"Mahindra Lifespaces Developers Limited Q4 FY24 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Mahindra Lifespaces Developers Limited Q4 FY24 Earning 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 this call today Mr. Amit Kumar Sinha – MD and CEO, Mr. Vimal Agarwal – CFO, Mr. Kumar Sriram – Vice President (FP&A) and Costing & IR and Mr. Rabindra Basu – Head Investor Relation.

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, Rhea. Much appreciated. Good morning, everyone and welcome to our Quarter 4 FY24 Earnings Call.

At the outset, I would like to thank everyone for participating in this Conference Call. Let me quickly cover a few things at the start and I will request Vimal Agarwal to jump in with the financials and then we will take questions.

Let me cover five things, just to recap of where we are in our growth journey. I will touch upon sales, launches, business development and update on IC&IC. So, a quick refresh, the first one is on our strategy.

As you all know we continue to enjoy a very strong up cycle in the real estate industry. Post COVID, the momentum continues in this market and as you have seen throughout multiple sources that this momentum is expected to continue for some more time. In fact, the GDP contribution from real estate sector is much lower than many other developed countries or even some of the other more developed or developing countries. So, we expect the momentum to continue. The Resi segment will continue to have lot of buoyancy driven by per capita income, driven by the desire to own home across urban and non- urban centers.

When we last spoke in the October Earnings Call, I had shared a quick summary of our strategy which is to achieve a strong franchise at Mahindra Lifespaces which means taking our aspiration to where we were in FY23 to 5X over which will mean we target a pre-sales scale of Rs. 8,000 crores to Rs. 10,000 crores. A strong balance sheet, a strong IC&IC business which has allowed us to fund a lot of our growth on the residential side and also become an attractive destination for our target customer segment. That journey has started in the last financial year, and we are glad to share that we have this year marked as the first step in that direction where we are trying to take Mahindra Lifespaces to a franchise that's respected, scalable, and doing great projects for all our customers.

Keeping that in mind I just want to cover the next part which is the sales part. We achieved quarterly sales of roughly Rs. 1,100 crores, Rs. 1,086 crores precise versus a number which is one third Rs. 361 crores in the last Quarter 4 FY23. Our full year presales stood at Rs. 2,328 crores. So, just over Rs. 2,300 crores versus Rs. 1,812 crores in the last financial year. Roughly, I would say 30% growth over that period. We had very exciting launches during the year, especially in the Quarter 4 and some of those Quarter 4 launches will continue to give us momentum in the following year which is FY25 and even FY26.

A very interesting data to share: our new launch sales contributed Rs. 1,322 crores. So, 57% of our Rs. 2,328 crores in FY24 sales came from new launches. The similar number was 77% in FY23. So, it's quite interesting that this is a year which marked a very inflection point, especially the first nine months— where we had a lot of sustenance sales that held us strong. But in the last quarter we have seen a strong momentum driven invariably by our Mahindra Vista launch. We have a very strong lineup for FY25 and even for FY26 which we will continue to share with you. But my big learning from the sales journey in the last financial year is that we are doing well to achieve our 5X aspiration that we set out in the last financial year.

Number three, launches, an important part of our success story. In Q4 we launched Phase-I of Mahindra Vista in Kandivali which has seen amazing success. We as you may have seen in the news which was very visible, we had (Rs. 800+) crores of sales in just three days. This is also to highlight that it's a critical project for our sustainability journey. It is India's first net zero waste and energy residential project. This is at the back of our Eden project in Bangalore which was India's first net zero energy residential project. We've had other launches in March 2024 which was Mahindra Zen in Bangalore which also received a lot of strong response. I will share more about how we think about launches going forward. We had our second plotted development in Chennai which was on the back of very successful first plotted development in Chennai. This is our strategy to monetize these residential land pieces that we have in Chennai and all of the locations. Mahindra Codename Crown in Pune - This is the acquisition we had done in October 2023. So, third quarter of the last financial year and by launching this in six months we have been able to shorten the land to launch cycle that we typically see in the industry as well as in the past with Mahindra Lifespaces. We also had other launches. We had launched Phase-III of Happiness Tathawade in Pune and we are seeing strong traction across that project as well. We see a very strong FY25 because the launches that you see that have come in the last four to six weeks, we want to make sure they are as successful as we can make them. That requires us to ensure market warming participation and investment with the channel partners, digital media, as well as many things that will ensure that the launch is a super success. And we will see some of that impact come through in this financial year FY25. We also have a very healthy pipeline of launches from the project that we acquired in the past. You'll see more about them in the coming months.

Number four, on the business development side. I think you may have seen that we have been very active there. Compared to FY23, FY24 had a 4X multiplier in terms of GDV enhancement. Obviously, it was driven by the Wagholi deal that we did in October, the Alembic deal in Bangalore Whitefield that we did was a big one and then we did another deal in Bangalore near

Whitefield in our attempt to deepen our penetration of the three key markets that we are participating in. We also had at the start of the year the Navy Malad deal that was a society redevelopment, and we are hoping to launch it at the earliest, ideally this quarter.

We continue to have a very healthy BD pipeline, anywhere from Rs. 5,000 crores to Rs. 6,000 crores. This is in addition to the Rs. 4,400 crores that we acquired last year. It is in addition to Thane which is around Rs. 8000 crores. And this Rs. 5,000 crores to Rs. 6,000 crores BD pipeline goes through a very diligent financial assessment as we are very well aware of the fact that we are acquiring land at the peak of the cycle. So, we want to be very careful in terms of signing the right deals for us. On the Thane deal we had shared in the past quarter that the IITT policy is very healthy from a size and scale point of view. We've also been able to secure some of the much-needed approvals in the last quarter. Now we are in the process of applying for IITT and other approvals. This is a very large piece of land. The requirements are, we need to ensure that we are fully compliant and ready to launch at the earliest. Our two redevelopment projects, I touched upon Navy Malad already and West Era are moving along and we are hopeful that at least one will launch in the next 3 to 4 months and the second one we are closing some of the outstanding issues with the society. It's a little bit tricky because there are two different societies and this requires more approvals, more work to bring alignment with all those stakeholders.

The fifth part is about IC&IC Business update. This continues to benefit from the tailwind that we see in favor of India as a China Plus One alternative. We also see strong momentum for domestic consumption. So, IC&IC business is gaining lot of momentum through these two sources, external as well as internal driven. We had scaled up our IC business significantly in FY23. We also had a strong year in FY24 and our pipeline will allow us to secure a strong FY25 as well. Overall, we finished IC&IC in FY24 with Rs. 370 crores. Jaipur gave us a very strong 76 acres of land which culminated with Rs. 234 crores and Origins Chennai & World City Chennai together roughly Rs. 135 crores to Rs. 140 crores. So, very good momentum that you see on the IC&IC business as well.

So, that I covered five things. One was the overall recap of the context we are operating in our strategy to scale up our business significantly and this year marks the first year in that direction. A strong year I would say, our sales momentum has been very good. Launches, we are getting a lot of solid launches with very good sellout kind of levels. Not really sell out completely but to the level that you want to so that we manage the velocity and pricing, business development has started to fire for us. We are seeing good amount of deals, we are closing the right deals for us to secure our future. And finally, IC&IC business continues to give us the much-needed cash that allows us to fund our Resi business in a healthy way.

Let me transfer to Vimal on financials and then we will come back for questions.

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

Moving on to the financials:

As you all know many of our key operating entities from residential as well as IC&IC business are not consolidated on a line-on-line basis. I will read out the key financial numbers for your reference:

The consolidated total income stood at Rs. 279 crores in FY24 as against Rs. 660 crores in FY23. The consolidated EBITDA including share of profit from JVs and other income stood at 75 crores as against 61 crores in FY23. The consolidated PAT after non-controlling interest stood at Rs. 98.3 crores as against Rs. 102 crores in FY23.

The company has a net debt of Rs. 680 crores at consolidated level as per Ind-AS while cash in hand and bank balance and investments was approximately Rs. 193 crores. Our cost of debt stood at 8.58% on consolidated basis while standalone cost of debt for MLDL stood at 8.57%. Net debt to equity stands at 0.36 as on the 31st March '24. Net operating cash flow without land-related or land acquisition related outflows was at Rs. 639 crores for FY24 which reflects the strong collections in residential as well as on our IC part of the business.

With this I will request if the floor can be opened for questions, please. Thank you.

Moderator: Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Rohit T from National Capital.

Rohit T: I think there's a mistake, I am from National Capital. So, my first question is it's interesting to see the momentum in the business. Curious to know going forward with the target of reaching 8 to 10K, do you think you would need to raise capital?

Amit Kumar Sinha: So, Rohit, we didn't hear you very well. Could you say where are you from? That will be useful for the team also. But what was the question that you said, capital?

Rohit T: I am a long-term investor. I have been invested for 4 odd years now. I follow the Company closely and basically in a news article it came across that you'll be looking to raise capital for growth. Just wanted to get a sense of do you think you need capital to grow from our current presales to 8,000 to 10,000 that we are planning to hit in the next 4 years?

Amit Kumar Sinha: So, let me cover that. I think our aspiration requires a GDV of roughly, I would say roughly Rs. 45,000 crores. So, you know healthy aspirations if I can say so. One third of that with Thane in our GDV included, we have one third in our hand already, probably actually closer to maybe Rs. 20,000 crores. The remaining would be split into two parts, let's say one third, one third. One third would be alternate business models like society redevelopment, etc. which are slightly less capital heavy. But the remaining one third, it will require decent amount of capital. Our estimate is in order to achieve our aspiration, we will need something around Rs. 7,000 crores to Rs. 7,500 crores of capital. Half of that is available to us through our accruals, our IC business, our debt to equity. We want to be very careful and thoughtful about our debt to equity but that should be made available to us through our collections, etc. which Vimal covered. But for the remaining, we are in the process of doing some discussions, fundraise at a platform level where even our parent is quite open to participating given their desire to grow Mahindra Lifespaces into a growth gem and support our growth aspiration. Those discussions have started. The step one for us was to be very clear about our strategy. Step two was to demonstrate operational execution on the ground including presale, GDV, launches, etc. And those things as we start to see they are settling well and they are shaping up well. We will also be looking for any external partners and there is an interest in working with us. So, we will bring those pieces of information as and when they become substantial and material. So, yes, we will need capital and these are the ways we are solving the capital challenge.

Rohit T: This is very helpful. So, a couple of follow up to this. So, did I understand correctly when you said that the capital will be raised at a platform level and not at the Company level, number one is that question? And second when we set a target of Rs. 8,000 crores to Rs. 10,000 cores presales inclusive of IC&IC, is that the total presales the brand Mahindra Lifespaces will do or is that the presales that will is net of the presales that will be attributed to the partners and the platforms and other spaces?

Amit Kumar Sinha: So, capital source could be anyone that is aligned with our long-term goals. So, it can be at the platform level, it could be at the parent level, it could be products, it could be QIP, we are all open. As long as it aligns well with our long-term investment philosophy as well aligns well with the partners. So, no constraints on that. The presales' part would be cumulative like, so if you have a platform which is let's say we have a platform with Actis, we have a platform with HDFC, but we are the ones who own that platform or we are running that platform. So, we show the presales for the total platform as part of our numbers because that's how we are operating them. If it's any different structure that doesn't allow us to capture it, we will follow the industry norms.

Rohit T: And just to confirm that Thane you said the GDV potential there is Rs. 15,000 crores to Rs. 20,000 crores, is that right?

Amit Kumar Sinha: No, I said Thane is around Rs. 7,000 crores to Rs. 8,000 crores. It has potential which is quite big. But given the economic factors as well as other factors, we can only achieve that. But our total GDV that we have in our hands is approximately Rs. 15,000 crores inclusive of Thane.

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

Pritesh Sheth: First on the sales performance for this quarter while we did well in Kandivali. Just wanted to understand was it our deliberate strategy to hold on to the inventory in other ongoing projects and because like I can see projects like Citadel, etc. which were doing well in terms of sales have not contributed much in this quarter. So, just want to understand that strategy.

Amit Kumar Sinha: We are starting to follow a very disciplined strategy for any launch. So, while the RERA came through for a couple of projects like Codename Crown and even Zen in the month of March, we wanted to make sure that it's not a launch, it's a very successful launch. And very successful launch is reflected in the velocity as well as pricing so that we get the benefit to our business.

Since they came in March, these are the two decent launches in the Quarter 4 apart from Vista. We wanted to make sure that the digital marketing, channel partner, execution on the ground, our own sales team's readiness, our own assessment of where we are going to land the pricing or all the intelligence required, all of that needed to be done. I think this has started to happen, but we want to make sure from launch to a successful launch all these things must go very well. This was you can call it a deliberate strategy of making the launch super successful, but it was not driven by any other reason. But just that's how to make them successful because this is where every launch needs to be done and we are building those muscles to make sure they're successful every time. And this is a great time for us to be launching because market is strong but what happens when the market slows down? We need to rely on those muscles to make a launch successful launch. And that's what we have been doing. You'll see these you know, these presales of those projects coming through soon, but we followed the successful launch effort rather than anything.

Pritesh Sheth: So, agree, on the new launches the timing part but what is your comment on the ongoing projects? There also we have seen some minor dip in velocity. Generally, our sense every quarter has been around Rs. 250 crores – Rs. 300 crores. But not the case this time. Just your comment on that would be helpful.

Amit Kumar Sinha: If you touched upon Citadel briefly, this was one of those years in the first three quarters, we benefited a lot from our past launches, or the phased launches and they were in line because the amount of inventory that we released was only small. I would say that they are in line with what we had expected and what we wanted to realize on the pricing side because this is important for us to always balance velocity and pricing. I don't want to be saying that we had high velocity but we gave away too much on pricing given where the industry is or I don't want to be in a situation where we achieved pricing but we just didn't sell much in terms of number of units. We are always dynamically evaluating how we should have a view on the launch and the velocity and pricing. In Citadel and some of the other launches that we had in the past we have achieved what we wanted to and that will be reflected in our revenue as well as profits in future years. So, that's what I would say. I don't think and we can have a follow up discussion to share with you any more detail but we felt that this year one in our new phase of journey exactly aligned with what we wanted to achieve. And obviously we are supported by the external market, but we are preparing ourselves to build the capabilities for the longer term.

Pritesh Sheth: Absolutely. That's quite helpful and very clear. Second, how do you think about the launch pipeline for FY25? Just specifically a couple of projects that you have added in Bangalore recently. Will they be launched sometime around this year in the second half and on the society redevelopment projects as well. While you mentioned about Malad but the Santa Cruz one, would that also be launching this year?

Amit Kumar Sinha: We will have roughly; I would say right now the good news is we have very healthy pipeline. So, Wagholi, our Codename Crown will have Phase-I is right now. We will see how the market readiness is, we will bring Phase-II. Similarly, Vista I has happened, Vista II, Citadel I and II have opened. We talk about Citadel III and there are a couple of others in terms of phase launches of projects that we have done. The launches that we have done. In addition, as you touched upon Navy, West Era and there were a couple of other ones that we have acquired that will be part of our FY25 launch planning. The two land pieces that we have acquired in Bangalore I think you may be referring to that. One is a larger one, it goes through two rounds of approval with two different authorities, one is a smaller one. I think that the larger one, the 10 acres one or 9.2 acres one will take 9 to 12 months. We will plan it in such a way so that it comes as soon as possible but we will have to respect the process that exists right now. We will put all the efforts behind it. My sense is the smaller one could happen sooner because it requires only one set of approvals. So, we are putting all our muscles, especially the Bangalore team is fully focused on bringing that to market at the earliest.

Moderator: Next question is from the line of Prem Khurana from Anand Rathi Share & Stock Brokers.

Prem Khurana: I have two questions. One was I am going to talk about the competition on BD side. The real estate cycle has been on an uptrend for last 4 years now. There is exuberance, the developer community wants to buy more to be able to scale up more. Does that mean any landowners, or the JV partner are spoiled for choices and it's taking a little longer to be able to consume a transaction? And then would it be fair to assume that the landowners would be willing to take chances because there is exuberance, I mean you generally get carried away in these sort of signs? They won't mind tying up with a little inferior developer with an idea that we are going to maximize returns?

Amit Kumar Sinha: If I pull up your frame question, I think you are asking competitiveness of the industry and then how do we work with landowners? Especially even joint development as well as outright. That's the question Prem?

Prem Khurana: Yes.

Amit Kumar Sinha: So, Prem I think you are right. This is a very competitive industry and very opaque industry. I wish it was transparent, clear and everything was very simple but it's quite complex. And on top of that you had the approvals and litigations and the clean title issues. So, any land that has clean title is valued lot more than land with other issues. It's competitive. But I would say that competition will make all of us better. And there has been situation in the last 9 - 12 months where we have been very sharp in execution, and we have kind of gotten those land parcels or done the launches in front of our other competitors and been very successful. I think there is a lot for us to learn. Our teams are quite excited, motivated with the result they are seeing on the ground and we will continue to hone our skills. You can't wish away competition, but we have chosen our battlefields very carefully. We want to be big in Mumbai, Pune and Bangalore and our teams are very well settled to take on the competition. So, that's my broader answer to your first part of the question. The second part of the question is landowners. I must say that it's a balancing act working with them. And many times, you find the asks and expectation quite difficult for us to economically make a win-win partnership. And outright you can easily say yes or no but when it's a JDA kind of situation it's like a marriage for 10 years, 8 years, 6 years. We have to be very careful and thoughtful who we are getting in bed with. And many times, the expectations are very high in terms of commercial ask. But we also find that many of the JDA landowners also want to get a decent sleep at night if they have a good partner on the other side. And you've seen in this industry if you make one mistake not having the right partner who's aligned with you economically as well as value system and other things, it can take a lot of your sleep and peace away. So, we bring some of that to the competitive dynamics. There are many players who will say I will take a shade lower return, but I want to partner with you because I can sleep easy and those goes in our favor. But there are many other situations it does not. We are learning to participate in this market in a balanced way. It's good to do deals but it's also good to say no to deals that don't make sense and we follow that principle thoughtfully.

Prem Khurana: And second question was I mean we have this large land layout in Murud and there is demand for second home destinations and it's been there with us for a while now and I understand we have signed an MoU. Is it possible to be able to carve out a part of this land and launch something wherein you'll be able to offer something to people looking for a second home destination, either plotted or something of villa or bungalow sort of. So, that are you able to monetize a part of the investment that it made some time back?

Amit Kumar Sinha: So, absolutely the whole leadership team went there a couple of months back. We think it's a hidden asset for us. It has huge potential, so absolutely we are thinking exactly the way you described. This is just 2 hours from Alibag Jetty. We can get very green, on a little bit on a hill, you can see the sea, a lot of greenery. We are absolutely thinking the right way and in fact on a lighter note if you are looking for second home let us know. We will be bringing it to market in that area in that region.

Moderator: Next question is from the line of Puneet from HSBC.

Puneet: You started your commentary by saying that real estate is in a decent upward cycle and then you also commented that you think that land is at the peak of the cycle. Can you reconcile those two views and also share your thoughts on how you think about different cities in terms of demand and supply environment?

Amit Kumar Sinha: Puneet your second part of the question got muffled up. You said we are enjoying the cycle. What did you say the other part for reconciliation?

Puneet: You also mentioned in your comment that we are well aware of the fact that we are acquiring land at the peak of the cycle. So, if you can reconcile those two thoughts and also give a little more nuanced view of how you think about different micro markets in which you operate and if there is interest to go back to NCR in a bigger way?

Amit Kumar Sinha: So, let me start with the reverse. I think right now I just want to focus on these 3 cities for now like, so as I say internally 1-2-2, one metro, two Tier-I and two Tier-II. And two Tier-II, the world cities Chennai and Jaipur which are Tier-II. Chennai outskirts are like Tier-II and we have land banks in those locations, so we have to monetize that. But Mumbai, Pune and Bangalore is where we are just focusing on our effort. NCR we do have a project and we may go back but at least for the next 12 months we just want to really execute well in our core market. So, hopefully that's the last part of the comment that you had in terms of expansion. The first part of the question is balancing act I must say Puneet on this. I think good news is that the moment land is acquired at a higher price, the pricing also captures that. So, it's not that you'll be out of pocket in terms of the you buy land and the pricing is flat. So, the way we are thinking about is, anytime we are acquiring a piece of land we are very diligent about the economic assessment related to that acquisition. We do lots and lots of market intelligence gathering to ensure that we are able to make our business case work at the time of launch but also at the time of OC because most of the bad news can happen later and that's cost and cost of construction related and that's what we have always been doing. Whenever we find that and I had to say, let me give an example I had to say no to a deal that we all thought was very good deal and it just was just below our financial parameter. We all discussed that deal and we felt that hey you know this is just below our financial parameter. But there is more downside. If anything goes bad and despite liking the deal and there were some other factors, we ended up saying no to it. So, that deal discipline is as important in terms of when you are in the hype, on a up cycle and there is a lot of hype around real estate industry. So, that's what we are following up. Very careful, thoughtful about how we choose the deals and how we participate in the deal. We get supported on the pricing side.

The last part I just want to highlight is the growth will happen. I give this example internally. All the organized players in Mumbai, if you count them together their market share is 20%. Given the cost of capital issue like GST and RERA and all those things we see what I mentioned earlier flight to quality, there is more momentum for the organized players, and we will capture share vis-à-vis the less organized or unorganized players in this space. So, that is another contributor to the growth. Hope that answers your question, Puneet?

Puneet: Yes. And just if I may add, is it possible to share your aspiration of mix for FY28? What cities do you think, in what proportion do you think they will contribute to your presales mix?

Amit Kumar Sinha: Ideally it will be somewhere around Rs. 6,000 crores from Mumbai, let's say Rs. 5,000 crores to Rs. 6,000 crores and couple of thousand crores each from Pune and Bangalore. And if you want to introduce a new city, we will look into that. That will be on top of this.

Puneet: So, Mumbai will still remain the most important destination for you?

Amit Kumar Sinha: It has to be because from a pricing and stability of the market, Mumbai is very strong.

Moderator: Next question is from the line of Sreyans Mehta from Equirus Securities.

Shreyans Mehta: A couple of questions from my side. One in terms of Kandivali land payment, how much is done till date and how much is pending?

Amit Kumar Sinha: I think Vimal can correct me. But 50%, 55% is done and remaining 45% would be happening in the current financial year.

Vimal Agarwal: Little more than half is done and balance will happen over the next 1.5 years. One and a half years. So, not 12 months, 18 months, yes.

Shreyans Mehta: So, 55% is done and the balance would be in next 1.5 years?

Amit Kumar Sinha: Yes.

Shreyans Mehta: And also, in case you know if you could help in terms of the land outflow for next 2 years from the current projects, absolute amount if possible.

Vimal Agarwal: So, fundamentally I will just add that what Amit just mentioned in terms of our aspiration to acquire GDV which is spread across Pune, Bombay and Bangalore. You can do the numbers based on those is what I recommend because we don't share the exact cash flows on a financial year basis. If you are looking for any specific information, please let us know and we can take this offline.

Shreyans Mehta: I will get back. So, second question is though we are doing as far as our large projects or you know the recently signed deals are concerned, but in terms of our projects like Kalyan, Boisar, Palghar, there it seems we have seen we have lost momentum so, any thoughts on that?

Amit Kumar Sinha: So, I will break this into two parts. Our aspiration is to be a mid-premium, premium player. And some of these locations are a little bit far from a demand supply point of view. As a result, you see the pricing or velocity gets constrained and the cost because little bit tougher locations to make things work. It's difficult to have all those work in your favor. So, our goal is to finish those projects in line with our commitments, meet our RERA customer commitments in every which way and then evaluate whether you want to go to, whether you want to do anything more. Our aspiration as I said is to be mid premium to premium player, ideally as much premium as possible. So, you'll see less of those. But we will play it by the ear for the right projects.

Shreyans Mehta: Just clarification on Thane. When you say Rs. 8,000 crores that's the only for Resi part or it's a mix of commercial in terms of potential?

Amit Kumar Sinha: Its a 50-50 based on the rules of IITT policy. 50% Resi, 50% commercial.

Moderator: Next question is from the line of Komal Choudhary from Ratnabali.

Komal Choudhary: I just have two questions. One is, other than the Thane project, which is a mega category project for you, do you have any other project in line as big as this?

Amit Kumar Sinha: Right now, no, we don't have. But I would say some of our other project like Kandivali is close to Rs. 3,000 crores. Our Citadel is close to Rs. 2,700 crores and if we are able to monetize Murud and even a couple of others, they should be north for Rs. 2,000 crores projects. But right now, you are right, one mega project and megaproject for us is anything more than Rs. 5,000 crores. And category a project is Rs. 2,000 crores to Rs. 5,000 crores. So, we have multiple Category A project. But a mega project is as of now only one.

Komal Choudhary: And what about the Thane launch? You had mentioned that you would launch it in the first half of FY25, are you in line with that?

Amit Kumar Sinha: I think we had talked about FY25 or FY26 Q1 because the land has multiple approvals, Komal. One of the approvals was something called 63-1A exit which has been secured in the last quarter. The next approval is to get IITT policy sanction which we are already applied for. Post those clearances then we will apply for all the RERA related approval. So, these are three steps. And we had to wait for some of this because the IITT policy only got cleared in August of last financial year. So, we worked on the clarity on what we want to do, how do we monetize it, get the exits from the industrial land then get into IITT and then go into the RERA part. So, that's what we are doing. My sense it will take another year or so for us to launch.

Moderator: Next question is from the line of Jatin Sangwan from Burman Capital.

Jatin Sangwan: I was looking at your presentation and looked at your presales, guidance for FY25 which is like Rs. 3,000 crores. But if I look at your launches, you have a strong pipeline of launches or the projects that have been already launched, for example Kandivali, then you have Wagholi, then you have Citadel. So, how likely are you or is your guidance conservative? Because according to the launches you have you could easily beat those Rs. 3,000 crores of numbers. So, what are your presales targets for FY25?

Amit Kumar Sinha: Jatin, I think you already increased our guidance by Rs. 500 crores. So, over Rs. 3,000 crores and that was a calendar year in a way. It includes IC&IC business as well. So, we expect to generate Rs. 500 crores or so from the IC business. So, Rs. 2,500 crores is the guidance that we had given for FY25 and then Rs. 500 crores. So, you can say we are already Rs. 2,700 crores or Rs. 2,800 crores on IC&IC plus Resi combined. So, that's a healthy and you are right. If we have achieved Rs. 2,800 crores Rs. 3,000 crores is aspirational. Our goal is to deliver and then talk about it rather than give a promise and then not deliver. So, that's what we are hoping for. Not changing any midterm targets. I think we should look at long term targets like Rs. 8,000 crores to Rs. 10,000 crores in FY28 is what we are shooting for. All our efforts are aligned to achieving that. And you have seen the year one of the journey and I think the year two would be hopefully as exciting.

Moderator: Next question is from the line of Vaibhav Saboo from Nippon AIF.

Vaibhav Saboo: My question has already been answered in the previous thing but just one thing which I wanted to highlight like you have mentioned that Rs. 3,000 crores number is something which is you want to be at. But just highlighting that from FY24 you know Rs. 2,800 crores odd number that we have undertaken. If I look at the lower range that is Rs. 8,000 crores guidance for FY28 that comes out to a compounded growth of around 30% year-on-year. So, just working backwards from that like wouldn't the Company be targeting somewhere close to Rs. 3,300 crores – Rs. 3,400 crores IC&IC combined for FY25?

Amit Kumar Sinha: Vaibhav, I think you are right that's a strong expectation and we will strive for it. But I will hold myself from giving any guidance given how we have operated in the past. And hopefully we will keep updating you how we are progressing in these calls as well as one-on-one basis. But I don't want to give a promise and not meet it. So, I just want to make sure that we do great work, we think of long-term aspiration, manage our balance sheet and you know continue to deliver good results.

Moderator: Next question is from the line of Aditya Sen from Robo Capital.

Aditya Sen: I understand you refrain from sharing guidance but I just want to understand how much margins do we target in our residential projects? As you previously said that we target mid premium to premium. So, how much margins do we target there? Around 30%?

Amit Kumar Sinha: IRR is a better way to see the way if I may ask Vimal, correct me, I think margins in this industry is a little bit confusing if I may say so. I think the right way to assess this industry is from IRR perspective. So, how much you put in upfront for land, how much you put in between land to launch and then from launch you start to collect cash which allows you to fund the construction as well as part of your land investment. And then you get an OC, and you get the project closure, etc. So, you know the life cycle probably very well. So, that's how we measure IRR. Our goal is to be always north of 20% IRR and that's project IRR, pretax if you do equity IRR with the right debt to equity, capital structure, post-tax it'll come out to be a couple of percentage points higher. But we always look at this as a portfolio. So, right now, we have 28 projects going on. 18 projects are well underway, 5 have been launched in last financial year, 5 are going to be launched this financial year. So, you look at and this has affordable, this has premium, this has all sorts of other vintage and it has all sorts of our geographic spread. So, we are saying that how do we as a portfolio deliver a 20% IRR which is in line with the expectation that anybody should have from a return on invested capital point of view. So, that's how we look at the business. So, not necessarily margin because the accounting story gets very convoluted to understand what the projects are doing. But this is how we think about it.

Moderator: Next question is from the line of Meet Shah from Finnovate.

Meet Shah: I have recently started covering this space and as a young analyst finding it difficult to comprehend few things. My first question is related to accounting like how do we record revenue in Resi and IC&IC business?

Amit Kumar Sinha: I will request Vimal to jump in. So, yes, Resi tell me if I am correct. Resi is as per the RERA rules, so only OC you can count. It's 100% completion and IC is practically Ind-AS. It's like leasing is as good as revenue. So, in a way if we lease this year you'll get the leasing converted to revenue in the same financial year.

Meet Shah: So, like our FY24 revenue is around Rs. 212 crores while our lease premium from IC&IC business was Rs. 370 crores. Can you explain the difference?

Vimal Agarwal: So, the reported numbers actually are as per Indian Accounting Standards which basically says that there will be line level consolidation for entities where you exercise full control. And that's the litmus test from an accounting point of view. What happens in IC leasing entities, we have a stake, in Tamil Nadu we have Tamil Nadu government or Jaipur we have got Rajasthan government stake where they do have shareholding as well as in the operating key matters. And therefore, in those entities only the share of profit or the last number from their P&L gets picked up into the Ind-AS consolidated number. Therefore, that's the reason top line you don't see IC leasing numbers while in the bottom line or the profit number you see our share of profit getting added.

Meet Shah: And just to confirm in Resi business example like Kandivali Phase-I, will be completed in financial year '29. So, we will record the whole revenue of Rs. 1,200 crores in FY29, right?

Vimal Agarwal: Yes. It will get recorded in the year in which it gets completed.

Meet Shah: And what about the related cost like land acquisition and construction cost in the same year, right?

Vimal Agarwal: Same. That's right.

Meet Shah: And lastly what would be the value of our unsold inventory?

Vimal Agarwal: Our unsold inventory including various land parcels which have acquired should be upwards of about Rs. 8,000 crores.

Meet Shah: No, I am talking about the ready inventory which are ready to move which you have shown in the PPT.

Vimal Agarwal: Our ready to move inventory you are asking?

Meet Shah: Yes.

Vimal Agarwal: Ready to move in very miniscule. Most of our properties and inventory is sold out. It's a very small number of about Rs. 60 crores – Rs. 70 crores which will be there.

Moderator: Next question is from the line of Himanshu Upadhyay from Bugle Rock PMS.

Himanshu Upadhyay: My question is on acquisition and appreciate the part that we acknowledge we are near the peak of cycle. We have generally seen that the prices don't fall for residential projects historically by a very large number. But the sales velocity collection and inflation on cost side hampers the returns or IRRs. How do you manage those risks? Also, to one of the replies you stated that risks can happen at OC level and for two of our projects which had happened historically. So, how has the process improved versus what we were doing in past? So, some of your more thoughts on the process improvement and more clarity on the philosophy and working will be helpful.

Amit Kumar Sinha: Himanshu I think it's a tough question to answer on a short call with a couple of minutes. I would urge you to come over and we will spend time with the leadership team to explain how we solve this equation. And you are right, in this business when you are top of the cycle what we are trying to do is we are trying to optimize this velocity and price premium project by project, location by location. In some location we say that we don't want to sell out the whole project, we want to keep some inventory because we do know the price improvement will happen based on micro market and comparison with other micro markets nearby and competition, etc. So, we are always making those choices. But the most important thing right now is that the capabilities that are required to make that assessment is both intellectual and experience. You cannot just say I am very smart, I can predict the market or I have got so much experience I will not do analysis and both of these things have to be happening together and that's what we keep doing it. And in addition to that we have, actually the biggest thrust area for me going forward is going to be project execution, especially cost of construction, the procurement, the design specs, the procurement excellence because that's where you will end up losing a couple of basis points, a couple of percentage points of margin and being able to manage through inflation because labor cost will go up 5% every year. There could be spikes in the commodities, steel, cement etc., aluminum in a couple of years. And your business case should be able to account for that and that capability we are building. We already had a strong one when I came in but the costing center of excellence, the procurement team, are just amplifying the effort that's required. Let me just pause at that. It's something that you'll have to experience by talking to our leadership team. I will welcome you to come over, give us some time and I will share more details.

Himanshu Upadhyay: And one last thing. Generally, in bull markets what we see is land which is cheap is generally inferior or will take more time to launch. It can be because of various issues. And the land which is good is extremely expensive. And how you choose where to focus on because even a good land if it takes more time and cost escalation or lower sales velocity and all those things can eat away the returns. So, when or how are you focusing on and how do you decide that this is the time to be courageous to be patient in the market?

Amit Kumar Sinha: So, you'll have to see us in action for a few years for you to determine that. My sense is once, in this business the thing that we want to avoid is deal fever. Like this we have to make this deal and we will do it at any price and that's something that we have been coached and we have seen from other industry that you want to be very careful with that. We should be able to walk away from any deal if we don't think the contours, the guardrails are not right. And that's what we want to follow because in other if it's a different non-corporate or less organized player, they'll say I look at cash in cash out and I am okay to do the project. But for us IRR is the mantra. We just can't avoid that. So, we are very careful when we are doing the deal assessment, go through a regression and allows us to judiciously take decisions. That's what I would say.

Amit Kumar Sinha: So, I think we should thank Vimal also. This is his last analyst call. He is moving from next week to Mahindra Holidays. So, maybe you can listen to him there. So, thank you Vimal for everything that you have done and the relationship you build with all of our extended partners.

Vimal Agarwal: Thank you everyone. Thank you, Amit.

Amit Kumar Sinha: I think we had a couple of quick questions. Should we take just five minutes and close things out?

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

Pritesh Sheth: I just had one question again on margins. Since you have started this whole scaling up in last 3-4 years, we have now almost launched every project which we signed in last couple of years. Just on the project level EBITDA margins or whatever margins you want to guide to us. How are things looking? Earlier we have guided for 15% to 18% EBITDA margin on a blended basis. But do you see any upside now on that number because of the kind of realization, etc. that we are getting on those projects? That would be just one question that I would have.

Vimal Agarwal: So, Pritesh as Amit very extensively mentioned and talked about the IRR focus, fundamentally what it means is that we are not getting into any land parcel acquisition or any launch which is not IRR accretive. By extension what it also means is that any launches over the last few quarters are north of our guardrails. Similarly, the earlier projects few of those may have got impacted because of slower velocity or real estate industry not really firing initial years. However, we have got very strong controls to ensure that we deliver as per our committed guardrails. So, that's where we are. Overall, it's very much on track.

Moderator: Next question is from the line of Shreyans Mehta from Equirus Securities.

Shreyans Mehta: So, just one clarification in terms of Origins Ahmedabad, it's been a long time. We are actually looking for an anchor partner, so any thoughts out there?

Amit Kumar Sinha: Origins, we already have, we are talking Origins Phase-II, right?

Shreyans Mehta: No, I am talking about Origins Ahmedabad.

Amit Kumar Sinha: Ahmedabad. Got it. So, we already have IFC there as our partner. So, you are looking for anchor client is what you meant, right?

Shreyans Mehta: Right.

Amit Kumar Sinha: We get a lot of requests Shreyans for Ahmedabad which are small 1-2-3 acres kind of you know demand from them. But we want to get to anchor client which is at least 40 acres - 50 acres plus. We end up saying no to this smaller one because it won't make sense for us to develop the whole infrastructure just for a small revenue base. As we have seen I have been there personally, what I have seen is the land is still maybe 5km - 6 km away from all the industrial movement and the warehousing movement and the build out that's happening. My sense of the next 2 years we will start to see a lot more demand. We have right now maybe two good quality large customer discussion happening. But there's also competition with some of the other GIDC, etc. that creates some of the challenges. So, neither IFC nor us are in a hurry to find an exit from this. We are looking for the right tenants, right clients and given the momentum in the country as well as in Gujarat we will hopefully find good solutions.

Shreyans Mehta: Secondly as far as Origins Pune is concerned what's the status there?

Amit Kumar Sinha: The three parts, part one is land acquisition for access road is fairly underway. So, we had a lot of land parcel. But you need to make sure the access is smooth and efficient. So, that part is underway. We are acquiring the land. Then there is a Swiss Cheese problem of how we can make sure that it is efficient from a layout perspective rather than 1 acres or 2 acres or land pieces in the middle which don't belong to us. That contiguity is being addressed. And third part is this will also go through a very long arduous approval process. So, my sense is at least a year to 18 months before this can be brought to the market.

Shreyans Mehta: So, large part of our IC&IC contribution would be coming from the existing Chennai and Jaipur?

Amit Kumar Sinha: Yes, it will be Jaipur major as well as Origins Chennai Phase-I and then subsequently Phase-II.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question for the day. I now hand the conference over to Mr. Amit Kumar Sinha for closing comments.

Amit Kumar Sinha: Thank you, Rhea. I think I just want to thank all of you for listening in and giving your input and clarifying the questions top of your mind. As I mentioned earlier, we are in a multiyear journey of creating a very strong franchise of Mahindra Lifespaces which will have a scale and stature that will be an envy for many. So, we are making strong progress. Some of the results that you see today are in that direction but a lot of work needs to be done for us to achieve that. So, thank you for your feedback, thank you for your support. We are anytime welcome you for any additional feedback, comments, if you want to learn more about business let us know we will set it up. Your feedback is incredibly valuable and will allow us to push us more to achieve better outcomes. So, thank you all for your support.

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.