

Mahindra Lifespace

Estimate change	↓
TP change	↔
Rating change	↔

CMP: INR406

TP: INR550 (+36%)

Buy

Conversion of BD pipeline to drive further upside

Healthy residential performance; launches to gain momentum

- Mahindra Lifespace (MLDL) posted 32% YoY growth in bookings to INR4b (down 34% QoQ on high base) driven by strong response to launches and continued momentum in ongoing projects. Bookings in 1HFY23 were over INR10b similar to what it clocked in FY22. Sales volumes rose 21% YoY to 0.45msf.
- MLDL launched 0.6msf of projects/phase including the launch of new project Nestalgia, Pune that clocked bookings of INR1.4b (73% of launch inventory). In 2HFY23, MLDL is planning to launch projects/phases with GDV of INR10b and with INR15b of ongoing inventory, we believe, the company can replicate its 1HFY23 performance in 2H.
- **P&L performance** – Revenue was 39% below our estimate due to delay in completion of Vicino, Mumbai. MLDL posted an EBITDA loss of INR0.4b owing to continued investment in land. Despite INR0.3b of contribution from JV projects, its post-tax loss stood at INR75m v/s profit of INR65m in 2QFY22.

Annual GDV addition target raised to INR30-40b for the near term

- Management indicated that it has active business development pipeline of INR50b of which INR20b is in advanced stages. The company expects to close deals with GDV of INR15-20b in 2HFY23, resulting in cumulative GDV addition of INR30-40b for FY23.
- MLDL has been shortlisted for two redevelopment projects with one of them being in advanced stages. It now has a dedicated team to look at society redevelopments and stressed projects that will further scale-up the scope.
- Given the strong visibility and focused growth strategy in Mumbai, Pune and Bengaluru, the company expects to sustain this INR30-40b GDV run-rate in near term v/s INR20b guided earlier.

JV with Actis to help build annuity assets without much cash outgo

- MLDL leased 22 acres during 2QFY23 taking cumulative leasing to 65 acres for 1HFY23 (v/s 110 acres in FY22), indicating continued momentum. MLDL expects leasing momentum to pick-up in Origins, Chennai in 2HFY23.
- Realization per acre in MWC Jaipur has improved to INR30m from INR26m in FY22.
- **JV with Actis** – MLDL will monetize 100 acres from its operational assets in the JV, which will help fund its equity contribution of INR1.8-2.0b in the JV. The assets once operational will provide an annuity flow to the company so as to have a terminal value for its IC&IC segment

Continued momentum in project additions to result in further upside

- MLDL's residential and IC&IC segment performance remains on track and hence, we retain our pre-sales and cash flow estimates.
- We believe continued strong momentum in project additions at a targeted GDV addition of INR30-40b will provide growth visibility and is a key upside trigger for the stock. **We reiterate our BUY rating with an unchanged SoTP-based TP of INR550, indicating 36% upside potential.**

Bloomberg	MLIFE IN
Equity Shares (m)	155
M.Cap.(INRb)/(USD\$b)	62.7 / 0.8
52-Week Range (INR)	555 / 219
1, 6, 12 Rel. Per (%)	-19/-5/41
12M Avg Val (INR M)	114

Financials & Valuations (INR b)

Y/E Mar	FY22	FY23E	FY24E
Sales	92.3	95.3	94.3
EBITDA	21.2	22.2	24.4
EBITDA (%)	23.0	23.3	25.9
Net profit	12.1	14.3	18.3
EPS (Rs)	25.1	29.8	38.1
EPS Growth (%)	40.3	66.5	52.6
BV/Share (INR)	252.6	281.2	319.3

Ratios

Net D/E	0.8	0.4	0.1
RoE (%)	13.6	11.2	12.7
RoCE (%)	7.3	7.7	9.2
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	45.1	38.0	29.8
P/BV (x)	4.5	4.0	3.5
EV/EBITDA (x)	30.1	27.5	23.2
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	51.3	51.3	51.5
DII	18.3	18.9	16.0
FII	11.4	10.6	11.6
Others	18.9	19.2	20.9

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Financial and operational performance

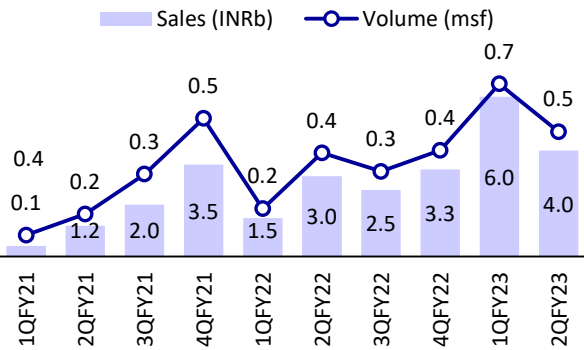
Y/E March	FY22				FY23				FY22	FY23E	FY23E 2QE	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Income from Operations	1,482	592	243	1,618	946	698	2,028	1,100	3,936	4,771	1,150	-39
YoY Change (%)	935.0	92.5	-62.6	188.9	-36.2	17.8	733.0	-32.0	136.7	21.2	94.1	
Total Expenditure	492	467	631	1,974	1,265	1,092	1,898	1,499	4,830	5,754	1,358	
EBITDA	990	125	-388	-357	-320	-394	130	-399	-895	-983	-208	89
Margins (%)	66.8	21.2	-159.4	-22.1	-33.8	-56.4	6.4	-36.3	-22.7	-20.6	-18.1	
Depreciation	15	14	14	23	24	32	24	14	65	94	24	
Interest	12	54	17	15	18	25	38	46	65	126	51	
Other Income	60	65	90	-67	228	40	43	22	147	334	44	
PBT before EO expense	1,022	122	-329	-462	-134	-411	112	-437	-878	-869	-239	72
Extra-Ord expense	0	0	0	-968	-338	0	0	0	-968	338	0	
PBT	1,022	122	-329	506	204	-411	112	-437	90	-531	-239	72
Tax	-54	107	-80	-597	76	-67	-73	-68	-624	-133	-61	
Rate (%)	-5.3	87.8	24.3	-117.9	37.0	16.4	-65.4	NM	-695.2	25.0	25.4	
Minority Interest & P/L of Asso. Cos.	-16	50	499	265	625	266	639	601	830	2,132	422	
Reported PAT	1,061	65	250	1,368	754	-77	824	232	1,545	1,733	244	-132
Adj PAT	1,061	65	250	-742	541	-39	723	261	-6,153	1,480	244	
YoY Change (%)	-630.9	-148.9	-323.6	172.4	-49.0	-160.3	189.1	-135.1	-699.3	NM	-789.8	
Margins (%)	71.6	11.0	102.8	-45.9	57.2	-5.6	35.7	23.7	-156.3	31.0	21.2	
Operational Performance												
Area sold (msf)	0.2	0.4	0.3	0.4	0.7	0.5	0.7	0.8	1.3	2.6	0.5	-13
Booking value (INR b)	1.5	3.0	2.5	3.3	6.0	4.0	4.8	5.2	10	20	3.5	14
Avg Realization (INR)	8056	7769	7844	8200	9262	8489	6837	6395	7,961	7,596	6444	32

E: MOFSL Estimates

Source: Company, MOFSL

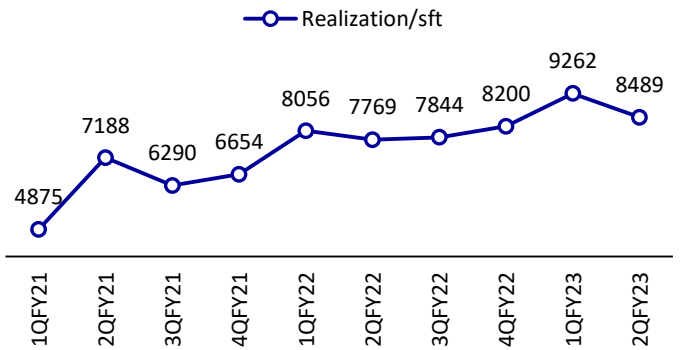
Key exhibits

Exhibit 1: MLDL reported 21% YoY growth in bookings



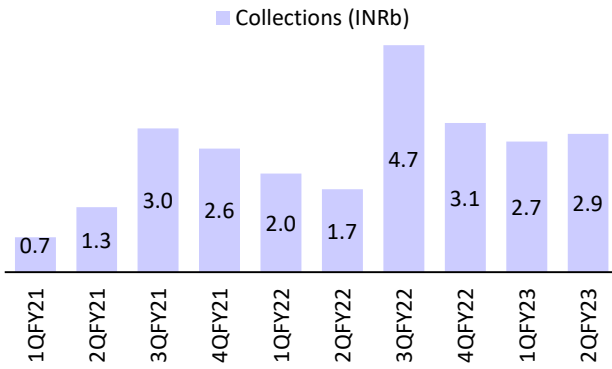
Source: Company, MOFSL

Exhibit 2: Realization/sft rose 9% led by price hikes/product mix



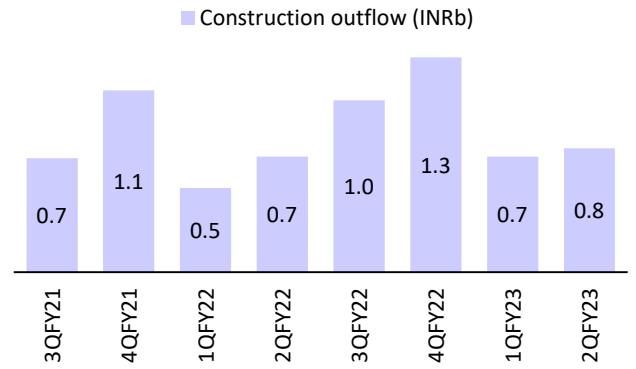
Source: Company, MOFSL

Exhibit 3: Collections remained steady at ~INR3b



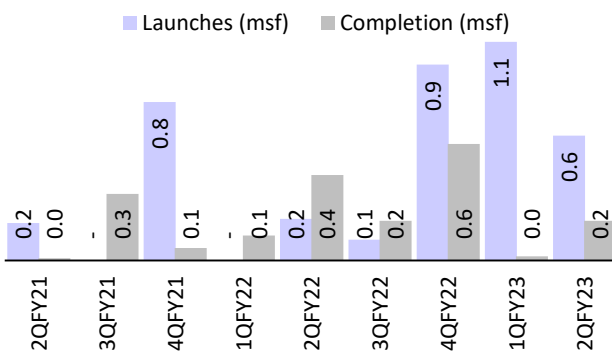
Source: Company, MOFSL

Exhibit 4: During the quarter, the company spent INR0.8b towards construction



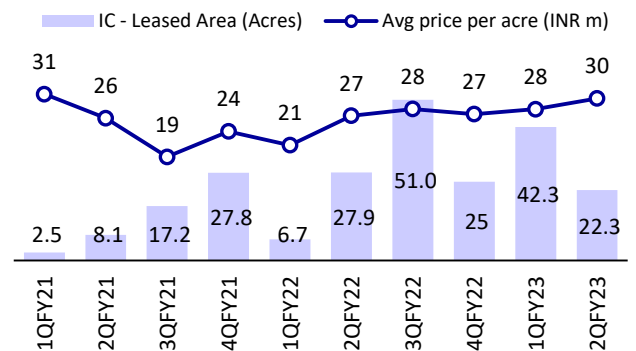
Source: Company, MOFSL

Exhibit 5: Driven by strong pipeline, MLDL is witnessing a gradual pick up in launches



Source: Company, MOFSL

Exhibit 6: In the IC segment, MLDL leased 22 acres in 2QFY23



Source: Company, MOFSL

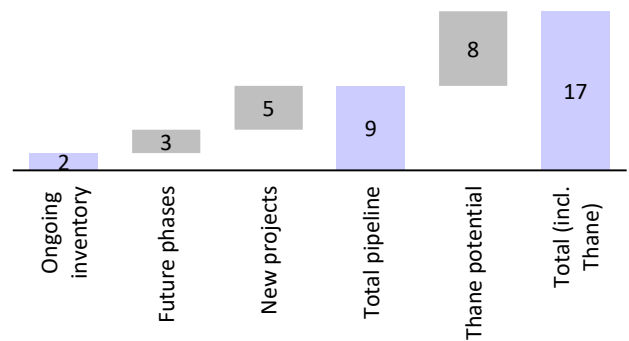
Story in charts

Exhibit 1: So far, MLDL has acquired eight projects with a development potential of 9msf

Micro Market	City	Project size (msf)	MLDL Share	Year of acquisition
Kalyan 1	MMR	0.8	100	FY20
Tathawade	Pune	1.1	100	FY20
Kanakpura	Bengaluru	0.8	100	FY21
Kalyan	MMR	1.1	100	FY21
Dahisar	MMR	0.9	70	FY22
Kandivali	MMR	1.7	100	FY22
Pimpri	Pune	0.4	100	FY22
Pimpri	Pune	2.0	100	FY23
Total		8.8		

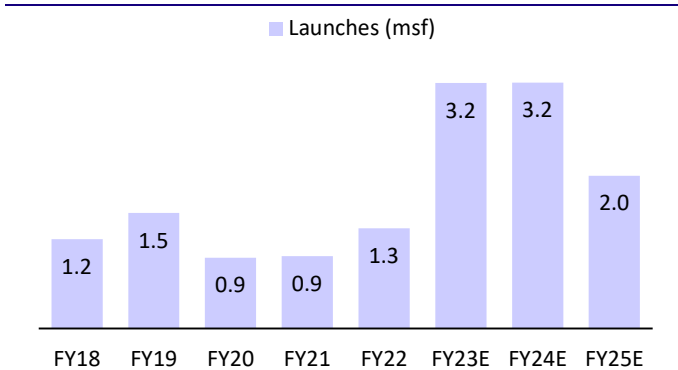
Source: Company, MOFSL

Exhibit 2: The company's current pipeline of 9msf has revenue potential of INR90b



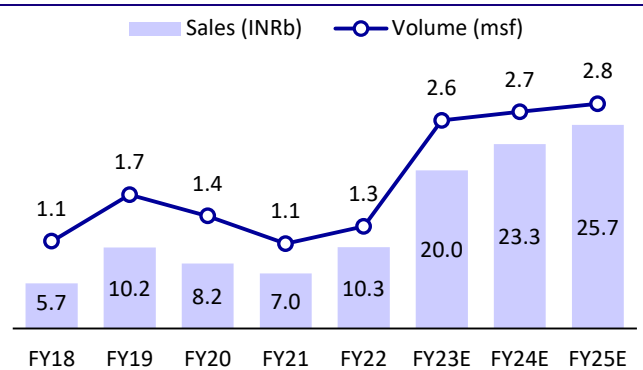
Source: Company, MOFSL

Exhibit 3: Aided by strong pipeline, MLDL will scale up its launches...



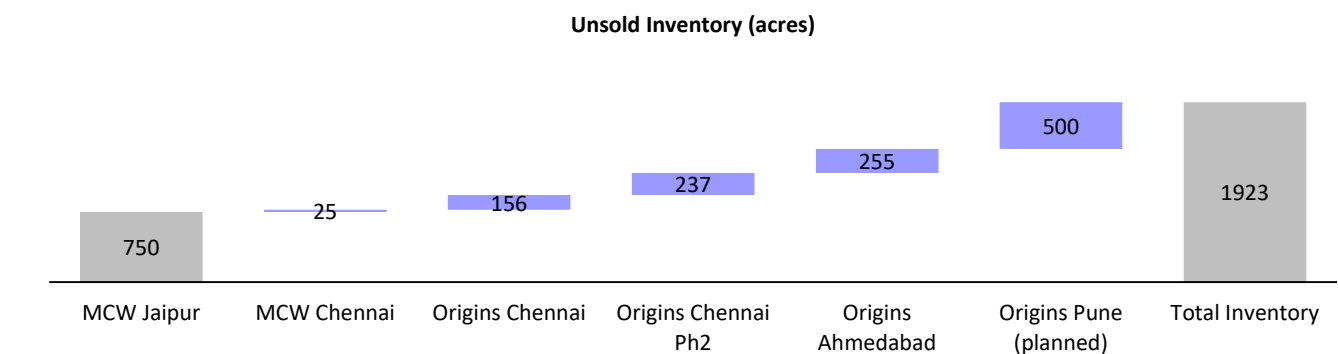
Source: MOFSL, Company

Exhibit 4: ...leading to 36% CAGR in sales



Source: MOFSL, Company

Exhibit 5: Including its operating and planned assets, MLDL's IC segment has an unsold inventory of ~1,900 acres



Source: Company, MOFSL

Exhibit 6: Earnings revision summary

(INR m)	Old		New		Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	5,227	5,698	4,771	6,441	-9%	13%
EBITDA	-892	-947	-983	-799	10%	-16%
Adj. PAT	1,729	1,320	1,480	1,679	-14%	27%
Pre-sales	18,949	23,241	19,974	23,298	5%	0%
Collections	11,109	17,206	11,082	17,052	0%	-1%

Source: MOFSL, Company

Highlights from the management commentary

New Launches

- Given the strong response to Mahindra Eden, the second phase will be launched in 3QFY23 (v/s 1QFY24). Further, the company will launch the second phase of Nestalgia (Pune) in 4QFY23.
- The larger project at Pimpri will be launched in 4QFY23 along with the new phase at Happinest MWCC and new plotted development project launch in Mahindra World City.

Key Projects

- **Kandivali project** will get pushed out by a quarter due to a delay in conveyance. MLDL is progressing well on design and the project will now be launched in 1HFY24.
- **Dahisar JDA:** The site at recently announced Dahisar JDA project is overlapping with airport radar. Management is in touch with various government authorities and expects the issue to be resolved in six months.
- **Thane Project:** SEZ de-notification received for Thane project. It will be a mixed use development and the company will bring in a partner for commercial segment. Management is targeting the launch in 15 -18 months.

Demand and pricing:

- Demand is fairly strong and robust despite rise in mortgage rates. The company has even managed to take meaningful price hikes during the quarter. In some cases, price hikes are as high as 6-8%. Recent launches like in Bengaluru have also witnessed healthy price hikes.

Business development pipeline

- Total pipeline stands at INR50b out of which INR20b worth of deals are at advance stage of negotiation and management expects the same to conclude in a couple of quarters.
- MLDL is shortlisted for two society redevelopment projects but given the involvement of a lot of stakeholders in decision making, the closure is getting delayed.
- The company is targeting INR30-40b of GDV additions consistently from here on.

Actis JV

- The recent JV with Actis for Logistics Park complements the existing IC segment. Given the capital intensive nature, this will be operated as a separate JV with separate leadership team supervised by the Board.
- The first phase of investment will be to the tune of INR20b with INR6b of Equity and MLDL's share would be INR1.8b (funded through 100-acre land infusion).

Valuation and view:

- We value MLDL on an SoTP basis:
- Its Residential business is valued using the DCF of expected cash flows over five years by using a WACC of 13.5% and terminal value by using a perpetual growth rate of 3%.

- Its IC&IC segment is valued using DCF of cash flows generated by monetizing land inventory over the next 12-15 years.
- Its residential land bank in Pune, Chennai and Murud is valued at the current realizable value
- Based on the above approach, we arrive at a GAV of INR88b. Netting-off FY23E net debt of INR3b, we derive a NAV of INR85b or INR550 per share.

Exhibit 7: Based on our SoTP approach, we arrive at a NAV of INR85b (or INR550 per share), implying 36% upside potential

Particulars	Rationale	Value (INR b)	Per share	% Contribution
Residential	❖ DCF of 5 years cash flow at WACC of 14% and terminal value assuming 3% long term growth	66	428	78%
IC & IC	❖ PV of future cash flows discounted at WACC of 14%	14	88	16%
Land bank	❖ ~1650 acres of land bank valued at market price	4	28	5%
Annuity	❖ 8.5% Cap rate on FY24E NOI	4	25	5%
Gross Asset value		88	570	104%
Net debt	❖ FY23E	(3)	(19)	-4%
Net Asset value		85	550	100%
No. of shares (m)		155		
NAV per share		550		
CMP		406		
Upside (%)		36%		

Source: MOFSL, Company

Financials and valuations

Consolidated – Profit & Loss

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	5,928	6,109	1,662	3,936	4,771	6,441	6,148
Change (%)	4.7	3.1	-72.8	136.7	21.2	35.0	-4.6
Operating Expenses	4,096	4,830	1,173	3,031	3,817	5,153	4,611
Employees Cost	740	822	757	836	878	922	949
Other Expenses	834	1,025	668	963	1,059	1,165	1,282
Total Expenditure	5,670	6,678	2,598	4,830	5,754	7,240	6,842
% of Sales	95.6	109.3	156.3	122.7	120.6	112.4	111.3
EBITDA	258	-568	-935	-895	-983	-799	-694
Margin (%)	4.4	-9.3	-56.3	-22.7	-20.6	-12.4	-11.3
Depreciation	38	77	70	65	94	115	140
EBIT	221	-645	-1,005	-960	-1,077	-914	-835
Int. and Finance Charges	125	76	110	65	126	137	153
Other Income	1,337	105	216	147	334	258	246
PBT bef. EO Exp.	1,433	-617	-899	-878	-869	-793	-742
EO Items	0	-1,346	0	968	338	0	0
PBT after EO Exp.	1,433	-1,963	-899	90	-531	-793	-742
Total Tax	246	-17	-63	-624	-133	-198	-185
Tax Rate (%)	17.2	0.9	7.0	-695.2	25.0	25.0	25.0
Minority Interest	-10	-11	118	830	2,132	2,274	2,362
Reported PAT	1,176	-1,957	-718	1,545	1,733	1,679	1,805
Adjusted PAT	1,176	-623	-718	172	1,480	1,679	1,805
Change (%)	16.5	-152.9	15.2	-123.9	761.5	13.5	7.5
Margin (%)	19.8	-10.2	-43.2	4.4	31.0	26.1	29.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	513	514	514	1,545	1,545	1,545	1,545
Total Reserves	18,782	16,499	15,797	16,340	18,073	19,752	21,557
Net Worth	19,295	17,013	16,311	17,885	19,618	21,297	23,103
Minority Interest	435	420	420	491	491	491	491
Total Loans	2,282	2,319	2,443	2,805	2,805	3,305	3,505
Deferred Tax Liabilities	134	77	152	0	0	0	0
Capital Employed	22,146	19,829	19,326	21,181	22,914	25,093	27,099
Gross Block	338	320	222	423	517	632	773
Less: Accum. Deprn.	259	260	184	249	343	458	599
Net Fixed Assets	79	60	38	174	174	174	174
Goodwill on Consolidation	660	660	660	660	660	660	660
Capital WIP	98	122	146	34	34	34	34
Total Investments	7,092	5,743	5,786	6,424	6,762	6,762	6,762
Curr. Assets, Loans&Adv.	22,006	18,777	19,249	23,083	26,137	32,271	33,249
Inventory	13,451	12,043	13,447	14,419	17,318	21,618	22,738
Account Receivables	1,373	1,144	564	919	1,114	1,504	1,435
Cash and Bank Balance	2,938	1,324	1,355	2,255	1,980	2,064	1,697
Loans and Advances	4,245	4,267	3,883	5,490	5,725	7,085	7,377
Curr. Liability & Prov.	7,789	5,534	6,553	9,193	10,853	14,808	13,780
Account Payables	1,880	1,276	1,349	1,733	2,065	2,598	2,455
Other Current Liabilities	5,618	3,972	5,049	7,294	8,587	11,939	11,066
Provisions	291	286	155	166	201	271	259
Net Current Assets	14,217	13,244	12,696	13,890	15,285	17,463	19,469
Appl. of Funds	22,146	19,830	19,327	21,181	22,915	25,093	27,099

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	22.9	-12.1	-14.0	1.1	9.6	10.9	11.7
Cash EPS	23.6	-10.6	-12.6	1.5	10.2	11.6	12.6
BV/Share	375.8	331.2	317.4	115.7	127.0	137.8	149.5
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)							
P/E	17.9	-33.9	-29.4	369.8	42.9	37.8	35.2
Cash P/E	17.4	-38.7	-32.6	268.1	40.4	35.4	32.6
P/BV	1.1	1.2	1.3	3.6	3.2	3.0	2.7
EV/Sales	3.4	3.6	13.4	16.3	13.5	10.1	10.6
EV/EBITDA	79.1	-38.9	-23.7	-71.6	-65.4	-81.1	-94.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	32.0	-12.8	-13.8	-4.2	-3.1	-3.5	-4.3
Return Ratios (%)							
RoE	5.9	-3.4	-4.3	1.0	7.9	8.2	8.1
RoCE	5.5	-2.6	-3.9	-32.8	-2.6	-2.1	-1.7
RoIC	1.3	-5.2	-7.6	-62.3	-6.1	-4.5	-3.6
Working Capital Ratios							
Fixed Asset Turnover (x)	17.5	19.1	7.5	9.3	9.2	10.2	8.0
Asset Turnover (x)	0.3	0.3	0.1	0.2	0.2	0.3	0.2
Inventory (Days)	828	719	2,952	1,337	1,325	1,225	1,350
Debtor (Days)	85	68	124	85	85	85	85
Creditor (Days)	116	76	296	161	158	147	146
Leverage Ratio (x)							
Current Ratio	2.8	3.4	2.9	2.5	2.4	2.2	2.4
Interest Cover Ratio	1.8	-8.5	-9.2	-14.7	-8.5	-6.6	-5.4
Net Debt/Equity	0.0	0.1	0.1	0.0	0.0	0.1	0.1

Consolidated – Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,433	-617	-778	24	1,262	1,480	1,620
Depreciation	38	77	70	65	94	115	140
Interest & Finance Charges	-267	-57	-21	-65	126	137	153
Direct Taxes Paid	-270	-132	-128	-180	133	198	185
(Inc)/Dec in WC	1,580	-36	332	354	-1,670	-2,095	-2,371
CF from Operations	2,514	-764	-525	199	-54	-164	-272
Others	-839	136	-155	-718	-334	-258	-246
CF from Operating incl EO	1,675	-628	-680	-520	-388	-422	-518
(Inc)/Dec in FA	-34	-31	-29	-133	-94	-115	-140
Free Cash Flow	1,641	-659	-709	-653	-482	-537	-659
(Pur)/Sale of Investments	2,177	0	0	550	0	0	0
Others	734	911	1,133	815	334	258	246
CF from Investments	2,877	881	1,104	1,232	240	143	105
Issue of Shares	0	0	0	25	0	0	0
Inc/(Dec) in Debt	-2,802	37	124	362	0	500	200
Interest Paid	-523	-292	-271	-207	-126	-137	-153
Dividend Paid	-380	-356	-4	-4	0	0	0
Others	0	-64	-47	-55	0	0	0
CF from Fin. Activity	-3,704	-674	-198	122	-126	363	47
Inc/Dec of Cash	848	-421	226	834	-275	83	-366
Opening Balance	-692	156	924	1,150	1,984	1,710	1,793
Closing Balance	156	-265	1,150	1,984	1,710	1,793	1,427

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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