

Mahindra Lifespaces

Estimate change	↑
TP change	↔
Rating change	↔

CMP: INR367
TP: INR550 (+50%)
Buy

Miss on pre-sales, but delivers healthy growth in FY23

Spill-over of bookings led to pre-sales miss; healthy pipeline for FY24

Bloomberg	MLIFE IN
Equity Shares (m)	155
M.Cap.(INRb)/(USD\$b)	56.9 / 0.7
52-Week Range (INR)	555 / 309
1, 6, 12 Rel. Per (%)	6/-11/-5
12M Avg Val (INR M)	114

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	6.1	5.4	6.5
EBITDA	-1.1	-1.1	-0.7
EBITDA (%)	NM	NM	NM
Net profit	0.5	1.7	2.1
EPS (INR)	3.0	11.0	13.7
EPS Growth (%)	168.4	268.3	24.3
BV/Share (INR)	116.7	127.7	141.4

Ratios

Net D/E	0.0	0.1	0.1
RoE (%)	2.6	9.0	10.1
RoCE (%)	-4.1	-3.5	-1.9
Payout (%)	0.0	0.0	0.0

Valuations

P/E (x)	123.0	33.4	26.9
P/BV (x)	3.1	2.9	2.6
EV/EBITDA (x)	NM	NM	NM
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	51.3	51.3	51.3
DII	19.4	19.0	18.8
FII	11.3	11.1	9.8
Others	18.0	18.7	20.1

- Mahindra Lifespace (MLDL) reported bookings of INR3.6b, up 10% YoY. However, this was 20% below our estimate due to sales spill-over from a recent launch at Nestalgia, Pune, and the postponement of the launch in Lakewoods, Chennai. New project launches of 0.4msf during the quarter contributed only 7% to overall bookings.
- In FY23, pre-sales grew 77% YoY to INR18b, driven by scale-up in launches (3.2msf in FY23 v/s 1.3msf in FY22), which contributed 52% to pre-sales. MLDL expects FY24 to be another strong year with a target to launch ~4msf across nine projects and GDV of ~INR40b.
- **IC&IC Segment** – Origins Chennai gained traction with the leasing of 52acre of land to Mitsubishi Electric. Additionally, the company signed a lease agreement with Alliance Group for 9acre land outside MWC boundary for a residential project. Overall IC&IC reported a 69acre of lease worth INR2b at INR29m/acre
- **P&L performance** – MLDL delivered 0.25msf of projects (incl. 0.14msf in Roots, Kandivali) and reported a revenue of INR2.6b, up 58%/37% YoY/QoQ. The company continued to report an operating loss of INR270m, due to recognition of low margin projects and high overheads. PAT came in at INR5m, including INR223m of JV profit.

Strong cash flows to drive growth in pipeline

- **Cash flow performance** – Collections were flat both YoY/QoQ to INR3b, while construction spend picked up to INR1.3b from INR0.9b in the previous quarter. Consolidated net debt declined QoQ to INR3.0b from INR3.7b in 3QFY23.
- Continuing with its strong business momentum, MLDL added three projects in FY23 with a saleable area of 3.4msf and a revenue potential of INR32b (including two projects added in 4Q).
- After the quarter ended, the company secured a second redevelopment project in Malad, Mumbai, with a GDV of INR8.5b. Despite this addition, MLDL is still assessing a business development pipeline worth INR55b. The company's robust pipeline and steady cash flows suggest that the momentum of project additions will persist.

Scale-up, customer centricity, and financial prudence – three priorities

- Mahindra Group's leadership fully supports MLDL, and considers it a "Growth Gem", providing oversight to ensure any gaps in the business are addressed.
- The departing CEO has ensured that there was a prophecy in place to build institutional capability throughout the organization, which will ensure continuity not only at senior leadership but even at the second level leadership going forward.

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- Thus, the departing leadership is leaving behind a positive legacy, which company can leverage to grow and enhance the strong foundation. Aspirations are large and INR25b pre-sales was just a first step. The organization is gearing up for INR50b/INR100b as well.
- **Three priorities** – While **scaling up** across various parameters is the top priority, management is also focused on **customer centricity** by utilizing the brand, offering unique and appropriate products, and maintaining financial prudence regarding leverage, profitability, and other factors.

Key highlights from the management commentary

- **P&L Margin:** Historically, the company's marketing cost was significantly lower than industry standards. However, it is now catching up, given the robust project pipeline and the investments in brand building. Additionally, the company has now appointed a Head of Marketing.
- The company has had very successful launches over the last four quarters with appropriate pricing and offerings. The results of these launches will be apparent over the next six to eight quarters in the company's P&L statement.
- EBITDA Margin across all recent projects are in the range of 18-20% and recent project additions including the redevelopment projects will be margin accretive.
- **Launches** – The company is planning new launches across nine projects including Kandivali, Citadel Ph-2, and the recently acquired redevelopment projects. Dahisar and Thane projects are not part of the launch plan for FY24.
- Thane could spill over to FY25 as the company is waiting for some policy enactment, which can potentially increase the value of project at Thane
- **BD** – The company had INR55b BD pipeline and despite converting a couple of projects, the pipeline has been replenished to INR55b. Due to limited bandwidth, the company is focused on evaluating the right projects rather than bulking up the pipeline.

FY25 targets on track; continued BD momentum to result in further upside

- The management indicated that the Dahisar launch will be delayed, but the launch of recently added redevelopment projects and the Bangalore project will compensate for the sales spill-over. Thus, we maintain our pre-sales and cash flow estimates for FY24.
- While 4QFY23 pre-sales was below our estimate, it remains on track for stated guidance of INR25b pre-sales by FY25. The company might even achieve it a year prior to the target. The IC&IC segment is already at par with INR5b annual leasing target.
- We believe continued traction in business development will provide further growth visibility in the residential segment, which is currently not baked into the valuation and continues to remain a key catalyst for the stock. **We reiterate our BUY rating with an unchanged SoTP-based TP of INR550, indicating a 50% upside potential.**

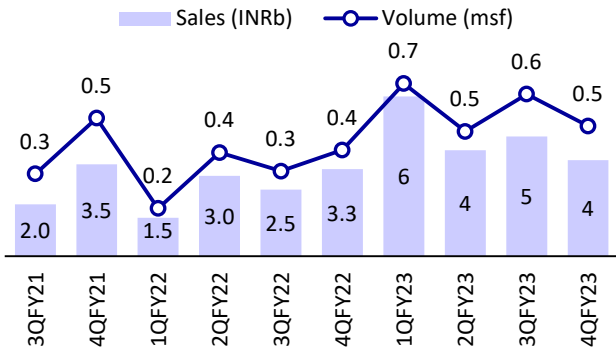
Financial and Operational Performance

Y/E March	FY22				FY23				FY22	FY23	FY23E 4QE	Variance (%/bp)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Income from Operations	1,482	592	243	1,618	946	698	1,869	2,554	3,936	6,066	2,972	-14
YoY Change (%)	935.0	92.5	-62.6	188.9	-36.2	17.8	667.9	57.9	136.7	54.1	83.7	
Total Expenditure	1,724	467	631	2,008	1,265	1,092	1,983	2,827	4,830	7,167	2,785	
EBITDA	-242	125	-388	-390	-320	-394	-114	-274	-895	-1,101	187	-246
Margins (%)	-16.3	21.2	-159.4	-24.1	-33.8	-56.4	-6.1	-10.7	-22.7	-18.2	6.3	
Depreciation	15	14	14	23	24	32	34	31	65	122	3	
Interest	12	54	17	15	18	25	33	34	65	109	51	
Other Income	60	65	90	-67	228	40	112	149	147	530	73	
PBT before EO expense	-209	122	-329	-462	-134	-411	-69	-189	-878	-803	207	-191
Extra-Ord expense	0	0	0	968	338	0	340	0	-968	678	0	
PBT	-209	122	-329	506	204	-411	271	-189	90	-124	207	-191
Tax	-54	107	-80	-597	76	-67	-14	34	-624	28	60	
Rate (%)	26.0	87.8	24.3	41.6	37.0	16.4	-5.1	-17.9	25.7	-22.7	28.9	
MI & P/L of Asso. Cos.	16	50	499	265	625	266	48	229	830	1,167	857	
Reported PAT	-139	65	250	1,368	754	-77	332	6	1,545	1,014	1,004	-99
Adj PAT	-139	65	250	-5	541	-77	-8	6	172	461	1,015	
YoY Change (%)	-30.6	-148.9	-323.6	-98.1	NM	NM	NM	NM	-83.3	NM	NM	
Margins (%)	-9.4	11.0	102.8	-0.3	57.2	-11.1	-0.4	0.2	4.4	7.6	34.1	
Operational Performance												
Area sold (msf)	0.2	0.4	0.3	0.4	0.7	0.5	0.6	0.5	1.3	2.2	0.8	-35
Booking value (INR b)	1.5	3.0	2.5	3.3	6.0	4.0	4.5	3.6	10	18	4.5	-20
Avg Realization (INR)	8056	7769	7844	8200	9262	8489	7393	7367	7,961	8,167	5945	24

Source: Company, MOFSL

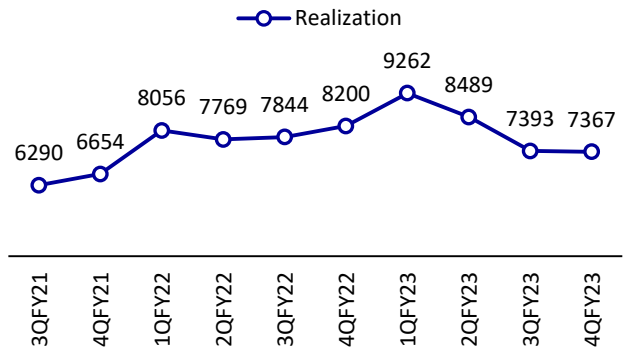
Key Exhibits

Exhibit 1: MLDL reported 10% YoY growth in bookings



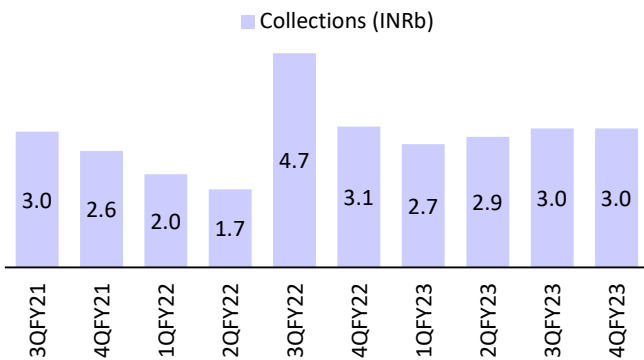
Source: Company, MOFSL

Exhibit 2: Realization/sft decreased 10% YoY, driven by product mix



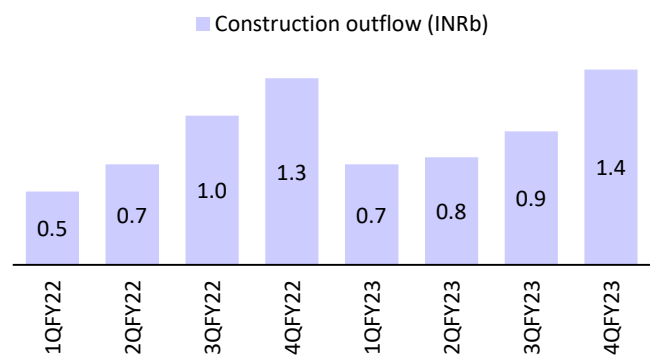
Source: Company, MOFSL

Exhibit 3: Collections remain steady at ~INR3b



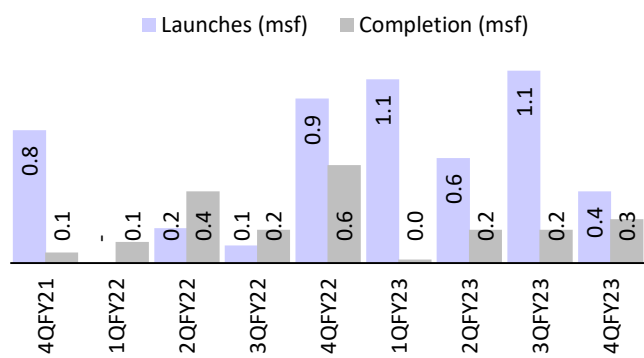
Source: Company, MOFSL

Exhibit 4: The company spent INR1.4b toward construction in 4QFY23



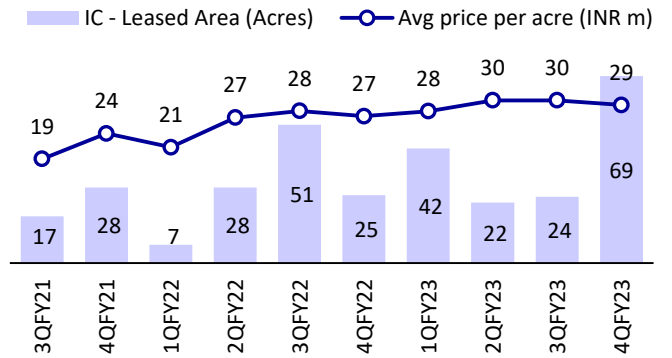
Source: Company, MOFSL

Exhibit 5: MLDL launched two new projects/phases in 4QFY23



Source: Company, MOFSL

Exhibit 6: In the IC segment, MLDL recorded the highest quarterly leasing of 69 acres



Source: Company, MOFSL

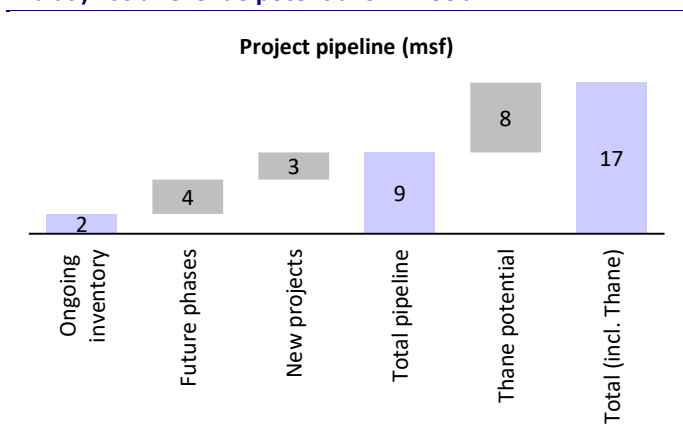
Story in charts

Exhibit 7: Since FY21, MLDL has acquired 9 projects with a development potential of 10msf and GDV of ~100b

Micro Market	City	Project size (msf)	MLDL Share	Year of acquisition	GDV
Kalyan 1	MMR	0.8	100	FY20	5
Tathawade	Pune	1.1	100	FY20	8
Kanakpura	Bengaluru	0.8	100	FY21	7
Kalyan	MMR	1.1	100	FY21	8
Dahisar	MMR	0.9	70	FY22	10
Kandivali	MMR	1.7	100	FY22	21
Pimpri	Pune	0.4	100	FY22	7
Pimpri	Pune	2.7	100	FY23	23
Hosur Road	Bengaluru	0.5	100	FY23	5
Santa Cruz	MMR	0.1	100	FY23	5
Malad West	MMR		100	FY24	9
Total		10			106

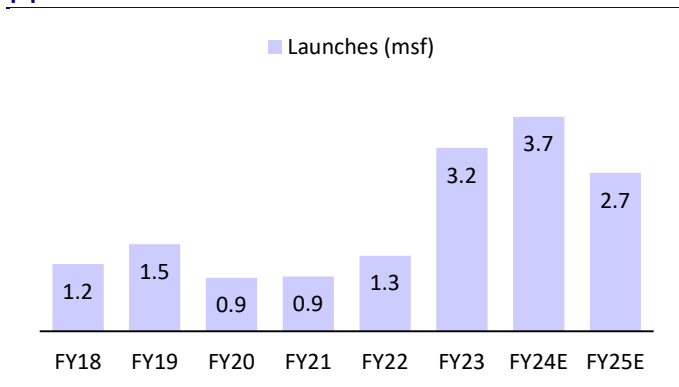
Source: Company, MOFSL

Exhibit 8: The company's current pipeline of 10msf (excl. Malad) has a revenue potential of INR95b



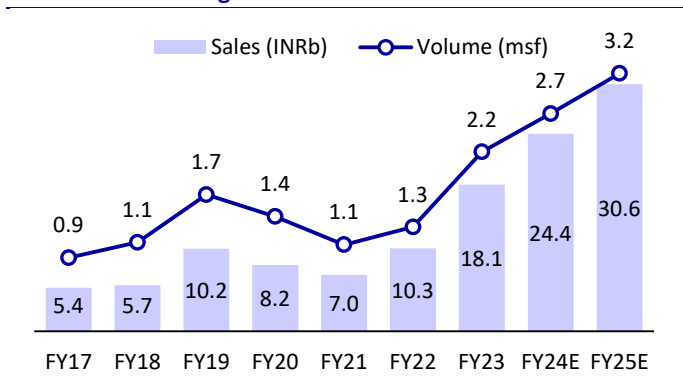
Source: Company, MOFSL

Exhibit 9: MLDL to increase its launches, driven by a robust pipeline ...



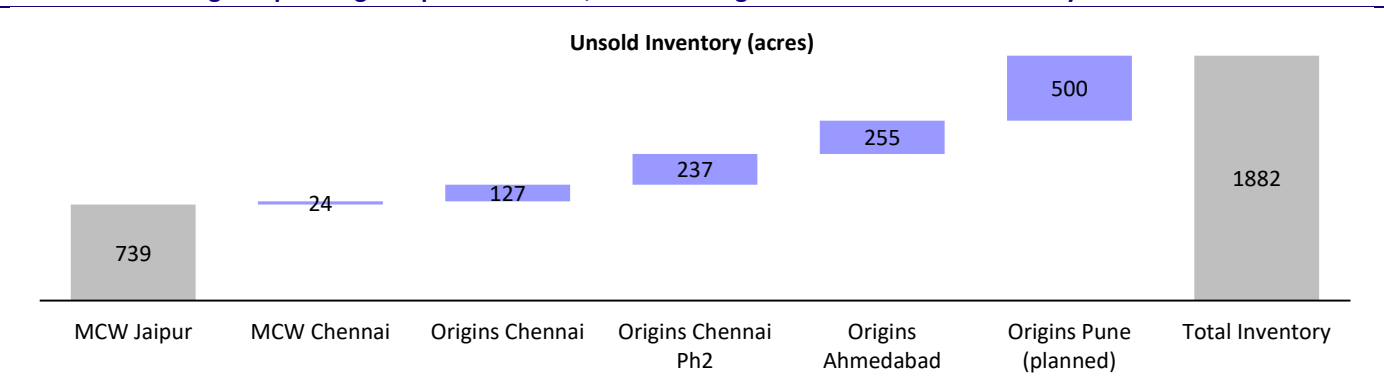
Source: MOFSL, Company

Exhibit 10: ...leading to a 30% CAGR in sales over FY23-25E



Source: MOFSL, Company

Exhibit 11: Including its operating and planned assets, MLDL's IC segment has an unsold inventory of ~1900 acres



Source: Company, MOFSL

Exhibit 12: Earnings change summary

(INR m)	Old			New			Change		
	FY23E	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Revenue	6,485	5,479	6,182	6,066	5,403	6,471	-6%	-1%	5%
EBITDA	-640	-991	-685	-1,101	-1,112	-736	NM	NM	7%
Adj. PAT	1,500	1,666	2,143	461	1,699	2,112	-69%	2%	-1%
Pre-sales	19,973	23,589	25,495	18,130	24,433	30,589	-9%	4%	20%
Collections	11,114	17,107	22,263	11,640	17,080	24,563	5%	0%	10%

Source: MOFSL, Company

Valuation and view

- We value MLDL on an SoTP basis:
- Its Residential business is valued through the DCF method with a WACC of 13.5% over five years and a terminal growth rate of 3%.
- Its IC&IC segment is valued through the DCF method, using cash flows generated by monetizing land inventory over the next 12-15 years.
- Its residential land bank in Pune, Chennai, and Murud are valued at the current realizable value.
- Based on the above approach, we arrive at a GAV of INR88b. Netting off FY24E net debt of INR3b, we derive an NAV of INR85b or INR550 per share

Exhibit 13: Based on our SoTP approach, we arrive at a NAV of INR85b (or INR550 per share), implying a 50% 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	65	424	77%
IC & IC	❖ PV of future cash flows discounted at WACC of 14%	14	91	17%
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	569	104%
Net debt	❖ FY24E	(3)	(19)	-4%
Net Asset value		85	549	100%
No. of shares (m)		155		
NAV per share		550		
CMP		367		
Upside (%)		50%		

Source: MOFSL, Company

Financials and valuations

Consolidated – Profit & Loss

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	5,928	6,109	1,662	3,936	6,066	5,403	6,471
Change (%)	4.7	3.1	-72.8	136.7	54.1	-10.9	19.8
Operating Expenses	4,096	4,830	1,173	3,031	5,138	4,322	4,853
Employees Cost	740	822	757	836	792	831	856
Other Expenses	834	1,025	668	963	1,238	1,361	1,498
Total Expenditure	5,670	6,678	2,598	4,830	7,167	6,515	7,207
% of Sales	95.6	109.3	156.3	122.7	118.2	120.6	111.4
EBITDA	258	-568	-935	-895	-1,101	-1,112	-736
Margin (%)	4.4	-9.3	-56.3	-22.7	-18.2	-20.6	-11.4
Depreciation	38	77	70	65	122	121	148
EBIT	221	-645	-1,005	-960	-1,223	-1,233	-884
Int. and Finance Charges	125	76	110	65	109	132	148
Other Income	1,337	105	216	147	530	216	259
PBT bef. EO Exp.	1,433	-617	-899	-878	-803	-1,149	-773
EO Items	0	-1,346	0	968	678	0	0
PBT after EO Exp.	1,433	-1,963	-899	90	-124	-1,149	-773
Total Tax	246	-17	-63	-624	28	-287	-193
Tax Rate (%)	17.2	0.9	7.0	-695.2	-22.7	25.0	25.0
Minority Interest	-10	-11	118	830	1,167	2,561	2,692
Reported PAT	1,176	-1,957	-718	1,545	1,014	1,699	2,112
Adjusted PAT	1,176	-623	-718	172	461	1,699	2,112
Change (%)	16.5	-152.9	15.2	-123.9	168.7	268.3	24.3
Margin (%)	19.8	-10.2	-43.2	4.4	7.6	31.5	32.6

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	513	514	514	1,545	1,547	1,547	1,547
Total Reserves	18,782	16,499	15,797	16,340	16,511	18,210	20,323
Net Worth	19,295	17,013	16,311	17,885	18,058	19,757	21,869
Minority Interest	435	420	420	491	2	2	2
Total Loans	2,282	2,319	2,443	2,805	2,681	3,181	3,381
Deferred Tax Liabilities	134	77	152	0	0	0	0
Capital Employed	22,146	19,829	19,326	21,181	20,740	22,940	25,252
Gross Block	338	320	222	423	545	666	814
Less: Accum. Deprn.	259	260	184	249	371	492	640
Net Fixed Assets	79	60	38	174	174	174	174
Goodwill on Consolidation	660	660	660	660	0	0	0
Capital WIP	98	122	146	34	51	51	51
Total Investments	7,092	5,743	5,786	6,424	9,253	9,253	9,253
Curr. Assets, Loans&Adv.	22,006	18,777	19,249	23,083	26,637	26,049	32,815
Inventory	13,451	12,043	13,447	14,419	20,976	19,244	22,162
Account Receivables	1,373	1,144	564	919	1,291	1,262	1,511
Cash and Bank Balance	2,938	1,324	1,355	2,255	774	1,491	1,377
Loans and Advances	4,245	4,267	3,883	5,490	3,596	4,052	7,765
Curr. Liability & Prov.	7,789	5,534	6,553	9,193	15,367	12,580	17,033
Account Payables	1,880	1,276	1,349	1,733	1,918	2,338	2,586
Other Current Liabilities	5,618	3,972	5,049	7,294	13,288	10,014	14,175
Provisions	291	286	155	166	161	227	272
Net Current Assets	14,217	13,244	12,696	13,890	11,270	13,469	15,782
Appl. of Funds	22,146	19,830	19,327	21,181	20,748	22,947	25,259

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	3.0	11.0	13.7
Cash EPS	23.6	-10.6	-12.6	1.5	3.8	11.8	14.6
BV/Share	375.8	331.2	317.4	115.7	116.7	127.7	141.4
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	123.0	33.4	26.9
Cash P/E	17.4	-38.7	-32.6	268.1	97.3	31.2	25.1
P/BV	1.1	1.2	1.3	3.6	3.1	2.9	2.6
EV/Sales	3.4	3.6	13.4	16.3	9.7	10.8	9.1
EV/EBITDA	79.1	-38.9	-23.7	-71.6	-53.3	-52.6	-79.8
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	-10.5	0.9	-2.8
Return Ratios (%)							
RoE	5.9	-3.4	-4.3	1.0	2.6	9.0	10.1
RoCE	5.5	-2.6	-3.9	-32.8	-4.1	-3.5	-1.9
RoIC	1.3	-5.2	-7.6	-62.3	-13.0	-8.1	-5.0
Working Capital Ratios							
Fixed Asset Turnover (x)	17.5	19.1	7.5	9.3	11.1	8.1	7.9
Asset Turnover (x)	0.3	0.3	0.1	0.2	0.3	0.2	0.3
Inventory (Days)	828	719	2,952	1,337	1,262	1,300	1,250
Debtor (Days)	85	68	124	85	78	85	85
Creditor (Days)	116	76	296	161	115	158	146
Leverage Ratio (x)							
Current Ratio	2.8	3.4	2.9	2.5	1.7	2.1	1.9
Interest Cover Ratio	1.8	-8.5	-9.2	-14.7	-11.2	-9.4	-6.0
Net Debt/Equity	0.0	0.1	0.1	0.0	0.1	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	379	1,412	1,919
Depreciation	38	77	70	65	122	121	148
Interest & Finance Charges	-267	-57	-21	-65	-109	132	148
Direct Taxes Paid	-270	-132	-128	-180	-117	287	193
(Inc)/Dec in WC	1,580	-36	332	354	-520	-1,482	-2,427
CF from Operations	2,514	-764	-525	199	-246	470	-19
Others	-839	136	-155	-718	-1,238	-216	-259
CF from Operating incl EO	1,675	-628	-680	-520	-1,484	254	-278
(Inc)/Dec in FA	-34	-31	-29	-133	-141	-121	-148
Free Cash Flow	1,641	-659	-709	-653	-1,625	133	-426
(Pur)/Sale of Investments	2,177	0	0	550	757	0	0
Others	734	911	1,133	815	-338	216	259
CF from Investments	2,877	881	1,104	1,232	278	95	111
Issue of Shares	0	0	0	25	5	0	0
Inc/(Dec) in Debt	-2,802	37	124	362	293	500	200
Interest Paid	-523	-292	-271	-207	-109	-132	-148
Dividend Paid	-380	-356	-4	-4	-311	0	0
Others	0	-64	-47	-55	-148	0	0
CF from Fin. Activity	-3,704	-674	-198	122	-270	368	52
Inc/Dec of Cash	848	-421	226	834	-1,476	717	-114
Opening Balance	-692	156	924	1,150	1,984	508	1,226
Closing Balance	156	-265	1,150	1,984	508	1,226	1,111

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

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