

## Stock goes ex-bonus; remain constructive...

**About the stock:** Mahindra Lifespace Developers (MLD) is the real estate and infrastructure development business of the Mahindra Group. It has 27.4 million square feet (msf) of completed, ongoing and forthcoming residential projects across seven cities and over 5,000 acres of ongoing, forthcoming projects under development at its integrated development/industrial clusters across four locations.

- The company has outlined five years plans wherein it aims to achieve sales value of ₹ 2500 crore by FY25. For the same, it is targeting four land transactions every year totalling ~₹ 2,000 crore worth of sales potential

### Event

- The Board of Directors of MLD had in July recommended the bonus issue. As per the recommendation, shareholders of the company will get **two fully paid-up shares of ₹ 10 each for every one fully paid-up shares of ₹ 10 each**
- The stock has gone ex-bonus today. Thus, the stock price has adjusted to one-third

**What should investors do?** MLD's share price has grown at ~16% CAGR over the past five years (from ~₹ 134 in September 2016 to ~₹ 281 levels in September 2021). We like MLD given its strong parentage, the management's focus on expanding its overall scale of operation and a comfortable balance sheet. The new land purchases are expected to enable it to scale up its residential business. The change in management and execution has started to show initial signs of transformation. **We maintain our BUY rating on the company.**

**Target Price and Valuation:** We value MLD at ₹ 325/share.

### Key triggers for future price performance:

- Robust launch pipeline and unsold inventory with ₹ 2,593 crore of potential cash flow
- Huge captive land bank and expansion plans to spend ₹ 500 crore each year on land having potential to generate annual sales of ~₹ 2,000 crore
- Recent management changes lend diverse expertise and scale
- Integrated cities and industrial clusters (IC & IC) business to benefit from PLI/manufacturing push
- Borrowing cost lowest among peers– a huge competitive advantage

## Mahindra LIFESPACES

JOYFUL HOMECOMINGS

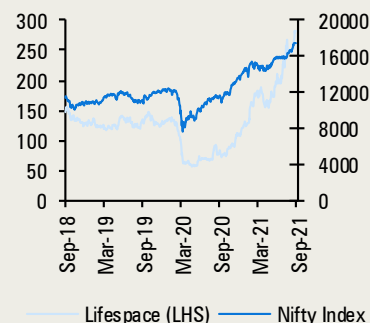
### Particulars

Particular	(₹ crore)
Market Capitalization	4,330
Total Debt (FY21)	243
Cash and Inv (FY21)	135
EV	4,438
52 week H/L (₹)	294 / 73
Equity capital	154.1
Face value	₹ 10

### Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	51.5	51.5	51.5	51.5
DII	13.8	14.3	14.0	15.8
FII	12.7	12.4	13.5	12.6
Other	22.0	21.8	21.0	20.2

### Price Chart



### Key Risks

- (i) Slowdown in residential real estate; (ii) Extended pandemic impacting IC & IC business

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### Key Financial Summary

	FY19	FY20	FY21	5 yr CAGR (FY16-21)	FY22E	FY23E	2 yr CAGR (FY21-23E)
Net Sales (₹ crore)	592.8	610.9	166.3	-22%	184.5	781.6	116.8
EBITDA (₹ crore)	25.8	(56.8)	(93.5)	NA	(116.7)	155.1	LP
Net Profit (₹ crore)	119.7	(193.4)	(71.7)	NA	(63.1)	154.3	LP
EPS - Diluted (₹)	7.8	(12.5)	(4.7)		(4.1)	10.0	
P/E (x)	36.2	NM	NM		NM	28.1	
Price / Book (x)	2.2	2.5	2.7		2.7	2.6	
EV/EBITDA (x)	164.2	NM	NM		NM	29.8	
RoCE	3.8	(1.5)	(4.1)		(5.0)	8.4	
RoE	6.2	(11.4)	(4.4)		(4.0)	9.1	

## Valuation & Outlook

We like MLD given its strong parentage, the management's focus on expanding its overall scale of operation and a comfortable balance sheet. The new land purchases are expected to enable it to scale up its residential business. The change in management and execution has started to show initial signs of transformation. Hence, we maintain BUY recommendation with a target price of ₹ 325/share (earlier ₹ 313/share on adjusted basis). The increase in target price is owing to higher premium of 35% (vs. 30% earlier) to our NAV estimates for growth potential.

### Exhibit 1: Valuation

Particulars	Stake value	Value / share	Comment
Residential	1579.4	102	We have only taken projects which have been given as forthcoming projects by company
IC& IC Business	1569.3	102	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	675.0	44	Land bank like Murud, Pune and Thane at 25% discount to market value
Less Net Debt	107.9	7	
<b>NAV Valuation</b>	<b>3715.8</b>	<b>241</b>	
<b>35% Premium for growth potential</b>		<b>84</b>	
<b>Rounded off Target price</b>		<b>325</b>	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Net Sales	610.9	166.3	184.5	781.6
Other Income	35.0	21.6	23.7	29.7
<b>Total operating income</b>	<b>645.9</b>	<b>187.8</b>	<b>208.2</b>	<b>811.3</b>
Operating Expenses	483.0	117.3	144.5	462.0
Employee Expenses	82.2	75.7	83.3	87.4
Administrative Expenses	102.5	66.8	73.4	77.1
Total Operating Expenditure	667.8	259.7	301.2	626.5
<b>EBITDA</b>	<b>(56.8)</b>	<b>(93.5)</b>	<b>(116.7)</b>	<b>155.1</b>
Interest	7.6	11.0	14.0	21.8
Depreciation	7.7	7.0	7.4	7.4
Other income	35.0	21.6	23.7	29.7
Exceptional Items	(134.6)	-	-	-
PBT	(196.2)	(77.7)	(85.7)	205.0
Taxes	(1.7)	(6.3)	(21.6)	51.6
PAT before MI	(194.5)	(71.4)	(64.1)	153.3
Minority Interest	1.1	(0.3)	1.0	1.0
<b>PAT</b>	<b>(193.4)</b>	<b>(71.7)</b>	<b>(63.1)</b>	<b>154.3</b>
PAT Growth rate	NA	NA	NA	NA
EPS	(37.7)	(14.0)	(4.1)	10.0

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
<b>Profit after Tax</b>	<b>(193.4)</b>	<b>(71.7)</b>	<b>(63.1)</b>	<b>154.3</b>
Depreciation	7.7	7.0	7.4	7.4
Add: Interest	7.6	11.0	14.0	21.8
Other Income	(35.0)	(21.6)	(23.7)	(29.7)
Cash Flow before wc changes	(214.8)	(81.6)	(87.0)	205.6
Changes in Working Capital	(63.8)	52.1	(159.1)	(125.8)
Taxes Paid	(3.9)	(4.0)	21.6	(51.6)
<b>Net CF from operating activities</b>	<b>(282.4)</b>	<b>(33.5)</b>	<b>(224.5)</b>	<b>28.1</b>
(Purchase)/Sale of Fixed Assets	(13.5)	(2.7)	(17.0)	44.5
(Purchase)/Sale of Investment	139.5	(9.9)	-	-
Other Income	35.0	21.6	23.7	29.7
<b>Net CF from Investing activities</b>	<b>161.5</b>	<b>9.5</b>	<b>6.7</b>	<b>74.2</b>
Issue/(Repayment of Debt)	3.7	36.4	120.6	11.0
Changes in Minority Interest	(1.6)	0.0	-	-
Changes in Networth	(34.9)	1.5	19.6	(47.9)
Interest	(7.6)	(11.0)	(14.0)	(21.8)
<b>Net CF from Financing activities</b>	<b>(40.4)</b>	<b>27.0</b>	<b>126.2</b>	<b>(58.8)</b>
Net Cash flow	(161.3)	3.0	(91.6)	43.6
Opening Cash	293.8	132.4	135.5	43.8
Closing Cash/ Cash Equivalent	<b>132.4</b>	<b>135.5</b>	<b>43.8</b>	<b>87.4</b>

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Equity Capital	51.4	51.4	154.1	154.1
Reserve and Surplus	1,649.9	1,579.7	1,433.4	1,539.9
Total Shareholders funds	1,701.3	1,631.1	1,587.6	1,694.0
Minority Interest	41.9	42.0	42.0	42.0
Total Debt	207.0	243.4	364.0	374.9
Deferred Tax Liability (Net)	7.7	(2.6)	(2.6)	(2.6)
<b>Total Liabilities</b>	<b>2,190</b>	<b>1,958</b>	<b>1,914</b>	<b>1,991</b>
Gross Block	33.5	33.9	50.9	6.4
Less Acc. Dep	22.5	29.5	37.0	44.4
Net Block	11.0	4.4	13.9	(38.1)
Goodwill on Consolidation	66.0	66.0	66.0	66.0
Capital WIP	12.2	14.6	14.6	14.6
Total Fixed Assets	89.3	85.0	94.5	42.6
Investments	687.8	548.2	558.1	558.1
Inventory	1,204.3	1,344.7	1,466.9	1,765.5
Sundry Debtors	114.4	56.4	121.8	31.0
Loans & Advances	83.4	88.3	70.6	29.2
Cash & Bank Balances	132.4	135.5	43.8	87.4
Other Current Assets	348.7	281.7	279.4	279.4
Total Current Assets	1,883.2	1,906.6	1,982.5	2,192.5
Other Current Liabilities	570.3	640.7	655.2	705.2
Provisions	13.5	15.5	9.5	0.1
Net Current Assets	1,299.4	1,250.3	1,317.8	1,487.2
<b>Total Assets</b>	<b>2,190</b>	<b>1,958</b>	<b>1,914</b>	<b>1,991</b>

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
	FY20	FY21	FY22E	FY23E
<b>Per Share Data (₹)</b>				
EPS - Diluted	(12.5)	(4.7)	(4.1)	10.0
Cash EPS	(36.2)	(12.6)	(3.6)	10.5
Book Value	110.4	105.8	103.0	109.9
Dividend per share	-	-	-	3.1
<b>Operating Ratios (%)</b>				
EBITDA / Net Sales	(9.3)	(56.2)	(63.3)	19.8
PAT / Net Sales	(31.7)	(43.1)	(34.2)	19.7
<b>Return Ratios (%)</b>				
RoE	(11.4)	(4.4)	(4.0)	9.1
RoCE	(1.5)	(4.1)	(5.0)	8.4
RoIC	(3.6)	(5.8)	(6.5)	7.4
<b>Valuation Ratios (x)</b>				
EV / EBITDA	NM	NM	NM	29.8
P/E (Diluted)	NM	NM	NM	28.1
EV / Net Sales	7.2	26.7	25.2	5.9
Market Cap / Sales	7.1	26.0	23.5	5.5
Price to Book Value	2.5	2.7	2.7	2.6
<b>Solvency Ratios (x)</b>				
Debt / Equity	0.1	0.1	0.2	0.2
Debt / EBITDA	NM	NM	NM	2.4
Current Ratio	3.0	2.7	2.9	3.0
Quick Ratio	0.9	0.6	0.7	0.5

Source: Company, ICICI Direct Research

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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