



“Mahindra Lifespace Developers Limited
Q3 FY2021 Investors Conference Call”

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MANAGEMENT:

**MR. ARVIND SUBRAMANIAN – MANAGING
DIRECTOR & CHIEF EXECUTIVE OFFICER -
MAHINDRA LIFESPACE DEVELOPERS LIMITED
MR. VIMAL AGARWAL - CHIEF FINANCIAL
OFFICER - MAHINDRA LIFESPACE DEVELOPERS
LIMITED
MR. SUMIT KASAT - HEAD OF INVESTOR
RELATIONS - MAHINDRA LIFESPACE
DEVELOPERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Mahindra Lifespace Developers Limited Q3 FY2021 Investors Conference Call. We have with us today from the management, Mr. Arvind Subramanian, Managing Director and CEO; Mr. Vimal Agarwal, Chief Financial Officer; and Mr. Sumit Kasat, Head Investor relations. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arvind Subramanian, Managing Director and CEO. Thank you and over to you Sir!

Arvind Subramanian: Thank you very much and good morning to everyone and welcome to our Q3 FY2021 earnings call. Firstly, I would like to thank everyone for participating in this conference call. As you all know, many of our operating entities from the residential business as well as our IC & IC business are not consolidated on a line-by-line basis, so I would request you give our financials with that lens.

Let me start with the market update and then talk about some of the highlights of our performance in Q3. From our market side again, I will speak first about residential. I think there have been four factors playing into the strong resurgence of demand on the residential side.

First, of course Q1, as you all know, there was complete washout. There was almost no sales happening across the sector and much of that demand has been released into Q2 and Q3 and has manifested in sales. Second is clear evidence that we are seeing from our customers and the research that we are doing that families through the lockdown have now many of the families who were on the fence thinking about whether to buy a new home or not the lockdown experience has prompted them to take the decision because they have realized they are living with some compromises either in terms of not having enough space or poor amenities in the development, so they are committing now to buy a home and we are seeing demand coming through from that underlying need as well.

The third is the market rates, as we all know market rates are at all time low and that has boosted affordability particularly for income and affordable housing consumers who are reliant on home loans to make their purchase and the fourth is local government interventions, which have been very helpful. In Maharashtra, we had a stamp duty cut of 50% till December 31, 2020, and that has certainly added more tailwinds to deal closures.

So, if I would step back, I think we are witnessing almost a perfect storm. Customers, landowners and banks and NBFCs are all now wanting to do business with the more organized players, and we are seeing gravitate therefore to be organized sector a lot more.

If I would to spend a minute on the IC & IC business, two major factors playing in there, one is the geopolitical shifts and in some ways the isolation of China, which is leading to companies rethinking their global and regional supply chains and India is emerging of the strong choice and central government has also announced a policy measures Atmanirbhar Bharat the production linked incentive schemes, which are gaining the demand strengthening as well, so there to we are seeing very positive signals for the coming quarters.

Turning our attention to the company's performance, you know before getting into the operating metrics, I would like to firstly welcome a new member to our leadership team; Mr. K.R. Sudharshan joined us at the end of December as a Chief Project Officer. He comes with over 20 years of experience with Shobha, which is a company that we all hold in high regard for the quality of their construction, the timeliness of delivery and just the method that the discipline that they have deployed. Mr. Sudharshan has spent a lot of time in both the contracting business in Shobha as well as the real estate business, so he brings that entire experience to us.

Turning to some of the key operating highlights from a sales perspective, we achieved quarterly sales of 195 Crores, which was a very broad-based performance every one of our projects across geographies and across price segments has contributed strongly to that. Within that I think some of the heartening news is we sold out Tower A at Luminaire, which has been a project that has been a marquee project for us but was facing demand challenges in proceeding yet. We have also completely sold out Antheia in Pune Aqualily in MWC, Chennai. We saw a clear trend towards the preference towards ready inventory, which accounted for about 61% of our total sales.

Collections also have been very robust. We collected 297 Crores in the last quarter, which is 122% more than the previous quarter. Completions, we are again seeing labor coming back to sites, so most of our sites are operating at between to 70% to 80% of the target labor strength, which is a strong rebound from the first and second quarter.

In Q3 we completed and received OC for about 3.2 lakhs per feet and this is primarily across three projects Antheia in Pune, the first phase of Happinest, Palghar and Eminante Looking ahead, we are gearing up to for two very strong launches and very important launches in the coming month. In the month of February, we will be bringing to market our project Tathawade in Pune as well as Sakinaka project, which had been stuck for approval

reasons for few years. We have now received all approvals and will be launching it in the month of February.

In the of March, we expect also to bring further cases of groups our project in Kandivali as well as the next Tower at Vicino at Andheri East to the market. As you will recall, Routes was the first phase was completely sold at launch and Vicino has also done very well with almost two-thirds of the first phase being sold, so both these projects in addition to the two new launches we expect we will receive good reception from consumers. Maharashtra government announced the unify BCR rules at the end of December for all the cities other than the BMC jurisdiction and that has given us some positive upsides particularly on a Tathawade project where we have additional several areas of potential.

Land is a question that many of you have been asking and keen to understand. I had committed or indicated in the last two earnings call that we are gearing ourselves up to do about 3 to 4 land deals this year with overall sales potential of about 2000 Crores and I want to reassure you and state very unequivocally that we are well on track to achieve that. We will share specifics of the land deals as we get into definitive documents, which we expect will happen over February and March, but at a high level I can share that the three most advance deals that we are pursuing, which we expect to close in this quarter, we have two in western suburbs in Mumbai and one in the central suburbs. Overall area of about 1.5 million square feet and this is RERA area I am talking about then I will seek your indulgence over the next few calls to switch our metric to RERA area rather than sellable area since that what is important so 1.5 million square feet of RERA net area and a revenue potential of just over 2000 Crores across the three projects. So, stay tuned and we expect to be announcing these deals as I said within this quarter.

In the IC & IC segment, we have done 17 acres, 17.2 acres of sales for about 33 Crores and as I said we are starting to see a very strong buildup in the lead pipeline. The two factors to keep in mind as we view the IC & IC business, these are long sale cycles so lead to closure takes anywhere from 6 to 12 months, so I expect many of the lead that we are seeing will fructify in the second and third quarters of the next financial year and the second is more tactical challenge most of these when a company buy factor land, the operations team or the manufacturing team does like to visit the land and given international travel is still restricted we have to watch how international travel opens up for these delegations to visit the land and close the deal. We have also seen a strong demand within that sector for build to suit factories, warehouses and data center and that is the space that we are actively tracking and will make some moves in that space in the coming quarters based on our assessment of the financial attractiveness.

With that let me request, Mr. Vimal to take you through the financial performance for the quarter.

Vimal Agarwal: Thank you Arvind. The numbers that states are the Ind-AS number and I just want to you to state into consideration that I mention the key numbers. The consolidated total income stood at 70 Crores as against 37 Crores in Q2 FY2021. The consolidated EBITDA including other income a share of profit from JVs is at negative 3 Crores as against negative 8 Crores in Q2 FY2021. The consolidated PAT post minority interest is at negative 11 Crores as against negative 13 Crores in Q2 FY2021. So far as debt of the company is concerned, we are right now at about 168 Crores of debt on consolidated level while the cash in hand is about 95 Crores.

On consolidated basis, the cost of debt stood at 7.5% versus 8.7% in March 2020, while in a standalone basis, cost of borrowing has dramatically reduced to about 4.9% for this quarter versus 8.2% in March 2020. That is, it from my side and we can open the floor for questions, please.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Prithvi Raj from Unifi Capital. Please go ahead.

Prithvi Raj: Sir, given that you are going to close three to four land deals in this quarter, so how much time can we assume to launch the projects in these areas?

Arvind Subramanian: Prithvi, I say at least one or two of those we expect to launch in the next financial year and that is the way we are setting up our land deals, we are trying to do deals, which have a short-time to market, so out of those three advance deals that I spoke about we expect definitely one may be, two to be launched in the next financial year and the third to be launched early in the passing financial year.

Prithvi Raj: Sir, for the next year FY2022, what kind of sales target the company is looking it because FY2019 was a peak year where you have done 1000 Crores, can we expect a better year?

Arvind Subramanian: That is only what we are setting for, so from here on we are seeing a strong growth year-on-year that we are hearing.

Prithvi Raj: What kind of launches that you are looking for next year, I mean on the medium square feet side for the whole financial year, how much you are planning for?

Arvind Subramanian: Let me talk about as I said there is four launches expected in this quarter, two new land parcels in two additional phases of existing successful projects. Next year, we are definitely going to be launching our next Bengaluru in the first half of the year and also new residential project in Mahindra World City, Chennai, so those are the one that I definitely

on the calendar, which work is already underway and beyond that we will have to look at in on a rolling basis quarter-on-quarter.

Prithvi Raj: Sir, all these projects put together, what kind of square feet that we are looking at?

Arvind Subramanian: The four new projects if I would to take Sakinaka, Chennai and Bengaluru, the total project area will be about close to 2.8 million square feet. We will of course launch them in phases, so not all the 2.8 will come to the market together.

Prithvi Raj: Are you also currently evaluating any JV projects in of your cities?

Arvind Subramanian: Yes, we are, one of those three advance deals, I spoke about is a JV and we continued to be very open and seeing a lot of interest from landowners. As I mentioned in my opening remarks, I think there is a very clear gravitation towards the more organized players. Landowners are seeing better line of site that their projects particularly on joint venture deals they are keen that it is not just about getting the best revenue share or value in terms of our term sheet, they also want predictable deals like this project will actually go to market and we will be seeing through to completion without any hitches and that is something that I think they feel a lot more confidence dealing with Mahindra than many of the other local to other person.

Prithvi Raj: Thank you, Sir. That is all from my side.

Moderator: Thank you. We have the next question from the line of Rohith Potti from Marshmallow Capital. Please go ahead.

Rohith Potti: Thank you for the opportunity and it was very nice to hear the great set of numbers. Sir, my first question is with regards to something that you have mentioned in the last couple of conference calls and a couple of interviews as well, you have mentioned that the company is gearing up to do around 2000 Crores to 2500 Crores in three years out and assuming roughly current run rate of our sales per square feet put it around 7000 to 8000, we are talking about anywhere between 2.5 and 3 million square feet three years out and that is sort of roughly tripling our current run rate, so I just wanted to get a sense from you, do this not mean that we need to significantly ramp up our land acquisition because lot of the work needs to be done before that to achieve that number, right, so how are we positioned to meet that target and what do you think we need to do there?

Arvind Subramanian: Great question and look I think you are absolutely right, but one needs to build up to pipeline of land, but even before that one needs to build your organizational capacity, so as would have seen over this year we had strengthened the team considerably, also restructured the organization to give a lot more focus and heft to our operations. On the land

side, as I said this year, we are looking at about three to four deals with 2000 Crores sales potential. If we are able that consistently over the next 2 to 3 years, the 2000 Crores plus the sales target is either natural corollary or outcome of that.

Rohith Potti: Understood, that was helpful. My second question is sort of what mentioned in your previous remark itself, so I find it very impressive that of the top management means that you shared in the presentation over the last of quarters, I think majority if not all our relatively new people over the last couple of years and many of them have come from larger organizations to Mahindra, so I just was wondering if you could talk a little more about that and how are you incentivizing people to come from larger organizations to Mahindra so more on those lines that would be helpful to hear?

Arvind Subramanian: I think the leadership has been in the making for about 2 to 3 years now, we have brought in as you rightly pointed out some very distinguished and successful professionals from different backgrounds, the approach that we have been taking is to have a mix of people from real estate and outside real estate because we do believe that there is great talent available also as well as shade, which can be put to protective use here and has been about the story that we want to create together so it is really a individuals who come together with vision in a share purpose around creating something, which is not a significant in size, but also very distinctive in terms of its impact on consumers.

Rohith Potti: That was helpful and on the land use you mentioned that one of them is a JV, so what are the structures for the others and how are we financing these?

Arvind Subramanian: Look, I was just referring to the three point advance deals, two were outright, one is a JV transaction even within the outright one has got approvals in the landowner scope, one is deal where it we will seek the approvals, so we will have a full spectrum there. If I look at the next tranche of deals beyond this top three, we also have a couple of deals, which are distressed asset deals that we are looking at very actively, so it is a good representative mix so the different opportunities spaces that exist. From a financing perspective we expect on these three more advance deals we overall outlay to be in the tune of about 400 Crores, but not all of it is paid upfront where we are structuring our deals much of the land consideration is paid overtime as the approvals come in, so we are quite comfortable on that, as you would seen on our balance sheet we have significant potential to raise further money or net debt is quite low, so for the time being have no concerns on that front.

Rohith Potti: Understood, and debt for this, I mean if it is land related financing debt, the interest rate is still around 8% to 9% that was mentioned in the call by Mr. Vimal.

Arvind Subramanian: Yes, in that rate.

- Rohith Potti:** Understood, so it is up 10% for sure is what you are trying to give, right?
- Arvind Subramanian:** Yes.
- Rohith Potti:** Great, last question from my end is broadly on the assessment of, I mean the position of Mahindra LifeSpaces in the context of Mahindra & Mahindra group, I mean the group entity, the promotor entity has been quite decisive in they are looking at investment across different verticals with very clear targets of 18% ROE businesses or businesses with that potential to be existing and others to be sort of diverse it, so within that context of the changing strategy at the group level, I was just curious on how Mahindra LifeSpaces is seen in that context?
- Arvind Subramanian:** This has come up in AGM as well as subsequent investor calls; I think the capital allocation discipline at the group level is either good for us. I do not see it is a negative because it prompts us to focus very sharply on the business cases and returns. Now, in our business given the way accounting works with the completed contracts method in Ind-AS 115 you would have appreciate that the reported financials are a lag indicator, so therefore what we have taken is that 18% ROE hurdle we are translating into an IRR metric, which we are tracking as an individual project level and making sure our entire portfolio is well about that hurdle from an IRR perspective because if IRRs are tracking, the ROE is only a matter of codes that the ROE will show, that means also as a growing business one will have to look at how we reported ROEs play out because growth will depress ROEs for the period of growth when once the topline stabilizes then the ROEs will start showing up in the reported financials, so the group is well aware of this and we are completely aligned, we have frequent conversations on this topic there are no misalignment at all and the best signal of this that is on our board, so it is a very strong sign of commitment.
- Rohith Potti:** Great, that was helpful and all the new projects that are coming out will be meeting this IRR, ROE thresholds that you are talking about the once we are launching even the once which are historic purchases land pauses?
- Arvind Subramanian:** Yes.
- Rohith Potti:** Perfect, that is it from me. Thanks a lot, Mr. Arvind.
- Moderator:** Thank you, Sir. We have the next question from the line of Devesh Kayal from Carnelian Capital. Please go ahead.
- Devesh Kayal:** Sir, just wanted to know the status of Mahindra & Mahindra aligned in Kandivali, so is there is possibility of it moving it to like say Nasik and have the opportunity for us over the next two to three years, what is the status on that?

Arvind Subramanian: There is no specific updates to provide on that, it is a conversation that we have on an ongoing basis with M&M, so as and when that line becomes available we have expressed our keenness to certainly look at that and we will be in that for that is all I can say at this stage.

Devesh Kayal: That is from my side.

Moderator: Thank you. We have the next question from the line of Gautam Gupta from Nine Rivers Capital. Please go ahead.

Gautam Gupta: Good morning everyone. Thanks for the opportunity. Before I ask my question, I just want to say that I was not on the call earlier so please forgive me if this is a repeat, my question is on the IC & IC business, last quarter we had some interesting conversations around the increase pipeline thanks to the China + factor, I just wanted to know if you look at some updates in terms of status of the pipeline there in terms of the different pipeline there?

Arvind Subramanian: As I had mentioned and maybe you would have dropped off at that time we have done was 17 Crores of sales in the last quarter, the pipeline is building up very nicely, there is some very large deals in the pipeline, which anyone of those if they close over the coming quarters would make it a bumper quarter in a bumper year, these are transactions in excess of 40 or 50 acres each and as in my opening remarks I mentioned that there is two factors playing into this China 11, as you rightly pointed out, the second is I think the Indian government both at the central level as well as the respective states are also now very proactive about attracting manufacturing investment to the country, so Atmanirbhar the production linked incentive schemes at the central level, but also a lot of state incentives, the states are putting together their trade promotion activities in a much more cogent and sportful manner and we are partnering with them and the three states that we are currently present in.

Gautam Gupta: Thank you for repeating. It is benefit. Thanks a lot that is it.

Moderator: Thank you. We have the next question from the line of Himanshu Upadhyay from PGIM Mutual Fund. Please go ahead.

Himanshu Upadhyay: Good morning. Sir, I had few questions on especially Mumbai and Pune market. We have seen state government has reduced some of the payments for the land and land development payments, how those impact us in the projects we are yet to launch or in the phases, which we are going the launch, are we paid all those dues or we are yet to pay something, and for the new three lands also which you are saying that we will buy or let us say do a JD in this year, how feasible is that that we are able to get benefits of those structures which the government has given, which is still December 2021, end, can you throw some light on that

and how will it impact the overall market and how does it impact our strategy also and do you think you will like to share some of the benefit with the customers and hence you will be there in a better positioning now, so some of those thoughts or your strategy going ahead especially in the Mumbai and Pune markets?

Arvind Subramanian: Thanks, Himanshu. So, the premium reduction that was announced towards the end of December is certainly a very welcome move, it significantly address is a cost of construction issue or a cost of development issue that has been changing the industry for a while. I see it impact more prospective than retrospective, so new land process, new projects that we yet to launch is where the impact will be more significant, also bear in mind that as the strategy we are player that does not seek to maximize or squeezing off FSI on every plot, so we do our tradeoffs about much FSI will consume, so while a particular block may offer you a 4 FSI or even a 3 FSI, we do not necessarily always consume the full FSI because going taller has a significant cost implications and time implications, so our IRR tradeoffs as I mentioned earlier we are very sharply focused on IRR, we want to complete each project anywhere between three-and-a-half to four-and-a-half years and that guys are shutdown how much FSI consumption to do, of course we will not leak value on the table, but in most cases we are finding that sweating exercise is not necessarily the best strategy.

Himanshu Upadhyay: At what stage all the payments get done, so for the land before the project getting approved from the government, we have to pay everything, or it is at stage by stage payments are done?

Arvind Subramanian: No, in most of our land transactions, we have structured a consideration to be paid over the course of the approval, so it is very rare that we will pay everything upfront and then go into a long approval cycle.

Himanshu Upadhyay: So, in the existing project itself, let us say we have seen a new phase, which you will develop for that the payment has to be done now, so the new phases will get some benefit of the government initiatives that would be the right understanding?

Arvind Subramanian: Yes, right understanding.

Himanshu Upadhyay: Okay and any thoughts on Bengaluru market can you also give, what are you doing and what is happening in that market and projects that you are going forward?

Arvind Subramanian: Bengaluru, you might be aware, we have a very successful project on Bannerghatta Road, which is called Windchimes, which is now almost 100% sold out, it is fully delivered, we have just the last probably 10 or 12 units to sell there and we are very keen to expand our presence in Bengaluru, it is a market that I believe will teach us a lot, it is a disciplined

market from a developer perspective, enduser demand is robust, the attention to quality from a customer perspective is high, so it is a market that I would like us to build up presence in and we are actively looking at deals in that market.

Himanshu Upadhyay: Thank you. That is all from my side.

Moderator: Thank you. We have the next question from the line of Parkishit Kandpal from HDFC Securities. Please go ahead.

Parkishit Kandpal: Arvind, congratulations on decent set of numbers. I would also like to congratulate you for a new hiring's, which you announced in the call, now getting into the questions, I wanted to know you said that there are three land used at one stages and largely in Mumbai and MMR, so beyond MMR you said in the next 2 years they are looking to have some continuity of 2000 Crores, 500 Crores of land acquisition and 2000 of sales potential, so what are these geographies, which you are looking at and what stages is the current land pipeline for the next year, so how does it look if you can throw some light on that?

Arvind Subramanian: Thanks, Parkishit. We are focused on three markets from a residential perspective going forward, Mumbai, Pune and Bengaluru, so all our land acquisitions will happen here and that is where we want to build depth in the three markets before, we spread ourselves out. The three more advanced deals just happened to be in Mumbai right now, it is not by design, those are progressed faster, our diligence has progressed well, the next schedule deals we are looking at there are couple of deals in Pune and Bengaluru, which are at the next year of our pipeline, so these three markets we will have panned ourselves out within these three markets to make sure we get good momentum and good depth in these markets.

Parkishit Kandpal: How many deals you will be working now, you said three are in advanced stages, so totally how many deals you would be looking at as of now working or the deals which are in advanced stages besides these three?

Arvind Subramanian: Around 10 deals I would say in very serious negotiations stage either commercial negotiations or other terms of acquisition.

Parkishit Kandpal: These ten will be like combined acquisition value of about 1500 Crores odd or like 500 Crores, 500 Crores, so you said three are about 500 Crores, balance 7 will be like what value?

Arvind Subramanian: Yes, I think roughly that number would right about three times, about 1500 Crores.

Parkishit Kandpal: Coming to the launches, you said this quarter is going to be quite a busy quarter, so I know Viral has joined you as a Chief Marketing Officer, so how do you plan to do marketing

these projects, so have you started off, have you kicked the ground there marketing for the Pune and Mumbai project, if you can throw some light on that?

Arvind Subramanian: Yes, significant work has done, as you know Mr. Parkishit, the marketing and sales preparation work happens three months before a launch, so on both fronts we are very advanced, we are ready to hit ground in fact on both these projects the new land parcels, Sakinaka and Tathawade we are at the stage of applying for RERA and getting the approval so you will see the launch happening very soon in the next few weeks.

Parkishit Kandpal: Coming to NCR, the Luminaire project so when is the second phase coming up for that project?

Arvind Subramanian: So, we have two towers there already under construction, one is fully delivered tower A, which as I mentioned is now fully sold out, which saw a very good year at Luminaire, tower C, which is the next tower, which is now civil structure completed, we are expecting OC to be received by March or April is where our focus is now on setting and we have the third tower, which is tower BUH, we expect to launch by about July next year

Parkishit Kandpal: Sir, now coming to MMI one of the large land parcels, the quote on the road land about 60 acres, so when can we see the launch there, so realistically what are the plans, how are you working on those plans and when do we expect to see that launch on the ground in that project?

Arvind Subramanian: Thane, I expect to somewhere in FY2023, it is as you said a very sizable and attractive land parcels. We are in the stage of figuring out the master plan and right endusers for that because it would not be a single end-use, I would like be a couple of different asset classes that we do there, so we expect FY2023 to be the year we bring it to market.

Parkishit Kandpal: As you said, couple of asset classes, are we looking to build out commercial and also like it more of like start our sales, which you plan to do there?

Arvind Subramanian: Too early to discuss that in detail. We are evaluating multiple things with that land.

Parkishit Kandpal: But we are open to do more of asset kind of developments as well on asset?

Arvind Subramanian: Yes.

Parkishit Kandpal: That is all from my side. Thanks Arvind and wish you all the best.

Moderator: Thank you. We have the next question from the line of VP Rajesh from Banyan Capital Advisors. Please go ahead.

- VP Rajesh:** Arvind, thanks for the opportunity. My question is around the sentiment in the MMR region. Now that they stamp duty to relate incentives have expired last month, what is your sense of you in demand side especially getting ready launch this project described in Sakinaka?
- Arvind Subramanian:** Actually, the stamp duty benefits did not expire, it was a stepwise reduction that had happened 3% reduction till December and then 2% till March, so there is still a significant benefit on the table for customers, which we expect will play into closure before March 31, 2021.
- VP Rajesh:** So, we are planing to launch in the next month and hopefully have an outcome partly to be incurred this year?
- Arvind Subramanian:** Yes, I would like to think good outcome will come because it is a good product and not only because of stamp duty, but yes, stamp duty will.
- VP Rajesh:** Sure and other question on the IT side, so when we spoke we were waiting for some the overseas clients to come to India and close the deal and obviously that seems to be pushed out a little bit given how we deal around COVID in different country, so what is your sense on getting good results, we talked about couple of large winds in the pipeline, but has there been switched out for another quarter or two if you can just give a little more colour on that?
- Arvind Subramanian:** You are right. Look it is a practical challenge that our business faces. The final timing will happen only after the respective teams are able to physically visit the site. We have shared photographs, videos, drone images all of that and therefore have a handshake on commercials and other terms, but as you would appreciate these are significant decisions where to look at a factory and how to build it out is a very, very important decision for every company, so we will to be patient and see how international travel opens up, there are a couple of countries where air bubbles have been created, but even with that the confidence to undertake international travel while physically it may be feasible emotionally and psychologically people are ready to do that is a separate question altogether, so hopefully in the coming quarters as the vaccination spreads out there is no confidence around the public scenario I am expecting these things to fructify.
- VP Rajesh:** Lastly with respect to fiscal year 2022, when we will be in a position to get some guidance whether in next quarter or thereafter in terms of as you ramp up to this three year projects that you have talked about if you can get some sense out of the fiscal year to be look like?

- Arvind Subramanian:** Look we do not provide guidance from a financial perspective. I will continue to paint three-year picture whether we are tracking, where it was that or not, but we will not be providing quarterly or annual guidance.
- VP Rajesh:** What it meant was that in terms of the million stocks that we are likely to stand in fiscal year 2022 on the residential side?
- Arvind Subramanian:** I like to have in the quarterly call with our annual results and we will see how specific we can be in that quarter.
- VP Rajesh:** That will be very helpful. Thank you so much. That is all.
- Moderator:** Thank you. We have the next question from the line of Manan Patel an Individual Investor. Please go ahead.
- Manan Patel:** Thank you for the opportunity, Sir. My first question is on the IC side, so at the group level we are talking about 18% ROE, so how does IC & IC business fit in that framework and the second question on that part, we mentioned that Pune is still in land acquisition phase, so do we expect substantial cash out flows in there?
- Arvind Subramanian:** No, in IC & IC most of the investment is behind us, there is no incremental investment ahead of us and this is over the next two to three years is the time when a lot of that historical investment will get monetized and value will get created. From a ROE hurdle perspective or in IRR hurdle perspective, there is no different from the residential business, it is the same hurdle that we apply after all capital is fungible, so whether we put it into IC or put into residential it should earn the same return, I see a significant upside potential in the IC business, so it is a wildcard that for the last few years because of macro headwinds there seems to a bit of a somber mood towards that but if India gets the story right the next 3 to 4 years are going to be a golden period for that business not just in terms of the vanilla land lease or land sale, but also the new opportunities that I pointed to in terms of built to suite factories, data centers, warehousing, we are seeing a very, very strong growth in demand in these kinds of asset classes.
- Manan Patel:** Understood. Sir, my next question is, you have mentioned that we have been in the journey transitioning the senior management team since last two and a half to three years, so is that journey nearing over or that will still continue for the next year or two?
- Arvind Subramanian:** Is that a question you want me to answer in the investor call, it is largely over. I think we must key pieces of the cursive in place. I think let me not be to humble about it, I think we have among the best leadership teams in the sector.

Manan Patel: Sir, just my perspective was that you mentioned that we must build the organizations to deliver the 2000 Crores to 2500 Crores sales mark, so my question was on that perspective?

Arvind Subramanian: No, as I said, I think the key pillars of that are in place, now it is about execution.

Manan Patel: Thanks, and Sir, with the prices of commodities going up sharply especially steel, do you see the cost of construction increase substantially and that affecting the margins over the next two quarters?

Arvind Subramanian: Yes, that is a very stress as even Mr. Gadkari has been saying quite publicly steel prices have risen substantially over the last quarter, so there is a commodity cycle that we are having to deal with, but that is inherent to the business and I do not think our midterm to long-term plans are necessarily affected by that. It is a short-term shock that we will have to absorb. We are looking at to mitigate that impact and we will be able to partially offset that through other savings and value engineering, these are also commodity cycles that it goes up it also comes down so there has been quarters when we got a benefit of a lower budget than steel price, the last quarter and this quarter we have higher than budgeted steel price.

Manan Patel: Sir, in that context would be realization moving upwards?

Arvind Subramanian: I think realization moving upwards is independent of the input costs; realization is a factor of the market. We are seeing actually a lot of journalists and analysts keep asking me this question and do you expect price correction and I find that strange because on the one end we are seeing the strong demand, but then people are saying will there be a price correction, no it does not make economic sense to me. If I look at our own portfolio, the projects that have done well, we have actually been able to increase price by as much as 8% to 10% over the last 9 months and there was no project that we have to cut price.

Manan Patel: Understood Sir. That is great to hear and my last question is on the land side, so we have read in the newspapers that government has put up e-portal for selling the surplus land, so are we participating because I understand there are surplus land significant in Pune and Bengaluru, the market areas that we are looking at, so are we participating there?

Arvind Subramanian: We are looking at space, too early to see how and to predict and how that will play out, but certainly we will be actively watching that.

Manan Patel: Understood, Sir. Thanks a lot. That was very helpful.

Moderator: Thank you. We have the next question from the line of Vaibhav Kacholia from VK Capital. Please go ahead.

- Vaibhav Kacholia:** Sir, my question was after this registration stamp duty incentive going off in March, do we see some mild down take in sales in the next two quarters maybe April, June and then July to September?
- Arvind Subramanian:** Look, this is my observation across markets and now just in India but also internationally, when there is a regulatory sunset of such an important rate, there is a short-term impact on demand, so if indeed the 2% is completely taken away on April 1, 2021, I do expect April and May will be very soft months for the sector overall in Maharashtra. I am hoping that it is done more gradually. Let us see how the government plays because it is not the government's interest also to abruptly bottle up all the demand, so we will see an accelerated desire from customers to close the registrations and deal by March 31, 2021, in the absence of any announcement that discontinues in some form I expect the month of April and May to soft if there is no extension of this benefit.
- Vaibhav Kacholia:** Right, that is very helpful and if any construction company claims benefit of this reduction in the FSI premium, do they have to bear to 5% stamp duty later, is that the understanding?
- Arvind Subramanian:** Yes, that is the understanding.
- Vaibhav Kacholia:** So, then projects, which are launched with that reduced FSI there again the stamp duty benefits will come to the customers, right?
- Arvind Subramanian:** The reduced FSI cost, the reduced premium cost.
- Vaibhav Kacholia:** No, if any project claims that FSI benefit then the builder will be paying the 5% registration stamp duty, right?
- Arvind Subramanian:** Yes, that right.
- Vaibhav Kacholia:** So, again then in that case that benefit will continue to pass to the customer for those projects where that FSI benefit is being claimed?
- Arvind Subramanian:** Yes, that is true.
- Vaibhav Kacholia:** But, in our case we do not have too many of such projects is it?
- Arvind Subramanian:** We will be evaluating as I said all future phases or existing projects as well as new land deals on a case by case basis we are evaluating where to avail of this premium benefit and where not to and how does it make sense, so we will likely have some projects going into next year where we would availed the premium benefit and therefore we will be absorbing the stamp duty for the customers.

- Vaibhav Kacholia:** Got that and Arvind, one hears that finished product inventory in the MMR region is on the downswing in fact actually correct in markets which you see around you?
- Arvind Subramanian:** Sorry, could you repeat that question?
- Vaibhav Kacholia:** One hears that finished apartment inventory is low in the MMR region in some micromarket, so do we see that or is that more hearsay market rumours?
- Arvind Subramanian:** Low in relative term, so I think there is absorption of finished goods as we pointed out in our patterns of sales of last quarter we saw about 60% of our sales being contributed by finished goods and if that is represented over the market which I think it is, we will see a gradual reduction in finished goods inventory over several quarters now.
- Vaibhav Kacholia:** But then there will be new supply and new finished products also coming, so if the inventory overall in the market reducing or not too early to call back yet?
- Arvind Subramanian:** Too early to call that, but I do think the monetization of finished goods at least in the near term is proceeding faster than the creation of more finished goods, so you will see the inventory overhand from a finished goods perspective coming down for a couple of quarters.
- Vaibhav Kacholia:** Got that and one final question was, investor interest coming up into investing into apartments and then slipping it again like here?
- Arvind Subramanian:** No. I do not think that game exist anymore, that used to be the case 4 to 5 years back when it is almost an implicit assumption that the real estate prices will go up 10% to 15% every year, The radar is no longer available, so I do not see too much of that behavior.
- Vaibhav Kacholia:** Got that, right. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Rohith Potti from Marshmallow Capital. Please go ahead.
- Rohith Potti:** Thanks, you for the followup. Just want a clarity, the Thane land parcel, we have is 40 acres or is it 50 acres?
- Arvind Subramanian:** It is around 60 acres.
- Rohith Potti:** Coming back to the IC & IC business, so you mentioned in your opening remarks that you are planning to do warehousing and built to suit factories and something in data center, so this set of followup with that in collection to what you said in a couple of previous

conference calls that you the incremental capital location to IC & IC might not be that high, so is there a change in the particular strategy going forward?

Arvind Subramanian: Not yet. What I said is we are going to watch that space quite actively because we are seeing that space maturing. Look incidentally we already have a lot of built to suit and warehousing facilities in our existing Mahindra World Cities in Origin. It is just we have not invested in it ourselves. There are investor who taken up the land and build to suit facilities and are now leasing it out to their clients, so the installed base exists and historically we have felt that that demand has not been mature enough and predictable enough for us to invest in it ourselves, so we will be quite cautious, we do not intent to put larger swords of capital behind a speculative investment so until we see signs of stability and maturity in that segment we will not be putting significant investment behind it, but I do see that, that is space that is finding its feet, so it is something we need to track that to play.

Rohith Potti: Fair enough, that was clear and one more clarification on the Pune parcel, my understanding was we have a 500 odd acre land parcel and outskirts of Pune, so what is this land acquisition that we are doing for this Origin?

Arvind Subramanian: So, it is well underway and we expect the first phase of that project to get fully aggregated by sometime in the next financial year and therefore, we should be able to bring it to market about 18 months thereafter, it is a very attractive location, very close to Pune and our strategy India IC business is being to be on these growth corridor, so it fits very nicely into that strategy.

Rohith Potti: This is sort of aggregation of all, I mean it will be using our existing land parcel that is there already and then we are aggregating that, we are not buying new parcels is that right?

Arvind Subramanian: No, it is a kind of stuck small parcels to complete the contiguity, etc., just like every aggregation plays, but again most of the land parcel is already paid out there, we do not see this as major outlay of capital in the coming year.

Rohith Potti: Perfect and we do not intent to outset of what we already have in Pune, Ahmedabad and Chennai, we do not expect to do anymore land parcel acquisitions for this particular business as of now, right?

Arvind Subramanian: Foreseeable two or three years at least.

Rohith Potti: Great. Thanks a lot.

- Moderator:** Thank you. We have the next question from the line of Anish Jobalia from Banyan Capital Advisors. Please go ahead.
- Anish Jobalia:** Arvind, good morning and thanks for the opportunity. My question is on the slide #36 of the presentation which you talk about sustainable cash flow for residential business, so if I were to look at that Q2 to Q3 this number has moved from around 1800 Crores to 2300 Crores, could you give some colour on this provision expansion of what led to a significant increase in cash flow?
- Arvind Subramanian:** Let me request Vimal to take this question.
- Vimal Agarwal:** Can you just mention, which data point you refer to 1800 Crores?
- Anish Jobalia:** In Q2 presentation the last quarter, the sustainable future cash flows on the residential business, you are given at around 1800 Crores?
- Vimal Agarwal:** That is largely dependent on the updates we would have done because the number of projects that are coming to the market have gone up and for example, say Tathawade mentioned will come up for launch and those kind of cash flows would have got it I did lastly, similarly the other development, which has happened is our Windmere projects in south has done.
- Sumit Kasat:** Let me add Vimal, So Anish, I think on that slide if you see there are two to three changes, the cash that has been collected has already gone out of that number, but there is a new cash line item we have added from the new projects, which is a new projects that we are nearing launches likes what Arvind said Tathawade or Sakinaka and couple of projects, which we are not estimated in past quarter in the investor presentation, now it has been estimated now given that we are very close to the launch. If you subtract those 700 Crores that are mentioned on the slide then you will come back to broadly 1600 Crores, which is a reduction from last number because you have collected the cash.
- Anish Jobalia:** Sir, mainly you have been able to estimate a bit better about the new projects?
- Sumit Kasat:** As we come close to launching obviously we have a better understanding about the projects and launch pricing, and blah, blah, blah, first the construction cost, so basis that we are able to estimate what will be the estimated cash surplus that we expect to generate from that projects.
- Arvind Subramanian:** See, the cash estimates here are not very optimistic. These are very, very realistic or actually one is towards being pessimistic and therefore whatever land you see on the previous slides are not straightaway getting converted to cash availability and this is falling

out only those launches where are extremely confident and that is the number you are seeing here.

Anish Jobalia: My second question is on the network of the industrial IC business, so between the two quarter that you have from 600 Crores to 892 Crores, what is that increased by such a significant amount?

Arvind Subramanian: There is no significant change, which should have logically happened, I just need to get into some more details but, overall network movement should have been. Anish, you can clarify this question offline from the call?

Anish Jobalia: Okay. Thanks for the opportunity.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Arvind Subramanian, Managing Director and CEO for closing comments. Over to you Sir!

Arvind Subramanian: Thank you very much and thank you everyone on clear active participation. As we have seen through our conversation, we are seeing a very steady and sustained build up in the business both from tectoral perspective as well as our company's performance and construction activity has picked up, sales has picked up, collection has picked up, which is a three most important metrics from the residential perspective. This quarter is going to be very important for us with two very significant new launches. I am very excited about what we have in store and the products as well as the proportions there as well as additional phases of two successful projects of all in our portfolio. From a BD perspective, land acquisition perspective, as I have reiterated again this time and maintaining consistent messaging from earlier communications, we are wanting to build a very sustained land pipeline 3 to 4 deals 2000 Crores a sale potential around 401 it was land outlet year-on-year, if you have gotten that we do not this in a Yoyo fashion where we have lost deals in one year and then have nothing in the following year that pipeline is very important and that is the way we are approaching this and building our team as well as our pipeline to set and finally on the industrial side, in the next 6 to 9 months, I am hoping once international travel opens up much of our pipeline that we built up will start fructifying into actually leases and safe. So, fingers crossed for. With that I like to again thank all of you for your participation and look forward to stay in touch.

Moderator: Thank you very much, Sir. Ladies and gentlemen, on behalf of Mahindra Lifespace Developers Limited that concludes this conference. Thank you joining with us. You may now disconnect yours lines.