slow down typically as we have seen and you probably saw there was a huge deal that we signed in Quarter 4 in March very end, even the last day, so my sense is the China Plus One India consumption story, India growth story is real after a long time. We will see deals that are coming through, and I see I have a huge amount of LOI that I see. Converting it is something that that we are working hard. As you know, we have a bit of competition from some of the other cheaper sources of land parcel that are provided by local and like government and GIDC, MIDC kind of equivalent. So, we have to make sure that the customers understand the value proposition that we provide and there is a certain segment of customers that really love us and that is working well for us. So, we wait for the right customers. There is no reason for us to be hasty in offering our pristine land with all the infrastructure at the lowest price point, so we are always waiting for the right customer, but it tends to be lumpy and hopefully we will see more action given the pipeline that we see today.

Shreyans Mehta: And lastly, any new update as far as our Actis deal is concerned in Origins Ahmedabad and Pune?

Amit Kumar Sinha: So 3 questions I think, Origins Ahmedabad, Pune and the Actis deal, right, so I will ask Vimal to jump in for the Actis deal, but the Ahmedabad, that is something that we are always looking for the right client. We have gotten a lot of interest from very small clients; we are waiting for the right anchor client. It will not make sense for us to start developing that land parcel given where it's located with a small 5-acre client. We are going to do it with a 50-30 or decent size, but we're also thinking about how best to monetize Ahmedabad. So those discussions are underway. Bhor is a key priority for us. We are addressing some of the contiguity and access issues. We should be able to bring it to market in the next 12 months. We are pushing for this financial year, but it will be tough for us to get it in this financial year. So, around this time around we'll start to launch Bhor. The location is fantastic, it is like 25-30 kilometers from Pune. Given Pune's prominence in the industrial roadmap, we think it will be a blockbuster success as soon as we are able to bring it. But even some of the guys who own the land that is preventing the contiguity, they also know that. So that's the problem that we are trying to solve on Bhor. I'll request Vimal to jump in on the BTS side.

Vimal Agarwal: Shreyans, so far as built-to-suit industrial and warehousing platform is concerned, as I had updated last quarter, the management team is in place, and they have come out strongly. We are evaluating multiple land propositions and proposals with India logistics policy getting announced, huge focus on infra development and all, we continue to believe that we are in sort of good industry per se and you should see some action in the next 2 or 3 quarters on that front.

Moderator: Thank you, sir. The next question is from the line of Mr. Rohit from Marshmallow Capital. Please go-ahead sir.

Rohit: Thank you for the opportunity and thank you for such detailed articulation of the strategy. It's very helpful. Now, I want to refer to your commentary on my question. So, you mentioned that we are in the second year of the resi cycle right now. And coupled with the fact that we are targeting 8000 to 10,000 crore GDV 5 years out. So, you will get a 7th or 8th year of the cycle at that point in time. So, I'm just curious because you also mentioned in your opening remarks that it is a cyclical sector, right, so you're talking about 7th or 8th year of the cycle where if you're doing so well, the others also will be doing well, and the market can be quite great. So how do you marry discipline in underwriting and reaching the target so late into the cycle? So how do you think about this angle in your strategy?

Amit Kumar Sinha: It is a great question, Rohit, and I'm glad you asked. I think this is where I worry a lot about signing the wrong deal and that's why I think an earlier question talked about, I think Parikshit, you asked that question. If you buy at the top of the cycle and you sell when the cycle slows down, your economy goes down the drain, literally. And that's something that we really want to avoid. So given that we are very careful and we have a very detailed analysis of each of the micro markets within the three cities that I touched upon where we participate. So Bangalore, Pune, they have very healthy absorption. MMR has healthy absorption, but in certain micro markets. So we are carefully choosing where you want to participate, what is the product that you want to bring in, what is the right price point given Mahindra brand promise and the location and the competitive nature of that? So, all those things go in our assessment as we look at the business case underwriting for the GDV that we are trying to build in. Now we are definite that we will hit a pocket of slowdown in the next 7 years. If you sign the deal, the question is how do we accelerate bringing them to the market? So at least we lock in the initial sales velocity and able to sale through sustained. But the last part for me is the market today as I touched upon is very large. Bombay is around 1,50,000 crore by 2028, 100,000 plus today. All the organized players today together are less than 20%, 80% are local or maybe at best, regional developers, right? Given RERA, given GST, given all the other, let's say and let me use the word constraints that they must manage through, I see a consolidation or exit happening for many of them and that allows the organized players to capture that space pretty quickly. And if you can do that, we will have no challenge achieving the aspiration. No doubt, we have to sign the right deals with all the analytics that I mentioned. No doubt we need to be prepared for a slowdown when it happens. The question is not if it's a question of when it happens, but then the macro sentiments are favorable for us to capitalize on.

Rohit: Perfect. Thank you so much. And this is a very helpful answer and I'll probably keep asking every year or so, to understand where we are in the cycle. My second question is it was very heartening to hear you touched a lot upon how we will enjoy the Mahindra Group support and we are seen as one of the growth gems. We have been investing for more than 3 years and this is great to see, and we can also see that evidence in the Kandivali pass and probably most passes hopefully will come through for us. So, in this aspiration, when we talk about support, do you see us requiring some sort of capital infusion and you see that coming from the group level, that is one. And second, one observation is in general we don't see much of private equity infusion into the residential spaces. We do see it in other spaces in the real estate sector, but not so much in residential. So, do you see that Indian real estate or Mahindra Residential real estate getting interest on private equity going forward? So, two questions broadly on capital in general?

Amit Kumar Sinha: Yes, but that's great point, Rohit. But let me just touch one subtle point that you have talked about Mahindra supporting us. Mahindra is very supportive but when it comes to selling land to us, it's arm’s length and to negotiate as hard as they do from their side. So, this is true economic value while they are majority shareholder first, all the transactions at arm’s length including the Kandivali where we had to really negotiate hard with them. So, on a lighter note they are not as easy as a counterparty. But on the capital side, I think all sources are open and we already have strong accruals on the residential side, we have IC & IC, we generate a lot of cash, the cash which allows us to fund our residential growth. We have a healthy debt to equity ratio that gives us the opportunity to take debt if we want when we want. We are also looking at platforms. You rightly touched there has not been much private equity interest on the resi side because most of that interest went to the commercial side, right. And commercial a little bit slow and probably tapped out with the biggies already taking its space or part of the action already. We are starting to see a lot of interest from the private equity players, especially the patient capital on a resi platform. The issue tends to be how do you exit them. So, we are working with some of the potential investors, private equity patient capital partners to see how we can structure the resi platform early stages, but a lot of effort is starting to go in that direction because our 8K to 10K will require us to find alternate sources of funding for the interim peak that we will face in 3 years from now. And that's something that we're starting to think about already, so that is a great question. But I will have concrete answers in the subsequent quarter, but at least theoretically, this is how we are solving it.

Rohit: Thank you. So the last question from my end is this target of 8,000-10,000 crore. So, what does that mean? So, we have many models that we'll have JDA, joint venture, we'll have outright land purchase. Are there any other formats and when we say 8,000 to 10,000 crore, let's say there's a JDA where we have 60%-65% of the economic share, right? So, is this only our share of what will accrue to our P&L that we count as 8,000 to 10,000 crore or is it whatever is branded as Mahindra product, the entire project, the sales booking number that will be continue to be 8,000 crore to 10,000 crore?

Amit Kumar Sinha: So, that's a great question. So there are three kinds of deals that we predominantly do. We do outright purchase; we do society redevelopment and we do JDAs. And as I mentioned Mega Deal category A, B and C, we also modeled what would be the typical percentage that we want to adhere to for JDA for outright and for let's say society redevelopment. And at least in Pune and Bangalore, we'll be mostly outright. In Bombay, you'll see more of JDA, more of society redevelopment, some in different parts of Mumbai, you'll see outright. This number that we have includes total, at least on the presales side and in the financial that will report will have the reflection of each of these three, types of deals, but at least we want to make sure that in the sales part, we're reflecting the true economics.

Rohit: Understood. So, the pre sales of 8,000 to 10,000 crore is the total even if it is 60% GDR like that we'll be taking the whole 100% pre sales value in our target. That's what we mean right?

Amit Kumar Sinha: Yes, theoretically yes, but we will not have 50%. From a financial return point of view, it will be tough for us to make the returns work right. So, we have factored, let's we not use exact, but lower percentage, much lower percentage than what you said.

Rohit: No, I was just looking for an indicative number.

Moderator: Thank you, sir. The next question is from the line of Mr. Himanshu Upadhyay from 03 PMS. Please go-ahead sir.

Himanshu Upadhyay: See if one thing which I appreciate this company, this is the point #3 in your growth strategy, and which is that if we look at your customer centricity versus peers, historically, you have been always highly rated on that per spend and your rating in terms of peers has been always good in most of the micro markets where you are being there. One or two places it may be there, but it happens in a business of capital allocation. But I would say overall, we have been generally better than most of our peers in most micro markets. But even if I have historically and this is not just today, this has been 5 years back also and even 7-8 years back also when I started tracking this company or understanding this company. But historically the profits have been generally lower than peers. There can be two issues on this, one is costing and the other is we are not able to charge for what we should be getting in the market. How are you looking at it and the pricing of the finished product or the final product? Are we doing something about that also because as an outsider if a company’s product is valued by the customers, I believe it should also be the most profitable company. But in our case, not just today, but historically that has not been the case. Either costs are to be refocused or the pricing level we must take higher. Do we have that confidence to bring the pricing higher than just to also get higher value what we are providing to the customers. So, can you elaborate on that part?

Amit Kumar Sinha: It is a great question, Himanshu. I'm glad you asked me because this is a question I have raised with my teams, and we are creatively looking for ways to address it. And so you touched upon actually two points, but let me just try to address two and maybe add one more thing. Pricing is something that is a balancing act and many times, even though we know that we are leaving money on the table, we do it for reasons of velocity so that you can upfront cash. And the question is what is the right price point? Where would the pendulum swing? Which is the right middle ground, and that's something given the Mahindra brand promise, given all the things that you touched upon in terms of trust we carry with our customers, we always feel that we are leaving money on the table at times, and we will try to fine tune that. I don't think we'll ever be able to capture 100% of that money that we're leaving on the table, but we want to know how much money we are leaving on the table for the sake of velocity, not for value proposition point. So, we're doing to do some experiments. We're going to make some attempts at different launches to see what is the best way for us to capture the right price point for the value proposition we offer to our customers. But we also must keep in mind the velocity to fund the cash flow needs of the project, so that's the balancing act on the pricing. It's a very sophisticated effort that we have. Vimalendra Singh, who's the Head of our Sales, Pricing, Customer Experience and Facility Management, is actually working very closely now with Vimal Agarwal, CFO. So they sit on the opposite side of what the pricing should be to for us to deliver the IRRs that we seek. The other point you raised is on the cost side. I think we've had issues. Honestly sharing that what we planned for an IRR at the start of the project versus where we ended, we actually had dilution, that's why we now have a costing center of excellence which has been constituted in last 6-9 months, one year. We also have a contracting department which is extremely savvy in terms of how they contract out. But I think I'm pushing this to the next level, like the ratios of constructed area to saleable area or RNA. I think we can do better at those and in each and every of our launches, we are going to abide by certain principles which are informed by each city and each city is local. Now I will just give an example of design and the efficiency of the constructed area, but there are how do you design bathrooms? How do you design your windows? What kind of tiles do you source? All those things are part of scaling our business from a cost point of view, which gives us much improved cost position. So these two things together should give us better returns, better IRR and then a discipline to follow through what you say at the start of the project, which is the third point. What you deliver there should be accountability that you're working through.

Himanshu Upadhyay: And yes, secondly, we have started weighting capital allocation at the Mahindra Group, and that has happened. But in our case, we are into IC where the margins are high, but the cycle is very long, and the risk is long cycle...

Amit Kumar Sinha: What is the first part of your question, can you say what Mahindra Group Capital allocation, we didn't hear that.

Himanshu Upadhyay: So, what I stated was in last few years, Mahindra Group has focused on capital allocation and improving the return ratios. And in our business where we see, we have three models, one is IC where the margins are high, but a very long cycle. And a long cycle is the bigger risk. And the Happinest where the margins are low, but velocity must be very high to make the money. And the third one is our what we are doing, our mid premium housing, are we looking at doing the capital allocation or have we re-evaluated our capital allocation in all these three businesses because even when we look at your pending inventory, in the case of Happinest, if the project where IRR are very tight and if my inventory of 55, let's say in Boisar and which is 79 in Palghar I itself are pending, my IRR can get a very strong hit, and the way the company is and we are process oriented and that can take time. Are these two-business model really important for us? Have you thought about our capital allocation strategy and 1,800 crore balance sheet is good, no leverage. But if you want to go around 8,000 to 10,000 and you are yourself saying that you need 40,000 crores of deals for that business to grow. Are we going to or is that business getting sacrificed on these two businesses, which are slightly riskier also in terms of IRR? The execution does not happen.

Amit Kumar Sinha: Himanshu, got the question. Let me ask Vimal to jump in and I'll comment after that if I need to.

Vimal Agarwal: Fundamentally, Himanshu, 3-4 points here. Starting from the fact that capital allocation very focused, do not intend to get into business, segments, projects or geographies where we believe that the IRR will not get delivered and I'm emphasizing on the word delivered here, that one. Second, you talked about IC business, the very fact that we are not going whole hog investing into further expansion of IC business with eyes closed and focused on increasing the velocity or cash upstreaming efforts fundamentally sort of should give confidence to all of us that in terms of approach we are on track. As you talked about Boisar and Palghar, just want to reassure you that the numbers will be high because the shares are typography which we have in the location we have. The values are almost insignificant in the overall scheme of things. Kalyan-1 was the biggest affordable Happinest project we did where we had sold about 80% inventory at the time of launch itself. The other thing is if you were to go back and you talked about 1,800 crores of balance sheet size, if you go back and look at our balance sheet say about 3 years back, there used to be a long list of assets which was there in the balance sheet, but not really actively contributing towards operating cash flow and therefore delivering our IRR aspirations. In the last 2.5-3 years, we have unlocked many of those assets and the intent again is to sort of, even if I do not make significant PAT, let me just get the cash in, deploy it back so that I can make that money work for newer projects. And fundamentally, therefore, the key point is that we continue to be extremely mindful of the investment and the choices we are making and that will be the theme as we deliver on this 8 to 10k guideline for FY28.

Himanshu Upadhyay: Vimal, if you can, just one small thing. We have done Happinest in IC business also. If we remove that Happinest business in IC and we have taken let's say projects at Boisar and Palghar and all those things, are we confident on those type of projects on the whole capital allocation at Happinest being upwards of 18% IRRs which we bought third party, not the IC land because that is very cheap land?

Vimal Agarwal: Himanshu, two clarifications. One is so far as Happinest within World City is concerned that also gets driven by the statutory requirements. That's one. The second is that we do not tend to differentiate between a Happinest product premium or a mid-premium project so far as the financial guardrails and deliverables are concerned.

Himanshu Upadhyay: But whatever we expected because Happinest is today 7-8 years old product, what we are doing in the market, are we having that clarity or are we able to get those IRRs what we would have intended for in the initial launch of this product or when this was conceived 8-10 years back?

Vimal Agarwal: So, sort of mixed bag. Out of 3 or 4 projects which we have, I'll say that two projects is certainly would have overachieved and one or two projects we would have either delivered or struggled a little. So the key point is not differentiating even at operating level, even at delivery level, even in identifying the challenges we have on the affordable for the Happinest side, and therefore Amit in his previous conversation did mention that we will be mindful so far as choosing of the project is concerned and therefore delivery is concerned.

Himanshu Upadhyay: Anything you want to add, you stated that after, you said you like to add.

Amit Kumar Sinha: I think Vimal has covered everything, so thanks very much.

Himanshu Upadhyay: And one final question. In the last 2 quarters if we see the collections have been flattish and construction spend has nearly doubled to what was last one year. And the surplus cash has been lesser, but as more projects are now to be completed than what we have sold in next 1 or 2 years, do you think the surplus cash would be slightly or lower than what was in FY22-23 when this was around 800 crore between what we were collecting and what we were doing, construction spend because launches have been generally higher than our completion. Any thoughts on that?

Vimal Agarwal: At an overall level, see the operating cash for the company continues to be strong. Last year, for example, we delivered upwards of 650 crores and because you can bring the product much earlier than say what you are doing 2-3 years back, our ability to launch, get initial bookings and therefore the cash collections are fairly strong. I hope that our work done, and construction spend continues to grow because that is reflective of the health of the project execution engine which we have and to that extent, whatever surplus comes in will certainly get redeployed for the new land acquisition and hopefully we'll get much more headroom to acquire more and launch new projects and therefore the base will further go up.

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

Prem Khurana: So, most of my questions have already been answered, I mean there's a couple of questions and mostly sort of clarification. So first one on our deal pipeline. So, when I looked at the number, it was in the range of Rs. 5,000 to Rs. 5,500 odd crore for some time now and I understand it was deliberate because you were looking to add 2,500 crores on a yearly basis. So wherein the number would have been able to suffice. Now given the fact that they have given us a long-term strategy wherein we intend to kind of scale to Rs. 8,000 to Rs. 10,000 crore number in terms of residential real estate and you would need at least Rs. 40,000 crore of GDV to be able to manage that number. When do we start seeing this number Rs. 5,000 – Rs. 5,500 odd crore and when do you think it start moving up, which is where you will be able to build the pipeline in time to be able to kind of scale to that number? And is it that next year onwards or I mean you would want to wait for some more time to see whether the cycle would stay like this and then take a call or how does it look to you in terms of timeline that you would need to be able to start scaling up your deal pipeline?

Amit Kumar Sinha: It is a great question, Prem. I just want to clarify 2 things. First is that 5500 did not include Thane, which is 4000 before last month. Now, Thane itself is 8000, so while we're keeping it out, you can just for clarity and you can assume that 8000 plus 5000, that is a big GDV pipeline that we have. Obviously, there'll be some puts and take, some we will convert, some we will lose because final negotiations are on. But as I mentioned earlier, we right now have enough to chew. GDV allows us to create the pipeline for the next year and I just don't want to rush into any transaction given the point I made about whether we are peak of the cycle or the top of the cycle. I just want to be thoughtful and careful of which deal, which locations, which deal contours we end up signing. So you'll start to see the news in the next let's say quarter-two-quarters, but don't want to be hasty in closing the deal and then repent that we got our deal that was too expensive for us from a return perspective, but just want to make sure that 5500 is not the full story you have plus 8000, but also we have a disciplined process that will always follow.

Prem Khurana: And just to continue on our long-term strategy, so I understand in terms of financial, we won't face any issues because of the visibility that we have in terms of surplus from our existing projects plus and the group support that you spoke about earlier in the call. And even in terms of deal again would not be a problem because we have that kind of opportunity size in India. But how about other resources, especially the manpower, because when you want to scale from, let's say 2000 to 8000 odd and you would need more people on your side, right. And what we're seeing is essentially now a days, it has been a little difficult to be able to find the right talent because the industry is growing, and everyone is looking to kind of hire more people. So how easy or difficult is it to be able to find the right talent today given the situation the way it is, the kind of exuberance that we have on real estate side?

Amit Kumar Sinha: That is a very valid question, Prem and I'll put my previous jobs hat like when I was at M&M Head of Strategy, I think we have a very strong brand pull not only the question that Himanshu asked from a customer point of view, but from an employee point of view also. Given what has happened in some of the other sectors, especially tech in the last 12 months, a lot of not only attrition but also exits because of retrenchment. There is a, I would say flight of employees to an employer of comfort, employer of confidence, employer somebody will give them a career. So that's a good, very strong draw for us and our brand allows us to do that. It doesn't take away the fact that for us to grow from where we are, we need to augment our capacity at all levels, and we are working towards it. We've never had issues in attracting people. The question is now we have the opportunity to give them an aspiration, a dream to live and I think we'll be able to attract many more employees who will love to participate in this dream and be part of this delivery.

Prem Khurana: And just last one if I may, in our IC & IC vertical, over the last year we've seen DTA moved seriously good for us. But then on the SEZ side, it's been a little slow in Jaipur and we still have pretty significant chunk to go there. So any thoughts? I mean, is it possible to be able to convert a part of this and move it to the DTA, the way we did and it did that kind of exercise sometime back as well wherein we run out of DTA and we convert a part of our SEZ into DTA, so is it still possible to be able to convert a part of this SEZ into DTA or do we have plans to be able to kind of monetize this SEZ, structure it in the manner wherein it becomes all the more lucrative for the seekers?

Amit Kumar Sinha: Yes, absolutely, very valid value unlocked point that you are talking about. We are already working on it. As you know, the government RIICO is a partner with us in the Mahindra World City, Jaipur and we are discussing with them how best to find ways for us to convert from SEZ to DTA. We already have experience of doing that in Chennai, we are sharing some case study. It's also useful to see there is central level effort going on given the lack of traction on many of the SEZ through the DESH bill be which will also help us, but you rightly touched upon a great value unlock point. We are working on it with our partners.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Amit Sinha for closing comments.

Amit Kumar Sinha: Very good. I think a good, very engaging 75 minutes of the discussion. Really appreciate the opportunity to address the question that you had. I just want to rehash 3 points I raised at the start of the meeting that we are at the macro level, at the industry level, we see huge buoyancy momentum in the market, and I think it will continue for some time despite high interest rates and despite slowdown. The residential segment will continue to be a key part of the future growth and I think that the flight to quality towards Grade A developers, branded developers will continue to help some of us more than the others. So that was my first point about the overall market sentiment. I covered the key highlights of the business we have. A healthy sustenance sale that's reflected in quarter one, but very exciting set of new launches that we have planned into including the Kandivali launch, which we have a Plan B in progress. And the third part I covered was our strategy to 5X, go from where we are to 8,000 to 10,000 crore of sales in the next 5 years inclusive of IC business. And that is exciting for us and that's happening because of what we have delivered in the past few years, the strategy that we have articulated, which is augmenting the past work, but also the support we have from the Mahindra Group that we have. The IC business is a key part of extracting cash and helping us achieve our aspiration, and there are many other sources of capital that will help us attain that. So, we look forward to staying in touch with you, sharing good news as well as any other news that we have and continue to seek your counsel, feedback and guidance as we continue our growth journey. Thank you. Thank you to everybody and we'll be in touch.

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