

Strong Upcoming Order Book and Surging Net Profits; Maintain BUY
Est. Vs. Actual for Q4FY24: Revenue – **INLINE**; EBITDA – **MISS**; PAT – **INLINE**
Changes in Estimates post Q4FY24
FY25E/FY26E: Revenue: 0%/0%; EBITDA: 0%/0%; PAT: 8%/12%

Recommendation Rationale

- **Robust Order Book and Healthy Pipeline:** The management anticipates an upcoming real estate portfolio of 3.9 mn sq. ft. in addition to its ongoing projects in the coming years. It has indicated a potential revenue of over Rs 7,600 Cr from upcoming projects in locations such as Dahisar, Goregaon, Marine Lines, Pali Hill, and Ghatkopar, among others. The management has provided guidance on real estate sales visibility amounting to Rs. 15,000 Cr, which includes both ongoing inventory and upcoming launches. Additionally, its EPC business order book remains healthy at Rs 823 Cr.
- **Asset Light Model and Financial Discipline:** The management is focused on adopting an asset-light business model, emphasizing Joint Ventures (JV), Development Management (DM), and Redevelopment projects. This approach is expected to enhance the company's bottom-line performance without straining the balance sheet. By combining this model with financial discipline, the company aims to achieve scalability and ensure timely project completion. Currently, its debt-to-equity ratio stands at -0.4, indicating a favourable financial position. Moreover, the company is cash-flow positive, with an Operating Cash Flow (OCF) of Rs 572 Cr. It maintains liquidity of Rs 741 Cr. and boasts impressive profit margins, with a 25% EBITDA margin and 24% PAT margin, which are anticipated to further improve, particularly for ultra-luxury projects.

Sector Outlook: Positive
Company Outlook & Guidance: We maintain a **BUY** rating on the stock as we continue to remain positive on the company's long-term prospects.

Current Valuation: DCF-based valuation
Current TP: Rs 270/share (Earlier TP: Rs 270/share).

Recommendation: With a 34% upside from the CMP, we maintain our long-term **BUY** rating on the stock.

Financial Performance: MICL reported a revenue of Rs 1,263 Cr in FY24, reflecting a decline of 33.2%. The EPC business contributed Rs 737 Cr, while the Real estate business recorded revenue recognition of Rs 527 Cr. This decline is attributed to the company's adoption of an asset-light business model, where project sales are recorded in the landlord's books. MICL reported an EBITDA of Rs 326 Cr and achieved a lifetime best PAT of Rs 300 Cr, marking a 16% increase and demonstrating an impressive PAT margin of 24%. The rising PAT reflects profits from Joint Venture (JV) projects. The company has further reduced its debt to Rs 130 Cr and is net cash positive, with a cash balance of Rs 237 Cr. Through the preferential route, MICL raised Rs 543 Cr, earmarked for working capital requirements, business expansion, and fixed asset purchases. Collections stood at Rs 376 Cr for Q4FY24 and Rs 1,197 Cr for FY24. MICL achieved sales volumes of 3 Lc sq. ft. and a sales value of Rs 744 Cr in FY24, with volumes of 1.5 Lc sq. ft. and a value of Rs 391 Cr for Q4FY24.

Valuation & Recommendation: We continue to use a DCF-based approach to value the company. With an NPV of Rs. 3,643 Cr and a Terminal value of Rs 6,079 Cr. We maintain our **BUY** rating on the stock with a TP of Rs 270/share.

Key Financials (Consolidated)

(Rs Cr)	Q4FY24	QoQ (%)	YoY (%)	Axis Est.	Variance (%)
Net Sales	297	22.7	(56.4)	302	(1.8)
EBITDA	50	(51.7)	(60.1)	68	(27.4)
EBITDA Margin (%)	16.7	-2,575 bps	-156 bps	22.6	-590 bps
Net Profit	65	(21.4)	(20)	74	(11.7)
EPS (Rs)	2.1	(21.4)	(2.0)	2.3	(11.7)

Source: Ace Equity, Axis Securities

(CMP as of 15th May 2024)

CMP (Rs)	202
Upside /Downside (%)	34%
High/Low (Rs)	249/88
Market cap (Cr)	7,480
Avg. daily vol. (6m)Shrs'000.	1820
No. of shares (Cr)	37

Shareholding (%)

	Sep-23	Dec-23	Mar-24
Promoter	67.2	67.2	67.3
FII's	3.7	3.5	3.6
MFs / UTI	2.0	2.1	2.1
Banks / FI's	0.0	0.0	0.0
Others	27.1	27.2	27.0

Financial & Valuations

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	1,263	1,465	1,193
EBITDA	326	415	318
Net Profit	300	447	376
EPS, Rs	8.1	12.0	10.1
PER, x	26.1	17.5	20.8
EV/EBITDA, x	22.4	16.4	19.5
P/BV, x	5.4	4.2	3.5
ROE, %	20.5	23.8	17.0

Change in Estimates (%)

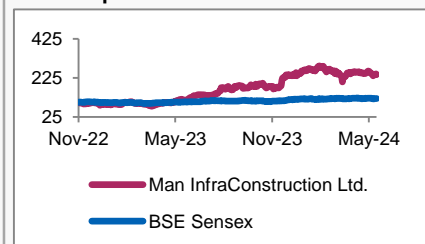
Y/E Mar	FY25E	FY26E
Sales	(0)	0
EBITDA	(0)	0
PAT	8	12

ESG disclosure Score**

Environmental Disclosure	19.0
Social Disclosure Score	14.4
Governance Disclosure Score	43.9
Total ESG Disclosure Score	23.9
Sector Average	41.6

Source: LSEG Workspace: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2023 disclosures. The Sector average is for NSE500 companies

Relative performance


Source: Ace Equity, Axis Securities

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Outlook

With the company's focus on major redevelopment projects and the swift completion of three significant projects spanning 9.5 Lc sq. ft. of carpet area in FY24, we anticipate it to sustain its growth momentum. MICL possesses a substantial pipeline of upcoming projects characterized by high profitability and a low cash outlay matrix. Leveraging Mumbai's redevelopment potential market and its expertise in delivering superior projects promptly, the company is poised for growth and successful launches of future projects. Furthermore, MICL has obtained Occupation Certificates (OC) for its Miami Villa project and maintains a strong EPC order book worth Rs 823 Cr. Its business model innovation provides multiple income streams, diversifying risk and enhancing return opportunities. Coupled with the upswing in the real estate cycle and its regional expertise, as well as a net cash position of Rs 741 Cr, we expect MICL to deliver superior performances.

Key Highlights & Concall Takeaways

- **Real Estate Business –** MICL has established a strong presence in the redevelopment sector within the Mumbai region, known for delivering high-rise projects in record time, typically within 3.5 to 4 years. Currently, the company's ongoing order book encompasses an area of 2.1 Mn sq.ft., with upcoming projects spanning 3.9 Mn sq. ft. FY24 marked a significant milestone, with the successful delivery of three major projects totalling 9.5 lakh sq.ft., well ahead of schedule. Additionally, MICL launched two ultra-luxury projects - Aaradhya OnePark and Aaradhya Aavaan - with a combined area of 10.8 lakh sq. ft.
- **Strengthening portfolio:** MICL has further strengthened its portfolio by acquiring four projects spanning 27.5 lakh sq. ft. in Pali Hill, Ghatkopar, Marine Lines, and Goregaon. This expansion solidifies its presence in South Mumbai, complementing its strong position in the suburbs. Additionally, the company successfully raised Rs 543 Cr through preferential shares to fuel future expansions. With a remarkable sales performance, MICL has sold approximately 96% of the inventory in completed projects. Notably, it has already sold inventory worth Rs 333 Cr in Ghatkopar OnePark, accounting for 25% of the total available inventory.
- **Sales and collections:** During FY24, MICL sold approximately 3.0 lakh sq.ft. of Carpet Area, with sales totalling Rs. 744 Cr. In Q4FY24 alone, they sold around 1.5 lakh sq.ft. of Carpet Area, generating sales of Rs. 391 Cr. Additionally, collections amounted to Rs. 1,197 Cr during FY24 and Rs. 376 Cr during Q4FY24.
- **Upcoming sales:** The management anticipates upcoming sales, including a JV project in Goregaon, Phase 2 of the Vile Parle project under the DM model covering an area of 3.5 lakh sq.ft., the Marine Lines project spanning 5.25 lakh sq.ft., and a Pali Hill JV where they hold a 33% equity share. These projects are expected to contribute to sales totalling approximately Rs. 15,000 Cr. In FY25, the company is expecting launches of 11.5 Lc.sq.ft. culminating to 4,250 Cr revenue which also includes Mira Road's remaining 2 towers.
- **Overseas projects:** The company received an OC (Occupancy Certificate) for the 2nd Miami project – the residential villas. This is a project in tangency with Ritz Carlton by Marriott and the sale for the same is expected by Q3FY25. It is also focusing on community living projects and is only looking at Florida as of now.
- **EPC Business:** The company's current order book stands at Rs 823 Cr, covering 110 hectares of ports and 3.8 Mn sq. ft. of ongoing projects. In Jun'23, it secured an EPC order worth Rs 680 Cr for Phase II of Bharat Mumbai Container Terminal Private Limited (BMCTPL) for pavement works on JNPT, Navi Mumbai. Looking ahead, the EPC business is poised for further expansion in the upcoming financial year, supported by the in-house Real Estate EPC order book. The company is also eyeing future government infrastructure port projects, anticipating better margin prospects.

Key Risks to our Estimates and TP

- **Rise in Input Costs and Regulatory Changes:** Fluctuations in input prices have the potential to impact margins, while delays in approval processes could hinder cash flows.
- **Adverse Changes in the Interest Rate:** An additional increase in interest rates could potentially dampen the demand for housing, thereby affecting the margins of the company. This underscores the importance of closely monitoring macroeconomic indicators and adapting strategic approaches to mitigate potential impacts on MICL's business operations.
- **Government Policies:** Any significant changes in government policies related to the 'Affordable Housing' subsidy scheme or alterations in government support could potentially have adverse effects on the company. MICL should remain vigilant and adapt its strategies accordingly to navigate potential impacts on its operations and financial performance.

Change in Estimates

	Old Est.		Revised Est.		% Revision	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	1,465	1,193	1,465	1,193	(0)	0
EBITDA	415	318	415	318	(0)	0
PAT	413	336	447	376	8	12
EPS	11.1	9	12.0	10.1	9	13

Source: Company, Axis Securities

Results Review

(Rs Cr)	Q4FY23	Q3FY24	Axis Sec Est	Q4FY24	YoY growth %	QoQ growth %	Axis Sec Var (%)
Net Sales	680	242	302	297	(56.4)	22.7	(1.8)
Raw material	(317)	(60)	(79)	(83)	(73.7)	38.0	6.1
Changes in inventories	20	(105)	(21)	(25)	(222.8)	(76.2)	18.8
Gross Profits	363	181	224	213	(41.3)	17.7	(4.6)
Gross Margin (%)	53.4	75.0	74.0	71.9	1846 bps	-310 bps	-210 bps
Staff costs	(20)	(19)	(22)	(24)	22.3	29.2	12.3
Labour charges	(87)	(78)	(63)	(66)	(23.3)	(15.3)	5.9
Cost of Development	(24)	(41)	(29)	(29)	22.8	(29.2)	1.1
Other operating expenses	(89)	(45)	(71)	(69)	(22.4)	52.7	(3.0)
EBITDA	124	103	68	50	(60.1)	(51.7)	(27.4)
EBITDA Margin (%)	18.3	42.5	22.6	16.7	-156 bps	-2575 bps	-590 bps
Depreciation	(3)	(3)	(3)	(3)	(16.4)	4.1	(4.8)
EBIT	127	105	71	52	(17.4)	(50.3)	(26.5)
Other Income	12	20	25	36	59.5	81.3	42.1
Interest Expenses	(14)	(9)	(6)	(7)	(33.2)	(19.7)	15.1
Share of profits from associates	3	11	15	7	312.2	(39.9)	(55.5)
PBT	122	123	99	77	(36.9)	(37.4)	(21.7)
Tax	(31)	(37)	(25)	(13)	19.3	(65.9)	(49.0)
Tax rate (%)	25	30	25.0	16.3	-898 bps	-1361 bps	-874 bps
Minority Interest	10.0	3.5	(0.6)	(0.6)	(65.0)	(117.8)	-
Adj. PAT	82	83	74	65	(20.0)	(21.4)	(11.7)
EPS (Rs.)	2.6	2.6	2.3	2.1	(20.0)	(21.4)	(11.7)

Source: Company, Axis Securities

Financials (Standalone)

Profit & Loss

(Rs Cr)

Y/E Mar, Rs Cr	FY23	FY24	FY25E	FY26E
Net sales	1,890	1,263	1,465	1,193
Growth, %	96.6	(33.2)	15.9	(18.5)
Other operating income	-	-	-	-
Total income	1,890	1,263	1,465	1,193
Raw material expenses	(1,158)	(664)	(822)	(683)
Employee expenses	(71)	(79)	(51)	(43)
Other Operating expenses	(248)	(194)	(177)	(149)
EBITDA (Core)	414	326	415	318
Growth, %	67.2	(21.2)	27.1	(23.2)
Margin, %	21.9	25.8	28.3	26.7
Depreciation	(11)	(10)	(11)	(12)
EBIT	403	316	404	306
Growth, %	69	(21)	28	(24)
Margin, %	21	25	28	26
Interest paid	(58)	(35)	(33)	(32)
Other Income	48	97	111	128
Non-recurring Items	5	19	114	99
Pre-tax profit	397	397	596	502
Tax provided	(108)	(94)	(149)	(125)
Profit after tax	289	303	447	376
Growth, %	19.5	16.2	48.9	(15.8)
Net Profit (adjusted)	259	300	447	376
Unadj. shares (Cr)	37	37	37	37
Wtdavg shares (Cr)	37	37	37	37

Source: Company, Axis Securities

Balance Sheet

(Rs Cr)

As of 31st Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Cash & bank	298	549	1,056	1,629
Marketable securities at cost	3	114	114	114
Debtors	333	144	145	121
Inventory	380	505	386	156
Other current assets	259	404	424	446
Total current assets	125	168	168	168
Investments	1,397	1,884	2,293	2,633
Gross fixed assets	10	24	24	24
Less: Depreciation	104	99	114	129
Add: Capital WIP	(43)	(43)	(54)	(66)
Net fixed assets	61	56	60	63
Non-current assets	171	36	36	36
Total assets	1,781	2,155	2,568	2,911
Current liabilities	608	551	551	551
Provisions	7	9	9	9
Total current liabilities	615	561	561	561
Non-current liabilities	20	78	78	78
Total liabilities	635	639	639	639
Paid-up capital	74	74	74	74
Reserves & surplus	1,015	1,389	1,803	2,146
Shareholders' equity	1,145	1,515	1,929	2,272
Total equity & liabilities	1,780	2,155	2,568	2,911

Source: Company, Axis Securities

Cash Flow

(Rs Cr)

Y/E Dec	FY23	FY24E	FY25E	FY26E
PBT	397.0	397.2	596	502
Adjustments for:				
Share of profit of associates and JV	(4.8)	(19.2)		
Depreciation	11.9	10.0	11	12
Provision for inventory				
Net gain of financial assets measured at FV through PL	(5.4)	(5.7)		
Profit on sales of rights to flats/investment properties	(1.0)	(0.0)		
Gain on disposal of PPE	(1.6)	(11.7)		
Bad debts/assets written off	(0.1)	(0.6)		
Reversal of impairment of trade receivables	(0.0)	5.2		
Interest income	(38.9)	(77.1)		
Share issue expenses				
Dividend income	(0.0)	(0.0)		
Finance cost and net gain on foreign currency transactions and translation	63.5	37.1	33	32
Operating profit before WC	420.5	335.2	640	546
(Increase)/Decrease in inventories	68.7	(124.4)	119	230
(Increase)/Decrease in trade receivables	(154.8)	351.6	(0)	23
(Increase)/Decrease other non-current assets				
(Increase)/Decrease other current assets			(20)	(21)
Increase/(Decrease) in trade payables	181.1	87.4	-	-
Increase/(Decrease) in current liab	8.2	(1.7)	-	-
Changes in working capital	103.1	312.9	98	232
Taxes paid	(75.6)	(75.4)	(149)	(125)
Exceptional Items				
Net cash flow from operation	448.0	572.6	589	653
Purchase/sale of PPE	(7.4)	6.7	(15)	(15)
Sales of investments	0.2	(132.4)		
Loans and advances given to associates/JV	(109.2)	(158.6)		
Interest received	37.7	64.2		
Dividend received	(0.0)	13.5		
Changes in FD other than cash and cash equi	(23.0)	(190.1)		
Net cash flow from Investing	(101.6)	(396.6)	(15)	(15)
(Repayment) / proceeds from borrowings	(369.0)	(35.5)		
Redemption of pref. Share capital	-	135.8		
Share issue expenses		(7.6)		
Finance cost	(55.4)	(36.6)	(33)	(32)
Dividend Paid	(33.4)	(84.0)	(33)	(33)
Dividend distribution tax			-	-
Others				
Exceptional Items				
Net cash flow from financing	(457.8)	(27.9)	(67)	(65)
Net (decrease)/increase in cash & cash equivalent	(111.4)	148	508	572
Cash at the beginning	200.5	89.1	237	745
Closing cash	89.1	237	745	1,317

Source: Company, Axis Securities

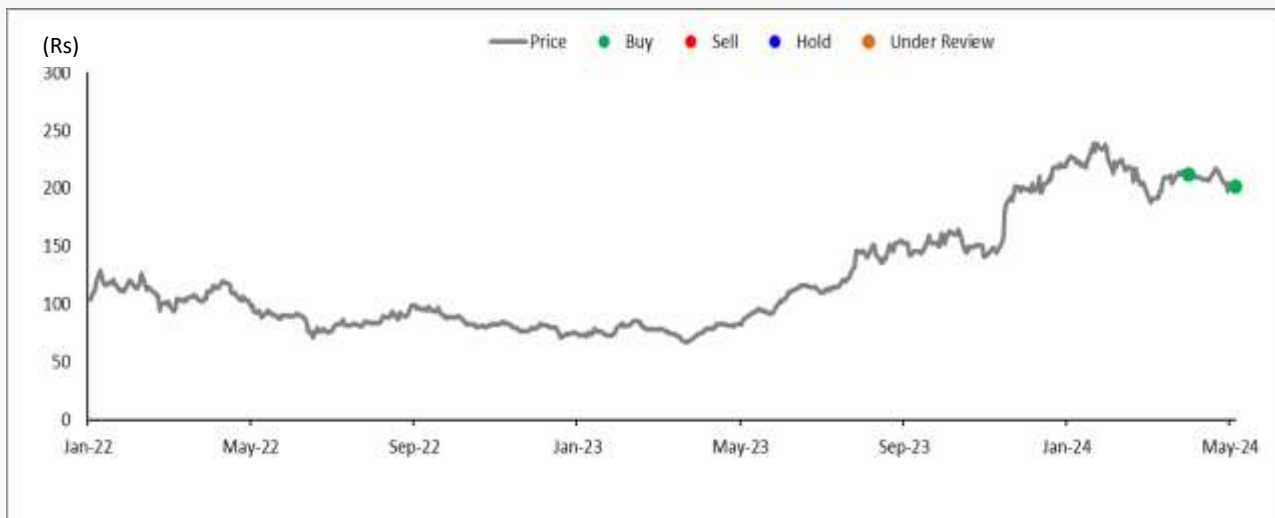
Ratio Analysis

(%)

Y/E Mar, Rs Cr	FY23	FY24E	FY25E	FY26E
Per Share data				
EPS (INR)	7.0	8.1	12.0	10.1
Growth, %	19.5	16.2	48.9	(15.8)
Book NAV/share (INR)	29.3	39.4	50.5	59.8
FDEPS (INR)	7.0	8.1	12.0	10.1
CEPS (INR)	7.3	8.4	12.3	10.5
CFPS (INR)	7.8	4.8	8.9	10.6
DPS (INR)	0.9	0.9	0.9	0.9
Return ratios				
Return on assets (%)	19.9	17.2	20.4	14.9
Return on equity (%)	23.7	20.5	23.8	17.0
Return on capital employed (%)	27.9	24.4	26.5	18.6
Turnover ratios				
Asset turnover (x)	2.5	1.7	2.0	2.1
Sales/Total assets (x)	1.1	0.6	0.6	0.4
Sales/Net FA (x)	30.7	21.7	25.4	19.5
Working capital/Sales (x)	0.3	0.5	0.4	0.3
Receivable days	64.2	41.6	36.0	37.1
Inventory days	73.4	145.8	96.2	47.7
Payable days	49.1	47.9	42.8	51.3
Working capital days	94.4	193.5	142.5	103.8
Liquidity ratios				
Current ratio (x)	2.3	3.4	4.2	4.8
Quick ratio (x)	1.7	2.5	3.5	4.5
Interest cover (x)	6.9	9.0	12.1	9.7
Net debt/Equity (%)	(8.4)	(28.6)	(49.3)	(67.5)
Valuation				
PER (x)	30.3	26.1	17.5	20.8
PEG (x) - y-o-y growth	1.6	1.6	0.4	(1.3)
Price/Book (x)	7.2	5.4	4.2	3.5
EV/Net sales (x)	4.1	5.8	4.6	5.2
EV/EBITDA (x)	18.7	22.4	16.4	19.5
EV/EBIT (x)	19.2	23.1	16.8	20.3

Source: Company, Axis Securities

Man Infra Construction Price Chart and Recommendation History



Date	Reco	TP	Research
12-Apr-24	BUY	280	Initiating Coverage
16-May-24	BUY	270	Result Update

Source: Axis Securities

About the analyst



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HOLD	Between 10% and -10%
SELL	Less than -10%
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