



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive	= Neutral	- Negative	

## What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

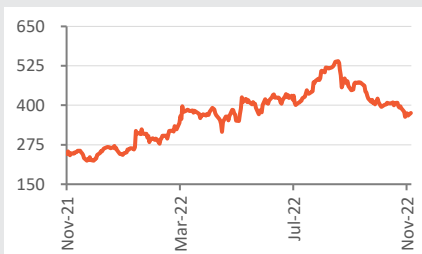
## Company details

Market cap:	Rs. 5,805 cr
52-week high/low:	Rs. 555 / 219
NSE volume: (No of shares)	0.67 lakh
BSE code:	532313
NSE code:	MAHLIFE
Free float: (No of shares)	7.5 cr

## Shareholding (%)

Promoters	51
FII	11
DII	18
Others	19

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	-6.4	-25.6	7.3	52.7
Relative to Sensex	-9.3	-33.4	-4.5	43.5

Sharekhan Research, Bloomberg

## Mahindra Lifespace Developers Ltd

## On track for healthy H2; Reiterate Buy

Real Estate	Sharekhan code: MAHLIFE		
Reco/View: Buy	↔	CMP: Rs. 376	Price Target: Rs. 600 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- We retain a Buy on the stock with an unchanged price target of Rs. 600, considering the strong growth potential in its residential and IC&IC business.
- Our interaction with the management indicate adherence of timeline with respect to new project launches and new phases in existing projects in Q3FY2023. It remains on track for Q4FY2023 launches.
- The company remain confident of achieving its pre-sales, collections and new business development targets for H2FY2023.
- It executed its JV agreement with Actis for an SPV which would be developing 2msf of rental assets. The proceeds from land sales would be utilized for its equity share.

We interacted with the management of Mahindra Lifespace Developers Limited (MLDL). The company received a good response for Citadel phase 1, Pimpri, Pune project (Pre-launched in mid-November), having a saleable area of over 0.5msf. During Q3FY2023 till date, it launched Mahindra Eden phase 2, Bengaluru and Mahindra Happinest MWC Chennai projects, which elicited a healthy response at higher price points than earlier phases. It remains on track for launches of plotted development in Mahindra Happinest MWC Chennai and Mahindra Nostalgia phase 2 in Q4FY2023. Its IC&IC business stays on track directionally while it may show some lumpiness in some quarters. It retained the BD addition of Rs. 1500-2000 crore GDV projects in H2FY2023 (pipeline of Rs. 5000 crore). Overall, it remains on track to achieve its pre-sales, collections and business development targets for H2FY2023 as per its earlier guidance.

- Launches remain on track with a healthy response for Q3FY2023:** MLDL remained on track in terms of launches for Q3FY2023. The citadel phase 1 project at Pune having a saleable area of over 0.5msf and Pre-launched in mid-November received good response. Further, the sustenance sales are expected to remain healthy as it launched Mahindra Eden phase 2, Mahindra Happinest MWC Chennai and re-launched Happinest Kalyan 2 during the current quarter.
- Pre-sales and collections targets for H2 achievable:** Apart from the launches in Q3FY2023, the company remains on schedule to launch plotted development in MWC Chennai and Mahindra Nostalgia phase 2 during Q4FY2023. Post crossing Rs. 1000 crore pre-sales and Rs. 550 crore collections during H1FY2023, it remains on track to maintain strong pre-sales momentum during H2FY2023 owing to adherence to launch timelines and improving execution run-rate.
- Actis JV – developing rental income:** The company became a JV partner with Actis entities by forming an SPV, which will be developing 2msf of industrial and logistics real estate facilities starting with Jaipur and Chennai. The total investment in the business over the initial years, including debt, is estimated to be Rs. 2,200 crore.

## Our Call

**Valuation – Retain Buy with an unchanged PT of Rs. 600:** MLDL has corrected by ~30% over little more than the trailing two months in line with a broader correction in realty index and continued operating losses reporting over trailing four quarters along with nil business development activities getting closed post April 2022. The correction offers a strong buying opportunity as we expect it to remain on track in terms of pre-sales, collections and business development for FY2023. We expect revenue recognition to catch up as new projects undergo handover. The Development of Enterprise and Service Hubs (DESH) bill is expected to provide further traction to its IC&IC business. We retain a Buy on the stock with an unchanged PT of Rs. 600 considering the strong growth potential for its residential and IC&IC business.

## Key Risks

A weak macroeconomic environment leading to a lull in the industry growth trend.

## Valuation (Consolidated)

Particulars	Rs cr			
	FY22	FY23E	FY24E	FY25E
Revenue	393.6	479.0	498.4	517.6
OPM (%)	-22.7	5.5	4.2	13.6
Adjusted PAT	57.7	135.5	143.4	195.6
% Y-o-Y growth	-	135.1	5.8	36.3
Adjusted EPS (Rs.)	3.7	8.8	9.3	12.7
P/E (x)	-	42.7	40.4	29.6
P/B (x)	3.2	3.0	2.8	2.6
EV/EBIDTA (x)	-	-	-	-
RoNW (%)	3.4	7.3	7.2	9.0
RoCE (%)	0.8	4.4	1.7	3.6

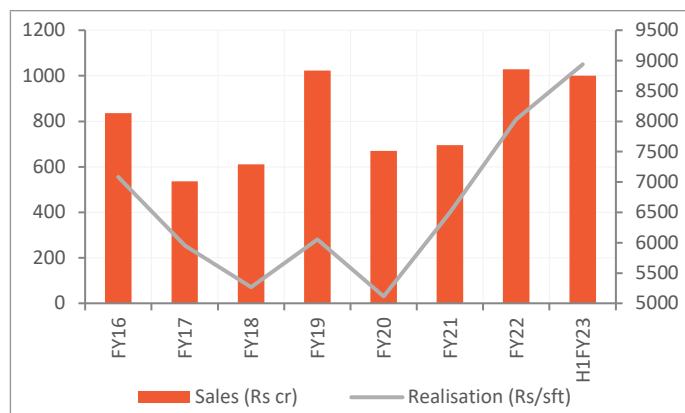
Source: Company; Sharekhan estimates

### Key Management Interaction Takeaways

- ♦ **Citadel Ph 1 project launch:** The company Pre-launched Mahindra Citadel phase I, Pimpri, Pune project on November 17, 2022. The project comprises four towers of over 0.5msf saleable area. The project received a good response.
- ♦ **Other launches:** The company launched Mahindra Eden phase 2, Bengaluru project in November. The project received strong response with higher pricing than phase 1. It also re-launched Mahindra Happinest Kalyan 2 project. It launched Mahindra Happinest MWC Chennai phase 2 project having a saleable area of 0.2msf at a significantly higher price point than phase 1. The other project launches including plotted development in MWC Chennai and Mahindra Nestalgia phase 2 remain on track for Q4FY2023.
- ♦ **Actis JV:** The company executed Securities Subscription Agreement (SSA) with AMIP Industrial Parks, a company formed for the purpose of providing services to the Asset Owning SPVs whereas Shareholders Agreement (SHA) has been executed between Omega Warehouse Holdings 1 Ltd (Omega 1), Omega Warehouse Holdings 2 Ltd (Omega 2), both Affiliate entities of Actis, the Company and AMIP. The SPV comprises two projects with a total area of 2msf this is the only seed asset.
- ♦ **Dahisar project:** The company expects resolution of aviation related radar issue to get resolved over the next two quarters. It expects to launch the project once the issue gets resolved.
- ♦ **Outlook:** The company remains on track with respect to achieving its pre-sales, collections and business development targets for H2FY2023.
- ♦ **IC&IC business:** Directionally, the business remains on track barring lumpiness in some quarters.

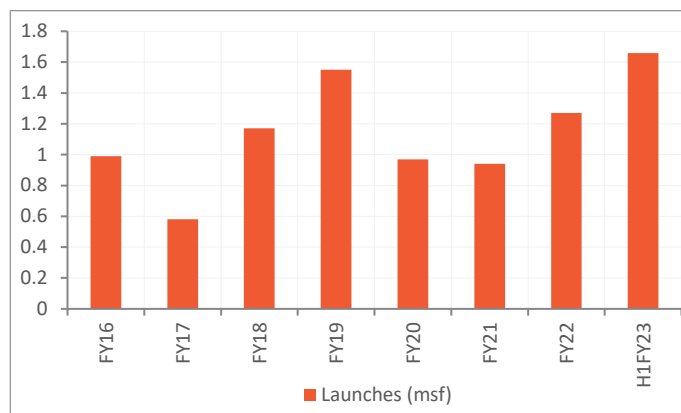
## Financials in charts

### Residential Sales/Realisation Trend



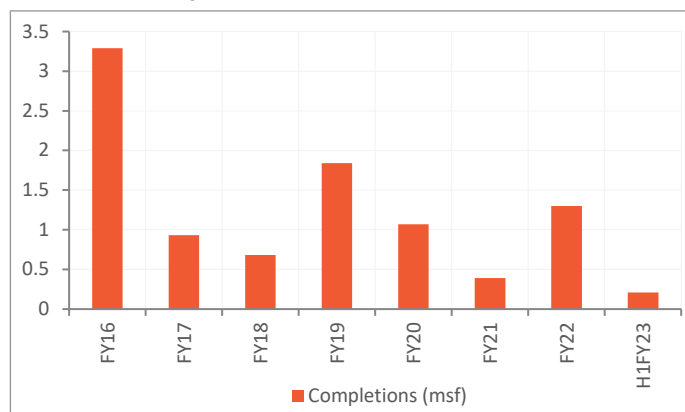
Source: Company, Sharekhan Research

### Residential Launches Trend



Source: Company, Sharekhan Research

### Residential Completion Trend



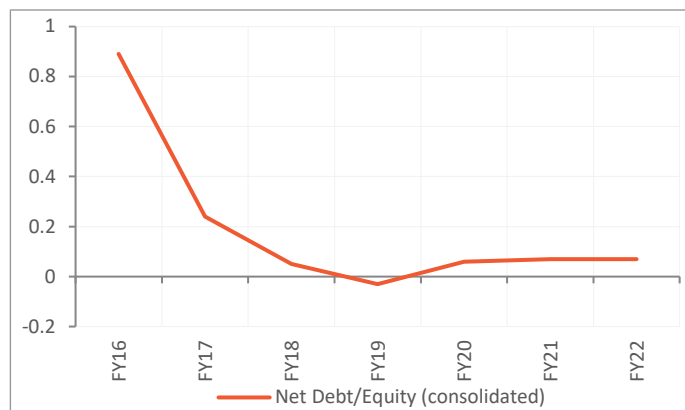
Source: Company, Sharekhan Research

### Residential Collections Trend



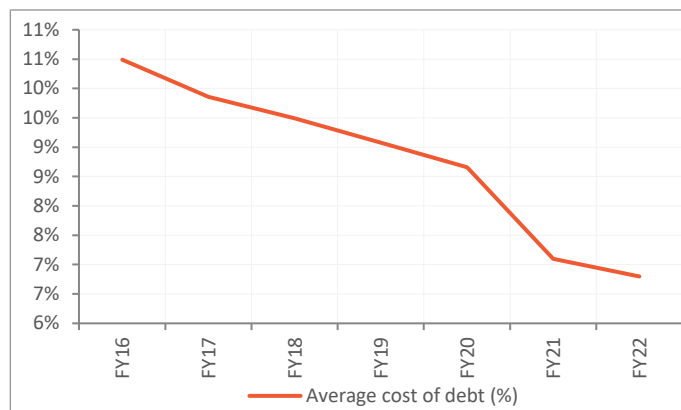
Source: Company, Sharekhan Research

### Net Debt/Equity Trend



Source: Company, Sharekhan Research

### Average Cost of Debt Trend



Source: Company, Sharekhan Research

## Outlook and Valuation

### ■ Sector View – Residential market on a growth trajectory

The real estate sector, especially the residential market, is expected to be in the spotlight as it benefits from the Centre's and state governments' favourable policies about the affordable housing segment. Rising income levels and affordability levels are expected to drive sales for quality organised developers. Further, organized players are expected to benefit from ample inorganic opportunities in the sector, leading to consolidation. The sector is also likely to benefit from low-interest rates, which provide the twin benefit of driving demand and reducing funding costs. Overall, we are positive on the residential segment of the real estate market for the reasons mentioned above.

### ■ Company Outlook – Strong growth tailwinds in both residential and IC&IC businesses

MLDL is scaling up its land acquisitions and approvals pipeline with a strong core management team across critical functions. The company is gearing up to clock pre-sales of over Rs. 2,500 crores per annum in the residential division in FY2025. The company's gearing can support aggressive land acquisitions. The company is witnessing strong demand for built-to-suit factories, warehouses, and data centres for its IC&IC business. The company has benefits of China plus one apart from the government's increasing focus on attracting manufacturing investment in the country led by AtmaNirbhar Abhiyan, production-linked incentive schemes for its IC&IC vertical. Overall, the growth outlook is positive for the company as the IC&IC vertical is a cash cow and the scale-up of its residential business provides a strong uptick.

### ■ Valuation – Retain Buy with an unchanged PT of Rs. 600

MLDL has corrected by ~30% over a little more than the trailing two months in line with a broader correction in realty index and continued operating losses reporting over trailing four quarters along with nil business development activities getting closed post-April 2022. The correction offers a strong buying opportunity as we expect it to remain on track regarding pre-sales, collections and business development for FY2023. We hope revenue recognition to catch up going ahead as new projects undergo handover. The Development of Enterprise and Service Hubs (DESH) bill is expected to provide further traction to its IC&IC business. We retain a Buy on the stock with an unchanged PT of Rs. 600 considering strong growth potential for both its residential and IC&IC business.

#### Valuation

Rs cr

Particulars	Value (Rs. Cr)	Value per share(Rs.)	Comments
IC&IC	1,220	79	DCF based valuation
Land bank	2,488	161	Market value of land
Residential	2,556	166	Project NAV based valuation
Commercial	536	35	Valued at 8% cap rate
Gross Asset Value	6,264	441	
Net cash/(Debt)	125	8	
<b>Net Asset Value</b>	<b>6,389</b>	<b>433</b>	
<b>Premium to NAV</b>	<b>2568</b>	<b>167</b>	
<b>NAV post premium</b>	<b>8,957</b>	<b>600</b>	
<b>CMP (Rs.)</b>		<b>376</b>	
Upside (%)		60	

Source: Sharekhan Research

## About company

Established in 1994, MLDL is the real estate and infrastructure development business of the Mahindra Group in India. The company operates in residential developments under the 'Mahindra Lifespaces' and 'Mahindra Happinest' brands, and through its integrated cities and industrial clusters under the 'Mahindra World City' and 'Origins by Mahindra World City' brands. The Company's development footprint spans 25.7 million sq. ft. (2.4 million sq. m.) of completed, ongoing and forthcoming residential projects across seven Indian cities; and over 5000 acres of ongoing and forthcoming projects under development/management at its integrated developments / industrial clusters across four locations.

## Investment theme

MLDL is scaling up its land acquisitions and approvals pipeline with a strong core management team across key functions. The company is gearing up to pre-sale over Rs. 2000 crore per annum in the residential division over the next two to three years. The company's low gearing can lend support to aggressive land acquisitions. The company is witnessing strong demand for built-to-suit factories, warehouses and data centres for its IC&IC business. It has benefits of China +1 apart from increasing the government's focus on attracting manufacturing investment in the country led by Atma Nirbhar, production-linked incentive schemes for its IC&IC vertical. Overall, the growth outlook is positive for the company as the IC&IC vertical is a cash cow and the scale-up of its residential business provides a strong uptick.

## Key Risks

- ♦ Slowdown in the macro-economic environment percolating to real estate sector slowdown.
- ♦ Delay in execution, inability to maintain sales, rising interest rates, rising commodity prices.

## Additional Data

### Key management personnel

Mr. Ameet Hariani	Chairman
Mr. Arvind Subramaniam	MD & CEO
Mr. Vimal Agarwal	Chief Financial Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Mahindra & Mahindra Ltd	51.5
2	ICICI Prudential Asset Management	9.5
3	Mitsubishi UFJ Financial Group Inc	4.2
4	FIRST STATE INDIAN SUB FD	4.2
5	Kotak Mahindra Asset Management Co	4.0
6	First State Investments ICVC	3.3
7	CAISSE DE DEPOT ET PLACEMENT	2.4
8	Caisse de Depot et Placement du Qu	2.3
9	Goldman Sachs Group Inc/The	1.1
10	Dimensional Fund Advisors LP	0.9

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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