MANAGEMENT DISCUSSION AND ANALYSIS

Mahindra Lifespace Developers Limited ('Mahindra Lifespaces', 'MLDL' or 'the Company') is one of the leading real estate development companies in India. Over the years, the Company has created a reputation for itself by delivering an array of highly successful projects and establishing industry benchmarks in sustainable development.

Mahindra Lifespaces, along with its subsidiary companies, joint ventures (JVs) and associates, is engaged in the development of residential projects in the mid-premium and affordable housing segments, and integrated cities and industrial clusters. This chapter presents an overview of the performance of the Company during 2017-18 and its strategy for future growth.

Performance Highlights

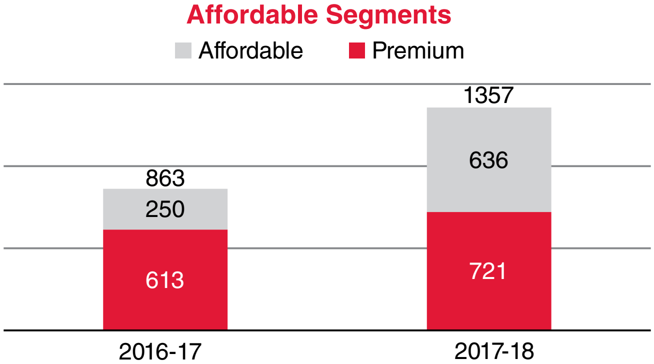
2017-18 was a significant year for the real estate industry from a regulatory standpoint with the establishment of state authorities and rules under the Real Estate (Regulation and Development) Act (RERA) and the implementation of Goods and Services Tax Act (GST).

These policy initiatives are aimed at making the sector more efficient and organised, as well as in increasing customer confidence through greater transparency and protection for home buyers. Despite the uncertainty and ambiguity in the short-term, Mahindra Lifespaces, with its transparent policies and preparedness, has smoothly transitioned to the new policy regime — which reflects through its credible performance across business segments during the year.

Strong Sales Performance in Residential

The Company sold[1] 1,357 residential units aggregating to 1.16 million square feet of saleable area in 2017-18 compared to 863 units aggregating to 0.91 million square feet in the previous year. As shown in Chart A, this improvement in sales performance was driven by a successful launch of its third affordable housing project – Happinest, Palghar in the Mumbai Metropolitan Region (MMR) and improved sales performance in its ongoing projects across the mid-premium and affordable housing segments. The Company recorded a 57 percent growth in sales volume and a 27 percent growth in area sold vis-a-vis the previous year.

Chart A: Sales (Units): Premium and Affordable Segments

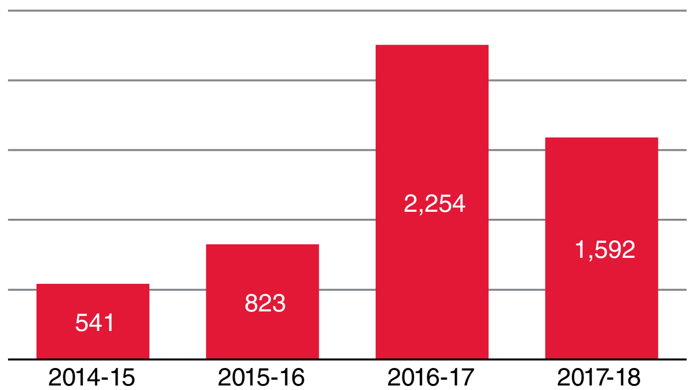


The planned launch of three new projects in the premium segment[2] had to be deferred due to high court orders banning new construction in Mumbai[3]. In addition, the launch of two projects, one each at Pune and Chennai were delayed pending approvals. The Company launched new phases in five of its existing projects – Windchimes (Bangalore), Antheia (Pune), Bloomdale (Nagpur), Happinest Avadi (Chennai) and Happinest Boisar (MMR). Sales in ongoing projects remained strong during the year with consistent efforts in the area of customer acquisition. These are discussed in greater detail in the section on 'Strategic Priorities'.

Continued Focus on Execution

The Company's focus on execution was strongly reflected through the handover of 1,592 units to customers during 2017-18 — taking the total number of units handed over in the last two years to over 3,800. This marked a significant uptick from the achievement in previous years, which can be seen in Chart B.

Chart B: Number of Units Handed Over



The Company continues to focus on reduction in cycle time of its projects. This is especially critical in the affordable housing segment, where construction efficiencies are critical to a positive project profitability and returns. **The Company's affordable housing projects in Avadi and Boisar have seen a handover of around 1,155 units to customers since the commencement of construction in 2014-15.**

Improvements in the pace of project execution and handovers have been a result of the Company's capabilities in scalable processes, customer relations and its focus on quality and safety. These have been discussed in greater detail in the respective sections of this report.

[1] Sales includes the Company's share, partners' share in joint developments and sales by its subsidiaries and JVs. Sales includes commercial / retail units that are a part of its residential projects.

[2] The premium segment includes all residential projects of the Company, barring the three affordable housing projects in Avadi, Boisar and Palghar marketed as Happinest.

[3] The Bombay High Court placed restrictions on: (a) granting permissions for new construction due to solid waste management issue in Mumbai, and (b) granting building height approvals in the funnel area of the airport in Mumbai. These restrictions have affected upcoming projects of all developers, including Mahindra Lifespaces.

Significant Contribution from World Cities

The integrated cities and industrial clusters recorded **62 acres of land leases during the year, compared to 74 acres in the previous year. The two operational World Cities at Jaipur and Chennai contributed significantly to the Company's profits in 2017-18.** Mahindra World City (MWC) Jaipur, which improved its inventory mix during the previous year with the launch of its second DTA, has further enhanced its ability to reach a wider customer base with the amalgamation approval for its sector specific SEZs into a Multi-Product SEZ towards the end of 2017-18, that was followed by the final notification in April 2018.

During the year, the Company launched its industrial clusters brand – 'ORIGINS by Mahindra World City'. The first two clusters, located near Chennai and Ahmedabad, are in various stages of planning and development. These smaller industrial clusters will have a relatively shorter project lifecycle than the existing large-format integrated cities in Chennai and Jaipur. Further details on the product offering are presented in the section on 'Opportunities and Strategy'; and details of the development activity in the first two clusters are discussed in 'Operations'.

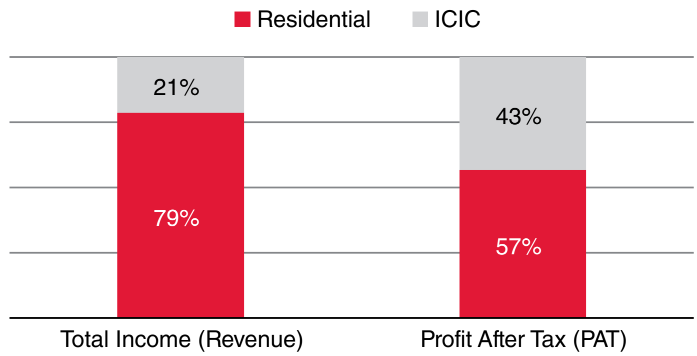
Creditable Financial Performance

2017-18 was a difficult year for the real estate industry due to a challenging macroeconomic and regulatory environment. In addition, the Company had to defer its planned launches due to regulatory issues. Despite these headwinds, Mahindra Lifespaces registered a creditable performance.

- Consolidated[4] revenue reduced from ₹ 831 crore in 2016-17 to ₹ 644 crore in 2017-18; however, operating profits (PBDIT) increased by 13.6 percent from ₹ 119 crore in 2016-17 to ₹ 135 crore in 2017-18. Operating margins improved from 14.3 percent in 2016-17 to 21 percent in 2017-18.
- Profit after taxes (PAT) of the standalone entity increased by 8.5 percent from ₹ 48.9 crore in 2016-17 to ₹ 53.1 crore in 2017-18. Consolidated profit after taxes (PAT) after non-controlling interest (NCI), stood at ₹ 101 crore in 2017-18 compared to ₹ 102 crore in 2016-17.
- Diluted EPS was ₹ 19.88 for the consolidated entity.

The indicative share of operating entities[5] engaged in the Residential and Integrated Cities & Industrial Clusters (ICIC) businesses in the revenues and profits of 2017-18 is provided in Chart C. Further, details of financial performance of all operating entities are provided in the 'Financials' section.

Chart C: Share of Businesses in Revenue & Profit



In the remainder of the report, we will present the operational and financial performance of the Company, followed by a discussion on risks and concerns and conclude with future outlook. We begin with an overview of the opportunities in the current environment, and the Company's growth strategy.

Opportunities and Growth Strategy

Turnaround in global economic performance that started in mid-2016 gathered momentum, became stronger and more broad-based in 2017. **According to the IMF, global growth is projected to increase from 3.2 percent in 2016 to 3.8 percent in 2017 — the steepest since 2011.** Growth in emerging markets and developing economies is likely to firm up, along with a modest turnaround for commodity exporters. With advanced economies continuing to perform well and being host to an environment of supportive financial conditions, the IMF expects global growth to further improve to 3.9 percent in 2018 and 2019.

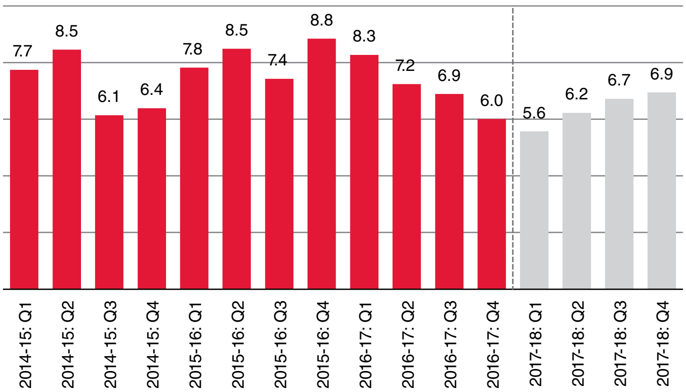
India witnessed a marginal decline in macroeconomic performance in 2017-18. **According to the second advance estimates released by the Central Statistics Office (CSO) on 28th February, 2018, growth in India's Gross Value Added (GVA) for 2017-18 is estimated at 6.4 percent, compared to 7.1 percent in the previous year.** This deceleration was attributed to a decline in industrial and agricultural growth, even as the services industry grew from 7.5 percent in 2016-17 to 8.3 percent in 2017-18.

[4] Following the adoption of Indian Accounting Standards (IND AS) by the Company, classification of subsidiary is now based on control and not just shareholding. As a result, four entities including the two operating integrated cities in Chennai and Jaipur, which were formerly being consolidated as subsidiaries, are now treated as JVs. As per IND AS, for all JVs, equity method of accounting is applicable, whereby MLDL's share of profit in joint ventures is directly credited to profit and loss account instead of proportional line-by-line consolidation. List of these entities is provided in the section on 'Financials'.

[5] Share is computed based on the sum of standalone Income and PAT of the operating entities engaged in the two businesses. The list of these entities along with the figures on Income and PAT are provided in Table 4, in the section on 'Financials'.

In a positive development, from the real estate industry perspective, the construction sector that accounts for around 8 percent of the GDP grew at a marginally higher 4.3 percent in 2017-18 after a lacklustre 3.7 percent and 1.3 percent in 2015-16 and 2016-17 respectively.

Chart D: Growth in Gross Value Added at Basic Prices (YoY, %)



The quarterly growth data of GVA as shown in Chart D, also depicts an upward trend in 2017-18. The Reserve Bank of India, in its first monetary policy statement released on 5th April, 2018, also assessed that demand strengthened in Q4, 2017-18 — with a strong rebound in private consumption and growth in sales of tractors and two-wheelers. This suggests that the transient negative impact of demonetisation and implementation of the Goods and Services Tax Act (GST) is over.

The manufacturing Purchasing Managers' Index (PMI) continues to be in an expansionary mode and the business sentiment measured by the RBI's Industrial Outlook Survey also improved in Q4, 2017-18. The investment outlook has also turned positive with sustained expansion in capital goods production and buoyancy in imports. Besides, global demand and investments have gathered steam and are likely to grow in the next couple of years.

The growth outlook for the Indian economy for 2018-19 is positive — with the RBI projecting a GDP growth of 7.4 percent in 2018-19. This has to be tempered by rising crude oil prices and their effect on the current account of India's balance of payments; plus a growth in 'core' inflation (excluding food and fuel) over the last few months, which may lead to the RBI opting for one or two rate hikes of 25 basis points each in the course of 2018-19. Despite these pitfalls, the upswing in GDP/GVA growth is expected to continue, which will augur well for the real estate industry.

Residential Developments

The residential segment continued to have high inventory levels in key markets despite a sharp drop in new launches due to implementation of RERA. Demand remained subdued, especially in the earlier part of 2017-18, with a gradual pick-up towards the fourth quarter, as the uncertainty around GST and its impact on prices dissipated.

Delhi-NCR, one of the geographies that Mahindra Lifespaces operates in, continued to be the most affected market. In comparison, the situation was better in Mumbai, Pune, Hyderabad and Bangalore, where prices remained stable despite muted end-user demand. The Company has identified the western and southern regions as growth corridors for its residential business. It currently has projects in the Mumbai Metropolitan Region (MMR), Pune and Chennai which are in advanced stages of planning or approvals. **The Company seeks to grow its presence significantly in Mumbai, Pune and Bangalore and add to its presence in Hyderabad and NCR before exploring any other geographies.**

The luxury segment, among the various product segments, was the most affected with dismal absorption levels. The situation was relatively better for projects in the premium to mid segment range. **The Company will continue to focus its growth strategy on the mid- premium segment where it has a strong connect and equity with the target customer.**

The affordable housing segment saw maximum traction during the year, with forward strides in government policies such as 'Housing for All' and the 'Pradhan Mantri Awas Yojana', which have further improved the viability and outlook for the segment. The Company, which launched its brand 'Happinest' in this segment, in 2014-15, has three operational projects with around 1,850 homes sold. **Based on the learnings and success of its ongoing projects at Avadi and Boisar, and the recently launched project in Palghar, the Company is confident of scaling up its presence in this space as a part of its future growth strategy.**

Integrated Cities & Industrial Clusters (ICIC)

The Company is a pioneer in integrated cities space, and currently has two operational integrated cities: Mahindra World City, Chennai and Jaipur, which have been developed in a public-private partnership model with the respective State Governments. During 2017-18, there was a moderate revival in the demand for industrial land and built-to-suit solutions from companies targeting the Indian market. Demand from export-oriented manufacturing units was subdued in comparison. Besides, longer decision cycles of companies looking to lease land have resulted in fewer deals, despite growth in interest and enquiries. **The Company will focus on increasing its deal pipeline and closures in the balance inventory of industrial land in Chennai and in leveraging the enhanced product-mix at Jaipur to add more customers in its DTA and multi-product SEZ.**

As a part of its growth strategy for this business, the Company has also decided to build a network of smaller

industrial clusters, branded as 'ORIGINS by Mahindra World City'. Further details on the characteristics of these projects and the brand proposition are provided in Box 1.

Box 1: 'ORIGINS by Mahindra World City'

Vision: Accelerated economic growth by creating world-class industrial ecosystems that attract investment in manufacturing and promote 'Make in India'. Address the growing need for sustainable industrial infrastructure and provide impetus to India's rising prowess as a global manufacturing and investment hub.

Product: Industrial clusters spanning 250-600 acres meeting global standards located in high growth corridors across India. Allow faster go-to-market with clear land titles, plug-and-play infrastructure, in-house expertise in operations and security along with a range of business support services such as warehousing, logistics and banking. In addition, provide value-added services such as fulfilment centres, industrial kitchens and industrial waste management.

Business Case: Shorter turnaround time increases the capital efficiency and pre-aggregated approach to land acquisition reduces the risk profile. This also improves the attractiveness of such projects to strategic and financial investors, allowing the Company to raise capital through collaborations and equity participation. Smaller projects also enable focused offerings for specific industrial segments in the clusters that they operate.

Sustainable Urbanisation: Support development beyond current urban centres by making available a holistic environment conducive to accelerated business growth. Focus on sustainability principles and incorporate environment-friendly solutions in areas such as energy efficiency, water and waste management.

The Company has identified upcoming industrial destinations and corridors in the western and southern regions to start with. **It has initiated planning / development on two projects: one, near Chennai (Tamil Nadu) in a joint venture with Sumitomo Corporation, Japan, and the other near Ahmedabad (Gujarat) with International Finance Corporation as a strategic partner.**

Operations – Projects Update

Residential Developments

2017-18 witnessed continued focus on execution, with a sustained momentum in construction completion and a major step-up in the number of handovers by the Company. Table 1 provides a snapshot of the Company's project portfolio across different markets. **As of 31st March, 2018, the Company along with its subsidiaries has completed projects covering 14.55 million square feet[6] in the residential segment, including 0.68 million square feet completed during the year.**

Table 1: Projects Snapshot as on 31st March, 2018 (million square feet#)

Location	Completed Development	Current Development	Future Development
MMR*	3.23	0.58	1.59
Pune	2.58	0.41	0.63
Hyderabad	1.08		
Chennai	3.81^	0.41	1.63
Nagpur	0.41	0.92	0.22
NCR**	3.04	0.77	0.36
Bengaluru		0.87	
Jaipur	0.40^		
Total	**14.55**	**3.97**	**4.43**

Estimated saleable area.

* MMR includes Mumbai, Boisar, Palghar, Thane and Alibaug.

** NCR includes Delhi, Gurgaon and Faridabad.

^ Includes residential and commercial developments inside MWC Chennai and Jaipur.

During 2017-18, the Company launched Happinest Palghar, its third affordable housing project, which received a tremendous response. Additionally, it launched fresh inventory in five of its existing projects. **It is currently developing 3.97 million square feet with another 4.44 million square feet available in the form of forthcoming projects - new phases of ongoing projects and new projects that are in various stages of planning, for launch in the future.**

Table 2 provides project-wise status of sales and construction completion of the Company's ongoing projects as well as information on forthcoming projects for which design development or approvals are underway. In addition to this, the Company has a landbank with a development potential aggregating around 10.44 million square feet[7], 91 percent of which is within Mahindra World City, Chennai.

[6] Does not include selected projects that were completed by GESCO.

[7] Estimated saleable area of 0.59 million square feet at Thane has an impediment. The matter has been taken up with concerned authorities for removal of the impediment.

Table 2: Project-wise Status as on 31st March, 2018

Market	Project	Estimated Area (million square feet)		(Percent of Launched)	
		Total	Launched	Sales#	Completed@
Chennai	Aqualily^	1.58	1.51	76%	91%
NCR	Luminare^	1.14	0.77	57%	64%
Nagpur	Bloomdale^	1.55	1.33	77%	70%
Pune	Antheia	1.63	1.34	89%	96%
Pune	L'Artista	0.09	0.09	33%	100%
Hyderabad	Ashvita	1.08	1.08	92%	100%
MMR	Vivante	0.16	0.16	100%	84%
MMR	The Serenes	0.16	0.06	33%	72%
Bangalore	Windchimes^	0.87	0.87	52%	80%
MMR	Happinest Boisar	0.53	0.53	77%	91%
MMR	Happinest Palghar 1^	0.41	0.30	50%	28%
Chennai	Happinest Avadi	0.73	0.48	88%	92%
	Total	**9.93**	**8.52**	**76%**	**84%**

Forthcoming Projects (New Projects) $	Estimated Area (million square feet)	
	Total	Launched
Kandivili, Mumbai	0.14	-
Sakinaka, Mumbai)	0.34	-
Happinest Palghar	0.64	-
Andheri, Mumbai	0.26	-
Pimpri, Pune	0.33	-
MWC, Chennai P17	0.90	-
MWC, Chennai P21	0.41	-
Total	**3.02**	**-**

Sales (%) based on MLDL's share in launched area

@ Completed area is with respect to Total Estimated Project Cost which includes land costs and construction related costs

^ Projects implemented by subsidiaries and JV companies

$ The areas of the forthcoming projects are estimated areas and are subject to change basis final approvals.

Integrated Cities & Industrial Clusters

2017-18 was host to new customer acquisition as well as expansion by existing customers in the two operational Mahindra World Cities at Chennai and Jaipur. **Combined exports by companies at the two World Cities was ₹ 12,739 crore and their direct employment stood at around 50,000 persons. Mahindra World City, Jaipur was conferred the "Best PPP (Public-Private Partnership) Model" at the 'Business World Smart Cities Conclave & Awards, 2017'.**

Mahindra World City, Chennai, leased 17.6 acres during the year, adding three new customers, while two existing customers took up additional land for expansion. As a result, the total number of industrial customers increased to 66 (26 in the SEZ and 40 in the DTA). Of these, 54 companies were operational as of 31st March, 2018.

The four operational residential projects at Mahindra World City, Chennai, saw an increase in occupancy from around 1,100 families in the previous year to 1,850 families in 2017-18. Details of the residential projects in Mahindra World City, Chennai have already been provided in the section on residential developments.

On the social infrastructure front, considerable progress was made during the year with the on boarding of a new school and the expansion of the Mahindra World School and JSP Hospitals. Additionally, Mahindra World City, Chennai divested its stake in 'Canopy' — the city's retail and commercial centre — in line with the strategy to focus on its core business.

Mahindra World City, Jaipur leased 44 acres during the year, adding eight new customers, while five existing customers took up additional space. At the end of the year, the Company had 81 industrial customers — 47 in the Special Economic Zones (SEZs) and 34 in the Domestic Tariff Area (DTA). Of these, 49 companies are operational and another 10 are expected to start operations in 2018-19. The Company is currently in the process of finalising the master plan for its residential and social infrastructure area.

In an important development since the close of 2017-18, MWC Jaipur received the notification, constituting the final approval from the government, to establish a multi-product SEZ. As a result, the existing sector-specific SEZs — IT/ITeS, Engineering and Related Industries, Handicrafts, Gems & Jewellery — will be amalgamated into a composite multi-product SEZ, which will further widen the target customer base and improve the project outlook.

Origins, Chennai, is the Company's first venture in the industrial clusters space. It is a 264 acre project in North Chennai, which is being developed through its subsidiary in a JV with Sumitomo Corporation. All approvals for the project are in place and development work started in 2017-18.

Origins, Jansali, is the Company's second industrial cluster near Ahmedabad, Gujarat, with an area of 268 acres. It will be developed through its subsidiary, with International Finance Corporation as a strategic partner. The Company is in the process of securing necessary approvals for the project.

Operations – Strategic Priorities

The strategic priorities of the Company have been focused on building brand equity and shareholder value through differentiation and scale.

Customer Acquisition and Engagement

2017-18 was a tough year for the real estate sector, with sluggish demand and ambiguity due to implementation of GST and RERA. Additionally, the Company had to defer most of its new launches due to regulatory holdups. In this environment, the Company's focus was on driving sales in existing projects. Some of the key initiatives are discussed below.

Significant efforts were made during the year to improve lead quality, with increased focus on digital and referral sources. A rigorous process of enquiry tracking, aided by technology, helped increase actionable leads. This was supported by a customer-focused, upgraded contact centre, that significantly enabled direct integration with the sales function. Typical response time to enquiries came down from around 24 hours to less than 10 minutes. The Company also leveraged community events, during project milestones such as handovers, launch of club house and during festivals, to engage with the customers and generate referrals. Additionally, it also engaged pro-actively with its 700-odd channel partners during the year.

In January 2017, the Company launched 'Joyful Homecomings' as its brand proposition — the cornerstone of its communication strategy. 2017-18 saw significant activity, with all the campaigns and messaging consistent with the strategy. Social media was extensively leveraged to build the brand identity around four themes: spreading joy, transparency, environment and quality of life.

Several of the Company's campaigns saw success and social media engagement levels increased significantly during the year. These campaigns generated over 180 million Facebook and Twitter impressions and over 8 million video views during the year. **The Company's #IamGreenArmy digital campaign received the "Best Social Media Campaign of the Year" at the CMO Asia, Global Youth Marketing Forum Awards.** The campaign also received the Gold award for "Digital Marketing, Effectiveness" at Asian Customer Engagement Forum and Awards (ACEF).

Execution Excellence

Robust project execution skills are an important enabler of scale. The Company during the previous year, initiated a large scale business process re-engineering exercise – Project Udaan. During the year Udaan focused on defining the road-map for reducing cycle time of projects in the product development and construction stages. Additionally, the intervention helped define the blue print for standardisation, the decision framework for building internal capabilities vs. outsourcing and the use of technology to enable better data management and faster decision cycles. The Company implemented the standardisation framework for segment-wise product specifications by segment, for materials like pre hung doors, windows, tiles, tile fixing and water-proofing during 2017-18.

The Company's strong quality management system has been instrumental in improving the quality of its products and processes. In the previous year's annual report, we had mentioned how the Company's focus on delivering a 'Zero-Snag Product' received a major boost with the implementation of a mobile application 'Q SCAN', which automates the entire home inspection process prior to handover. This was extended to all projects in 2017-18. Post-handover feedback mechanisms were also institutionalised to enable accurate analysis and corrective action.

Mahindra Lifespaces has an established 'Safety Policy' which underscores its commitment to prevent accidental injuries and improve the occupational health of its associates. Its flagship safety initiative "Safe Methods and Risk Reduction Techniques" (SMARRT) implements international best practices and aims to eliminate unsafe acts by proactive reporting of such incidents.

The Company had no fatal accidents in the last three years and zero reportable accidents in two of the three years. It furthered its journey in safety from monitoring accidents to monitoring near misses and reducing first-aid cases. It also carried out extensive safety training workshops to improve processes, sensitise workers and promote safe practices. **In recognition of its efforts, Mahindra Lifespaces received the 'CIDC Vishwakarma Award' for 'Health Safety & Environment' for two of its projects: Vivante in Mumbai and Happinest, Boisar. These awards are given by Construction Industry Development Council (CIDC), established by the Planning Commission (now Niti Aayog) and the Construction Industry.** There was one reportable accident during 2017-18.

Customer Relations

The Customer Relations (CR) function at Mahindra Lifespaces endeavours to service its customers during the entire lifecycle, from booking to post-handover facilitation. **The Company has significantly invested in systems and process to achieve**

differentiation and enhance its ability to handle scale. These efforts have enabled the Company to efficiently handover a total of over 3,800 residential units in 2016-17 and 2017-18.

In the previous year, the Company had initiated implementation of a tech-based CRM solution aimed at enabling a single view of the customer, right from the prospecting stage to post-handover. Considerable progress was made on this front during 2017-18, which enabled the roll-out of two significant initiatives to strengthen customer experience:

- "Customer Assist" — a single contact number for the customer from sales to post-handover that logs and tracks all queries until they are successfully resolved.
- "M-Life" — a mobile application for customers. Apart from enabling the complete set of transactions and enquiries during the customer's journey with the Company, it also allows them to avail value added services and connect with other homeowners in a project.

During the year, the Company also upgraded its website and to improve navigation and information content. New features such as grievance redressal, testimonials and blog were introduced and the website was enabled for e-commerce transactions, with online bookings taking place for projects in Boisar and Palghar.

With the significant increase in handovers, post-handover services and facility management (FM) have been other key areas of focus. During the year, the Company expanded its post-possession value added services that had been piloted in 2016-17 — both, in terms of number of projects and types of services. These now encompass complete interior solutions, electrical fittings, lighting solutions and modular kitchens. Going forward, the Company shall further increase the bouquet of value added services available to customers.

Land and Financial Capital

The Company is focused on adding significantly to its current portfolio of projects to meet its growth objectives. The Company sees an opportunity arising out of RERA and market conditions, to pursue asset light acquisitions through the joint-development, joint-venture and development management routes with land owners. To this end, it is enhancing its reach, access and team strength in business development to increase deal pipeline and closures. It is prioritising acquisitions in its focus markets of Mumbai, Pune and Bengaluru followed by Hyderabad and NCR.

Mahindra Lifespaces has seen increasing success in its ability to raise risk capital and scale up its presence through asset light models with credible partnerships. **During the year, the Company entered into two such partnerships. The first partnership is with International Finance Corporation (IFC), a member of the World Bank Group, for the development of multiple industrial parks across Gujarat, Rajasthan and Maharashtra.** This entails an investment commitment of USD 50 million, with the first investment in Origins, Jansali — the 268-acre industrial cluster near Ahmedabad. **The second partnership is with a fund managed by HDFC Capital Advisors Limited for projects in the affordable housing space, with** joint **commitment of ₹ 500 crore that can deliver development footprint of 5-10 million square feet.** Happinest, Palghar (I & II), in the Mumbai Metropolitan Region, which has an estimated saleable area of 1.05 million square feet, is the first project to be implemented under this partnership.

The Company already has a partnership with Standard Chartered Real Estate (Singapore) Private Ltd for residential projects in the mid-premium segment. The JV company has completed investments accounting for close to 65 percent of the total joint investment commitment of ₹ 1000 crore.

During the year, the Company also focused on reducing its cost of capital by re-negotiating interest rates on existing loans and prudently using alternatives like commercial paper. **The average cost of consolidated debt reduced from 9.86 percent in 2016-17 to 9.49 percent in 2017-18.**

Human Capital

Mahindra Lifespaces recognises that its people are key to the success of the organisation and in accelerating its growth trajectory. During the year, the Company continued its efforts to strengthen its HR policies and processes to attract and retain the best talent in the industry. It enjoys relationships with specialised institutions in the construction industry such as National Institute of Construction Management and Research and RICS School of Built Environment for entry level positions in project management and sales.

The Company is focused on catering to the learning and development needs of its associates, for which it regularly carries out structured training initiatives in functional areas such as sales, marketing, customer service, and project management. During the year, it extended its e-learning platform with a programme covering product design for its sales associates. It also carried out extensive programmes on RERA and GST across the country to familiarise its people with these developments. Overall, each associate of Mahindra Lifespaces received an average of 24 manhours of training in 2017-18.

Mahindra Lifespaces endeavours to keep its workplaces safe, transparent and friendly for people to work in. It also has a policy which is aligned to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has a 'Diversity Council' with the objective of creating an inclusive environment in the workplace. As of 31^{st} March, 2018, the percentage of women as full-time associates stood at 18 percent. During the year, it introduced a mentorship programme for women associates. Moreover, three of its associates graduated from an 18-month Women Leadership Programme instituted by the Mahindra Group's a

Centre for Leadership Development. **During the year, Mahindra Lifespaces was selected by Working Mother and AVTAR as one of the "100 Best Companies for Women in India".**

As of 31st March, 2018, the Company together with its subsidiaries had 362 associates on its rolls. In addition, the Company had more than 4,000 workmen, across all its sites, employed by its contractors. Associate relations remained cordial during the year.

Financials

Table 3 presents the abridged profit and loss statement of Mahindra Lifespace Developers Limited.

Table 3: Abridged Profit and Loss Statement

(₹ crore)

	Standalone		Consolidated	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Operating Income	475.0	680.6	566.2	762.1
Other Income	82.2	72.7	77.9	68.9
Total Revenue	**557.2**	**753.3**	**644.1**	**831.0**
Project and Operating Expenses	344.7	546.7	393.5	588.5
Employee and Other Expenses	94.2	99.7	115.2	123.3
Financial Expenses	35.4	32.0	41.3	20.2
Depreciation	4.0	4.3	4.3	4.6
Total Expenditure	**478.3**	**682.7**	**554.3**	**736.6**
Share in Net Profit/Loss of Associates	-	-	44.7	44.5
PBT	78.9	70.6	134.5	138.9
Tax	25.8	21.7	31.1	33.0
Profit After Taxes (PAT)	**53.1**	**48.9**	**103.4**	**105.9**
Non Controlling Interest (NCI)			-2.4	-3.7
PAT (After NCI)	**53.1**	**48.9**	**101.0**	**102.2**
Other Comprehensive Income^	-0.1	0.7	-0.1	0.6
Total Comprehensive Income (After NCI)	**53.0**	**49.6**	**100.9**	**102.8**
Diluted EPS (₹)	**10.46**	**10.96**	**19.88**	**23.03**

^ Other Comprehensive Income figures are after Non-Controlling Interest and net of Tax.

Despite a challenging macroeconomic and regulatory environment for the real estate industry, Mahindra Lifespaces registered a creditable financial performance during 2017-18.

Consolidated[8] total revenue reduced from ₹ 831 crore in 2016-17 to ₹ 644 crore in 2017-18, primarily due to decline in project activity during the year and a one time revenue of ₹ 176.71 crore through sale of land in the previous year. Even so, operating profits (PBDIT) increased by 13.6 percent from ₹ 119 crore in 2016-17 to ₹ 135 crore in 2017-18. Increase in efficiencies and ability to contain costs also resulted in an improvement in operating margins — from 14.3 percent in 2016-17 to 21 percent in 2017-18.

Share of profit from JVs and associates remained stable during the year. However, with a significant increase in financial expenses (consolidated) from ₹ 20.2 crore in 2016-17 to ₹ 41.3 crore in 2017-18, net profits of the consolidated entity were marginally lower than the previous year. Profit before taxes (PBT) of the consolidated entity, after including share in profit from JV entities and associates, stood at ₹ 134.5 crore in 2017-18 as compared to ₹ 138.9 crore in 2016-17. After accounting for non-controlling

[8] Following the adoption of Indian Accounting Standards (IND AS) by the Company, classification of subsidiary is now based on control and not just shareholding. As a result, four entities including the two operating integrated cities in Chennai and Jaipur, which were formerly being consolidated as subsidiaries, are now treated as JVs. As per IND AS, for all JVs, equity method of accounting is applicable, whereby MLDL's share of profit in joint ventures is directly credited to profit and loss account instead of proportional line-by-line consolidation. Further details are provided in Table 4.

interest (NCI), the consolidated PAT of the Company was ₹ 101 crore in 2017-18, compared to ₹ 102.2 crore in the previous year.

In contrast, net profits of the standalone entity grew at a fair pace. Standalone PBT increased by 11.9 percent from ₹ 70.6 crore in 2016-17 to ₹ 78.9 crore in 2017-18, and PAT grew by 8.5 percent from ₹ 48.9 crore in 2016-17 to ₹ 53.1 crore in 2017-18.

Under IND AS, line-by-line consolidation is not followed for some of the operating entities. Table 4 provides a summary of the financial performance of legal entities operating in the two key businesses. These are drawn from standalone financial statements of these entities. Also, intercompany transactions have not been eliminated and a simple aggregation of numbers is shown as "Total" for entities engaged in the Residential and Industrial businesses. Accordingly, the "Total" of Revenues and PAT for the two businesses are indicative in nature.

Table 4: Summary of Financial Performance of Operating Entities in 2017-18 (₹ Crore)

Legal/Operating Entity	MLDL's Economic Interest (in Percent)	Total Income (Revenues)	Profit / Loss After Tax (PAT)
Residential			
MLDL	100.0%	557.2	53.1
MHPL^	50.0%	248.3	17.4
MBDL^	70.0%	3.3	-14.2
MITL	96.3%	50.0	4.9
MRDL	96.3%	36.5	3.5
MHDL^	25.0%	-	-2.5
Total Residential		**895.3**	**62.2**
Industrial Cities & Clusters			
MWCDL^	89.0%	113.1	13.0
MWCJL^	74.0%	129.3	37.1
MIPCL^	53.4%	-	-2.7
ICPL	50.0%	0.5	-
Total Industrial Cities & Clusters		**242.9**	**47.4**
Share (percent)			
Residential	-	78.7%	56.8%
Industrial Cities & Clusters	-	21.3%	43.2%
Total		**100.0%**	**100.0%**

^ JVs and Associates not considered for consolidation.

As of 31st March, 2018, Mahindra Lifespaces' standalone debt equity ratio was at 0.20:1 and consolidated debt equity ratio was at 0.22:1. The liquidity situation during the year remained comfortable. Surplus funds available from time to time have been invested in credit worthy instruments, including money market instruments, mutual funds and deposits with banks.

Threats, Risks and Concerns

Mahindra Lifespaces has appropriate risk management systems in place for identification and assessment of risks, measures to mitigate them, and mechanisms for their proper and timely monitoring and reporting. It has a Risk Management Committee consisting of two Directors and the Chief Financial Officer, for timely monitoring and review of the risk assessment, mitigation and risk management plan. The Board reviews implementation and monitoring of the Company's risk management plan.

Economic Risks

GDP growth decelerated marginally during the year. Although there are signs of a turnaround, there are still downside risks. Lending rates for business and home loans continue to be high and there are risks associated with increase in policy rates if inflation rises. These can have a direct impact on the performance of the real estate sector and the Company. Besides, even as global economic growth witnessed a significant revival, investment outlays in Indian businesses, especially those in export-oriented industries, is yet to benefit from these emerging trends.

Mahindra Lifespaces is conscious of these risks and is taking measures to mitigate them. For instance, the Company's focus on both the residential and industrial sectors has been a significant source of comfort during periods of slow economic performance. Similarly scaling up of presence in affordable housing space has mitigated risks associated with a seemingly poor outlook in the luxury housing segment. Prudent financial management has also kept the Company relatively insulated from the economic downturn. It has successfully raised risk capital through equity participation and strategic partnerships across segments, and is well placed to raise capital at competitive rates.

Operational Risks

Key operational risks include longer gestation period for land procurement, more time taken for approvals, inability to sell the project as per plan, inability to complete and deliver projects according to the schedule leading to additional cost of construction and maintenance, erosion of brand value, appointment and retention of quality contractors, inability to attract and retain talent, poor customer satisfaction, fraud and unethical practices, failure to comply with laws and regulations leading to fines, penalties and lengthy litigations.

The Company addresses these risks through a well-structured framework which identifies desired controls and assigns ownership to monitor and mitigate the risks. It has invested significant resources in transparent customer friendly processes and an enabling IT infrastructure, which are expected to effectively address some of these risks. It also has a Code of Conduct for all its associates. The Company's corporate governance policies ensure transparency in operations, timely disclosures and adherence to regulatory compliances.

Policy and Regulatory Risks

The real estate industry is easily affected by changes in government policies and regulations. There are considerable procedural delays with respect to approvals related to acquisition and use of land. Unfavourable changes in the government policies and the regulatory environment may adversely impact the performance of the Company. Inability to launch projects in MMR due to a ban in new construction by the High Court during 2016-17 and 2017-18 is one such instance.

The Company attempts to mitigate these risks through its approach towards acquisition of land based on thorough due diligence and its transparent processes in developing the projects. Besides, its focus on environment friendly and sustainable practices also help in mitigating risks associated with environmental regulations.

Internal Controls

The Company has adequate internal control systems, commensurate with the size and nature of its business. Well documented policies, guidelines and procedures to monitor business and operational performance are supported by IT systems, all of which are aimed at ensuring business integrity and promoting operational efficiency.

An independent internal audit and assurance firm appointed by the Company conducts periodical audits to ensure adequacy of internal control systems, adherence to management policies and compliance with laws and regulations. Their scope of work includes internal controls on accounting, efficiency and economy of operations. The internal auditors also report on the implementation of their recommendations.

Reports of the internal auditors are regularly reviewed at the Audit Committee meetings. The Audit Committee of the Board also reviews the adequacy and effectiveness of the internal control systems and suggests improvements, when so required.

Outlook

Global economic performance strengthened and became more broad-based in 2017. The outlook for the world economy, including trade and investments, for the next couple of years remains positive. The performance of the Indian economy also picked-up as the year progressed, and this trend is expected to continue in 2018-19, and perhaps improve further with the stabilising of major reform initiatives of the government such as the GST and tailwinds from a buoyant global economy.

As far as the real estate industry is concerned, policy breakthroughs such as Real Estate (Regulation and Development) Act (RERA) have created of level playing field and will make the sector more efficient and organised in the long run. The housing cycle has also started showing positive signs in the form of improvement in cement demand, progress in the government's affordable housing scheme, step-up in execution under the Pradhan Mantri Awas Yojana scheme and large infrastructure development projects.

Mahindra Lifespace has a proven track-record in both residential and industrial developments. In the last few years, it has expanded its presence in the residential segment with a superior delivery model and a successful foray into affordable housing. Its recent creation of smaller industrial clusters is a part of a similar strategy of widening the playing field in the industrial space. The Company has been successful in securing risk capital in its residential and industrial projects, enabling it to grow in a capital-intensive sector while maintaining a strong balance sheet.

Today, therefore, the Company is favourably placed to raise capital at competitive terms to finance its growth. At the same time, it has built strong systems and processes that enable it to scale-up execution and delivery. Mahindra Lifespaces believes that it is well-positioned to benefit from the emerging opportunities in the real estate sector in India.

Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied.

Important factors that could make a difference to the Company's operations include labour and material availability, and prices, cyclical demand and pricing in the Company's principal markets, changes in government regulations, tax regimes, economic development within India and other incidental factors.

Disclaimer

The Company shall be registering its forthcoming projects at an appropriate time in the applicable jurisdictions / States under the Real Estate (Regulation and Development) Act, 2016 (RERA) and Rules thereunder. Till such time, the forthcoming projects are registered under RERA, none of the images, material, projections, details, descriptions and other information that are mentioned in the Annual Report for the year 2017-18, should be deemed to be or constitute advertisements, solicitations, marketing, offer for sale, invitation to offer, or invitation to acquire within the purview of the RERA. The Company uses carpet areas as per RERA in its customer communication. However, the data in saleable area terms has been presented in the Annual Report for the year 2017-18 to enable continuity of information to investors and shall not be construed to be of any relevance to home buyers / customers.