

Mahindra Lifespaces

Estimate change



TP change



Rating change



Bloomberg	MLIFE IN
Equity Shares (m)	155
M.Cap.(INRb)/(USDb)	77.4 / 0.9
52-Week Range (INR)	599 / 316
1, 6, 12 Rel. Per (%)	-7/28/19
12M Avg Val (INR M)	115

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	2.9	4.0	4.9
EBITDA	-1.1	-1.1	-1.1
EBITDA (%)	NM	NM	NM
Net profit	0.1	1.2	0.9
EPS (INR)	0.5	7.5	6.0
EPS Growth (%)	NM	NM	-19.6
BV/Share (INR)	117.3	124.7	130.7

Ratios

Net D/E	-0.4	-0.2	-0.2
RoE (%)	0.4	6.2	4.7
RoCE (%)	NM	NM	NM
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	NM	67.0	83.3
P/BV (x)	4.3	4.0	3.8
EV/EBITDA (x)	NM	NM	NM
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	51.2	51.2	51.3
DII	20.2	19.9	18.3
FII	11.9	11.5	11.4
Others	16.8	17.5	18.9

CMP: INR500

TP: INR575 (+15%)

Buy

Healthy quarter; launch plans remain on track

Strong demand visible in ongoing projects

- Mahindra Lifespace (MLDL) achieved **bookings of INR4.6b, up 14%/32% YoY/QoQ** (30% above our estimate). Pre-sales in 1HFY24 declined 20% YoY to INR8b due to lower launches vs. the previous period. MLDL generated 80% of bookings from sustenance sales in 1HFY24, compared to a similar proportion coming in from the new launches in 1HFY23.
- **IC&IC Segment** – Leasing in the IC&IC segment picked up sequentially as it leased 10 acres v/s 3 acres in 1QFY24, but remained lower than the quarterly run-rate of FY23. Realization remained steady at INR31m/acre.
- **Cash flows** – The company collected INR3b during the quarter and spent INR1.1b on construction. It generated surplus operating cash flows of INR1.2b. Net debt (Resi+IC&IC) stood at INR2.3b v/s INR2.1b in 1QFY24
- **P&L performance** – Despite relatively healthy project completions of 0.3msf, revenue recognition remained weak as MLDL reported a revenue of INR178m, down 75% YoY/82% QoQ. EBITDA loss came in at INR349m v/s loss of INR431m/INR394m in 1QFY24/2QFY23.

Key highlights from the management commentary

- **New launches:** At the start of the year, company targeted nine new launches. It has already launched three new projects and remains on track to launch the remaining projects in 2H. The total GDV of these launches is INR25-35b. Launch of two projects (including Santa Cruz redevelopment) may spill over to FY25 but that will be offset by early launch of 2-3 other projects.
- **Thane:** It will have an equal mix of residential and commercial segments and as per the ITT policy, OC can only be received for both the segments together, although it can be sold independently.
- **IC Segment:** Seeing a good demand traction from domestic consumption driven by manufacturing, and the company has a healthy pipeline with LOIs already signed. Most of it will materialize in 2H. **Origins, Ahmedabad:** MLDL intends to sign a large anchor deal rather than small deals. It may even exit the project, if the company gets a right buyer.

Strong launch pipeline and steady progress on BD should drive growth

- While 1H pre-sales performance was moderate, the pipeline remains on track for the 2HFY24 launches and hence, we retain our FY24E/FY25E pre-sales. With lower-than-expected revenue recognition in 1HFY24, however, we reduce our FY24E revenue/PAT by 52%/91% to INR2.9b/INR80m.
- Management is aiming for five-fold growth in residential pre-sales over the next five years, so project additions remain the key. The company currently has a BD pipeline of INR50-60b under evaluation and it targets to add at least INR60b annually to achieve this growth. It has the potential 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. These should be sufficient for the targeted project additions. **Reiterate BUY with an unchanged TP of INR575, indicating 15% upside potential.**

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Financial and Operational Performance

Y/E March	FY23				FY24E				FY23	FY24E	FY24E	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2Q	
Income from Operations	946	698	1,869	2,554	980	178	749	975	6,066	2,883	634	-72
YoY Change (%)	-36.2	17.8	667.9	57.9	3.7	-74.5	-59.9	-61.8	54.1	-52.5	-9.1	
Total Expenditure	1,265	1,092	1,983	2,827	1,412	527	994	1,093	7,167	4,025	942	
EBITDA	-320	-394	-114	-274	-431	-349	-244	-118	-1,101	-1,142	-308	13
Margins (%)	-33.8	-56.4	-6.1	-10.7	-44.0	-196.5	-32.6	-12.1	-18.2	-39.6	-48.5	
Depreciation	24	32	34	31	30	31	30	30	122	121	30	
Interest	18	25	33	34	42	2	33	54	109	132	33	
Other Income	228	40	112	149	120	79	112	121	530	432	25	
PBT before EO expense	-134	-411	-69	-189	-383	-303	-195	-82	-803	-963	-345	-12
Extra-Ord expense	338	0	340	0	0	0	0	0	678	0	0	
PBT	204	-411	271	-189	-383	-303	-195	-82	-124	-963	-345	-12
Tax	76	-67	-14	34	-94	-108	-50	11	28	-241	-89	
Rate (%)	37.0	16.4	-5.1	-17.9	24.4	35.7	25.7	-13.7	-22.7	25.0	25.7	
Minority Interest & Profit/Loss of Asso. Cos.	625	266	48	229	247	6	208	341	1,167	802	353	
Reported PAT	754	-77	332	6	-43	-189	64	248	1,014	80	96	NM
Adj PAT	541	-77	-8	6	-43	-189	64	248	461	80	96	
YoY Change (%)	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	
Margins (%)	57.2	-11.1	-0.4	0.2	-4.4	-106.5	8.5	25.4	7.6	2.8	15.2	

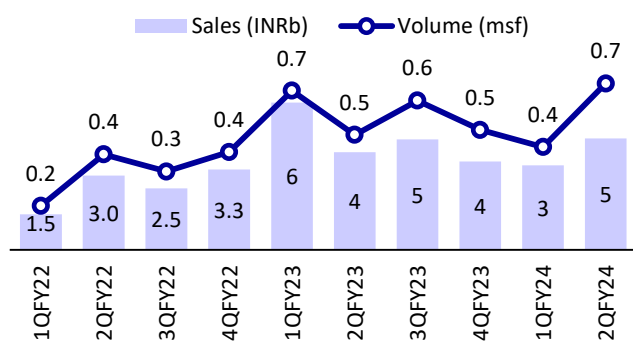
Operational Performance

Area sold (msf)	0.7	0.5	0.6	0.5	0.4	0.7	0.7	0.8	2.2	2.6	0.4	61
Booking value (INR b)	6.0	4.0	4.5	3.6	3.5	4.6	7.3	8.9	18	24	3.5	30
Avg Realization (INR)	9262	8489	7393	7367	8214	6691	9796	11694	8,167	9,287	8296	-19

E: MOSL Estimates; Source: Company, MOFSL

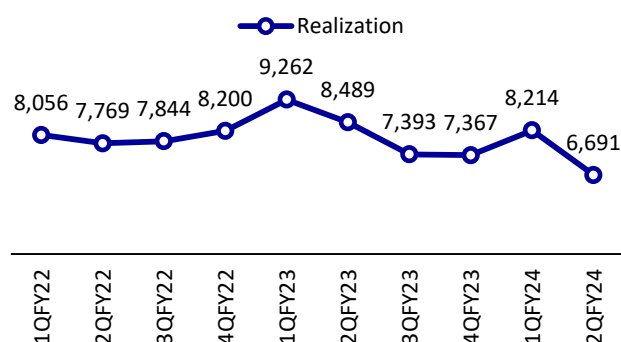
Key Exhibits

Exhibit 1: MLDL reported 14% YoY growth in bookings



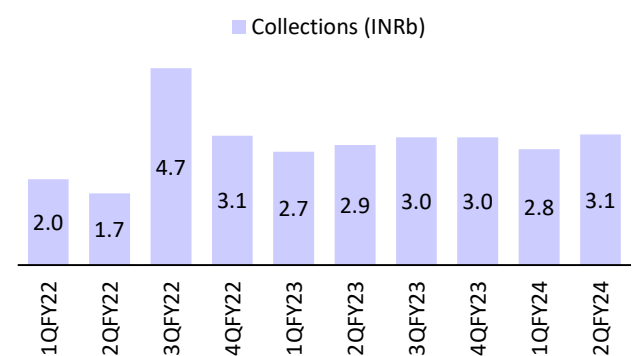
Source: Company, MOFSL

Exhibit 2: Realization/sft decreased 21% YoY



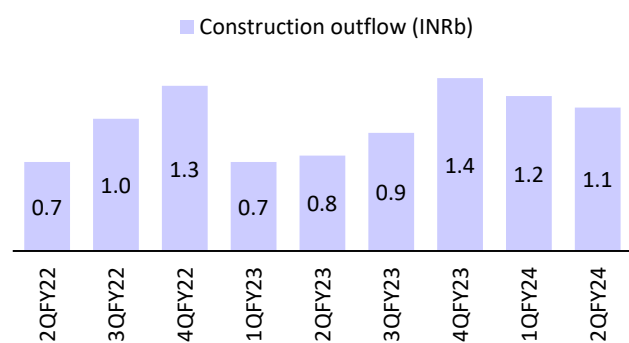
Source: Company, MOFSL

Exhibit 3: Collections remained steady at ~INR3b

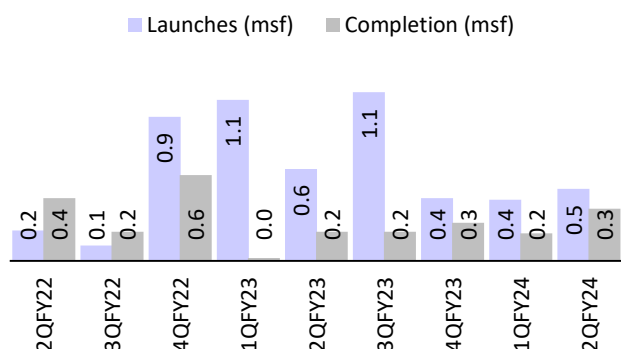


Source: Company, MOFSL

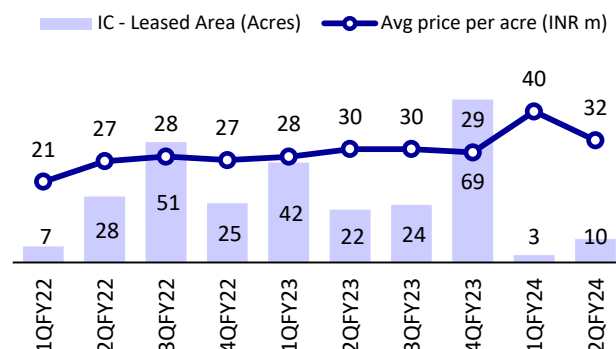
Exhibit 4: Spent INR1.1b towards construction in 2QFY24



Source: Company, MOFSL

Exhibit 5: Launched new plotted project in Pune in 2QFY24

Source: Company, MOFSL

Exhibit 6: In the IC segment, MLDL reported leasing of 10 acres at a realization of INR32m/acre

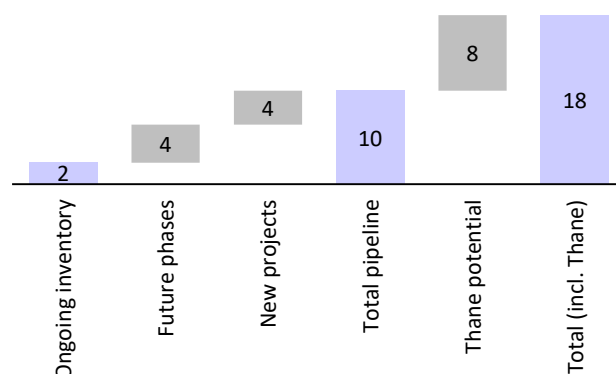
Source: Company, MOFSL

Story in charts

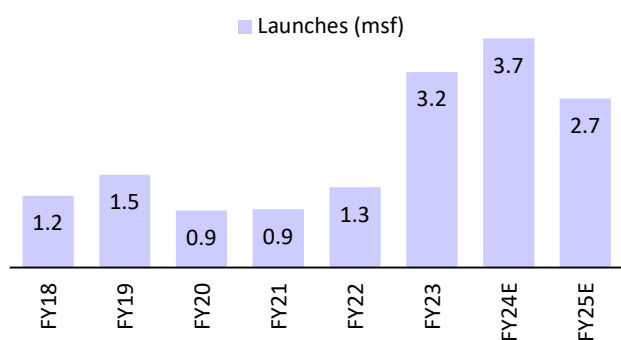
Exhibit 7: Since FY21, MLDL has acquired nine projects with a development potential of 11msf and GDV of ~115b

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	2.0	100	FY23	23
Hosur Road	Bengaluru	0.5	100	FY23	5
Santa Cruz	MMR	0.1	100	FY23	5
Malad	MMR	0.5	100	FY23	9
Wagholi	Pune	1.5	100	FY24	11
Total		11.4			116

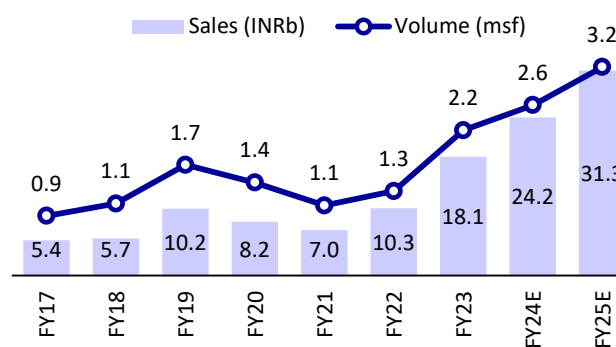
Source: Company, MOFSL

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

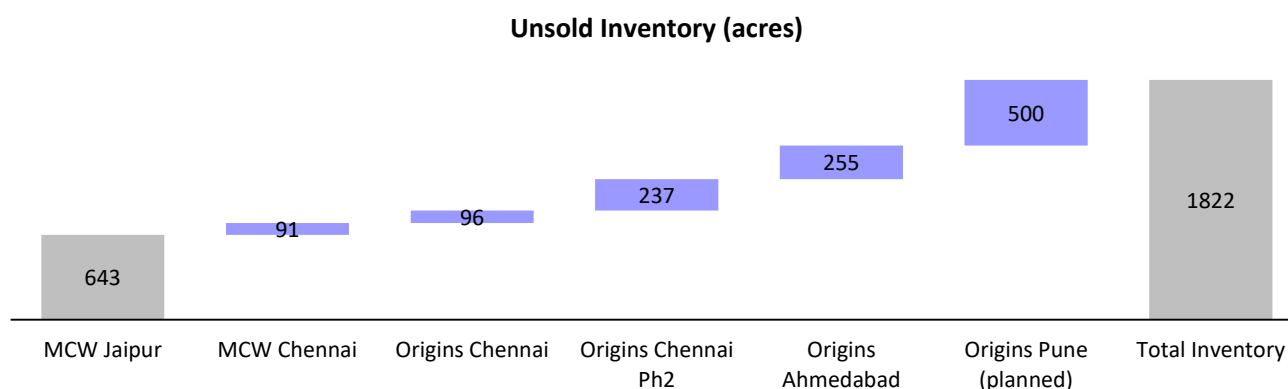
Source: Company, MOFSL

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 ~1,800 acres

Source: Company, MOFSL

Exhibit 12: Revisions to our estimates

(INR m)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	6,038	6,608	2,883	3,999	-52%	-39%
EBITDA	-985	-702	-1,142	-1,150	NM	NM
Adj. PAT	856	1,568	80	1,154	-91%	-26%
Pre-sales	24,181	31,312	24,181	31,312	0%	0%
Collections	16,620	24,878	16,274	24,647	-2%	-1%

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 bank 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 a 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 15% 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	445	77%
IC & IC	PV of future cash flows discounted at WACC of 13%	15	95	16%
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	595	103%
Net debt	FY24E	(3)	(19)	-3%
Net Asset value		89	575	100%
No. of shares (m)		155		
NAV per share		575		
CMP		500		
Upside		15%		

Source: MOFSL, Company

Financials and valuations

Consolidated – Profit & Loss (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	6,109	1,662	3,936	6,066	2,883	3,999	4,915
Change (%)	3.1	-72.8	136.7	54.1	-52.5	38.7	22.9
Operating Expenses	4,830	1,173	3,031	5,138	2,018	2,999	3,686
Employees Cost	822	757	836	792	831	856	882
Other Expenses	1,025	668	963	1,238	1,176	1,293	1,423
Total Expenditure	6,678	2,598	4,830	7,167	4,025	5,149	5,991
% of Sales	109.3	156.3	122.7	118.2	139.6	128.8	121.9
EBITDA	-568	-935	-895	-1,101	-1,142	-1,150	-1,076
Margin (%)	-9.3	-56.3	-22.7	-18.2	-39.6	-28.8	-21.9
Depreciation	77	70	65	122	121	148	181
EBIT	-645	-1,005	-960	-1,223	-1,263	-1,298	-1,257
Int. and Finance Charges	76	110	65	109	132	148	157
Other Income	105	216	147	530	432	160	197
PBT bef. EO Exp.	-617	-899	-878	-803	-963	-1,286	-1,217
EO Items	-1,346	0	968	678	0	0	0
PBT after EO Exp.	-1,963	-899	90	-124	-963	-1,286	-1,217
Total Tax	-17	-63	-624	28	-241	-321	-304
Tax Rate (%)	0.9	7.0	-695.2	-22.7	25.0	25.0	25.0
Minority Interest	-11	118	830	1,167	802	2,118	1,841
Reported PAT	-1,957	-718	1,545	1,014	80	1,154	928
Adjusted PAT	-623	-718	172	461	80	1,154	928
Change (%)	-152.9	15.2	-123.9	168.7	-82.7	1,348.6	-19.6
Margin (%)	-10.2	-43.2	4.4	7.6	2.8	28.9	18.9

Consolidated - Balance Sheet

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	514	514	1,545	1,547	1,547	1,547	1,547
Total Reserves	16,499	15,797	16,340	16,511	16,591	17,745	18,672
Net Worth	17,013	16,311	17,885	18,058	18,137	19,291	20,219
Minority Interest	420	420	491	2	2	2	2
Total Loans	2,319	2,443	2,805	2,681	3,181	3,381	3,581
Deferred Tax Liabilities	77	152	0	0	0	0	0
Capital Employed	19,829	19,326	21,181	20,740	21,320	22,674	23,802
Gross Block	320	222	423	545	666	814	995
Less: Accum. Deprn.	260	184	249	371	492	640	821
Net Fixed Assets	60	38	174	174	174	174	174
Goodwill on Consolidation	660	660	660	0	0	0	0
Capital WIP	122	146	34	51	51	51	51
Total Investments	5,743	5,786	6,424	9,253	9,253	9,253	9,253
Curr. Assets, Loans&Adv.	18,777	19,249	23,083	26,637	18,758	23,979	25,797
Inventory	12,043	13,447	14,419	20,976	8,688	12,600	15,484
Account Receivables	1,144	564	919	1,291	673	934	1,148
Cash and Bank Balance	1,324	1,355	2,255	774	7,235	6,846	4,742
Loans and Advances	4,267	3,883	5,490	3,596	2,162	3,599	4,423
Curr. Liability & Prov.	5,534	6,553	9,193	15,367	6,909	10,776	11,465
Account Payables	1,276	1,349	1,733	1,918	1,444	1,848	2,150
Other Current Liabilities	3,972	5,049	7,294	13,288	5,343	8,760	9,109
Provisions	286	155	166	161	121	168	207
Net Current Assets	13,244	12,696	13,890	11,270	11,850	13,203	14,331
Appl. of Funds	19,830	19,327	21,181	20,748	21,327	22,681	23,809

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	-12.1	-14.0	1.1	3.0	0.5	7.5	6.0
Cash EPS	-10.6	-12.6	1.5	3.8	1.3	8.4	7.2
BV/Share	331.2	317.4	115.7	116.7	117.3	124.7	130.7
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	-41.2	-35.8	449.8	167.6	970.9	67.0	83.3
Cash P/E	-47.1	-39.7	326.2	132.5	385.1	59.4	69.7
P/BV	1.5	1.6	4.3	4.3	4.3	4.0	3.8
EV/Sales	4.4	16.1	19.8	13.1	25.4	18.5	15.5
EV/EBITDA	-46.9	-28.6	-86.9	-72.0	-64.2	-64.2	-70.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	-12.8	-13.8	-4.2	-10.5	36.6	-3.9	-15.2
Return Ratios (%)							
RoE	-3.4	-4.3	1.0	2.6	0.4	6.2	4.7
RoCE	-2.6	-3.9	-32.8	-4.1	-3.0	-3.9	-3.4
RoIC	-5.2	-7.6	-62.3	-13.0	-12.3	-17.2	-11.6
Working Capital Ratios							
Fixed Asset Turnover (x)	19.1	7.5	9.3	11.1	4.3	4.9	4.9
Asset Turnover (x)	0.3	0.1	0.2	0.3	0.1	0.2	0.2
Inventory (Days)	719	2,952	1,337	1,262	1,100	1,150	1,150
Debtor (Days)	68	124	85	78	85	85	85
Creditor (Days)	76	296	161	115	183	169	160
Leverage Ratio (x)							
Current Ratio	3.4	2.9	2.5	1.7	2.7	2.2	2.2
Interest Cover Ratio	-8.5	-9.2	-14.7	-11.2	-9.6	-8.8	-8.0
Net Debt/Equity	0.1	0.1	0.0	0.1	-0.2	-0.2	-0.1

Consolidated – Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	-617	-778	24	379	-161	832	624
Depreciation	77	70	65	122	121	148	181
Interest & Finance Charges	-57	-21	-65	-109	132	148	157
Direct Taxes Paid	-132	-128	-180	-117	241	321	304
(Inc)/Dec in WC	-36	332	354	-520	5,882	-1,743	-3,233
CF from Operations	-764	-525	199	-246	6,215	-293	-1,967
Others	136	-155	-718	-1,238	-432	-160	-197
CF from Operating incl EO	-628	-680	-520	-1,484	5,782	-453	-2,164
(Inc)/Dec in FA	-31	-29	-133	-141	-121	-148	-181
Free Cash Flow	-659	-709	-653	-1,625	5,661	-601	-2,345
(Pur)/Sale of Investments	0	0	550	757	0	0	0
Others	911	1,133	815	-338	432	160	197
CF from Investments	881	1,104	1,232	278	311	12	16
Issue of Shares	0	0	25	5	0	0	0
Inc/(Dec) in Debt	37	124	362	293	500	200	200
Interest Paid	-292	-271	-207	-109	-132	-148	-157
Dividend Paid	-356	-4	-4	-311	0	0	0
Others	-64	-47	-55	-148	0	0	0
CF from Fin. Activity	-674	-198	122	-270	368	52	43
Inc/Dec of Cash	-421	226	834	-1,476	6,462	-389	-2,105
Opening Balance	156	924	1,150	1,984	508	6,970	6,581
Closing Balance	-265	1,150	1,984	508	6,970	6,581	4,476

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SELL	< - 10%
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