



**Mahindra Lifespaces Developers Limited**  
**Q4 FY21 Earnings Conference Call**

**May 13, 2021**

**MANAGEMENT OF MAHINDRA LIFESPACES DEVELOPERS LIMITED:**

**MR. ARVIND SUBRAMANIAN – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER**

**MR. VIMAL AGARWAL – CHIEF FINANCIAL OFFICER**

**MR. SUMIT KASAT – SR. GENERAL MANAGER, FINANCE & INVESTOR RELATIONS**

**MS. RUCHIKA JAIN – MANAGER, INVESTOR RELATIONS & BUSINESS ANALYTICS**

**Moderator:**

Ladies and gentlemen, good day and welcome to Mahindra Lifespaces Developers Limited Q4 FY21 earnings conference call. We have with us today Mr. Arvind Subramanian – Managing Director and Chief Executive Officer, Mr. Vimal Agarwal – Chief Financial Officer and Mr. Sumit Kasat – Head (Investor Relations).

As a reminder, all participants' 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.

I now hand the conference over to Mr. Arvind Subramanian – MD and CEO. Thank you and over to you sir.

**Arvind Subramanian:**

Thank you Neerav. Thank you to all of you who have joined the call. Good morning and welcome to our Q4 FY21 earnings call. I wanted to take a moment at the start. We recently lost one of our dear colleagues at the start of this week to the COVID pandemic and I am sure many of you have also had both colleagues as well as near and dear ones affected by the pandemic. I wanted to take a moment with you, request you to join me in a moment of silence to remember those who have been badly hit by this pandemic. Thank you.

As all of you know of our key operating entities from the residential business, like Mahindra Homes, Mahindra Happinest, and others as well as in our IC&IC business. Mahindra World City Developers Limited, Mahindra World City (Jaipur) Limited and Mahindra Industrial Parks are not consolidated on a line-by-line basis and I request you to view our financials with that sense.

Let me give you kind of a quick synopsis of how we are seeing the macro environment and then I will talk about the company's performance and outlook for the coming years.

From a macro perspective, as we know last year has been a very challenging year. We have had a contraction in GDP. While Q4 showed a sharp rebound and we hope that that is a sign of things to come when the pandemic eases, there will be a sharp rebound in the economy. The IIP index as well showed a similar pattern, it was muted at the start of the year and then a sharp rebound towards the end of the year. The retail loan growth showed a strong recovery. In the real estate sector Q4 by all accounts across markets has been very strong from a demand perspective. There was almost 44% sales growth reported in Q4 F21 compared to the same quarter in F20. We are seeing that demand is resurfaced and bounced back across all price segments. So, it is not limited to any particular price segment or ticket size. There is a very clear preference for ready or near ready inventory. And we are also seeing indications that customers are wanting to upgrade to either slightly larger homes or homes which are better suited to their needs in terms of facilities and amenities. The demand drivers underlying this are multi decade low mortgage rates, which has boosted affordability, specific regulatory interventions like the stamp duty reduction in Maharashtra which certainly provided tailwinds to the industry and some pent-up demand from the first half of the year coming into the second half.

Turning our attention to Mahindra Lifespaces and how we have performed:

I wanted to take you back to the key pillars or the key elements of our roadmap that I had laid out when I spoke to you in July. One, I had said that by FY25 we should be getting to 2,500 crores of residential sales. The second I talked about was, the hidden value of the industrial business, the IC&IC business and with all that is happening with global supply chains and relocation and manufacturing, I had expressed hope that that could be a new gen. And third, there was already indications, even from previous years prior to the pandemic, that there is a structural shift happening in the industry.

I will use these key anchors to also talk about how we have seen the year that gone by as well as the years that are ahead of us.

Firstly, are we on track to achieve the goal of 2,500 crores of sales by 2025?

I feel very confident now, even more confident than I was when I first spoke to you about this in July of last year that we are indeed on track. And why do I say that? One, we have shown now repeatedly across many new project launches, that we are able to bring new products to market with significant impact and significant velocity at market. All the way back to Roots, Centralis, Happinest Kalyan, Happinest Palghar, Happinest Tathawade all of these projects have sold upwards of 80% within the first six to nine months of launch and that gives us a lot of confidence that we have the fundamental capabilities platforms, the product thinking that is resonating with where we see the demand.

The second is from a supply perspective.

The pipeline of land, again, I had told you, we will be targeting about roughly four launch transactions every year aggregating to about 2,000 crores worth of sales potential. So that we build a good pipeline, which will provide "dry powder" to get to the 2,500-crore sales target. And indeed, we are again well on track for that. We have done over the nine months since we last spoke, three transactions, the first was in February in Kanakpura, then in March we announced an acquisition in Kalyan and in early April we announced an acquisition in Pimpri in Pune. Between these, these are just a shade under 1,500 crores. In nine months, we have done 1500 crores worth of sales potential. We feel looking at the pipeline that we have, that we are well on track to achieving the milestone I have set of getting the 2,000 crores of GDV addition every year for the next few years.

Now, these steps and this kind of early success is coming against a backdrop of an industry that is really getting fundamentally reshaped. It is very clear that there is a perfect storm brewing which is favoring the more formalized players, and this is happening in at least four different spheres. One, as we have seen demand is migrating to the more formal sector, particularly under construction demand, pre-sales demand. Most customers are not willing to trust unknown developers or developers who do not have the track record of delivery. The second is from a capital perspective, both access to capital as well as cost of capital, there is a significant advantage that players like us are able to derive over local competitors. We have probably a 500 or 600 basis points advantage on the cost of capital and more importantly, access to capital has gotten skewed towards the more well-funded players with strong balance sheets and strong track record of governance. The third area where this consolidation is playing out is there in land supply. Again, we are seeing several deals where landowners are clear in their minds now, that they would only like to deal with well-funded formal sector players. Even if it means they sacrifice a few crores or a few percentage points of potential land value, they believe that the surety of the deal being consummated is much higher when they have a counterparty like us sitting across with them. And the fourth area, which is also very important is talent. Again, real estate has historically not been an attractive sector for talent, but today talent is getting attracted to the sector, but it is choosing to work with the more corporate, the more formal players and that I think is as important as the other factors that I said.

And the third pillar was the IC&IC business. As I said, with what is happening around the globe, it is only a matter of time I believe that this business will start coming into the limelight. The advantage we have is that we are past the investment phase in this business. All our facilities are shovel-ready and stand head and

shoulders above the competition in terms of the quality of infrastructure, the quality of services. The recent customer satisfaction survey that we had done with all our clients in the two world cities, Mahindra World City in Chennai, and Jaipur, we got resoundingly positive feedback on how these facilities were able to get ready to bring manufacturing back or manufacturing activity back much sooner than their peers in those locations. These have become case studies in the two locations. The local government, local administration came and studied how we were able to bounce back from the pandemic and the lockdowns to facilitate our clients returning to business and have asked for our help to do the same with other industrial parks under their supervision.

Turning to some of the key highlights in terms of numbers.

Sales was perhaps one of the strongest beacons of our performance last year. We have achieved the annual sales of 695 crores, which given the standing start we had for the year Q1, as you recall, was a complete wash out in Q2 was very weak as well. Being able to get to close to 700 crores which is higher than what we had done in the previous year, is I think a wonderful achievement. Within that the split has also been very balanced. What really gives me a great amount of confidence in the future is that this 70- crores was not achieved on the back of one or two star performers, it was a very broad-based performance, about 60% of that came from our mid premium portfolio and 40% from our affordable portfolio. Finished goods contributed to roughly a third about 34% of that sales value. New launches were again about 260 crores out of this 695 crores. Which tells you that we have been able to sell under construction projects. We have been able to sell in sustenance, not just new launches and we have been able to sell across price points and across geographies. In Q4, we achieved a quarterly sale of 346 crores out of that 695 crores. Almost half the annual sales were done in the last quarter. That is not a surprise, given as I said the first two quarters were extremely weak because of the lockdowns.

Our average price realization for the year stood at Rs. 6,528 per square feet.

In terms of new launches, we launched just under 1 million square feet. 9.4 lacks square feet across four different projects, two were new projects that we brought to market and two were further phases of existing projects. The new projects were Alcove, which is our Sakinaka project, which after many years we were able to resolve the approval issues and bring it to market in March. That was about one and a half lakh square feet. And Happinest Tathawade which is about half a million square feet in Pune.

I wanted to call out in particular, the performance of Happinest Tathawade.

It has been very heartening within a span of about three weeks we were able to sell 80% of the launched inventory. We launched about 420 units. We sold roughly 340 units within a span of three weeks. All our 2BHKs in this project were sold out for pre-launch and about 60% of our 1BHKs were sold. This is a market that is historically favored 2BHKs. So, it augurs very well for us because the forthcoming inventory is more heavily skewed towards 2BHKs.

In terms of the land pipeline as I told you, we concluded two transactions in the last financial year and one in the early part of April of this financial year. Both those transactions, which is Kalyan as well as Kanakpura as well as the Pimpri transaction that was agreed upon where Mahindra & Mahindra is the seller, we are expecting to bring to market within this financial year itself. So, they have been structured in a way and our preparation is at the level where we will get approvals and be able to launch fingers crossed within this financial year.

Beyond these three deals we have a very strong pipeline going in F22. It is a mix of outright with approvals in the land-owners scope, joint development agreements and society redevelopment agreements.

In terms of collections and handovers, we have achieved annual collection of 758 crores, which again is very heartening in these difficult times. The fact that we have been able to achieve close to 800 crores or 750 crores of collection and have very little bad debt or long-term defaults in that pool, is again an indication of the trust that customers have placed on us. We have handed over 605 units over the financial year, 445 of which were handed over in the fourth quarter.

Completion has been a little bit of a challenge candidly, the first two quarters, we had significant challenges on labor availability for the first quarter, labor was available on site, but we were not allowed to work. And then as soon as the lockdown was lifted, most of the migrant labor expectedly and understandably wanted to move back to their villages and we had to rebuild the labor force. We were able to rebuild it to almost 80-90% of the pre pandemic levels by Q4, but the second lockdown, which started in mid-March has again put the brakes on construction activity. That has resulted in a few completions slipping from Q4 to potentially Q1 of this financial year and that has impacted our financials.

On the IC&IC business:

Annual leasing volume has been 55.6 acres aggregating 128.7 crores. Again, this needs to be viewed with the understanding that international travel has been severely restricted. Many of our clients for our industrial park are multinational companies and their global teams, their global manufacturing and supply chain teams would typically visit every site before they decide on a new factory location. We have a good build up in pipeline, but the consummation of those deals is taking longer than usual because of the international travel restrictions. Out of those 55.6 acres that were done in the year, again almost more than half, 27.8 acres or 66.4 crores in value terms was done in Q4 of F21. Again, an indication that as the economy opened up, as travel opened up there was a strong conversion of the pipeline into actual sales. Many of the initiatives that the government has taken, whether it is the PLI schemes that have been announced, the softening of interest rates and credit availability, the lower tax rates for new manufacturing facilities, coupled with the global realignment of manufacturing, supply chains, I think bodes well for this business in the years to come.

We are also getting many inquiries for ready to suit facilities and warehousing in our industrial parks. We are in the process of evaluating what is the best way to serve this demand. Overall, I am cautiously optimistic on this segment of our business.

Let me turn the call over to Vimal to take you through the financials.

**Vimal Agarwal:**

Thank you Arvind and good morning everyone. I will take you through the high-level financial performance for Q4 versus Q3 F21 as well as for full year financial 2021 and FY20 as well.

Starting with the quarter, the consolidated total income is 258 crores as against 70 crores in Q3 F21. The consolidated EBITDA, including other income and share profit from our JVs stood at negative 30 crores as against negative 3 crore in Q3 F21. The loss is post including the investments we have made in the market on new project launches. That is an important point I wanted you to note, please. The consolidated PAT after non-controlling interest stood at negative 27 crores against negative 11 crores in Q3 F21.

Moving to financial performance for F21:

The consolidated total income stood at 188 crores as against 646 crores in FY20. The consolidated EBITDA including other income and share of profit stood at negative 60 crores as against negative 46 crores in FY20. The consolidated PAT post minority interest stood at negative 72 crores as against negative 193 crores in FY20. At present the company has debt of 244 crores at consolidated level, while cash in hand and bank balance is about 135 crores. The cost of debt for IndAS consolidated entities is 7.05% while the standalone cost of debt for Mahindra Lifespaces is about 5.9%.

Thank you. You can open the floor for questions, Neerav.

**Moderator:**

Thank you very much. The first question is from the line of Parikshit Kandpal from HDFC Securities.

**Parikshit Kandpal:**

My first question was about pre-launch land deals which you did. I think Bangalore was the old one I think it got consummated specifically we see the three land deals happened, so one is Kalyan, and Pune was also kind of a related party. So, just wanted to know that you were doing a couple of large land deals in MMR, I think Borivali and Dahisar. So, if you can update during the land deal, what is the pipeline for MMR, for Pune, also is there any MU which we have signed for maybe re-development because you did mention about re-development. So, over the next at least in 1H what is the visibility of the large deals happening. And beyond that how is the pipeline in terms overall leverage potential?

**Arvind Subramanian:**

Sorry, your voice was muffled, but I think I got the essence of your question on the land deals both trying to explain the deals that we have done and what that means as well as the pipeline going forward. So, as you rightly said, the two deals that were done last year Bangalore was something that we had kind of shook hands on and initiated almost a year and a half back, but it did go through hiccups and downs and were very happy that we consummated the deal in February. We are hoping to bring it to market in Q3 of the current financial year and are well on track to do that. Most of the approvals are in place. There are some final things to be sorted out before we are able to launch. Similarly, the Kalyan land parcel of close to 10 acres is again a very attractive land parcel where we have structured the deal in a manner where the landowner is getting us the approvals, so there is small upfront land payment and most of the consideration will be paid closer to launch. That is generally the principle that we are trying to follow in most of our land acquisition, we are trying to defer the land payouts as close to launch as possible. One of the questions I have got in the past from analysts and investors is, how quickly can you consume the land deal? I think more than consummating the land deal it is about how quickly it can we launch, which is our main focus. We try and push out the consummation of the deal to as close to the launch as possible. All these three land parcels, Kanakpura in Bangalore, Kalyan in MMR and Pimpri in Pune, we are very much on track to launch within this financial year. That is very important for us. In terms of the pipeline going forward, as I had mentioned in my opening comments, it is a very strong pipeline, I am extremely confident that we will be able to stay true to our intent of doing 2,000 crores worth of GDV addition year-on-year for the next couple of years and keep building up from that, 2,000 crores are only the first milestone. We will keep growing beyond that. The nature of the transaction is also very encouraging. As I said, it is not all outright. It is a partly outright, partly revenue share, joint developments and some interesting opportunities around society re-developments and distressed assets as well.

**Parikshit Kandpal:**

In terms of value, how do you see this, is it like 10,000 potential worth of deal. How do you quantify the size structure, if you can give some sense on where we are heading?

- Arvind Subramanian:** It is the same metrics. As I said, 2,000 crores worth of GDV addition, the next stage of our pipeline which is still in kind of final negotiations and negotiation of towns, etc., would add up to about 4,500 crores.
- Parikshit Kandpal:** So, 4,500 crores of access, advance deals land negotiations are going on currently, this what you are saying.
- Arvind Subramanian:** Yes. I would want to caution that does not mean the entire 4,500 crores would be consummated and that is why it is a pipeline. This is not a done rate.
- Parikshit Kandpal:** Which is on the large two transactions in western suburbs which we have planned sometime. Any hiccups there because this is taking some time now, because I think we were planning to close it by March, and we are already in May now. Any fall back on any of these final transactions?
- Arvind Subramanian:** No cause for concern, it is more about kind of making sure that we are extremely comfortable with the terms. In all these cases, the diligence is as we completed. There is no concern around title or any other legal aspects. It is more dotting the Is and crossing the Ts on the terms. We do not want to do these deals with a gun to our heads saying we have said March 31<sup>st</sup> therefore it must be March 31<sup>st</sup>. Like in the Pimpri which slipped into first fortnight of April, that is fine as long as we get a good deal at that is more important. No cause for concern on those terms.
- Parikshit Kandpal:** So, we have seen our presence in central and western land, so we are seeing both (27.53) opportunities emerging and some of the organized developers coming in the Navi Mumbai re-development market. So, are we looking at some sort of growth and financial in the MMR region?
- Arvind Subramanian:** Yes. In MMR, we are looking at Navi Mumbai very actively and have done conversations there as well. As you rightly said, our footprint in MMR will be Western, Central and Navi Mumbai.
- Moderator:** The next question is from the line of Adidev Chattopadhyay from ICICI Securities.
- Adidev Chattopadhyay:** Just to follow up on previous question. For this 1500 crores of sales value could you give us, what would be indicative margins or what is the target margins you are going to be working with? If you could just break up into land and construction, spends, how much would that attribute to, overall, for these projects?
- Arvind Subramanian:** Land and construction spend I will have to put it together, but indicative margins we definitely target margins and IRRs in the high teens and these I am talking about project IRR. Equity IRRs should be much higher. Margins should be in the early 20s, that is our investment model in all our projects.
- Adidev Chattopadhyay:** Where it is coming from is, I heard you saying that you will be looking around 500 crores of land spend annually going forward. Is it on a yearly basis? This is outgo you would have incurred in FY21? If you could just share that number on a land cost and approvals how much we would have spent overall?
- Arvind Subramanian:** In FY21 it would be much lower because as I said, most of our land transactions are structured with deferred payments. So, the actual outgo will happen closer to the launch in all these three transactions that we have said, two have been closed in FY21, technically one early FY22. Let me talk about all three since they are all confirmed dates.
- Adidev Chattopadhyay:** For this year what will be the guidance? For FY22 how much would you end up, including all the advances and everything what would be the indicative number for that?
- Arvind Subramanian:** This year would be in the range of 500 crores, because we will add another (+) 2000 of GDV pipeline and consummating the earlier deals plus the first tranche of the new deals would end up with a range of 500 crores. Again, it will vary depending on the mix between JDAs as an outright as you well know with JDAs upfront payment is not sure.

- Adidev Chattopadhyay:** Secondly, obviously I know that we are impacted by COVID, so how are you looking at sales for this year, is there an upper end or lower end of guidance, which you are looking at for the residential business?
- Arvind Subramanian:** Look, as I said, we are still on track and are committed to get into that 2,500 crores by FY25. Starting at roughly 700 crores last year. Now you can interpolate the numbers between that. I do not want to give year-on-year guidance, but we are holding past with our midterm guidance of 2,500 crores. Even the 2,500 crores I must emphasize is just the first milestone. If one were to think of it as an Everest trek this 2500 crores it is base camp. It is about consolidating at that level and then moving up to 4,000 crores and 5,000 crores, etc., and beyond that.
- Adidev Chattopadhyay:** Last question is a comment question on the impact of the rise in the raw material prices and also what is the labor availability currently across sites you have imposed onset of COVID?
- Arvind Subramanian:** I think that is a great question Adidev and in fact to me, the supply side of the equation in our business is more worrying than the demand side. I think we have seen enough indicators last year that when the market opens up the demand for housing and particularly good quality housing is extremely strong. On the supply side however, both with the commodity price growth still having gone up by almost 50% over the last year from Rs. 40,000 a tonne to Rs. 60,000 a tonne, cement prices going up and labor availability, being a huge challenge with frequent lockdowns. And unfortunately, it appears is going to be here to stay for much of this financial year. To me, the supply side is a bigger worry. We are working with all our contractors and suppliers to try and mitigate some of these risks.
- Adidev Chattopadhyay:** Is there any percentage in terms of how much labor do you do have onsite now after this currently, compared to couple of months back?
- Arvind Subramanian:** We were tracking at roughly 80% of our need across all the sites. We have lost about one fourth of that in the last one month. So, we are down to about 60%.
- Sumit Kasat:** One thing I wanted to mention on the labor front post wave 1 the pace at which we ramped up was significantly higher and very-very heartening say in August, September, October, we saw very cramp up and to the extent right now we are extremely confident that if this wave 2 subsides, the ramp up will be equally strong this time as well.
- Moderator:** The next question is from the line of Amit Dalal from Tata Investment Corporation.
- Amit Dalal:** Congratulations Arvind on this heartening note with which you are presenting the results and the fact that you are on target or even better in terms of the land acquisitions. I wanted to know strategically now there was a call which I had attended with the new Managing Director of Mahindra & Mahindra, is real estate going to remain a focal area for the house? It was something that frankly, I did not get a very clear answer from him. And is that capital going to be, not that you need it right now, but perhaps something that the house would not shy away from investing into? Another housekeeping, suggestion I have before you answer my question is, can you in the presentation share with us P&L on the schedule 6 basis, because this IndAS as we all know has screwed up everyone in kind of figuring out exactly the numbers.
- Arvind Subramanian:** Amit hope you are doing well. Good speaking to you, a few months since we last spoke. On schedule 6, I would request Vimal and his team to come back to you and others with that. As you said it is very hard to decipher IndAS accounts in our business. Coming to your first question on whether real estate's fit in the portfolio of the group. Honestly Aneesh and the team are the right people to answer this. But, let me just share a few indicators. One, Aneesh sits on our board and continues to sit on our board. So, that is one sign



of commitment. Two, we did do the Pimpri transaction with M&M earlier in April which again is an indicator. I am not saying it is a commitment that, given both M&M is listed real estate, we will have a clear arm's length transactions between the two companies. But both of these are indicators that the group is supportive of the business. I think the capital allocation discipline that has been brought in the group over the last 12 to 18 months is a good thing. I do not shy away from being asked to be accountable for return on equity. I am sure all of you would want me to be accountable for that as well. So, I see that as a positive, it's kind of keeps us honest, keeps us focused on doing the right things for the business and making sure we deploy capital wisely. At this stage, we have not had a capital need that we have gone back to the group asking them to put more capital in right now. I think they are quite comfortable from a balance sheet perspective. If we are able to deliver on the hurdles that the group has set out, Aneesh has been very explicit on that in the public domain, he wants companies to track to 18% ROE. I do not see any reason why the group would not be supportive.

**Amit Dalal:** Excellent. I should perhaps have asked you first, I hope everybody is all right in the Mahindra Life family with regard to COVID.

**Arvind Subramanian:** Touchwood, mostly unscathed. As I mentioned at the start of the call, we did lose one of our colleagues, a deep personal setback for me as well as my colleagues.

**Amit Dalal:** Sorry your voice has gone.

**Arvind Subramanian:** Can you hear me now?

**Amit Dalal:** Yeah, now I can, Sorry, you were saying about a colleague and I did not hear the rest.

**Arvind Subramanian:** We lost a colleague at the start in this week. That was a pretty deep personal setback and setback for our team as well.

**Amit Dalal:** My condolences.

**Moderator:** The next question is from the line of Manish Agarwal from JM Financial Service.

**Manish Agarwal:** I was just looking at the page number of 4Q FY20 and 2021. There seems to be a decline in this quarter. Any particular reason, is it because of timing of product launches or something like that?

**Arvind Subramanian:** Sorry Manish, I was not able to hear you at the start of your question, what are you comparing FY20 to FY21?

**Manish Agarwal:** This quarter 4Q FY21 compared to 4Q FY20. So there seems to be a decline this quarter. Is it mainly because due to delay in project launches? So, this year you might have launched in March last year it was earlier or something like that or any particular reason?

**Arvind Subramanian:** From which parameter are you looking at when you say decline?

**Manish Agarwal:** Sales value.

**Arvind Subramanian:** Sales value I think in our businesses, it is fairly lumpy from a launch perspective. Overall, this year 4<sup>th</sup> Quarter has been a fantastic quarter for us. Half our annual sales have been done in the fourth quarter. If I were to try and understand the reasons 4<sup>th</sup> Quarter last year, we had Kalyan sales getting logged in, 4<sup>th</sup> Quarter this year, we have Tathawade and Alcove as new projects, which were smaller than Kalyan. So, that could be one of the reasons, but our sustenance sales have been very strong right through the year and also in Q4. So that has partially offset it.

**Manish Agarwal:** And, secondly, in terms of land inventory which you gave in the presentation for forthcoming projects. So, it seems that you have reassessed that, so this quarter the presentation shows 5.74 million square feet.

While earlier presentations used to report 10.44 million square feet. Any particular reason and which land parcel of business is this specifically?

**Arvind Subramanian:** This is in our Mahindra World City Chennai and our thinking is that we will repurpose some of that land for industrial because we have run out of industrial land in Mahindra World City, Chennai and the demand continues to be strong.

**Manish Agarwal:** And what sort of realizations can you get? So, this would be normal, the realization which you are currently getting around 3.5 crores per acre. So, it will be converted into that kind of plan?

**Arvind Subramanian:** Yes. The expectation is higher than that.

**Manish Agarwal:** And any broad metrics as to how much acres it can be converted into? So, this was into million square feet?

**Arvind Subramanian:** My understanding is its roughly acres available which can be converted into industry. And we can be flexible about that to be honest. So, as the demand picks up, we can choose one asset class or the other in that land pass.

**Manish Agarwal:** Last question is related to Ahmedabad, so are we planning to launch it anytime soon? And what sort of demand should we expect in terms of leaving acres?

**Arvind Subramanian:** We have in fact, built a reasonable pipeline of inquiries that, so hopefully within this financial year we should have our anchor clients and more than just our anchor clients, probably two or three clients is the target for this financial year. From an infrastructure readiness perspective, it is fantastically developed, the access to the highway is very clear, so it is well located and great infrastructure.

**Manish Agarwal:** Realizations would be closer to Jaipur or Chennai?

**Arvind Subramanian:** Realizations will be similar to our origin center.

**Moderator:** The next question is from the line of Susmit Patodia from Motilal Oswal Asset Management.

**Susmit Patodia:** My first question is, if I look at the cashflow statement, you spend on the land is 3.7 crores, is that correct for FY21?

**Vimal Agarwal:** Susmit, our land investment actually from part of working capital movement in inventory and to that extent the expenses are definitely in three digits. I just need to check it again as to exactly how much it is, but it is definitely a much higher than 100 crores.

**Susmit Patodia:** The second question is, you have put a water flow chart of the 2,500 crores estimated cash flow. This is net of costs that you projected.

**Arvind Subramanian:** Yes.

**Management:** It is net of the construction costs. So, sales minus the construction and other direct costs like approvals and all.

**Susmit Patodia:** Last question is since most of your land payments may happen in FY21, what is planning on debt or we just go the debt way or what do further equity allusion?

**Vimal Agarwal:** Our experience in F21 is, there was this COVID, we do have slow pace of construction, but if you look at our collection number, those continues to be as strong as ever. What it means is that our ability to use the cash which is internal accrual is very high. Second, just to give you a couple of examples in MLDL our cost of borrowing right now average is about 5.9% or 6%. And therefore, it is a question of optimizing between the two with the internal accruals and the borrowings. And the third point is, if there are opportunities which we are evaluating actively right now is to create platforms. And whatever works out well is what we will do.

And I will just want to specifically call out and Arvind also highlighted the plan, or the focus is not only the next three quarters or four quarters, but also definitely mid-term which is say next two to four years.

**Moderator:**

The next question is from the line of Mahavir Mehta, and individual investor.

**Mahavir Mehta:**

I would like to ask you one thing. In IC&IC we have sold 27.8 acres in this quarter. How much profit we have earned on it? And why there is no effect of it in consolidated profit and loss account? Second one, in 2019 we have launched 15 lakhs square feet of projects, which are those projects and when they will be completed? Third question at what EBITDA we are currently looking to buy land parcel? And fourth and last one, at what rate we are selling SEZ and DTA in Jaipur?

**Vimal Agarwal:**

So far as our profitability is concerned on a blended basis, our profitability will be, or say contribution margins in our IC business will be upwards of 50%. And to that extent, if we have done a transaction of say 28-29 crores, we would have made about average realization would have been say 2.4 crores per acre, very rough numbers or 2.4-2.3. And to that extent 50% is the gross margin which we make. Now, why is it not reflecting in the profitability, is largely driven by two things. One is, IndAS which is you have to make investments upfront. Just to give you an example, say marketing, where you spend the money, and you hope to reap the benefits once you get into closure 2 completion of projects. The second is also COVID to some extent, and we follow as you know very prudent accounting, there are instances where we have gone ahead and charged some of the interest cost which in a normal year we would have gone ahead and inventorized into the P&L.

**Mahavir Mehta:**

In 2019 we have launched 15 lakh square feet of projects, so it is almost two years so when these projects will be completed, and which are those projects?

**Arvind Subramanian:**

Sumit, would you have that information? 2019 I am guessing was roads and...

**Sumit Kasat:**

Last year in 2019, Mr. Mahavir is referring to 1.55 million square feet of projects that we have launched. A large part of this 1.55 is Kalyan which is 8 lakhs square feet.

**Mahavir Mehta:**

Last to last year 2019.

**Sumit Kasat:**

I think it is Roots, Lakewood's and Centralis, these three projects were there in that year. Mahavir ji, all these three projects are expected to complete between this coming fiscal and next fiscal.

**Mahavir Mehta:**

Within 1-1 ½ years, right?

**Sumit Kasat:**

Yeah, within these two fiscals, spread over this fiscal.

**Mahavir Mehta:**

What EBITDA we are currently looking to buy land parcel like 20%, 25%. 30%?

**Arvind Subramanian:**

We looked at margins excess of 20%, as I mentioned earlier, PBT margins in excess of 20% and project IRR in the high teens.

**Mahavir Mehta:**

At what rate we are selling SEZ and DTA in Jaipur? Like SEZ must be actually much costlier than DTA, right?

**Vimal Agarwal:**

Yeah, that is right. So affectively right now see, one way to look at it is the same in World City. Right now, because of certain tax incentives, the benefits which are not there, and there is a bit of confusion, we are seeing our DTA realization much better at about maybe 2.7 crores versus the SEZ which is I think 20%-25% lower or may be slightly maybe 30% lower as of now. But our sense is that once the overall economy takes up, there will be demand which will come back for DTA as well as for SEZ to a large extent and therefore the gap between the two should drop over the next say 2-3 years.

**Moderator:**

The next question is from the line of Prem Khurana from Anand Rathi Share and Stockbrokers Limited.

- Prem Khurana:** One was on business development. So, basically what I want to understand was whenever you get into a transaction or you are evaluating a transaction so do you go with a pre-set mind as to which product category are you evaluating this land parcel for? And why I asked this is eventually because I think when we bought Kathiyawadi we were under the impression, or we were made to believe that it would come as a mid-premium but then now it has been launched as a happiness product. So, the idea was to try and understand how easy or difficult is it to switch between products because the dynamics tend to be different, right? So, happiness would be better sales velocity versus mid-premium which would be better value product?
- Arvind Subramanian:** Great question Prem. Yes, at the evaluation stage we do have a point of view around the positioning of the product. But as was the case that you pointed out in Tathawade; we are also flexible enough to take smart calls closer to the launch. In the case of Tathawade when we reassessed the market, we felt that the more compact sizing and a smart product which is essentially our Happinest sweet spot would work better for that market and the launch has proven us right in the kind of response we have got.
- Prem Khurana:** Would it be possible to share the way your IRRs would have changed because of the change in the product type? I mean when we entered into the transaction and the way the things are now? ROE would be higher for the Happinest product because sales velocity is better which is where your collection could slightly be faster but there would be a situation wherein the margins could slightly lower than what you would have been able to make with mid-premium. So, possible to share how has IRR changed after this change in the product?
- Arvind Subramanian:** Prem, it would be safe for you to assume that given what you heard me talk about in the last several calls and conversation, we are extremely IRR focused, so at no stage will we take a decision that will compromise IRR. Any changes that we make of the kind that we made in Tathawade; any tactical decisions we make will always be driven towards trying to get incremental IRR. So, in this case as well the whole thinking about repositioning the product and we actually went back to the drawing board, redesigned it, got approvals again, was to improve the IRR. It is debatable whether the margins would be lower because the idea is to drive high early velocity but then recover margins over a period of time. And we have shown that in Kalyan for example where since the launch, over the last year, we have been able to take price of almost 8% in a market which was in lockdown and the pandemic and there was lots of commentary about distressed pricing and real estate, but we have actually taken price up by 8%.
- Prem Khurana:** Second question was on, transaction that was done with our group entity wherein we are planning to buy this land parcel in Pune, and we have seen you do these kinds of transactions with group entities earlier as well. But for some reason all of these transactions have been outright transactions, does it mean the group is not open to JDAs or still making them understand that it will be beneficial for both of them if you will get into a JDA wherein for you it will be a little capital intensity, but they also tend to benefit from the development margins that you will be able to make on these land parcels?
- Arvind Subramanian:** Honestly, you are perhaps reading too much into these. These have been small transactions. So, the complete transaction was 3 ½ acres or so. You are getting into the overhead hassle of a JDA for such a small transaction makes no sense. As we get into some of the larger transactions, the JDA model is certainly on the table, both JDA as well as other constructs around that would certainly be on that.

- Prem Khurana:** Just one last for Vimal. It is just kind of bookkeeping only; our net debt has gone up by almost Rs. 40 odd crores during the quarter sequentially. Fair to assume it is essentially because of Kanakpura transaction because for your immediate transaction as you earlier mentioned in your opening remarks that you still to make the payment because it is linked to approvals. And the fact that this year we have done seriously good in terms of inventory liquidation, we have completely exhausted the entire inventory at Luminaire which was high value wherein the cost was already taken care of. We have sold Wind Chimes as well. I was under the impression that the cash flow should ideally be better than, generation should have been ideally better than what we have been able to kind of manage. So, does it mean there are some projects or there are some delays in milestone payments, or you have extended additional timelines to your customers to make the payment because of COVID issues?
- Vimal Agarwal:** I will give you a couple of numbers, which is at overall all entities, simple consolidation level. 31<sup>st</sup> March 2020, we had cash in hand of roughly about 220-225 crores. 31<sup>st</sup> March 2021, that cash in hand went up by about 20-25 crores to roughly say 240-250 crores. And therefore, overall cash availability in our sector entities has gone up. Means is that we are holding onto the cash and hoping that we will be able to replace that cash much efficiently and all these numbers are including partner shares and all of that. That is one. Second, more specifically we did have some good negotiations with the financial institutions in quarter four, and therefore we partly funded the Kanakpura deal through that because once you have completed the negotiations, opened up the land, you are expected to at least start using that land. And that was the exact reason why went ahead and used that. But overall cash flow our internal accruals continues to be extremely good and one of the best years we have seen in COVID. So, no worries at all on that front.
- Prem Khurana:** How much of construction spend during the quarter and the full year, if you would share that number, please?
- Vimal Agarwal:** Roughly we would have done about 250-260 crores in the last 7-8 months. I will not be able to tell you the quarter number.
- Moderator:** The next question is from the line of VP Rajesh from Banyan Capital Advisors.
- VP Rajesh:** My question was slide number 15, where you are saying that we have 4.71 million square foot available for launch. How much of that is expected to be in the current financial year?
- Sumit Kasat:** I think of this 4.71 million square foot, we are expecting to launch Luminaire project, we will open up further phases of Tathawade. We are planning to open up further phases in Alcove during this fiscal, and also in terms of new projects, Kanakpura and MWC residential, these are the projects we are expecting to launch. Now out of this the total area, how much we will open as phase one, phase two, is something that will be a tactical decision closer to the launch based on the market trading information and feedback. But these are the typical projects we are planning to launch this fiscal. Now, Arvind also highlighted that we have done a few deals recently, like Kalyan deal as well as the Pune deal with M&M. We are working towards getting these projects also ready for launch this year and considering the market situation, those also may come up in the market this year itself. So, I think in all fairness out of 4.7 probably more than 3-3 ½ million square foot worth of projects at an aggregate level are expected to come up in the current year. Now, how much area will be opened up, as I said, is a tactical decision closer to the launch.

- VP Rajesh:** By when would you have a sense of that, that 4.71 plus whatever you add in terms of your land bank, so out of that there will be, let us say 2 million because this year I think you did about, if I am not mistaken, I think I saw that number somewhere.
- Sumit Kasat:** About 1 million square foot of launch.
- VP Rajesh:** About 1 million, correct. So, I am just trying to ballpark against that 1 million when we only were working for two quarters, what is the likelihood of, should we assume, it will be definitely north up two, or should we assume, it will be closer to three? I am just trying to get a directional understanding of what to think about.
- Arvind Subramanian:** My sense is certainly north of two would be a very safe assumption. Just to explain why we are not putting a very firm number to it at this stage. Let me take Tathawade as an example. Tathawade was a 1 million square feet project. We have registered the first phase which is roughly half of that, which is 5 lakhs square feet, but our launch was for about 3.5 lakh square feet out of that 5 lakhs square feet. And those are very in the moment decisions depending on what is the competitive activity, what is the window of opportunity we see. In Tathawade's case we knew that the stamp duty exemption is getting over by end of March, so we wanted to bring in inventory that most of which will get sold before the end of March so that customers can get the stamp duty benefit. So, there are many factors that play into that in terms of just what inventory you release at a particular launch, but it would be very safe to say certainly 2 million plus should be brought to market this financial year.
- VP Rajesh:** And Arvind my question on the demand side, you said it is very strong. I was just wondering, now that the stamp duty benefits are out of the way for customers, what is the read of the situation now? Do you expect it to be coming down a little bit? What is your sense on the demand side?
- Arvind Subramanian:** Look, if it were a normal year and the second wave and lockdown would had not happened, I would have certainly expected that in Maharashtra, Mumbai and Pune, April would have been a slow month because of the withdrawal of the 2% stamp duty benefit. The fact that there was lockdown, of course accentuated that. But it would have any way been slower than February and March. But I expect that by June or so, things will recover again "in a normal environment" if nothing else had happened by...these things typically these shocks take two months to wind themselves down. Eventually we must understand a house purchase is a multi-year decision, families have typically been planning for it for two to three years, they have started saving up for the initial payment. So, a 2% change in price or total value is not going to sway their decision on whether to buy or not.
- VP Rajesh:** On the IC side, I was just wondering if the international travel is so minimal, are you just closing these deals online, or how is it that happening that we are consummating these deals on the IC side.
- Arvind Subramanian:** So, combination actually. We have closed certain deals remotely with some of our clients in Taiwan in particular. But several clients have also been domestic clients who were either seeking expansion for multinationals who were present in India and seeking expansion, and therefore are able to take decisions locally. But also, Indian companies who are setting up facilities. And I think it has been one of the, as I said, in such a challenging environment for our team to close these deals remotely. Six months back we were all wondering can homes be sold online, and we showed that we can sell homes online without our Palghar launch where it was value zero touch. The fact that we are also able to, in a limited way, but still able to sell industrial land online without them visiting the site is actually quite good.

- VP Rajesh:** Yeah. It is commendable and kudos to your team. That is all I have. Thank you.
- Moderator:** The next question is from the line of Rohit Potti from Marshmallow Capital.
- Rohit Potti:** My first question is on the two mid-premium projects that we launched in Mumbai, Vicino and Alcove. Given the tailwind and the stamp duty, are we happy with the sales that we have registered so far or has some of it overflowed into April and it was not registered for the previous quarter?
- Arvind Subramanian:** Look, when you ask a CEO, are you happy with sales? I can never be happy. I would always want more sales. So, I think it has been under the circumstances, these are very different products. Vicino attracts an audience which is a bit more spread out geographically different pin codes in Mumbai. Alcove is a very targeted product that attracts geographically a very concentrated market. It is people generally who live within a few kilometers from that project site who are interested in buying there. So, the velocities will inherently be different. I think Vicino has done more volumes over the years and Alcove only came in March. So, it is premature to judge based one month. We are seeing pretty good walk-ins on both the sides I think which has a longer track record. It is also further in its construction cycles therefore has a different set of demand dynamics playing there compared to Alcove. So not unhappy with either of them. Of course, I would want more sales in both.
- Rohit Potti:** My next question is on the management team. Over the last couple of quarters, you have mentioned how you are happy with the team that you have created, and we are set to scale to the next level and maybe beyond as well with the team that we have. But I just wanted to hear your thoughts on how you are incentivizing the team. And my observation is that most of them, including yourself, have come from organizations which are much larger in scale in comparison to where Mahindra Lifespaces is today. So, how are we motivating and incentivizing them and aligning them with the shareholder return over the long term?
- Arvind Subramanian:** Look, I think here two things. One, this is a team that has come together with a certain sense of purpose and that is always the starting point to create a leadership team and then to create the culture down the organization. In almost no case have I had to attract these people by throwing a lot of money at them. In many cases, they have actually taken slight haircuts in compensation to come and join us because they believe in the cause that we are trying to build. This is a company that is trying to seek its space, its legitimate space, its rightful space in an industry which is rapidly consolidating and formalizing. And I think many senior professionals are excited by that phase of the journey that we are on and what we are seeking to create. But that being said, that alone is not enough. And as you rightly said, there needs to be a financial incentivization. So, we do have a stock plan which the senior leadership team is part of where their incentives are very clearly linked to performance.
- Rohit Potti:** My last question is again on the medium-term target that you have mentioned in this call and the previous calls. Internally is there anything that you think that needs to be done or is there anything more that needs to be done for us to reach that target or the only hurdles we think that can come at external and internally we are all set to meet that goal?
- Arvind Subramanian:** No. It would be foolish of me to believe that everything is hunky-dory. I think there is a lot of work for us to do internally as well, to be able to scale up and deliver year-on-year 4 to 5 million square feet of both sales as well as delivery. Requires us to invest in capabilities, invest in systems, processes, teams all of that. So, that is not a story that is behind us. That is still a story that consumes a lot of my time.
- Moderator:** The next question is from the line of Parikshit Kandpal from HDFC Securities.

- Parikshit Kandpal:** My question was you highlighted about the residential targets; you were speaking about it. But what about the IC business. So, by 2025 how do you see the leasing momentum moving up there. We are already having about (+) 1000 acres of inventory with us which is unleased. So, from the current quantity if we take the fourth quarter benchmark of about 25-26 acres of leasing, so how do you see it ramping up annually, say by 2025?
- Arvind Subramanian:** Great question. Again, by FY25 in the IC business, we need to be at (+) 500 plus as annual leasing business. I think that is very clear to us both from an opportunity perspective and a supply perspective given the land we have and the quality of the land and infrastructure, anything lower than that would be a shame.
- Parikshit Kandpal:** So, about 200 acres annually, so that is what you are targeting. And this is achievable by when? Like from 2023 or what is your target?
- Arvind Subramanian:** Similar timeframe, 2025.
- Parikshit Kandpal:** We have seen in Pune that area has gone up from 400 acres to 500 acres. So, there has been an addition during this quarter there?
- Arvind Subramanian:** You are talking about the Pune...
- Parikshit Kandpal:** Industrial, that 400 acres is now about 500 acres.
- Arvind Subramanian:** The first phase there is going to be about 500 acres and I think it has always been in that range as we get clarity on the availability of land and the contiguity, those numbers get revised. So, now we have a line of sight to doing a contiguous 500 acres.
- Parikshit Kandpal:** And when do we launch it? Any timelines of when we will bring it to the market and how much is the pending investments to be done or payment land pending to be done here?
- Arvind Subramanian:** The pending investments are minimal. A lot of it has already been incurred and the cost of acquisition is quite low. I expect this to come to market in about two years' time. So, this year we will stitch up most of that first phase of land and the access, etc., and then go into master planning and launch. So, I would say in two years' time is when it will realistically get launched for the market.
- Parikshit Kandpal:** Any update on the Ghodbunder land now? You were earlier targeting FY23 launch, so are we on target there? If you can update us on status of that project?
- Arvind Subramanian:** It is same as what I mentioned last quarter, progress continues to be steady, and we are on target to launch that in FY21.
- Parikshit Kandpal:** Just one question on the Mahindra land which you acquired. So, typically when there is this kind of transaction, so how does the talk get initiated, how do you go about doing it? And are there any other land parcels being targeting for this year with the group, any large land banks you will see to buy out or enter into some JD? So, some visibility there if you can provide us? And even if you can cover the Kandivali land there as well?
- Arvind Subramanian:** Look, we are in constant touch with M&M on their various land parcels and when they seek to monetize those. So, in the sense we have visibility into the pipeline. Given they are a listed company, as I mentioned earlier, we do need to...
- Moderator:** Participants, please stay connected, line for Mr. Arvind has dropped. I would rejoin Arvind sir back to the call. Go ahead sir, you are connected to the call.
- Arvind Subramanian:** I was saying, with M&M we are in constant dialogue, so we understand their pipeline of land and when they would seek to monetize a certain land as they have. And that being said as I clarified at the start of the call,



they are a listed company, we are a listed company. We do need to ensure that all of these transactions are done in announcement manner with a requisite care taken for relative partnerships which is very important for both companies and to the group from a government's perspective.

**Parikshit Kandpal:** The last question on this on your target. So, I think in your media interview you have said that 2500 and 5000 and even in the call you said 25,000 crores is what you are looking at. So, which looks like FY25 looks to be more a very conservative target or yield, 2500 crores. So, I can see from your pipeline and even on your BD initiative, so do you think it is a conservative guidance, and we will get there faster?

**Arvind Subramanian:** Tough to say. Let us see this year and next year play out. This is a business where I have learned over the years that one should not get ahead of oneself. So, let our actions speak louder than our statements.

**Moderator:** The next question is from the line of Arpit Ranka from Kovil Investments.

**Arpit Ranka:** I just want to understand that how well equipped we are to protect our profitability across cycles. So, you mentioned we underwrite projects typically in early 20 for operating margins and we also aspire to sell as much as possible at the launch in a way, right? So, what I am trying to understand is let us say there is a 3-4 project cycle, 50% is hypothetically say land cost which is kind of locked in, but the other 50 is open to inflationary escalation which you have taken currently. What if they sustain let us say during these 3-4 years, and we have already locked in the customers, but the cost side is still open to negotiations with contractors and all. So, even a 20% escalation here could create an eat away into our potential margin. So, how do we ensure that we are able to protect our profitability? And I think this applies to industry as a whole not just us, but I would love to hear your thoughts on this.

**Arvind Subramanian:** I think your question is very pertinent. This is a business that has changed in its economic profile over the last 5 to 10 years. It used to be a very high margin business. It is now a moderate margin and at least for most of the organized player, we are running it almost like a manufacturing factory. That is one of the reasons why I had mentioned in earlier calls and conversations that we do not want to get into very large land parcels which are multi-sales, it takes you a decade to monetize, etc. We want to get in and out of projects quickly within 4-5 years' time exit it. And if necessary, if we find a market attractive, we will buy a second land parcel in the same market just as we have it done in Kalyan. So, that is one strategy to kind of contain the exposure so that we do not get locked into long cycles which are unpredictable and expose us to a lot of risk. The second is, as you rightly said, as costs escalate, one has to go back to the drawing board, and we do a lot of value engineering. So, we have built up this capability within the company to continuously sharpen our pencil from a cost of execution perspective. Even with the same design, how do we value engineer it so that we can shave off a few percentage points of cost is a constant endeavor and a constant challenge that we keep throwing at each other.

**Arpit Ranka:** One final question, early in the call in your commentary you mentioned that, on IC&IC one of the aspirations like 2025 is to kind of bring out the hidden value or something like that. Now what do you mean by that? Of course, one is the growth side of it, but structurally do you see that that is also a part of your aspiration for 2025 for the business? Because I think over the last 15 years, the ROEs for this segment have been at best low teens, certainly not around anywhere close to 18% or something, unless you have changed your view. How are you thinking about it beyond just the growth aspect of it which we may benefit over the next few years?

- Arvind Subramanian:** I think you are absolutely right over the last 10 to 15 years this business has been challenging from an ROE perspective. But for all the reasons I mentioned earlier with the macro climate, the global supply chain, realignment, etc., I do believe strongly that this business will also have its momentum over the next few years. And we want to be ready for that in all possible aspects. I think we are ready from an infrastructure readiness and site readiness perspective. What we do need to work on and beef up is our go-to-market in this business and how do we cast our net wider, be much more relevant to customers with the kind offerings we have, do much more than just pure land lease business, to lay around a bunch of value-added services on top of it which creates a steady income stream. Those are all areas that we are working on.
- Arpit Ranka:** Just want to understand that significant equity is unlikely to be committed to this space and embark on another 10-15 years cycle? Or do you think that is also a possibility that exists?
- Arvind Subramanian:** At this stage, I do not think that we have significant equity outlays that we are envisaging for this business. We think the investment cycle is behind us and we need to now write the value creation.
- Moderator:** Ladies and gentlemen, I will now hand the conference over to Mr. Arvind Subramanian for closing comments.
- Arvind Subramanian:** Thank you, Neeraj. Thank you to all of you for your participation and patience and the vigorous discussions we have had. Just to round off, as I said at the start, three areas that we are focused on and ultimately to deliver to our promise, one, on the residential business making sure that we get to that first milestone of 2500 crores of sales by 2025. We think we are in a perfect song where we have favorable industry re-alignment happening around us and that should enable us to do that, and the idea is to build in a sustainable way so that from 2500 we can go to then 4000 then 5000. And the IC&IC business where, as I said, the investment cycle is behind us. We believe the future is about how do we create significant value on top of the pioneering investments that we have made. So, with that let me once again thank you and request all of you to stay safe and stay well. These are extremely challenging times, and I wish all of you and your families the best of health.
- Moderator:** Thank you very much. On behalf of Mahindra Lifespaces Developers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.