

Mahindra Lifespaces

Estimate change



TP change



Rating change



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Bloomberg	MLIFE IN
Equity Shares (m)	155
M.Cap.(INRb)/(USDb)	75.8 / 0.9
52-Week Range (INR)	555 / 316
1, 6, 12 Rel. Per (%)	3/30/-5
12M Avg Val (INR M)	114

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	6.1	6.0	6.6
EBITDA	-1.1	-1.0	-0.7
EBITDA (%)	NM	NM	NM
Net profit	0.5	0.9	1.6
EPS (INR)	3.0	5.5	10.1
EPS Growth (%)	168.4	85.5	83.2
BV/Share (INR)	116.7	122.3	132.4

Ratios

Net D/E	0.0	-0.4	0.0
RoE (%)	2.6	4.6	8.0
RoCE (%)	-4.1	-3.0	-1.9
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	163.9	88.3	48.2
P/BV (x)	4.2	4.0	3.7
EV/EBITDA (x)	NM	NM	NM
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	51.2	51.3	51.3
DII	19.9	19.4	18.9
FII	11.5	11.3	10.6
Others	17.5	18.0	19.2

CMP: INR489

TP: INR575 (+18%)

Buy

Steady quarter; progress on BD to drive further upside

Absence of any major launches leads to subdued pre-sales

- Mahindra Lifespaces (MLDL) reported bookings of INR3.5b, 14% above our estimate, but down 43% YoY/4% QoQ due to absence of any major launches. MLDL launched a phase of the plotted development project at Lakewoods, Chennai (0.37msf) at the end of the quarter, which received a strong response (71% sold out). However, bookings spilled over to 2QFY24.
- **IC&IC segment** – Leasing in IC&IC segment was subdued as MLDL leased out only ~3 acres in 1QFY24 (vs. 52 acres/42 acres in 4QFY23/1QFY23) of land at MWC, Chennai for a total value of INR120m at a realization of INR42m. Additionally, it also received transfer charges of INR20m from MWC Jaipur.
- **Cash flows** – The company collected INR2.8b during the quarter and spent INR1.2b on construction. It generated surplus operating cash flows of INR1.3b. Consolidated net debt (Resi+IC&IC) declined INR0.9b to INR2.1b.
- **P&L performance** was muted because of lower completions and recognition of low-margin projects. MLDL delivered 0.18msf of area (Bloomdale, Nagpur) and reported revenue of INR1b, up 4% YoY. EBITDA loss expanded to INR430m and it generated a net loss of INR43m vs. profits in both the comparable quarters. **Reiterate BUY.**

Targeting to grow 5x in five years

- Management laid out a growth roadmap where it plans to grow MLDL's pre-sales (Residential + IC&IC) by 5x over the next five years. Bulk of that growth is expected to come from residential business with IC&IC leasing likely to remain stagnant at INR5b.
- To achieve its growth target, the company is aiming for a project pipeline with revenue potential of INR400-500b over the next four years, of which INR150-160b has already been signed up. This includes 68 acres of land at Thane (INR80b), M&M land at Kandivali and Citadel at Pune.
- Overall, the company has segregated its land acquisition strategy across different size categories where it aims to sign 2-3 mega projects with each valued at INR50-80b, 4-5 projects of INR20-50b each, 4-5 projects of INR10-20b each and 15 projects of INR5-10b each.
- The company currently has 0.5% share in MMR and aims to raise the share to 5% over the next 4-5 years, leading to a contribution of INR50b. Pune and Bengaluru are expected to contribute INR20-30b each. It is not targeting any other markets beyond MMR, Pune and Bengaluru to achieve this 5x growth.

Key highlights from the management commentary

- **New launches:** The Kandivali launch is not contingent on Supreme Court's verdict as the company already has plan B in place. The first phase will be launched by end-2QFY24 having a GDV of INR12b. The second phase of the Pune project will also be launched by 3QFY24 having a GDV of INR7b.

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- Both the recently acquired redevelopment projects will be launched by 4QFY24 and the company is awaiting approvals for the Dahisar project.
- **Thane:** MLDL has made good progress on the IIPP policy and it expects to launch the project over the next 4-6 quarters. The policy mandates 50:50 mix of residential and commercial development with both assets required to be delivered at the same time.
- As things stand, the overall sales potential is INR80b.
- **IC segment:** Management continues to target INR5b worth of annual leasing beyond FY25 too. Launch of Pune Park can happen over the next 12 months and at Ahmedabad, search is still on for an anchor tenant.
- In MWC Jaipur, management is trying to get 570 acres of SEZ land converted into DTA, which could lead to significant value unlocking.

FY25 targets on track; continued BD momentum to result in further upside

- While 1QFY24 pre-sales performance was subdued, the launch pipeline remains on track for 2HFY24 and hence we retain our FY24E/FY25E pre-sales. With lower-than-expected delivery at Bloomdale, Nagpur we cut our FY24E Revenue/PAT by 11%/13%.
- The company is expected to generate INR30b of cash flows from its existing residential pipeline and INR12-15b of surplus cash flows from IC&IC vertical over the next 4-5 years, which should be sufficient for the targeted project additions. We incorporate a part of their targeted growth through our DCF-based methodology. **We raise our TP to INR575 (from INR520) as we reduce WACC (lower RF rate & risk premium) and revisit our margin assumptions for IC&IC. Reiterate BUY.**

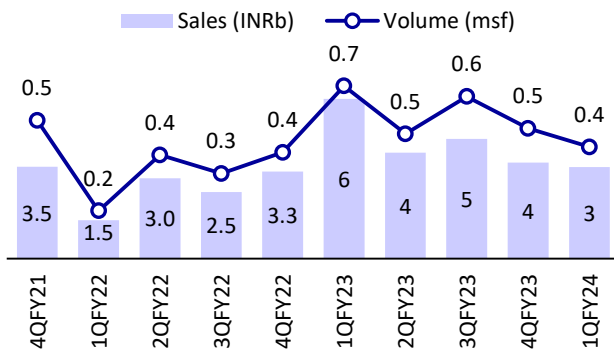
Financial and operational performances (INR m)

Y/E March	FY23				FY24E				FY23	FY24E	FY24E 1QE	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Income from Operations	946	698	1,869	2,554	980	1,328	1,570	2,159	6,066	6,038	1,558	-37
YoY Change (%)	-36.2	17.8	667.9	57.9	3.7	90.3	-16.0	-15.5	54.1	-0.5	64.8	
Total Expenditure	1,265	1,092	1,983	2,827	1,412	1,589	1,725	2,298	7,167	7,023	1,771	
EBITDA	-320	-394	-114	-274	-431	-260	-155	-138	-1,101	-985	-213	102
Margins (%)	-33.8	-56.4	-6.1	-10.7	-44.0	-19.6	-9.9	-6.4	-18.2	-16.3	-13.7	
Depreciation	24	32	34	31	30	30	30	31	122	121	30	
Interest	18	25	33	34	42	33	33	24	109	132	33	
Other Income	228	40	112	149	120	53	63	5	530	242	68	
PBT before EO expense	-134	-411	-69	-189	-383	-270	-156	-188	-803	-997	-208	84
Extra-Ord expense	338	0	340	0	0	0	0	0	678	0	0	
PBT	204	-411	271	-189	-383	-270	-156	-188	-124	-997	-208	84
Tax	76	-67	-14	34	-94	-69	-40	-46	28	-249	-54	
Rate (%)	37.0	16.4	-5.1	-17.9	24.4	25.7	25.7	24.6	-22.7	25.0	25.7	
MI & Profit/Loss of Asso. Cos.	625	266	48	229	247	353	417	587	1,167	1,604	369	
Reported PAT	754	-77	332	6	-43	152	301	445	1,014	856	214	-120
Adj PAT	541	-77	-8	6	-43	152	301	445	461	856	161	
YoY Change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Margins (%)	57.2	-11.1	-0.4	0.2	-4.4	11.4	19.2	20.6	7.6	14.2	10.3	
Operational Performance												
Area sold (msf)	0.7	0.5	0.6	0.5	0.4	0.6	0.7	0.9	2.2	2.6	0.4	15
Booking value (INR b)	6.0	4.0	4.5	3.6	3.5	4.8	7.3	8.6	18	24	3.0	14
Avg Realization (INR)	9262	8489	7393	7367	8214	8296	9796	10042	8,167	9,287	8250	0

Source: Company, MOFSL

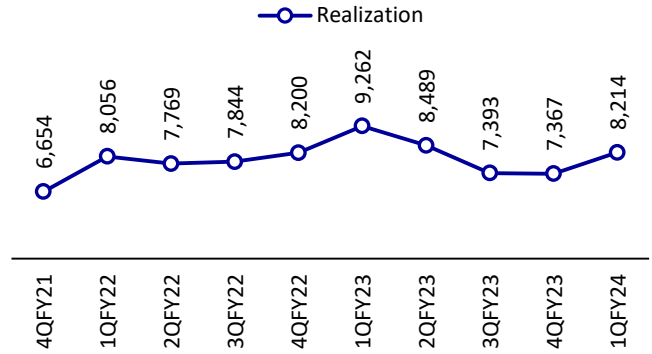
Key Exhibits

Exhibit 1: MLDL reported 43% YoY decline in booking



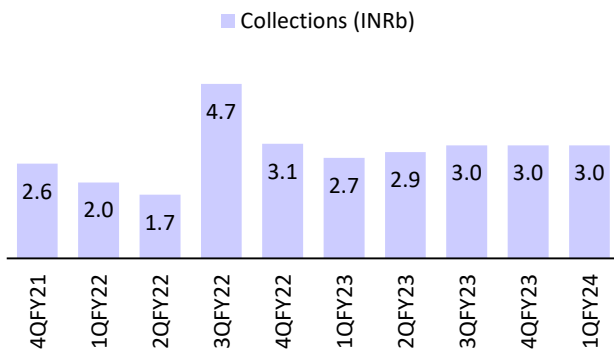
Source: Company, MOFSL

Exhibit 2: Realization/sft decreased 11% YoY



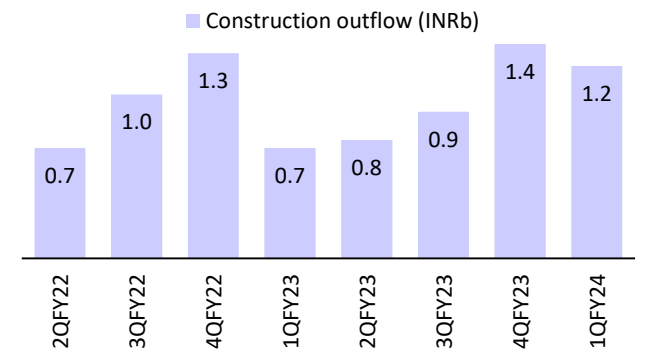
Source: Company, MOFSL

Exhibit 3: Collections remained steady at ~INR3b



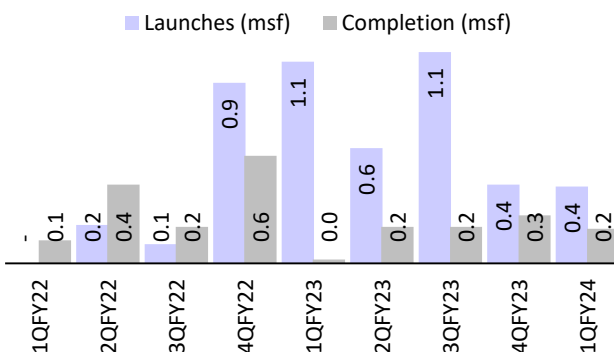
Source: Company, MOFSL

Exhibit 4: Spent INR1.2b towards construction in 1QFY24



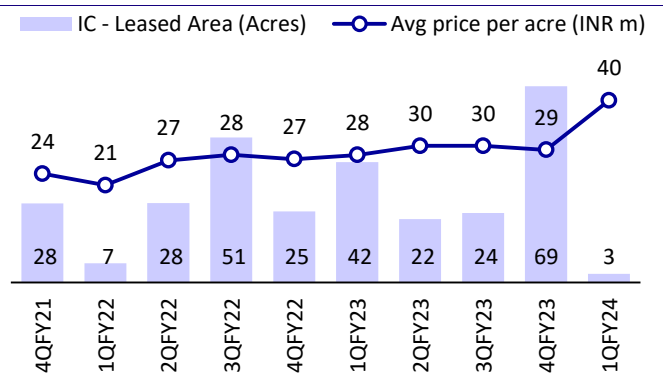
Source: Company, MOFSL

Exhibit 5: Launched new plotted project in Chennai



Source: Company, MOFSL

Exhibit 6: In the IC segment, MLDL recorded the highest realization of INR40/acre



Source: Company, MOFSL

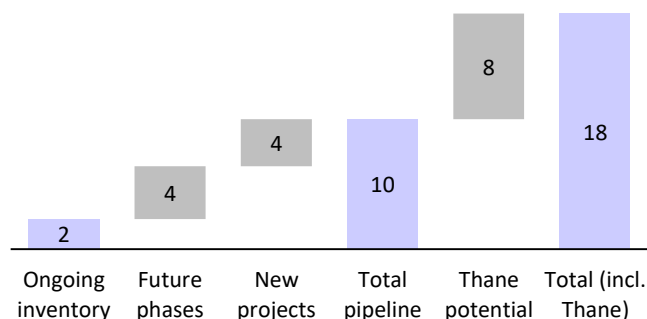
Story in charts

Exhibit 7: Since FY21, MLDL has acquired nine projects with a development potential of 10msf and GDV of ~100b

Micro Market	City	Project size (msf)	MLDL Share	Year of acquisition	GDV
Kalyan 1	MMR	0.8	100	FY20	5
Tathawade	Pune	1.1	100	FY20	8
Kanakpura	Bengaluru	0.8	100	FY21	7
Kalyan	MMR	1.1	100	FY21	8
Dahisar	MMR	0.9	70	FY22	10
Kandivali	MMR	1.7	100	FY22	21
Pimpri	Pune	0.4	100	FY22	7
Pimpri	Pune	2.7	100	FY23	23
Hosur Road	Bengaluru	0.5	100	FY23	5
Santa Cruz	MMR	0.1	100	FY23	5
Malad West	MMR		100	FY24	9
Total		10			106

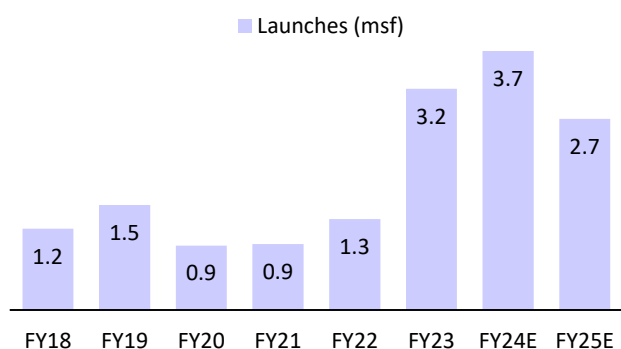
Source: Company, MOFSL

Exhibit 8: The company's current pipeline of 10msf (excl. Thane) has a revenue potential of INR95b



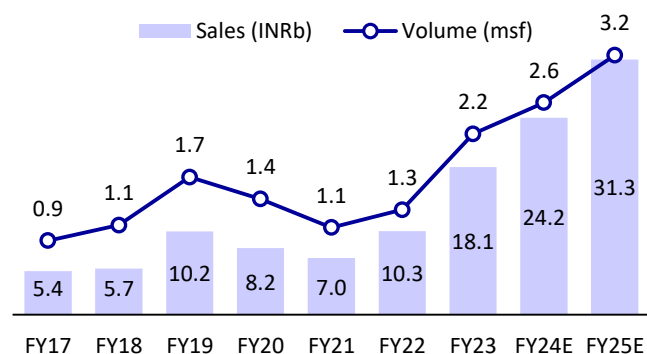
Source: Company, MOFSL

Exhibit 9: MLDL to increase its launches, driven by a robust pipeline...



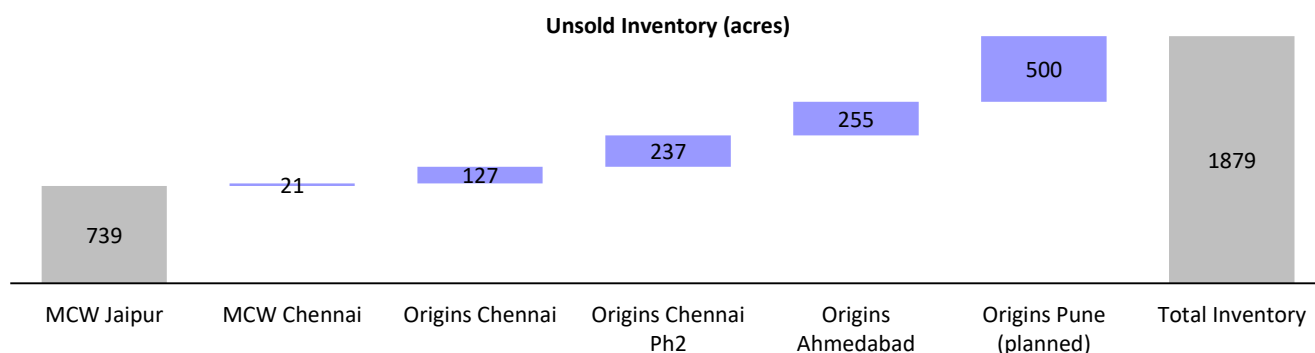
Source: MOFSL, Company

Exhibit 10: ...leading to a 31% CAGR in sales over FY23-25E



Source: MOFSL, Company

Exhibit 11: Including its operating and planned assets, MLDL's IC segment has an unsold inventory of ~1,900 acres



Source: Company, MOFSL

Exhibit 12: Our earnings revisions

(INR m)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	6,775	6,608	6,038	6,608	-11%	0%
EBITDA	-838	-702	-985	-702	NM	0%
Adj. PAT	989	1,568	856	1,568	-13%	0%
Pre-sales	24,181	31,312	24,181	31,312	0%	0%
Collections	16,620	24,878	16,620	24,878	0%	0%

Source: MOFSL, Company

Valuation and view

- We value MLDL on an SoTP basis:
- Its Residential business is valued through the DCF method with a WACC of 13% over five years and a terminal growth rate of 3%.
- Its IC&IC segment is valued through the DCF method, using cash flows generated by monetizing land inventory over the next 12-15 years.
- Its residential land banks in Pune, Chennai, and Murud are valued at the current realizable value.
- Based on the above approach, we arrive at a GAV of INR92b. Netting-off FY24E net debt of INR3b, we derive an NAV of INR89b or INR575 per share.

Exhibit 13: Based on our SoTP approach, we arrive at a NAV of INR89b (or INR575 per share), implying a 18% upside potential

Particulars	Rationale	Value (INR b)	Per share	% contribution
Residential	❖ DCF of 5 years cash flow at WACC of 13% and terminal value assuming 3% long term growth	69	444	77%
IC & IC	❖ PV of future cash flows discounted at WACC of 13%	15	95	17%
Land bank	❖ ~1650 acres of land bank valued at market price	4	28	5%
Annuity	❖ 8.5% Cap rate on FY24E NOI	4	27	5%
Gross Asset value		92	594	103%
Net debt	FY24E	(3)	(19)	-3%
Net Asset value		89	575	100%
No. of shares (m)		155		
NAV per share		575		
CMP		489		
Upside		18%		

Source: MOFSL, Company

Financials and valuations

Consolidated – Profit & Loss

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	5,928	6,109	1,662	3,936	6,066	6,038	6,608
Change (%)	4.7	3.1	-72.8	136.7	54.1	-0.5	9.5
Operating Expenses	4,096	4,830	1,173	3,031	5,138	4,830	4,956
Employees Cost	740	822	757	836	792	831	856
Other Expenses	834	1,025	668	963	1,238	1,361	1,498
Total Expenditure	5,670	6,678	2,598	4,830	7,167	7,023	7,310
% of Sales	95.6	109.3	156.3	122.7	118.2	116.3	110.6
EBITDA	258	-568	-935	-895	-1,101	-985	-702
Margin (%)	4.4	-9.3	-56.3	-22.7	-18.2	-16.3	-10.6
Depreciation	38	77	70	65	122	121	148
EBIT	221	-645	-1,005	-960	-1,223	-1,106	-850
Int. and Finance Charges	125	76	110	65	109	132	148
Other Income	1,337	105	216	147	530	242	264
PBT bef. EO Exp.	1,433	-617	-899	-878	-803	-997	-733
EO Items	0	-1,346	0	968	678	0	0
PBT after EO Exp.	1,433	-1,963	-899	90	-124	-997	-733
Total Tax	246	-17	-63	-624	28	-249	-183
Tax Rate (%)	17.2	0.9	7.0	-695.2	-22.7	25.0	25.0
Minority Interest	-10	-11	118	830	1,167	1,604	2,118
Reported PAT	1,176	-1,957	-718	1,545	1,014	856	1,568
Adjusted PAT	1,176	-623	-718	172	461	856	1,568
Change (%)	16.5	-152.9	15.2	-123.9	168.7	85.5	83.2
Margin (%)	19.8	-10.2	-43.2	4.4	7.6	14.2	23.7

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	513	514	514	1,545	1,547	1,547	1,547
Total Reserves	18,782	16,499	15,797	16,340	16,511	17,367	18,935
Net Worth	19,295	17,013	16,311	17,885	18,058	18,914	20,482
Minority Interest	435	420	420	491	2	2	2
Total Loans	2,282	2,319	2,443	2,805	2,681	3,181	3,381
Deferred Tax Liabilities	134	77	152	0	0	0	0
Capital Employed	22,146	19,829	19,326	21,181	20,740	22,096	23,865
Gross Block	338	320	222	423	545	666	814
Less: Accum. Deprn.	259	260	184	249	371	492	640
Net Fixed Assets	79	60	38	174	174	174	174
Goodwill on Consolidation	660	660	660	660	0	0	0
Capital WIP	98	122	146	34	51	51	51
Total Investments	7,092	5,743	5,786	6,424	9,253	9,253	9,253
Curr. Assets, Loans&Adv.	22,006	18,777	19,249	23,083	26,637	26,590	31,770
Inventory	13,451	12,043	13,447	14,419	20,976	18,195	20,820
Account Receivables	1,373	1,144	564	919	1,291	1,410	1,543
Cash and Bank Balance	2,938	1,324	1,355	2,255	774	2,457	3,460
Loans and Advances	4,245	4,267	3,883	5,490	3,596	4,528	5,947
Curr. Liability & Prov.	7,789	5,534	6,553	9,193	15,367	13,964	17,376
Account Payables	1,880	1,276	1,349	1,733	1,918	2,520	2,623
Other Current Liabilities	5,618	3,972	5,049	7,294	13,288	11,190	14,475
Provisions	291	286	155	166	161	254	278
Net Current Assets	14,217	13,244	12,696	13,890	11,270	12,626	14,394
Appl. of Funds	22,146	19,830	19,327	21,181	20,748	22,104	23,872

Financials and valuations

Ratios							
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	22.9	-12.1	-14.0	1.1	3.0	5.5	10.1
Cash EPS	23.6	-10.6	-12.6	1.5	3.8	6.3	11.1
BV/Share	375.8	331.2	317.4	115.7	116.7	122.3	132.4
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	17.9	-33.9	-29.4	369.8	163.9	88.3	48.2
Cash P/E	17.4	-38.7	-32.6	268.1	129.6	77.4	44.1
P/BV	1.1	1.2	1.3	3.6	4.2	4.0	3.7
EV/Sales	3.4	3.6	13.4	16.3	12.8	12.6	11.4
EV/EBITDA	79.1	-38.9	-23.7	-71.6	-70.4	-77.5	-107.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	32.0	-12.8	-13.8	-4.2	-10.5	6.9	4.4
Return Ratios (%)							
RoE	5.9	-3.4	-4.3	1.0	2.6	4.6	8.0
RoCE	5.5	-2.6	-3.9	-32.8	-4.1	-3.0	-1.9
RoIC	1.3	-5.2	-7.6	-62.3	-13.0	-7.9	-5.9
Working Capital Ratios							
Fixed Asset Turnover (x)	17.5	19.1	7.5	9.3	11.1	9.1	8.1
Asset Turnover (x)	0.3	0.3	0.1	0.2	0.3	0.3	0.3
Inventory (Days)	828	719	2,952	1,337	1,262	1,100	1,150
Debtor (Days)	85	68	124	85	78	85	85
Creditor (Days)	116	76	296	161	115	152	145
Leverage Ratio (x)							
Current Ratio	2.8	3.4	2.9	2.5	1.7	1.9	1.8
Interest Cover Ratio	1.8	-8.5	-9.2	-14.7	-11.2	-8.4	-5.8
Net Debt/Equity	0.0	0.1	0.1	0.0	0.1	0.0	0.0

Consolidated – Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,433	-617	-778	24	379	607	1,385
Depreciation	38	77	70	65	122	121	148
Interest & Finance Charges	-267	-57	-21	-65	-109	132	148
Direct Taxes Paid	-270	-132	-128	-180	-117	249	183
(Inc)/Dec in WC	1,580	-36	332	354	-520	327	-766
CF from Operations	2,514	-764	-525	199	-246	1,436	1,098
Others	-839	136	-155	-718	-1,238	-242	-264
CF from Operating incl EO	1,675	-628	-680	-520	-1,484	1,195	834
(Inc)/Dec in FA	-34	-31	-29	-133	-141	-121	-148
Free Cash Flow	1,641	-659	-709	-653	-1,625	1,074	686
(Pur)/Sale of Investments	2,177	0	0	550	757	0	0
Others	734	911	1,133	815	-338	242	264
CF from Investments	2,877	881	1,104	1,232	278	120	116
Issue of Shares	0	0	0	25	5	0	0
Inc/(Dec) in Debt	-2,802	37	124	362	293	500	200
Interest Paid	-523	-292	-271	-207	-109	-132	-148
Dividend Paid	-380	-356	-4	-4	-311	0	0
Others	0	-64	-47	-55	-148	0	0
CF from Fin. Activity	-3,704	-674	-198	122	-270	368	52
Inc/Dec of Cash	848	-421	226	834	-1,476	1,683	1,002
Opening Balance	-692	156	924	1,150	1,984	508	2,192
Closing Balance	156	-265	1,150	1,984	508	2,192	3,194

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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