

CMP: ₹ 464

Target: ₹ 610 (31%) Target Period: 12-15 months

BUY

November 21, 2024

Business Development key to long term aspirations...

About the stock: Mahindra Lifespace Developers, (MLD) part of the Mahindra Group, has ~38.5 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 drive growth through new business developments and aims ~4-5x business by FY28

Q2FY25 Performance: MLDL achieved pre sales of ₹397 crore, down 13% YoY owing to a muted quarter. For H1 FY25, it achieved pre sales of ₹1415 crore, up 77% YoY driven by launches in earlier months. Collections for Q2 FY25 stood at ₹ 459 crore, up 48% YoY. On financial front, Revenues was at ₹7.6 crore, down 57% YoY. It reported a loss of ₹14 crore for Q2FY25 vs. a loss of 19 crore in Q2FY24.

Investment Rationale:

- Building the GDV for long term growth aspiration:** MLD has outlined ambitious business growth of 5x over FY23-28 from 2300 crore of residential and IC business sales to ₹ 8000-1000 crore by FY28. It has announced land bank addition ₹ 5600 crore in last 12 months. Furthermore, it has launched inventory of ₹ 1900 crore, unsold phases of ~₹ 4150 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 ₹ 22650 crore
- H2 to witness healthy pre sales given the launches:** 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 H2FY25 including Malad society redevelopment project, Vista phase-2, Kandivali worth ₹ 3000 crore. We expect sales value at ₹ 2800 crore and ~₹ 3400 crore in FY25 & FY26E, respectively, driven by launch pipelines, and new land additions
- IC&IC business largely stable:** MLD has leased 16.1 acres in the IC & IC Business for ₹87.1 crore. The company overall has an inventory of ~1215 acres. 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. However, we note that business development warrants acceleration for long term target achievement. We maintain our **BUY** rating with a target price of ₹ 610, as we lower the premium to NAV to 25% vs. 50%, earlier.

mahindra
LIFESPACES

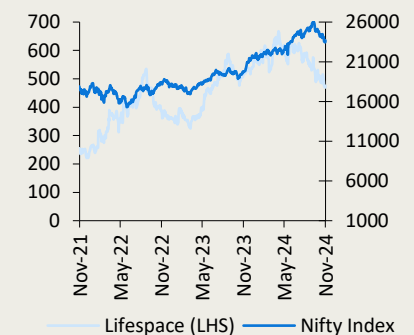
Particulars

Particular	(₹ crore)
Market Capitalization	7,189
Total Debt (FY24)	873
Cash and Inv (FY24)	193
EV	7,869
52 week H/L (₹)	679 / 460
Equity capital	155.0
Face value	10.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	51.2	51.2	51.2	51.2
DII	23.2	22.2	21.3	20.9
FII	8.5	9.1	9.7	9.8
Other	17.1	17.5	17.8	18.1

Price Chart



Key risks

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

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Key Financial Summary

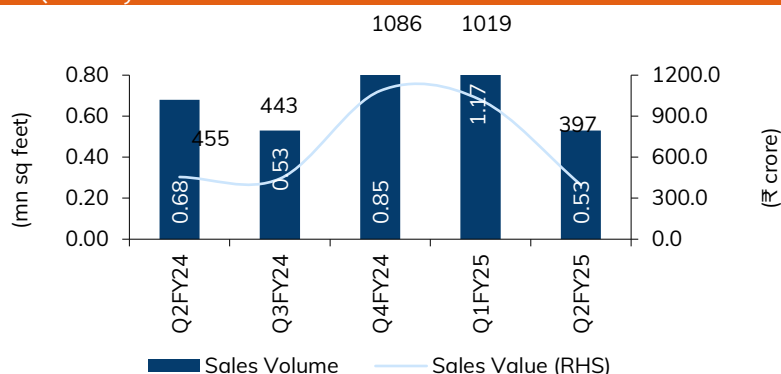
	FY21	FY22	FY23	FY24	5 yr CAGR (FY19-24)	FY25E	FY26E	2 yr CAGR (FY24-26E)
Net Sales (₹ crore)	166.3	393.6	606.6	212.1	-19%	1,122.4	1,218.6	139.7
EBITDA (₹ crore)	(93.5)	(89.5)	(110.1)	(171.1)	-246%	87.2	132.0	LP
Adj. Net Profit (₹ crore)	(71.7)	57.7	33.6	98.2	NA	182.8	213.3	47.3
EPS - Diluted (₹)	(4.6)	10.0	6.5	6.3		11.8	13.8	
P/E (x)	NM	46.4	70.6	72.9		39.2	33.6	
Price / Book (x)	4.4	4.0	4.0	3.8		3.6	3.3	
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

Call highlights and outlook

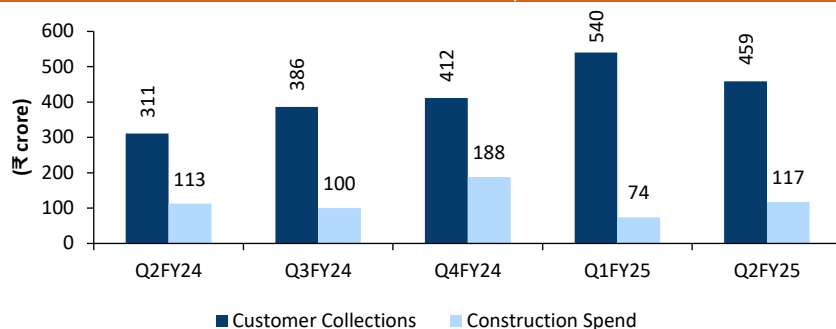
- Q2 FY25 performance** - MLD achieved pre sales of ₹397 crore, down 13% YoY. For H1FY25, it achieved pre sales of ₹1415 crore, up 77% YoY driven by launches in earlier months. Collections for Q2FY25 stood at ₹459 crore, up 48% YoY. The company achieved industrial land leasing of 16.1 acres for ₹ 87.1 crore, up 170% YoY. On financial front, Revenues was at ₹7.6 crore, down 57% YoY. It reported a loss of ₹14 crore for Q2FY25 as against a loss of ₹19 crore in Q2FY24. On segment wise, industrial cluster segment (part of profit from associates/JV) profit was ~₹ 35 crore, while residential segment had reported a loss of ~₹ 49 crore
- Business Development** – Business development momentum remained robust with company adding a GDV of ₹1800 crore society redevelopment in Borivali (Sai Baba Nagar) which comprises of 7 societies and is the third such project in Mumbai and a ₹250 crore GDV potential from 2-acre land parcel in Bengaluru adjacent to the project Mahindra Zen during H1.
- Project launch pipeline** – MLD has a healthy launch pipeline for FY25 comprising of Vista phase-2 which is worth over ₹1000 crore, Codename navy in Malad (first society redevelopment project) worth ₹1000 crore. The company is expecting to launch ₹800 crore worth of inventory in project Crown phase 2, total worth of the project is ₹1400 crore of which ₹600 crore was already launched earlier. The fourth launch is project Pink at Jaipur which is a plotted development worth ₹200 crore and project Zen 2, Bangalore is worth roughly ₹250-300 crore. The project Alembic Whitefield is waiting on certain approvals, Alembic phase 1 is valued at ₹700 to ₹800 crore. The total project is worth ₹1800 crore, the company is yet to decide whether the project is to be launched in one shot or in phases.
- Thane:** MLD had 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. The management has indicated a period of another 12-18 months until its launch.
- IC & IC business** – Among the components in the IC portfolio, Mahindra World City, Chennai is 90% leased out. Origins Chennai 1 is almost sold out and Origins Chennai 2 is poised for launch in the next 3-6 months, it has a healthy potential of 100 to 150 acres of land. The third and the largest opportunity is in Jaipur, Mahindra World City at 3,000 acres with roughly 300 acres of unleased land, a big portion under SEZ. The company is working with the government to convert the land into DTA land which garners immense demand. The company has started business development efforts for Origins Ahmedabad which is roughly 340 acres. And in Maharashtra, the company has Origins Pune which is expected to be launched at the earliest. The last part is the Actis joint venture to which the company has committed ₹200 crore. Actis hold a 65-70% stake in the venture. The management believes that the IC business has an overall potential of roughly ₹2000 crore of PAT over the next 10 years.
- Debt** - The net debt of the company stood at ₹477 crore on consolidated basis vs. ₹ 398 crore in Q1. The net debt to Equity stood at 0.26.

Exhibit 1: Quarterly Resi Sales Trend



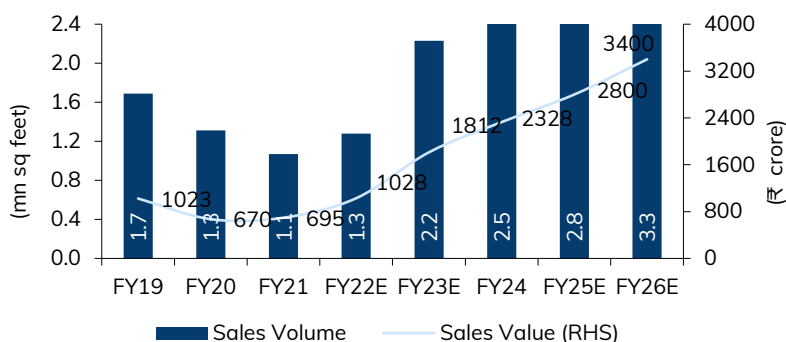
Source: Company, ICICI Direct Research

Exhibit 2: Customer collection and Construction spends trend



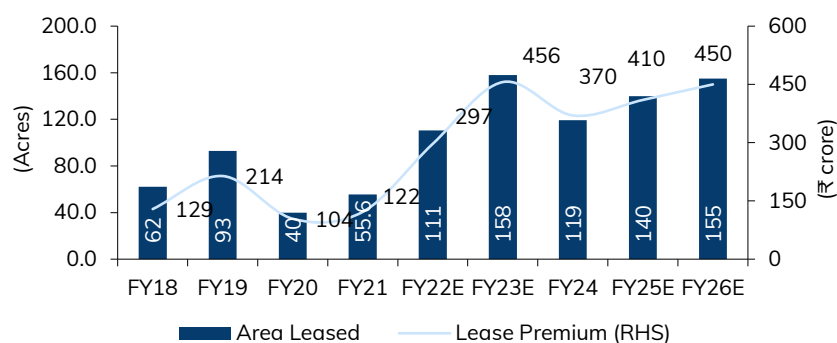
Source: Company, ICICI Direct Research

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	
25% Premium for growth potential	1904	123	
Rounded off Target price	9456	610	

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	58.6
P/E (Diluted)	70.6	72.9	39.2	33.6
EV / Net Sales	11.8	37.0	6.9	6.3
Market Cap / Sales	11.8	33.8	6.4	5.9
Price to Book Value	4.0	3.8	3.6	3.3
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%;

Reduce: -15% to -5%;

Sell: <-15%



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