

Mahindra Lifespaces

Reiterating guidance

Mahindra Lifespaces Developers Ltd (MLDL) was presented in the Mahindra and Mahindra Group Analyst Day as one of the identified growth gems. It reiterated its presales guidance of INR 80-100bn by FY28E, the building block of which is cumulative GDV addition of INR 450bn by then. The focus will be on key markets of MMR, Pune, and Bengaluru, with a GDV mix of 60:20:20. Industrial land leasing is expected to contribute INR 5bn annually. To fund the growth, MLDL envisages INR 70bn investment in land, of which 50% will be funded from internal accruals and the balance from platform funding, debt, etc. MLDL has added INR 44bn of GDV during FY24 and it needs to step up the INR 40bn annual BD mark to INR 60-80bn annually to deliver the FY28E target of INR 80-100bn presales. Unlike peers, MLDL runs a tight ship with regards to 20%+ project IRR's hurdle, shorter GDV addition to launch timeline and non-speculative BD addition and is instead building a high-quality credible franchise. The company has a strong launch pipeline for FY25/26E and needs to accelerate the FY25E GDV addition. We remain constructive on MLDL and maintain a BUY rating, with a NAV-based TP of INR 700/sh.

- **Growth gem 5x presales guidance reiterates the need for concentrated efforts towards GDV addition:** MLDL has been identified as a 5x growth gem by the M&M group, which implies presales of INR 80-100bn by FY28E. Over the last three years, we have seen a 4-5x jump in the group company business development activity with a new GDV addition of INR 35-40bn annually, which resulted in presales multiplying 2-3x to INR 24bn. We expect INR 28/35bn presales during FY25/26E on the back of these efforts. Going ahead, the INR 80-100bn annual presales target from FY28E seems a herculean but achievable task. To achieve the same, MLDL needs to step in BD efforts or new annual GDV addition to INR 60-80bn annually from FY25E. This is achievable given the group's strong financial position, ability to partner with leading platforms and robust brand goodwill. This shall help in closing asset-light JDA and redevelopment opportunities.
- **Focus is to go deeper into MMR, Pune and Bengaluru real estate markets:** MLDL will remain focused and build depth into existing macro markets of MMR, Pune and Bengaluru with a presales mix of 60:20:20 on broader INR 80-100bn presales target by FY28E. Of late, the new BD has been targeted in Pune and Bengaluru, which has delivered strong presales for the company. Going ahead, the focus in MMR will be on an asset-light strategy of JDA and redevelopment, whilst Pune and Bengaluru's focus will be more on outright land purchases. MLDL is carefully assessing further expansion in the Gurgaon market and may not have near-term plans beyond the existing exposure. This has more to do with high prices, strong investor demand and too many players expanding into the NCR market.
- **Balance sheet robust, strong cash flows to support growth aspirations:** MLDL generated free cash flow before land capex of INR 6.4bn during FY24. With the pick-up in presales, the FCF is expected to further grow. Industrial business leasing guidance of INR 5bn annually will add incrementally to this. A robust balance sheet and strong FCF shall aid business development.

Consolidated Financial Summary

(INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	5,928	6,109	1,663	3,936	6,066	2,121	8,878	10,050
EBITDA	258	(568)	(935)	(895)	(1,101)	(1,711)	853	1,162
APAT	1,197	(1,519)	(717)	576	1,014	984	1,805	2,167
EPS (INR)	7.7	(9.8)	(4.6)	3.7	6.5	6.3	11.7	14.0
P/E (x)	78	(61)	(130)	162	92	95	52	43
EV/EBITDA (x)	374	(171)	(104)	(108)	(89)	(60)	117	85
RoE (%)	6.0	(3.3)	(4.3)	9.5	5.7	5.4	9.3	10.1

Source: Company, HSIE Research

BUY

CMP (as on 14 June 2024)	INR 618
Target Price	INR 700
NIFTY	23,466

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 700	INR 700
EPS	FY25E	FY26E
change %	-	-

KEY STOCK DATA

Bloomberg code	MLIFE IN
No. of Shares (mn)	155
MCap (INR bn) / (\$ mn)	96/1,146
6m avg traded value (INR mn)	277
52 Week high / low	INR 679/448

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	13.5	14.6	31.0
Relative (%)	8.2	5.4	9.2

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	51.18	51.18
FIs & Local MFs	23.18	20.1
FPIs	8.53	9.1
Public & Others	17.10	19.6
Pledged Shares	-	-

Source : BSE

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Mlife SOTP valuation – INR 700/sh

Details	Amount (Rs mn)	Rs/share
Residential	39,315	254
IC & C	11,660	75
Rental	3,876	25
Land bank	20,553	133
Less:		
Residential Net Debt	1,900	12
IC & IC Net Debt	1,300	8
Gross NAV	72,204	467
Add:		
NAV Premium of 50%	36,102	233
Target Price/Share (INR)	1,08,306	700

Financials

Consolidated Income Statement

Year ending March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Revenues	5,928	6,109	1,663	3,936	6,066	2,121	8,878	10,050
Growth (%)	4.7	3.1	(72.8)	136.7	54.1	(65.0)	318.6	13.2
Material Expenses	4,096	4,830	1,173	3,031	5,138	1,915	5,438	6,156
Employee Expenses	740	822	757	836	792	841	967	1,112
Other Operating Expenses	834	1,025	668	963	1,238	1,076	1,620	1,620
EBIDTA	258	-568	-935	-895	-1,101	-1,711	853	1,162
EBIDTA (%)	4.4	(9.3)	(56.2)	(22.7)	(18.2)	(80.7)	9.6	11.6
EBIDTA Growth (%)	(55.1)	(319.8)	64.6	(4.3)	23.0	55.4	(149.8)	36.2
Other Income (Incl. EO Items)	610	350	216	147	530	670	378	437
Depreciation	38	77	70	65	122	137	109	107
EBIT	831	-295	-789	-813	-694	-1,178	1,087	1,452
Interest	125	76	110	65	109	74	390	470
Exceptional items	-	1,346	-	968	678	-	-	-
PBT	706	-1,718	-899	-878	-125	-1,252	861	1,146
Tax	246	-17	-63	-624	28	-440	215	287
RPAT	1,197	-588	-717	1,545	1,014	984	1,805	2,167
Minority Interest	10	11	-3	-72	-14	1	0	0
Share of Associate	726	-245	121	903	1,181	1,795	1,159	1,308
EO gain/(loss)	-	1,346	-	968	-	-	-	-
APAT	1,197	(1,519)	(717)	576	1,014.10	984	1,805	2,167
APAT Growth (%)	18.6	(226.9)	(52.8)	(180.4)	75.9	(3.0)	246.3	20.1
EPS	7.7	(9.8)	(4.6)	3.7	6.5	6.3	11.7	14.0
EPS Growth (%)	18.6	(226.9)	(52.8)	(180.4)	75.9	(3.0)	246.3	20.1

Source: Company, HSIE Research

Consolidated Balance Sheet

As at March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
SOURCES OF FUNDS								
Share Capital	513	514	514	1,545	1,547	1,550	1,550	1,550
Reserves	18,782	16,499	15,797	16,340	16,511	17,178	18,837	21,004
Total Shareholders Funds	19,295	17,013	16,311	17,885	18,058	18,728	20,384	22,551
Minority Interest	435	419	420	491	2	2	2	2
Long Term Debt	326	629	752	601	77	6,513	8,513	10,513
Short Term Debt	1,951	1,686	1,691	2,204	2,574	2,248	2,248	2,248
Total Debt	2,277	2,314	2,443	2,805	2,651	8,761	10,761	12,761
Deferred Taxes	134	77	-25	-789	-592	-1,059	-1,059	-1,059
Long term provisions and others	85	66	174	214	179	168	178	188
TOTAL SOURCES OF FUNDS	22,226	19,890	19,322	20,606	20,298	26,600	26,644	30,821
APPLICATION OF FUNDS								
Net Block	290	320	249	374	366	243	359	353
CWIP	98	122	146	34	51	51	51	51
Goodwill	660	660	660	660	-	-	-	-
Investments	6,877	5,482	5,581	6,223	7,092	8,274	8,974	9,674
Other Non-Current Assets	532	774	824	928	824	903	993	1,092
Inventories	13,451	12,043	13,447	14,419	20,976	33,779	37,156	40,872
Debtors	1,373	1,144	564	919	1,291	1,072	1,018	967
Cash & bank balances	1,794	1,324	1,355	2,255	774	1,067	3,985	6,438
ST Loans & Advances	4,860	3,548	2,876	3,773	4,142	2,929	4,100	5,740
Total Current Assets	21,478	18,059	18,241	21,366	27,183	38,846	38,649	46,830
Creditors	1,880	1,276	1,349	1,733	1,918	1,947	2,920	4,380
Other Current Liabilities & Provisions	5,829	4,252	5,030	7,246	13,299	20,025	23,029	26,483
Total Current Liabilities	7,710	5,527	6,379	8,979	15,218	21,972	25,949	30,863
Net Current Assets	13,768	12,531	11,862	12,386	11,965	16,875	16,745	20,129
TOTAL APPLICATION OF FUNDS	22,226	19,890	19,322	20,606	20,298	26,600	26,644	30,821

Source: Company, HSIE Research

Consolidated Cash Flow

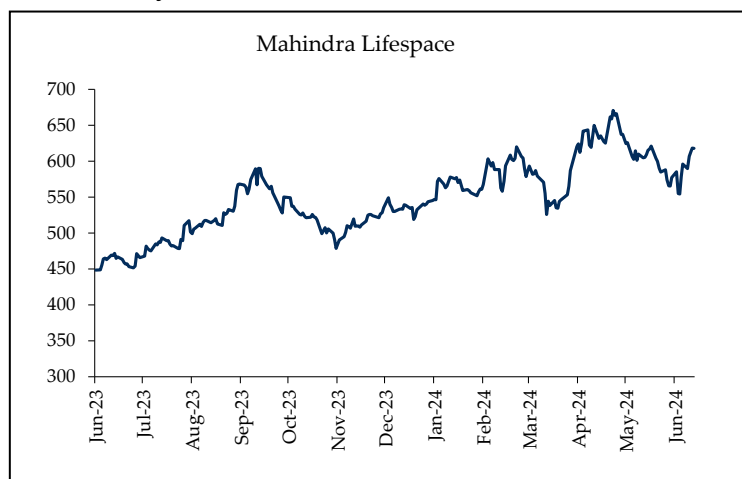
Year ending March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Reported PBT + share of JV	706	-372	-778	24.38	378.65	542.90	2,020	2,454
Non-operating & EO items	-504	-242	-286	-849	-1,456	-2,231	0	0
Taxes paid	-270	-132	-128	-180	-117	-42	-215	-287
Interest expenses	125	76	110	65	109	74	390	470
Depreciation	38	77	70	65	122	137	109	107
Working Capital Change	1,581	-36	332	354	-520	-5,096	-599	-480
OPERATING CASH FLOW (a)	1,675	-628	-680	-520	-1,484	-6,614	1,227	1,560
Capex	2,143	-31	-29	-12	-138	-152	-100	-100
Free cash flow (FCF)	3,819	-659	-709	-532	-1,622	-6,766	1,127	1,460
Investments	734	911	1,133	1,245	417	2,295	-700	-700
INVESTING CASH FLOW (b)	2,877	881	1,104	1,232	278	2,143	-800	-800
Share capital Issuance	0	-14	0	25	4	21	0	0
Debt Issuance	-2,802	-12	77	307	262	6,036	2,000	2,000
Interest expenses	-523	-292	-271	-207	-226	-813	-390	-470
Dividend	-380	-356	-4	-4	-311	-357	0	0
FINANCING CASH FLOW (c)	-3,704	-674	-198	121.6	(270.5)	4,886.6	1,610	1,530
NET CASH FLOW (a+b+c)	848	-421	226	834	-1,476	416	2,201	2,453

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
PROFITABILITY (%)								
GPM	30.9	20.9	29.4	23.0	15.3	9.7	38.7	38.7
EBITDA Margin	4.4	(9.3)	(56.2)	(22.7)	(18.2)	(80.7)	9.6	11.6
APAT Margin	20.2	(24.9)	(43.2)	14.6	16.7	46.4	20.3	21.6
RoE	6.0	(3.3)	(4.3)	9.5	5.7	5.4	9.3	10.1
Core RoCE	5.9	(2.8)	(3.4)	3.7	1.7	4.6	9.0	10.2
RoCE	5.4	(6.9)	(3.2)	3.0	5.5	4.3	7.9	8.2
EFFICIENCY								
Tax Rate (%)	34.8	1.0	7.0	71.1	(22.7)	35.2	25.0	25.0
Asset Turnover (x)	0.4	0.4	0.1	0.3	0.5	0.1	0.5	0.5
Inventory (days)	695	762	2,798	1,292	1,065	4,712	1,458	1,417
Debtors (days)	87	75	187	69	66	203	43	36
Payables (days)	118	94	288	143	110	333	100	133
Cash Conversion Cycle (days)	664	742	2,697	1,218	1,021	4,582	1,401	1,320
Debt/EBITDA (x)	8.8	(4.1)	(2.6)	(3.1)	(2.4)	(5.1)	12.6	11.0
Net D/E	0.03	0.06	0.07	0.03	0.10	0.41	0.13	0.10
Interest Coverage	6.7	(3.9)	(7.2)	(12.5)	(6.4)	(15.9)	4.8	4.7
PER SHARE DATA								
EPS (Rs/sh)	7.7	(9.8)	(4.6)	3.7	6.5	6.3	11.7	14.0
CEPS (Rs/sh)	8.0	(9.3)	(4.2)	4.1	7.3	7.2	12.4	14.7
DPS (Rs/sh)	2.5	2.3	0.0	0.0	2.0	2.3	0.0	0.0
BV (Rs/sh)	124.5	109.8	105.2	115.4	116.5	120.8	131.8	145.8
VALUATION								
P/E	78.1	(61.5)	(130.3)	162.1	92.2	95.0	51.7	43.0
P/BV	4.8	5.5	5.7	5.2	5.2	5.0	4.6	4.1
EV/EBITDA	363.5	(166.3)	(101.1)	(105.1)	(86.6)	(59.1)	117.2	85.1
OCF/EV (%)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	0.0	0.0
FCF/EV (%)	4.1	(0.7)	(0.8)	(0.6)	(1.7)	(6.7)	1.2	1.5
Dividend Yield (%)	0.4	0.4	0.0	0.0	0.3	0.4	0.0	0.0

Source: Company, HSIE Research

Price History



Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

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