

CMP: ₹ 608

Target: ₹ 740 (22%)

Target Period: 12 months

BUY

July 26, 2024

Strong pre sales momentum...

About the stock: Mahindra Lifespace Developers, (MLD) part of the Mahindra Group, has ~37.3 msf of completed, ongoing and forthcoming residential projects across seven cities and over 5,000 acres of ongoing and forthcoming projects under development at its integrated cities / industrial clusters (IC& IC).

- The FY24 presales value is at ₹ 2328 crore and it intends to continue its scalability drive through new business developments ahead and aims ~4-5x business by FY28

Q1FY25 Performance: Residential sales volume stood at ₹1019 crore, up 195% YoY and down 6% QoQ, in the residential business, driven by launches in March '24 and launch of new tower in Tathawade. On financial front, revenues were at ₹ 188.1 crore, up 91.9% YoY. It reported a PAT of ₹12.7 crore as against loss of ₹ 4.3 crore in Q1 FY24. On segment wise, industrial cluster segment (part of profit from associates/JV) profit was ₹ 26 crore, while residential segment had reported a loss of ₹ 13 crore.

Investment Rationale:

- Long term growth aspiration to drive accelerated business development:** MLD has outlined ambitious business growth of 5x over the next 5 years from 2300 crore of residential and IC business sales in FY23 to ₹ 8000-1000 crore by FY28. It has announced land bank addition ₹ 4000 in last 12 months. Furthermore, it has launched inventory of ₹ 1000, unsold phases of ~₹ 4000 crore, plotted development GDV of ₹ 3000 crore and ₹ 7000-8000 crore worth Thane project (launch likely in FY26). Hence the company, currently has a total GDV potential of around ₹ 20,000 crore
- Launches in FY25 to keep sales momentum robust:** MLD has shown strong traction in sales momentum over the last three years which has sharply increased from ₹ 695 crore of pre sales in FY21 to ₹ 2328 crore in FY24. The company has a healthy launch pipeline for FY25 like Malad society redevelopment project, Vista phase-2, Citadel Phase-3 and others worth more than ₹ 3000 crore. We expect sales value at ₹ 3000 crore and ~₹ 3600 crore in FY25 & FY26E, respectively, driven by launch pipelines, and new land additions
- IC&IC business to be stable:** MLD has leased 18.8 acres in the IC & IC Business for ₹76.1 crore. The company overall has an inventory of ~1206 acres with total sales value of ~₹ 4500+ crore. The management expects to momentum to remain healthy and stable at current levels, with strong pipeline of enquiries backed by the global realignment of manufacturing and supply chains favouring India and domestic demand momentum.

Rating and Target Price

- The focus on expanding its overall scale of operation (strong launch pipeline ahead) and a comfortable balance sheet, lends comfort. We maintain our **BUY** rating and target price of ₹ 740

Key Financial Summary

	FY21	FY22	FY23	FY24	5 yr CAGR (FY19-24)	FY25E	FY26E	2 yr CAGR (FY24-26E)
Net Sales (₹ crore)	166.3	393.6	606.6	212.1	-19%	1,122.4	1,218.6	139.7
EBITDA (₹ crore)	(93.5)	(89.5)	(110.1)	(171.1)	-246%	87.2	132.0	LP
Adj. Net Profit (₹ crore)	(71.7)	57.7	33.6	98.2	NA	182.8	213.3	47.3
EPS - Diluted (₹)	(4.6)	10.0	6.5	6.3		11.8	13.8	
P/E (x)	NM	61.2	93.2	96.3		51.7	44.3	
Price / Book (x)	5.8	5.3	5.2	5.0		4.7	4.4	
RoCE	(4.1)	(4.0)	(3.4)	(4.5)		3.9	5.2	
RoE	(4.4)	3.2	1.9	5.2		9.1	9.9	

Source: Company, ICICI Direct Research

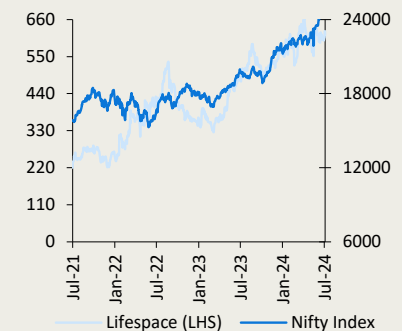
Particulars

Particular	(₹ crore)
Market Capitalization	9,451
Total Debt (FY24)	873
Cash and Inv (FY24)	193
EV	10,131
52 week H/L (₹)	679 / 364
Equity capital	155.0
Face value	10.0

Shareholding pattern

	Sep-23	Dec-23	Mar-24	Jun-24
Promoter	51.2	51.2	51.2	51.2
DII	20.2	23.2	22.2	21.3
FII	11.9	8.5	9.1	9.7
Other	16.8	17.1	17.5	17.8

Price Chart



Key risks

- Slowdown in residential real estate;
- Inability of new leadership to deliver

Research Analyst

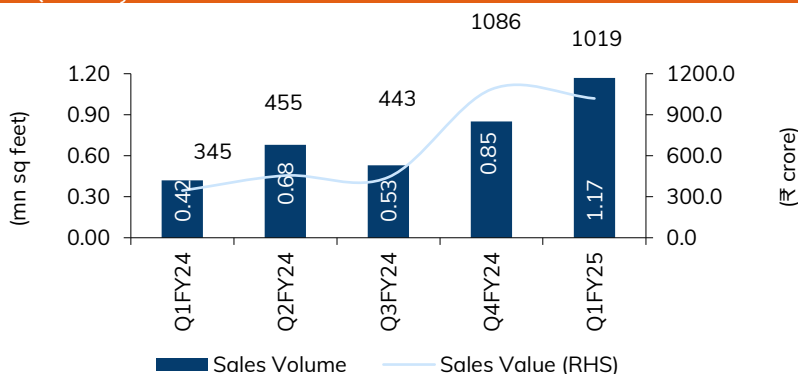
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Call highlights and outlook

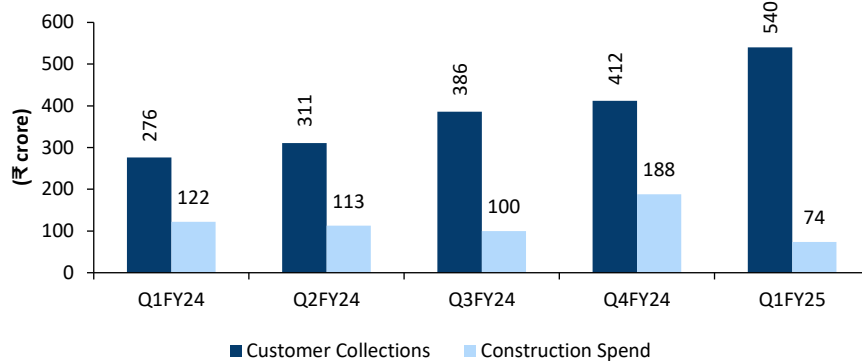
- Residential Presales:** Mahindra Lifespace Developers reported pre-sales of ₹1019 crore, up 195% YoY and down 6% QoQ, in the residential business, driven by launches in March '24 and launch of new tower in Tathawade. Collections in the residential business stood at ₹540 crore, up 95.7% YoY. The company also achieved Industrial land leasing of 18.8 acres in the IC& IC business for ₹ 76.1 crore vs. ₹ 14 crore in Q1FY24 and ₹ 99 crore in Q4. On financial front, Revenues stood at ₹ 188.1 crore, up 91.9% YoY. It reported a PAT of ₹12.7 crore as against loss of ₹ 4.3 crore in Q1 FY24. On segment wise, industrial cluster segment (part of profit from associates/JV) profit was ₹ 26 crore, while residential segment had reported a loss of ₹ 13 crore.
- Business Development:** We note that MLD has announced GDV additions of over ₹2000 crore of GDV in FY25YTD. This includes a) Sai Baba society redevelopment project in Borivali with an overall GDV of ₹1800 crore and b) The 2.37-acre plot acquired next to Mahindra Zen, with GDV potential of ₹250 crore. The company also has unsold phases of roughly ₹4000 crore from Vista, Citadel, Wagholi and few others along with unsold inventory of over ₹1000 crore. The land bank in Jaipur (project pink) and plotted development in Chennai possess a potential of roughly ₹3000 crore and finally the Thane integrated IT township project carry's a development potential of 7000-8000 crore. Hence the company, currently has cited a total GDV potential of around ₹ 20,000 crore. **The company also indicated that it estimates ₹ 7000 crore of capital requirement business development, of which 50% will be internally funded.**
- Project Launch Pipeline:** MLD has a healthy launch pipeline for FY25 comprising Navy society redevelopment project which is worth ₹950-1000 crore GDV, Vista phase 2 worth ₹ 1500 crore, Citadel Phase 3 worth ₹ 1000 crore, its first plotted project in Jaipur, Project Pink which is worth around ₹200 crore. The total GDV value of the launches is expected to be in excess of ₹ 3000 crore. Furthermore, there is Thane's mixed development project with total potential of ₹ 7000-8000 crore. Thus, even near to medium-term visibility of sales is likely to be strong.
- Thane:** MLD has filed the Thane project under the new Integrated IT Township (IITT) policy. The company is targeting mixed development with total potential of ₹ 7000-8000 crore, likely to be launched from FY26 onwards in phases.
- IC & IC business:** MLD leased 18.8 acres in the IC & IC Business for ₹76.1 crore. Jaipur took the lead with 13 acres having generated ₹ 50 crore and Chennai having generated around ₹27 crore. MLD leased ₹ 370 crore in its IC&IC business in FY24 by leasing 76 acres in Jaipur totalling ₹ 234 crore and 43 acres across Origins and MWC in Chennai totalling ₹ 136 crore.
- Debt:** Overall, the MLDs net debt is ₹ 570 crore. On fully consolidated basis, the net debt is ₹ 398 crore, with net debt to equity of 0.21x.

Exhibit 1: Quarterly Resi Sales Trend



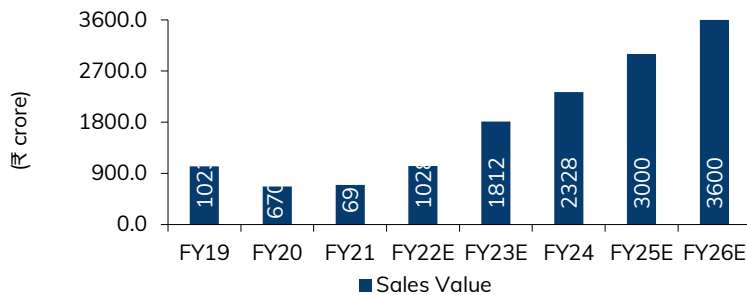
Source: Company, ICICI Direct Research

Exhibit 2: Customer collection and Construction spends trend



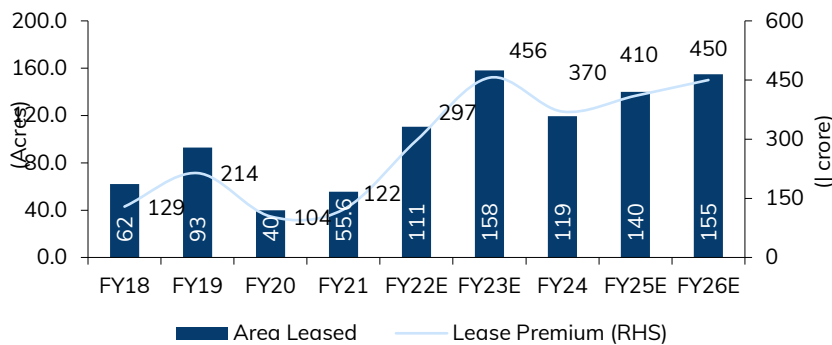
Source: Company, ICICI Direct Research

Exhibit 3: Annual Residential Sales



Source: Company, ICICI Direct Research

Exhibit 4: IC & IC Business annual leasing



Source: Company, ICICI Direct Research

Exhibit 5: Valuation Table

Particulars	Stake value	Value / share	Comment
Residential	4151	268	We have taken projects which have been given as forthcoming projects by company incl. new projects announced
IC & IC Business and Rental Assets	2028	131	This includes the MWC Chennai (remaining land), MWC Jaipur (remaining land), Origins Chennai and Ahmedabad and rental assets like Evolve and Mahindra Tower in Delhi
Land Bank	1436	93	Land value of Thane, Murud and Pune
NAV Valuation	7615	491	
50% Premium for growth potential	3807	246	
Rounded off Target price	11471	740	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 6: Profit and loss statement				
₹ crore				
(₹ Crore)	FY23	FY24	FY25E	FY26E
Net Sales	606.6	212.1	1,122.4	1,218.6
Other Income	53.0	67.0	35.0	35.0
Total operating income	659.6	279.1	1,157.4	1,253.6
Operating Expenses	513.8	191.5	828.0	862.5
Employee Expenses	79.2	84.1	90.0	96.3
Administrative Expenses	123.8	107.6	117.3	127.8
Total Operating Exp.	716.7	383.2	1,035.2	1,086.6
EBITDA	(110.1)	(171.1)	87.2	132.0
Interest	10.9	7.4	22.0	22.0
Depreciation	12.2	13.7	18.0	18.0
Other income	53.0	67.0	35.0	35.0
Share In P/L from asso.	118.1	179.5	164.9	164.8
Exceptional Items	67.8	-	-	-
PBT	105.7	54.3	247.0	291.8
Taxes	2.8	(44.0)	62.3	73.5
PAT before MI	102.8	98.3	184.8	218.3
Minority Interest	(1.4)	(0.1)	(2.0)	(5.0)
PAT	101.4	98.2	182.8	213.3
PAT Growth rate	NA	(3.1)	86.1	16.7
EPS	6.6	6.3	11.8	13.8

Source: Company, ICICI Direct Research

Exhibit 7: Cash flow statement				
₹ crore				
(₹ Crore)	FY23	FY24	FY25E	FY26E
Profit after Tax	154.5	101.4	182.8	213.3
Depreciation	6.5	12.2	18.0	18.0
Add: Interest	6.5	10.9	22.0	22.0
Other Income	(14.7)	(53.0)	(35.0)	(35.0)
Cash Flow before wc change	90.4	74.4	250.0	291.8
Changes in Working Capital	30.3	97.1	(21.5)	(144.4)
Taxes Paid	(13.9)	16.9	(62.3)	(73.5)
Net CF from op activities	106.8	188.4	166.3	73.9
(Purchase)/Sale of FA	(8.4)	(13.2)	(20.0)	(20.0)
(Purchase)/Sale of Inv	(64.3)	(283.0)	-	-
Other Income	14.7	53.0	35.0	35.0
Net CF from Inv activities	(57.5)	(243.1)	15.0	15.0
Issue/(Repayment of Debt)	37.1	(15.4)	(72.8)	-
Changes in Minority Interest	7.1	(48.9)	-	-
Changes in Networth	2.9	(84.2)	(56.7)	(66.2)
Interest	(6.5)	(10.9)	(22.0)	(22.0)
Net CF from Fin activities	40.6	(93.4)	(151.5)	(88.2)
Net Cash flow	90.0	(148.1)	29.8	0.7
Opening Cash	135.5	225.5	106.8	136.6
Closing Cash	225.5	77.4	136.6	137.3

Source: Company, ICICI Direct Research

Exhibit 8: Balance Sheet				
₹ crore				
(₹ Crore)	FY23	FY24	FY25E	FY26E
Equity Capital	155	155	155	155
Reserve and Surplus	1,651	1,718	1,844	1,991
Total Shareholders funds	1,806	1,873	1,999	2,146
Minority Interest	0	0	0	0
Total Debt	265	873	800	800
Deferred Tax Liability (Net)	(59)	(106)	(106)	(106)
Total Liabilities	2,190	1,958	1,914	2,039
Gross Block	65	86	106	126
Less Acc. Dep	48	62	80	98
Net Block	17	24	26	28
Goodwill on Consolidation	-	-	-	-
Capital WIP	5	5	5	5
Total Fixed Assets	22	29	31	33
Investments	905	914	914	914
Inventory	2,098	3,378	3,123	3,317
Sundry Debtors	129	107	102	115
Loans & Advances	18	37	30	30
Cash & Bank Balances	77	107	137	137
Other Current Assets	283	285	285	285
Total Current Assets	2,605	3,914	3,676	3,884
Other Current Liabilities	1,524	2,202	1,913	1,976
Provisions	16	15	15	15
Net Current Assets	1,065	1,697	1,748	1,893
Total Assets	2,190	1,958	1,914	2,039

Source: Company, ICICI Direct Research

Exhibit 9: Key ratios				
	FY23	FY24	FY25E	FY26E
Per Share Data (₹)				
EPS - Diluted	6.5	6.3	11.8	13.8
Cash EPS	7.3	7.2	13.0	14.9
Book Value	116	121	129	138
Dividend per share	2.0	-	-	4.3
Operating Ratios (%)				
EBITDA / Net Sales	(18.2)	(80.7)	7.8	10.8
PAT / Net Sales	5.5	46.3	16.3	17.5
Return Ratios (%)				
RoE	1.9	5.2	9.1	9.9
RoCE	(3.4)	(4.5)	3.9	5.2
RoIC	(7.1)	(7.6)	2.8	4.4
Valuation Ratios (x)				
EV / EBITDA	NM	NM	NM	76.0
P/E (Diluted)	93.2	96.3	51.7	44.3
EV / Net Sales	15.6	47.8	8.9	8.2
Market Cap / Sales	15.6	44.6	8.4	7.8
Price to Book Value	5.2	5.0	4.7	4.4
Solvency Ratios (x)				
Debt / Equity	0.1	0.5	0.4	0.4
Debt / EBITDA	NM	NM	NM	6.1
Current Ratio	1.6	1.7	1.8	1.9
Quick Ratio	0.3	0.2	0.2	0.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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