“Mahindra Lifespace Developers Limited

Q3 and 9M FY'24 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 months FY '24 Earnings Conference Call of Mahindra Lifespace Developers Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Please note that this conference is being recorded. We have with us on this call today, Mr. Amit Sinha, MD, and CEO; Mr. Vimal Agarwal, CFO; and Mr. Rabindra Basu, Head, Investor Relations.

I now hand the conference over to Mr. Amit Sinha, MD, and CEO, for his opening remarks. Thank you, and over to you, sir.

Amit Sinha: Thank you, Michelle. I hope you can all hear me. Good morning, everyone, and welcome to our quarter 3 F'24 earnings call. At the outset, I would like to thank everyone for participating in this call and wish you all a happy start to the New Year. I know it's already February, but hopefully you all had a good start to the year. This is our first meeting of the year, and hopefully, we'll have more meetings to share the updates as we continue to move forward on our journey.

Let me just keep my remarks very short, focused on a few areas. I think let me just first cover a few points on the industry side. I think you're very well aware of the industry tailwinds, the excitement with every customer, every investor, every developer about the industry. So I'll refrain from going too much there. But I think I'll touch upon the budget that was announced a couple of days back.

It is a very industry-friendly budget. It gives a lot of boost to manufacturing. The budget puts economics in the center, which would help India position itself well to achieve its Vikshit Bharat goals, which is very relevant as we think about the real estate industry. The capex and the budget shows a solid growth over the previous years, along with achieving the fiscal discipline that is required for the economy. Government's push towards 'Make in India', coupled with growth in capex outlay in the budget, will significantly enhance the manufacturing activity, which has direct impact on our IC business, which we are already seeing.

But also has a huge positive impact on per capita income. It has positive impact on our residential business. As per capita income increases, demand for homes goes up, and so on and so forth. And as we have been building Mahindra Lifespaces, we are focused on fundamentals. We are focused on very clear target customer segment, which is mid-premium and premium now. And we'll continue to chip away as we scale this business to our aspirational INR8,000 crores to INR10,000 crores, 5x bigger than what we achieved in FY '23.

Let me cover the sales part quickly, after the industry. Then I'll cover launches,r BD and IC & IC. So 4 more parts after my quick summary of industry. And I'll request Vimal to jump in with his thoughts on financials. So on the sales side, we achieved a quarterly presales of INR443 crores versus of INR451 crores of quarter 3 FY '23. On a 9-month basis, our presales stood at INR1,243 crores versus INR1,452 in the same period last financial year.

One key point to note in this is in this 9-month period of FY '24, our sustainable sales contributed almost 3x more than what it had contributed in the previous financial year. So previous financial year was around INR330 crores, this financial year is INR923 crores. And as you know, we have been awaiting the launch of some of our sizable projects, especially Mahindra Vista, which is the Kandivali project. I'm glad to share the news that we have received the RERA last week, and plans are already underway. You'll see a very strong push towards creating an amazing product at Mahindra Vista. This is one-of-a-kind product, and I'll share more details about it during this conversation.

Sustenance sales shows that our brand carries the pull that we have in the mind of the customers. Even though we were expecting some of the launches to have had earlier in the year, they are finally happening in the quarter 4. Anyway we have a few more lined up for this quarter. That's a quick summary of sales, and I'll cover more in the later part of the discussion.

Launches, as I touched upon, Mahindra Vista is an exciting one. But prior to that, we've had 4 launches in the first 9 months of the year. In Q3, we had launched Phase 2 of Mahindra Citadel in Pune, which are larger units of 2 and 3 BHK. We are already seeing very good traction, 40% of it is already sold out during the launch period. A point to note is that Citadel is a very large project for us, and the Phase 3 is significant in terms of the size that we are bringing to the market in the subsequent years.

Our first plotted development in Chennai was earlier in the financial year called Lakefront Estates. And we find that, from a financial point of view, it's an attractive proposition for us. We were sold out and we are in the process of launching our second plotted development in Chennai, which was planned for FY '25, but we already filed for RERA. We're waiting for the RERA approvals at this time.

We also launched Phase 3 of Happinest Tathawade. Good traction overall in presales there as well. We also had received the Palghar Phase 2, that is also in the past had good traction, but the price point tends to be smaller given it's a value home project. As we touched upon, many of our launches are in the pipeline. We think the final approval steps - Malgudi as well as Wagholi which are in the RERA final stages. Hopefully, we'll get those results at the earliest. And the second plotted launch, which I'm hoping to do it in the current financial year.

Busy quarter 4, but the exciting thing for us is Kandivali, Project Vista, which you'll sees very unique homes, premium, great architecture, great set of amenities and very well designed. Hopefully, you'll be excited to consider buying there as well. We also are pushing hard to have our Navy project in Malad to get ready for launch. But there are a few steps required for us to make sure that it's fully ready. Big development for us was we signed the DA in October, and we are in the final stage of doing everything to get the RERA.

So those are the launches side, very healthy pipeline and a lot of action, a lot of excitement for us to watch out for in the next few weeks and months. On the business development front, as you might be aware we touched upon this earlier, is the Wagholi deal in Pune in quarter 3. That was 5.4 acres, with a development potential of 1.5 million square foot. That is already under RERA approval process. So we really pushed to crunch the timeline from land to launch.

Wagholi is an example of where we are trying to demonstrate that we can bring those projects to market at the earliest.

We have a healthy pipeline of various sizes at different level of completion in terms of going forward. INR5,000 crores to INR6,000 crores of BD pipeline is something that we always carry. Some deals fructify, some deals don't, but we have a disciplined process to ensure that the right deals actually go through. As you know, it's a very buoyant market. The land prices are something that we are always careful about, and then we are making sure that we find the right deal for the long term.

Our Thane project, which we've talked about after we got the new policy IITT policy that came up in August. We are going through all the regulatory process to get it approved. That process takes some time. But that's one of the larger projects that we have in the pipeline. And in the past, the Thane market did not have the price realization that would have allowed us to do a development of this kind. But given how the market has developed, the connectivity that is happening and many of the infrastructure development around MMR region, I think Thane is going to be an exciting market for future. And we happen to benefit from it having had this land parcel for some time.

The two redevelopment projects that we have, Santa Cruz and Malad, they are progressing well. As I mentioned, the DA for Malad has been done back in October. We are doing the PAAA and all the other steps to get it ready for RERA. And we will be procuring the IOD for Malad very soon. We have a good pipeline of projects in Bangalore, also in addition to MMR and Pune, and I should be able to share the news as soon as we have something tangible and meaningful for us to talk about.

And finally, I'll cover the IC & IC business. TIf you recall from a strategy perspective, our strategy is to maximize value from an IC & IC asset. We had muted H1. This is a lumpy business, as you know. Much better quarter 3, where we signed multiple deals, 70 acres in quarter 3 alone, INR224 crores in value, compared to 24.5 acres in quarter 3 of FY '23, which was at that time, valued at INR69 crores. So this was the best-ever quarter for our IC business ever.

But as you know, this is a lumpy business. A lot of efforts were in quarter 1 and quarter 2, which fructified in quarter 3. We have a strong pipeline of LOIs and term fees, which will happen over a period of time. We continue on the path of maximizing value extraction from our IC business and put that cash into the residential business given the market cycle that we are seeing. So overall, I would say, a healthy 9 months for us. We have a lot of work to do to achieve our 5x aspiration of INR8,000 to INR10,000 crores.

But some of the big launches that we have got an approval or likely to get approval should push us to the next level as we think about the quarter 4, as well as the readiness of quarter 1 and rest of the financial year F '25.

Let me just hand over to Vimal Agarwal for financials. Vimal? And then I'll come back to you for one more update, yes.

Vimal Agarwal: Sure. Thank you, Amit, and good morning to all the participants. Moving on to the financials. As you all know, we do our financial reporting based on IND AS, and many of our key operating entities in residential as well as IC & IC are not considered on a line-on-line basis. I'll call out the key IND AS-based financial numbers for your reference.

The consolidated total income stood at INR89 crores in Q3 as against INR198 crores in Q3 of last year. The consolidated EBITDA, including other income and share of profit from JV, it stood at INR43 crores as against INR5.5 crores in Q3 F '23. The consolidated PAT after non - controlling interest stood at INR50 crores as against INR34 crores in Q3 F '23. Your company's net debt was at INR286 crores at consolidated level, while cash on hand, bank and investment stood at INR278 crores.

Overall cost of debt was approximately 8.48% on consolidated as well a stand-alone basis. Our net debt-to-equity ratio was at 0.16. Net operating cash flow without land-related outflow was at INR383 crores in 9 months of FY '24, reflecting the strong collections in residential as well as very good leasing which we have experienced in IC part of our business.

So these are a few of the key numbers I wanted to call out. I just request Amit to move on to the next update, please.

Amit Sinha: Yes. I just wanted to close the opening remarks by letting everybody know, which is a public news, that Vimal Agarwal has taken another exciting role within Mahindra Group as the Chief Financial Officer for Mahindra Holidays. He's been part of Mahindra Lifespaces for over 5 years and a tremendous asset for us. We are sad to let him go, but we are very delighted that he continues to be part of Mahindra family. The transition date is 1st May, so he will be there for the closure of this financial year.

We also have the benefit of another long-term Mahindra colleague, Avinash Bapat, who is actually on the call with us. He is moving from Mahindra Susten. 25 years at Mahindra at various roles within and outside -- 25 years' experience, 21 years at Mahindra. Long-term Mahindra leader of financial function, global experiences, local experiences, Mahindra Susten raised significant capital from Ontario Teachers' Pension Plan recently. He also led the effort to register and support the InvIT . Deep experience on the infrastructure side. So he's joining us from 1st May as well. But in the interim time, he'll be involved for knowledge transition and pick up the learnings from Vimal.

So I just want to thank Vimal for his contribution, as well as welcome Avinash. And hopefully, we'll have many more things to celebrate with Avinash as well. I also want to acknowledge Ashwin. Ashwin was Head of Business Development in the past. He is currently the Chief Business Officer South, focused on Bangalore as well as Chennai residential side. He's moving on to pursue some other efforts, and we wish him very well.

Vimalendra Singh, who is the Chief Business Officer West and North, will take over as Chief Business Officer for residential all of India, in line with some of the peers that we see. But the most exciting thing is that we have a very strong pipeline of next level of leaders who are already entrenched into relevant specific markets.

So they'll be working very closely with Vimalendra to make sure that we don't lose any step of this scale up journey. And we'll continue to bring more talent from the group as well as outside as and when needed. But we want to wish Ashwin as well, well for his future. We'll miss him, but we'll hopefully share his growth in other areas on a personal level.

Avinash, do you want to say hello to our colleagues here on the call?

Avinash Bapat: Thanks, Amit. Sure. Hi, everyone. This Avinash Bapat, as Amit explained just now. I'm very excited to be on this call. And of course, like Amit mentioned, to join this journey, which is just at the start, as everyone puts it here. Very excited to be part of this team, and we'll soon get together to meet most of you as we go forward. Thanks, everyone.

Vimal Agarwal: Thanks, Avinash. And this is Vimal. As Amit said, I am very much here in Mahindra Lifespaces to ensure a smooth transition over the next 3, 4 months, to ensure that we just continue to build on the momentum which we have created over the last few years.

With this, I'll request if we can open the floor for further interaction with the participants, please.

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

Adhidev Chattopadhyay: Sir, first question on the launch for Kandivali, if you could just quantify how much inventory are we bringing to the market in the first phase. And across whatever other launches you have planned for this quarter and maybe the first half of next year, what is the cumulative GDV of all these launches which we have lined up and which you hope with some reasonable certainty would -- you would be able to bring to the market? Yes, that's my first question.

Amit Sinha: Yes. So thanks, Adhidev. So with Kandivali, overall GDV is INR2,600 crores plus. But in the Phase I, we are bringing roughly INR1,200 crores of the inventory. And we are hoping that we'll get a very strong response. In addition, we are looking to bring Malgudi in Bangalore, which is roughly INR 500 crores of new inventory.

That's in the process of RERA. Wagholi, which is Pune, which is under RERA, is roughly overall INR1,400 crores GDV. But we are bringing half of that INR600 crores to INR700 crores of the inventory in quarter 4. In addition, there is the P17 plotted, which is the second plotted that we will do this financial year.

We'll have the details of that shared, because the pricing is still not finalized. We will bring all the inventory together, but roughly it will be INR250 crores worth of plotted. We have not included, Navy and West Era, which is around 900 to 1,000 for Navy and West Era is around 500. I think it will be touch and go for this quarter as I mentioned in the past.

So it may be very close to end of quarter 4 or quarter 1 of next financial year. That's a very healthy pipeline that we have right now, which we would like some of that to be earlier in the previous quarter. But for multiple reasons, it's kind of getting bunched up in quarter 4.

Adhidev Chattopadhyay: Okay. Sir, just to understand correctly, the Kandivali one and the Malgudi, Bangalore and Wagholi, all of this, what you mentioned is definitely coming in this quarter, right?

Amit Sinha: Yes. So I wish I can say definite, but we are dependent on the approval process, which is something that we want to not comment. The thing that is in our control is to file. So for all 3 of them, Kandivali has already come, so that's already in the market. But for Wagholi as well is filed. And similarly, Malgudi is in the final stages of approval.

Adhidev Chattopadhyay: Okay. Okay. Sir, and the second question is on the...

Amit Sinha: Even P17 is filed.

Adhidev Chattopadhyay: Okay. Okay. Second question is on the business development. So this year, so far, we have not seen that many of those large GDV additions yet, right? So what is the timeline? Obviously, I understand it is lumpy. But in terms of our GDV addition, when do you think many of the other pipeline deals should fructify and we could see some news over there?

Amit Sinha: That's a very important but interesting question. Adhidev, what we do is we have we have a very disciplined process of saying yes or no to a deal. Our typical pipeline is anywhere from INR4,000 crores to INR6,000 crores of GDV. This year we have done 2, which is INR2,200 crores - INR2,300 crores, Navy as well as Wagholi. I expect to close maybe 1 or 2 later this quarter. But I'm very careful about signing at the peak of the cycle because the expectations of the landowner and our financials, they need to match.

So this is very lumpy, but we track the project profitability along with BD. So we want to have a healthy portfolio of INR4,000 crores to INR6,000 crores, which will automatically give us the GDV for future launches. So that's how we are managing our portfolio.

Adhidev Chattopadhyay: Okay. Sir, just one last bookkeeping question for Vimal and team. So whereas for YTD, what does the total land spend on either business development and approvals, do you have that number handy?

Vimal Agarwal: Approximately INR300 crores.

Adhidev Chattopadhyay: This is all, including the approvals? Or this is only for land, the cost, yes?

Vimal Agarwal: What's happening here is as we have always maintained that we will try and stagger land payout and link it with approval, so the number we have includes the approval but at the same time for example, Wagholi land acquisition, for which we have filed for RERA. The payout that is staggered and linked to various of the approvals. We are trying to optimize cash outflows for better returns.

Amit Sinha: We did have one thing to clarify, I didn't clarify. All these numbers would not include Thane, which is INR8,000 crores to INR10,000 crores GDV. I'm not adding that because there are longer approval processes tied to the IITT policy.

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

Parikshit Kandpal: Congratulations on a great quarter. My first question is on the Industrial business. So we have seen reasonable success in our first plotted launch, we're going for a second one and that to we have advanced it. So from the point of view both for the Pune industrial land and Jaipur. So how do we look at monetizing or reconfiguring some of these land parcels into residential plotted? So what's our thought there?

Amit Sinha: Yes. I think Parikshit, thank you, first of all, for your comment. We are excited about this quarter and hopefully continue the momentum\. So plotted is our new love, I would say, that we should have done sooner. But after I came onboard, I looked at the profitability and the ability to bring cash back is very high in the plotted business model, that's why we're accelerating it. And we are looking at all across our land assets where we can get the approvals and the market can absorb, both are critical elements of doing more plotted.

So the earliest is we have is Chennai, where we have the land and we have sufficient land. So that's why we have done -- this will be our second plotted. We'll do more. We have more land in Chennai, we'll continue to push. The market depth is something that we always watch out for how much can we absorb. So we're always doing that. But same logic applies to Jaipur. Same logic applies to any plotted, any land asset that we have.

So we are working closely to see how best to get the approvals at the earliest, do the development. Because for plotted, we can add significant value by adding roads, common services, even put a nice club where residents would be very excited about. So we think holistically, both Jaipur as well as potentially both, but we are awaiting both the approvals as well as market readiness for us to make the right investment. My sense is that you will see more plotted come out of Mahindra Lifespaces over the next 12 to 24 months across Chennai as well as other locations.

Parikshit Kandpal: Okay. My second question is on Gurgaon, and our Luminaire project is almost 76% completed and I hope that is nearly sold out. So we're having a relook at that market going ahead and thoughts there, because I know you're focusing on Pune, MMR, and Bangalore. But any thoughts on our premium market like Gurgaon, do we see or re-entry or we started seeing deals? Any thoughts there?

Amit Sinha: Parikshit, I used to live in Gurgaon for 15 years. I have a tremendous love for Gurgaon market. But I'm also a big proponent of focus on a few things and then do really well and then try to expand. So my first goal is to get my fair share of real estate market in Mumbai, Pune, and Bangalore. That's my first priority.

And that comes with the right number of launches, excitement from customers, our ability to economically add value to our shareholders. So I'm focusing on this for the next year for sure. So once we are able to get this whole momentum going machine kind of well stabilized, I will then start to look one more market and that could be Gurgaon.

Gurgaon, as I've seen, there are not many credible national brands. So there is a space for not only Gurgaon, I mean NCR region, there is a space for Mahindra Lifespaces. We have done 3 successful projects there, and Luminare is the fourth one, which is going to be completed by mid-part of 2025. So we are there in terms of our team capacity, etcetera. So it gives you a little bit of time to make sure that we focus on the core markets that we have, and then evaluate when and what size of effort we put in to go back to NCR. So, it's not no, but it's not yes either in terms of expansion, it's just a deferral to seek the right time when we start to make the investment for that kind of a market.

Parikshit Kandpal: Okay. And just the last question, if I may. On this business development, you said, we already have INR2,500 crores, INR2,600 crores, in the kitty, again you have said INR4,500 crores to INR5,000 crores pipeline. And you also mentioned that Bangalore -- from the previous call is that Bangalore is an advantage of closures. So if you can give us some color on this INR5,000 crores of pipeline between the cities, like MMR, Pune, and Bangalore. That will be helpful.

Amit Sinha: I would put 50% to 60% is focused in Mumbai, which is anywhere primarily from a value and size perspective. And Pune would be next in terms of size, maybe 15% to 20%. And Bangalore is similar to Pune. So that's how our business development is planned. And this is excluding Thane, Parikshit, so that's the other qualifier. And that's at various stages and various models also. So some are society, some are joint development and some are outright.

In Pune and Bangalore, we do mostly outright given the land price is still manageable. But that's the mix that we see. We're always comparing the land prices to the realization saleable, and that gives us the opportunity to evaluate every BD transaction from a capital allocation, whether you want to put markets like Pune -- Eastern part of Pune, where realization might be lower, but land prices are also lower, right

Whereas in Bangalore, the Whitefield could have higher realization, but the land prices are just go through the roof. So we're always looking at the spread and cost of construction to decide as we allocate capital across different markets.

Moderator: The next question is from the line of Himanshu Upadhyay from Buglerock PMS. Please go ahead.

Himanshu Upadhyay: I have 2 questions. One is on the Happinest and the other is on Origins second. So if you look at the market, first is what I am asking on Happinest. If you look at the market, people hardly have completed inventory. But we are finding it tough to sell Happinest. The value of finished goods inventory is flat for Happinest Boisar and Kalyan I phase1 and some reduction is at Palghar. What is the reason for it?

And secondly, these are thin margin, high velocity products? But if the completed inventory remains on the balance sheet for 2 quarters, 4 quarters, how does the IRRs change, okay? So if I look at it, I got INR177 crores of completed inventory. Majority is with Happinest product. So some thoughts on that.

Amit Sinha: Thanks, Himanshu. Let me just start the answer, and I'll request Vimal to jump in -- let me just give you a slightly broader answer and then we get to specifics. Our sustenance sales has tripled in the last 9 months compared to the previous 9 months. So I think despite having strong launches, which are now happening, strong new launches, we have been able to push our sustenance sales harder than most.

Now we are always saying balancing between velocity and realization. Some of the locations like Boisar or even Palghar, they are not so well connected. So I have a choice between getting velocity and trying to take a lower price or trying to say, "Hey, market is healthy." And we already saw some momentum in January already, so I'll share that in our next earnings call. But we're already making these choices. Do I get velocity at a lower price or I get highest price realization given the market is still very hot.

The interest rate has hurt the lower segment more than the high-end premium and luxury segment. So we see a little bit of slowdown for locations which are not immediately livable. So if you're not well connected, you'll find a little bit of less excitement for those. But those are the pros and cons of Boisar and Palghar. But I think we are starting to see the momentum. And hopefully, we'll get to close as much of the finished inventory as possible.

All of the value of all that you saw from the analyst presentation is, I would say, INR50 crores and less. All of those units of Boisar, Happinest, Kalyan Phase 1 or Palghar, all of that together is less than INR50 crores. So while we are trying to maximize the value, it's the impact on our presales and financials is not very big. So let me just pause. Vimal, you want to add anything?

Vimal Agarwal: No, just one data point. Himanshu, if you were to look at our total inventory which is available, in the sort of later part of the project at aggregate level, it's not even 5%, 7%, the total inventory which we hold as a company. That is reflective, as Amit said, the initial launches and the velocity momentum which we get, takes care of the inventory buildup or say, the return completely.

Himanshu Upadhyay: See, I agree to what you stated. The only thing is as Happinest product, we have not seen any profits, okay, for a very long period of time since inception? And we had -- and see, I don't know why you see only INR50 crores, but cumulative of the 3 products is something like INR162 crores of inventory pending sales and which was something like INR167 crores in the last quarter.

Vimal Agarwal: So inventory, which is post OC, and therefore, it's about INR40 crores - INR50 crores. The balance inventory of INR150 crores, which you said is, for example, out of this, about INR70 crores -INR80 crores inventory is from Kalyan 1. The project, which has seen about 75% plus booking at the time of launch, from data point of view, the appreciation in pricing post launch till today is approximately 25% plus. And therefore, positive impact on IRR, no negative impact on IRR.

Himanshu Upadhyay: Okay. And the second question...

Amit Sinha: Himanshu, one more thing I just want to add. I think I've stated in the previous call, I think affordable or value homes, we are going to focus on mid premium and premium going forward, as I've stated in the past. This value homes affordable is something which has to be really making financial sense for us to take on. But overall, we want to potentially sunset this category altogether. Our brand positioning is for mid-premium to premium, or premium plus-plus, and that's what we are going to focus our attention. Land prices have gone up. So unless we go to premium, we cannot create the financial benefit for ourselves.

Himanshu Upadhyay: It is very helpful. And I appreciate that. And I have been always of the view that, for us, it is premium or mid-premium where we'll have to make the market.

Amit Sinha: Correct. Correct.

Himanshu Upadhyay: But the second question is on the Origins, okay. Last call, you stated that at our Origins Ahmedabad we are looking for an anchor client or even exit it completely, okay? We also stated that it won't be fire sale, which is highly appreciated, okay? Then one more comment we also stated was that we think it will become moderately attractive in 3 to 5 years. And the question comes is why do we want to completely exit it?

Because there will be annuity income, which may come out. We are confident. And secondly, what has changed from when we were aggregating? this land. Today, when we are even ready for outright sales. So what has transitioned on the Origins Ahmedabad, these are the few things? And I'm confused here.

Amit Sinha: Himanshu, we are always looking for the right option. And as you know, this is a long-term play for us. We also have IFC as our partner who is also committed to it from a long-term perspective. But we are taking a judicious decision on behalf of both partners, right, ourselves as well as IFC. If you simply put, we have 3 choices. Choice one is wait for the right opportunity. I've been there. I think the market is starting to develop. But it will be another maybe 2 to 5 years till we start to see really exciting industrial activity in that region. So that is option one is wait out and we will do that.

And the second part is completely exit. We are open to it it's not a fire sale. And that we are open to exit is because we've to get the right price and given Make in India, there are a lot of large clients looking for large parcels land, 100-plus acres, 200-plus acres, 300-plus acres. And some of those opportunities do come to us. So, we are open to saying that, hey, if somebody wants to do that with us, buy it outright, we are absolutely fine.

The third option is for us to say we will get smaller clients and give them 1 acre, 2 acre, 5 acres, that's not the model that we want to. We have great learning from Origins Chennai, where you need to get 1 or 2 anchors. So we are preferring an anchor client who can take at least 30, 40, 50 acres of land so that the development can be created around those anchor investors.

Our Origins Chennai has been hugely successful. And just a few months back, Mitsubishi bought 50 acres of land, then we are making $220 million of investment. It's one of the marquee investments in Tamil Nadu, where the Chief Minister of Tamil Nadu was involved in the inauguration, and they've supported it really, really well.

So that kind of an anchor investor, if you can get, that's actually preferred. So waiting out is something that we are open to. Selling it to an entity or a client who can buy the whole or a big part of that is okay. The third is the one we don't want to give it to a smaller customer, but we want to give it to an anchor customer, which is 30, 40, 50 acres. That's what we are striving for. So we are open for all 3 options, keeping in mind the market as well as the holding cost for us.

Himanshu Upadhyay: A follow-up on this is, even when we bought this land, even at that period of time, we had a thought that we would like to completely sell this out if opportunity comes or it is because the market is rolling in that direction, we are thinking that there can be also a possibility?

Amit Sinha: Himanshu, your question wasn't clear. Could you clarify this?

Himanshu Upadhyay: I am saying that at Origins Ahmedabad, when we were purchasing and accumulating this land. At that point of time also, were we of an opinion that we can sell it completely outright. Or it is -- that the way the market is evolving, we are thinking that this is also a potential opportunity and, hence, we should evaluate such opportunities also. And will it be a case study type of thing that, okay, in the future we will again accumulate land and then think of complete sellout once we develop it out, some of your thoughts on how it puts -- your thought process for future also?

Amit Sinha: I think I'll highlight the fact that whenever you have large tracts of land, it's -- you always want to buy ahead of market picking up, right? So that's what we have done in Ahmedabad also, right. Now the question is when would the market be ready to start monetizing. I think --we are pretty sure, given if China plus 1 focus on manufacturing in India, this will happen. We had or we continue to have competition from government, GIDC, GMDC kind of parks, which are in the vicinity, and they are providing a land at much lower price.

But let's say infrastructure, which is not as good as what we have provided. So it will take time for the market to move there. But eventually, it will move. So in the meanwhile, we don't want to wait for that market to be fully ready. We want to be in the market trying to understand customer, customer needs. And if anybody is interested in large tracts of land or completely, both are open to us. So that's how we are thinking about it.

Moderator: The next question is from the line of Ronald Siyoni from Sharekhan Limited. Please go ahead.

Ronald Siyoni: Just your views on the business development, sir, like if you can highlight what kind of pending land payments we are outstanding as of now. Because if we are able to generate more than INR100 crores of quarterly cash flows, then should this money be expected to go into outright purchases in Pune, Bangalore? Or if the land payment outstanding is very high, then more of, as you said, that 50% to 60% MMR exposure would be there? So just on your view on how are we placed in terms of outstanding land payments and the cash flows which will be generated and utilized?

Amit Sinha: I'll request Vimal to jump because you've got the numbers to cover.

Vimal Agarwal: One key point which I want to call out is our debt-to-equity ratio of 0.16, which is extremely favorable. And therefore, I've always maintained that money or fund availability will not be a constraint so far as business expansion or escalation to touch INR8,000 crores to INR10,000 crores, right, by '28 is concerned. That's point number one.

The second one is that we do have land payments which are outstanding because of our deal structure, which is pay as you reach closer to say launches, etcetera. This also means that Kandivali and Wagholi will have some payouts, which will come up.

However, going by our track record of last 2, 3 years, where collections are fairly good, the bookings are good, we do hope that so far as these tranches of payment is concerned for these 2, 3 projects will be sort of self-funded. Having said that, we do have a good amount of lines open with the financial institutions from where we can borrow and fund our aspirations of land acquisition to grow in the years to come. So absolutely no constraint at this point in time.

Ronald Siyoni: Okay. And just, sir, on your view, we have seen a little bit of pressure as you said in affordable housing and certain -- below the certain ticket size. So what is your thought process like whether they should creep up gradually in the mid-segment also? And you will be seeing more of premium and over luxury, which would be performing going ahead. So what is your view on this basic segmentation?

Amit Sinha: Ronald, I think we are seeing a huge momentum in the luxury segment, but we don't play in that segment. And right now, we are focusing on with mid-premium, premium, and we will sunset the affordable or value homes. So that's our current very simple, but very clear strategy.

Your question is will the slight slowdown on the affordable side will affect the mid-premium or even premium. You can never predict what will happen in real estate from a supply/demand. What happens in the cycle the moment the market is so healthy right now. There are so many launches that are happening, right?

And the price expectations, everybody has the highest price expectation in their business plan. And so we are very disciplined about making sure that we don't take the exuberance of the market currently in our future business plan.

And that's why we are cautious about the right segments. So mid-premium, premium, it has to make sense, whether it's an upcycle or even a downcycle. And that's how we are planning for it. There will be a cycle will happen. Now the question is will it be next year or it will be 3 years later, right? That's the question that I wish I knew the answer for.

We are assuming that the buoyancy in the market will continue for a couple of years. We have looked at data for the last 10, 15 years, especially Pune and Bangalore. They are a healthy market. The absorption are pretty predictable, healthy in terms of the inventory overhang is pretty low.

So, from that point of view, we do a micro market level analysis to make sure that we are not going to a market which is traditionally being slower. So those assessments we do. And my sense is those are very helpful for us to ensure that we don't sign a deal which will have a more than pessimistic case of slowdown in the mid-premium and premium segment.

And from an interest rate cycle, I think we are at the peak as well. So if the market didn't slow down, mid-premium and premium during this period, my sense is as the interest rates start to come down, It will give a little bit of extension to the positive cycle that you see by a year or 2. So hopefully, it will sustain for next 3 to 5 years, but we have to keep signing the right deals so that we are not caught on the wrong foot.

Ronald Siyoni: Okay. And sir, last one question. So that means we would stay away from over luxury or super premium projects, right? And congratulations Vimal sir and hope to meet Avinash sir in the future.

Vimal Agarwal: Thank you. Yes, absolutely. Absolutely. Thank you.

Ronald Siyoni: Yes, sir, your comment on whether you would be staying away from super luxury or super premium projects.

Amit Sinha: So luxury, for sure. What happens on just be practical, if you put any project in South Mumbai, by definition becomes a super-premium because the prices are so high, right? So that's the only thing I just want to qualify because we are not going to say let's say, if the market is 10,000, we're going to say, hey, let's make a product for 20,000, double the market rate. That we are not going to do. That is the true definition of luxury and super premium, right?

But let's say if I were to put a project in Worli or Prabhadevi or Tardeo, by definition, the market price would be INR70,000, INR80,000. But it's not going to be INR150,000 or INR120,000, which is a definition of a luxury project. So we will not do super luxury project. We may look at super premium or premium plus project driven by location, not by choice.

Moderator: Ladies and gentlemen, that was the last question for today. I would now handover the conference to Mr. Amit Sinha, MD, and CEO, for his closing comments. Over to you, sir.

Amit Sinha: Thank you, Michelle. I think thank you, colleagues, for your questions and for you to listen to how we are building the business, a healthy business for the long term. Our aspiration, I just want to reiterate, is 5x what we were at '23, INR8,000 crores to INR10,000 crores. But we want to build a healthy business, which is good from a shareholder perspective also. So that's something that we really want to pursue.

We haven't talked a lot about the kind of products, et cetera. But even on our net zero product, one of the first in the country. Similarly, Kandivali, Mahindra Vista is net zero energy and net zero waste as well. So we are pushing the agenda of how to build the products for living -- for residential, which is different from most of the developers that you see in the market. We're trying to balance the economics aspect with the sustainability aspects. And we will see more of that from Mahindra Lifespaces.

So scale up, doing the right product for right customers. Very clear strategy in terms of what do we stand for, which segment you want to go after. The geographies are critical for us, what kind of projects we will do, what kind of projects we will not do, how do we maximize value from our customers, all those are part of our execution pipeline. We are going to miss Vimal and Ashvin. But Avinash is coming in. More and more talent will come into Mahindra Lifespaces to support our scale-up journey.

So with that, I'll stay tuned. Many of you I have direct contacts and I'll stay connected to seek your feedback and input as we continue our journey.

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