



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. 8,342 cr
52-week high/low:	Rs. 633/316
NSE volume: (No of shares)	67,082
BSE code:	532313
NSE code:	MAHLIFE
Free float: (No of shares)	7.6 cr

Shareholding (%)

FII	9
Institutions	23
Public & others	17
Promoters	51

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-6.0	-0.1	-7.0	50.6
Relative to Sensex	-6.8	-1.7	-14.1	24.4

Sharekhan Research, Bloomberg

Mahindra Lifespace Developers Ltd

Stellar Q4 in offing; Re-iterate a Buy

Real Estate	Sharekhan code: MAHLIFE
Reco/View: Buy	CMP: Rs. 538 Price Target: Rs. 736
Upgrade	Maintain Downgrade

Summary

- We retain a Buy rating on the stock with an unchanged PT of Rs. 736, considering strong scalability in the business in five years, well-supported by the realty upcycle.
- Mahindra Lifespace Developers Limited (MLDL) is expected to achieve its lifetime quarterly high pre-sales booking of over Rs. 1,000 crore in Q4FY2024 led by stellar response garnered in Kandivali project, contribution from Chennai project launch and sustenance sales from existing projects.
- MLDL added a Rs. 1700 crore GDV project recently taking total business development to Rs. 4000 crore during FY2024 till date. BD pipeline to remain healthy at Rs. 5000-6000 crore with new net deal additions.
- The management re-iterated its aspirational target of achieving Rs. 8000-10000 crore residential sales booking by FY2024. The launch pipeline till FY2025 end remains stellar.

Mahindra Lifespace Developers Limited (MLDL) is expected to achieve its lifetime high quarterly pre-sales booking in Q4FY2024 crossing the Rs. 1000 crore threshold. The company received stellar response for its Kandivali project (Mahindra Vista) with Rs. 800 crore of sales in three days after the launch in February. It has also launched Rs. 250 crore plotted development project in Chennai during the same period. Hence, strong project launches and contribution from sustenance sales is expected to lead to almost a 3x y-o-y and over a 2x q-o-q jump in residential pre-sales in Q4FY2024. Further, it recently closure of Rs. 1700 crore business development in Bengaluru taking total the BD of Rs. 4000 crore GDV during FY24 till date. In a recent media interaction, the management re-iterated its aspirational target of achieving Rs. 8000-10,000 crore residential sales booking by FY2028 from ~Rs. 2300 crore in FY2023. The company's launch pipeline till FY2025 end remain robust with planned launches in Mumbai, Bengaluru and Pune.

- Q4FY24 to see lifetime quarterly high pre-sales, more than double y-o-y & q-o-q:** MLDL achieved sales of over Rs. 800 crore within three days of launch at Mahindra Vista, Kandivali East in mid-February. In the same period, it also launched its Rs. 250 crore plotted development project in Chennai, Green Estates. We believe that the strong response garnered in its Kandivali project, contributions from Chennai project and sustenance sales from existing projects would help MLDL to cross Rs. 1000 crore pre-sales booking in Q4FY2024, which would be almost 3x y-o-y jump and more than 2x q-o-q. It would be achieving a major feat of lifetime quarterly high pre-sales in Q4FY2024.
- Business developments of Rs. 4000 crore GDV till date:** MLDL recently announced the acquisition of 9.4 acres of land in Whitefield, Bengaluru which will have ~1.2 msf FSI potential and a GDV value of Rs. 1700 crore. It expects to launch the first phase of the said project within next 12 months. During 9MFY2024, it had already concluded new BDs of Rs. 2300 crore GDV and has touched Rs. 4000 crore GDV mark through the above acquisition. The overall BD pipeline is expected to remain healthy at Rs. 5000-6000 crore as it continues to add new deals periodically.
- Vision to scale up 5x by FY2028:** The management in a recent media interaction re-iterated its aspirational target of achieving residential sales booking of Rs. 8000-10,000 crore (Rs. 2268 crore in FY2023) by FY2028. For FY2025, it targets residential pre-sales of Rs. 2500 crore and Rs. 400-500 crore Industrial leasing. Its launch pipeline remains strong till FY2025 with expected launches of project Malgudi, Bengaluru (~Rs. 500 crore GDV), two society re-development projects (Malad and Santacruz West) and few projects in Pune and Mumbai.

Our Call

Valuation – Retain Buy with an unchanged PT of Rs. 736: MLDL has been able to sustain healthy momentum in residential sales, while its industrial leasing business, although lumpy, has started to gain traction. The company remains on a solid growth trajectory with an aspirational vision to multiply manifold over the next five years, focusing on the Mumbai Metropolitan Region (MMR), Pune, and Bengaluru. MLDL has a strong launch and business development pipeline for the next two years. We retain our Buy rating on the stock with an unchanged price target (PT) of Rs. 736, considering robust scalability in business over the next five years, well supported by the realty upcycle.

Key Risks

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

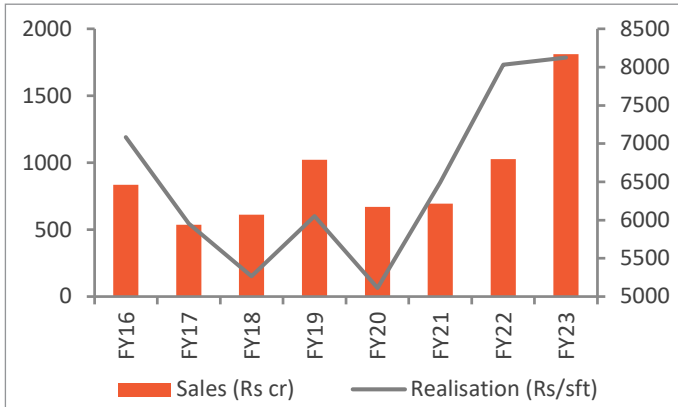
Valuation (Consolidated)

Particulars	FY23	FY24E	FY25E	FY26E
Revenue	606.6	424.4	518.6	726.1
OPM (%)	-18.2	-20.2	1.8	9.0
Adjusted PAT	33.6	36.1	136.4	188.4
Y-o-Y growth (%)	-	7.3	278.3	38.1
Adjusted EPS (Rs.)	2.2	2.3	8.8	12.2
P/E (x)	246.9	230.2	60.8	44.0
P/B (x)	4.6	4.5	4.2	3.8
EV/EBIDTA (x)	-	-	-	-
RoNW (%)	1.9	2.0	7.1	9.1
RoCE (%)	-0.1	-3.6	1.0	3.4

Source: Company; Sharekhan estimates

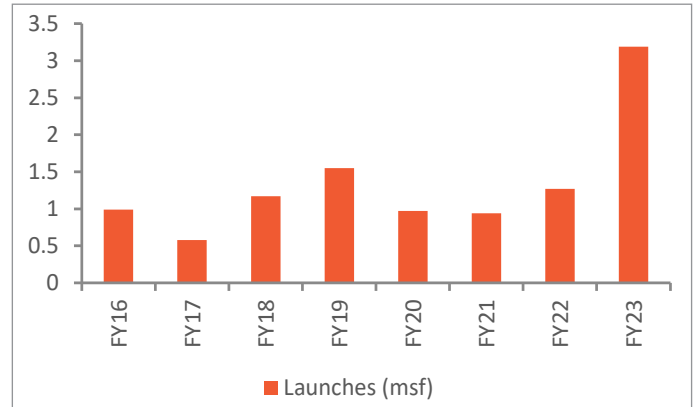
Financials in charts

Residential Sales/Realisation Trend



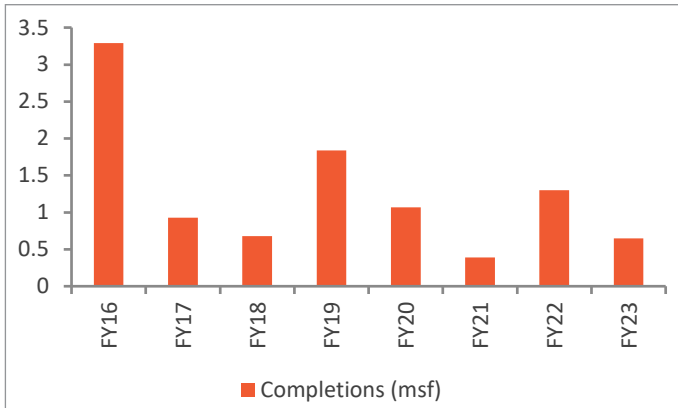
Source: Company, Sharekhan Research

Residential Launches Trend



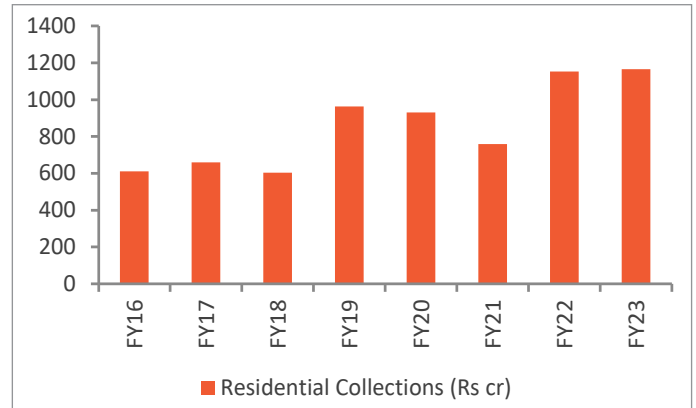
Source: Company, Sharekhan Research

Residential Completion Trend



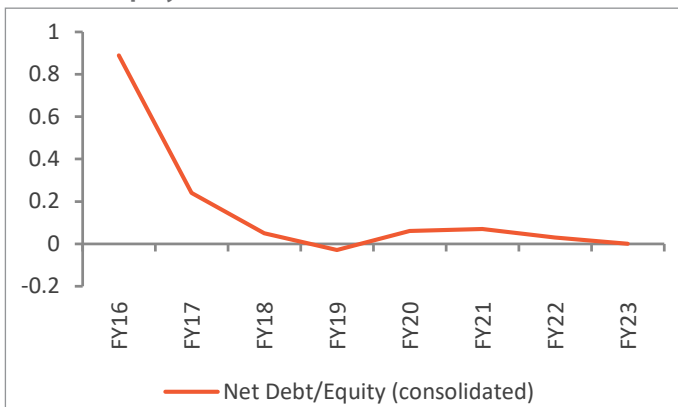
Source: Company, Sharekhan Research

Residential Collections Trend



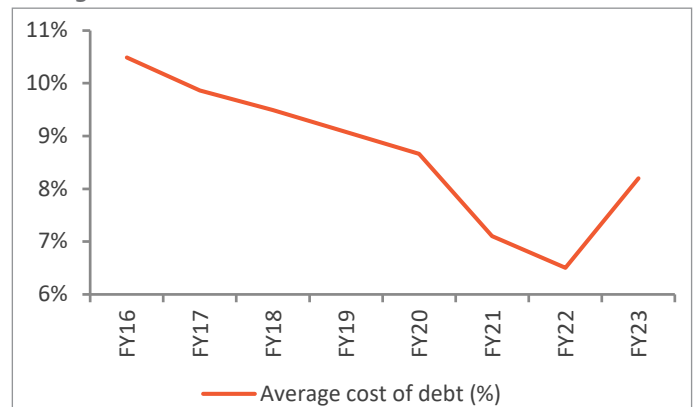
Source: Company, Sharekhan Research

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 pertaining to the affordable housing segment. Rising income levels and affordability levels are expected to drive sales for quality organised developers, who are also expected to benefit from ample inorganic opportunities in the sector. The sector is also expected to benefit from low interest rates, which provide the twin benefits of driving demand and reducing funding costs. Overall, we are positive about 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 land acquisitions and approval pipeline with a strong core management team across key functions. The company is gearing up to report pre-sales of over Rs. 2,500 crore 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 Bharat Abhiyan and 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. 736

MLDL has been able to sustain healthy momentum in residential sales, while its industrial leasing business, although lumpy, has started to gain traction. The company remains on a solid growth trajectory with an aspirational vision to multiply manifold over the next five years, focusing on the Mumbai Metropolitan Region (MMR), Pune, and Bengaluru. MLDL has a strong launch and business development pipeline for the next two years. We retain our Buy rating on the stock with an unchanged price target (PT) of Rs. 736, considering robust scalability in business over the next five years, well supported by the realty upcycle.

Particulars	Value (Rs. Cr)	Value per share (Rs.)	Comments
IC&IC	1,438	93	DCF based valuation
Land bank	2,488	161	Market value of land
Residential	2,514	163	Project NAV-based valuation
Commercial	536	35	Valued at an 8% cap rate
Gross Asset Value	6,440	453	;
Net cash/(Debt)	298	19	
Net Asset Value	6,738	433	
Premium to NAV	4676	303	
NAV post premium	11,415	736	

Source: Company, 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 msf (2.4 msf) of completed, ongoing, and forthcoming residential projects across seven Indian cities; and over 5,000 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. 2,000 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. The company has benefits of China plus one strategy apart from increasing the government's focus on attracting manufacturing investment in the country, led by Atma Nirbhar and 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 its residential business's scale-up provides a strong uptick.

Key Risks

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

Additional Data

Key management personnel

Ameet Hariani	Chairman
Amit Sinha	MD & CEO
Vimal Agarwal	Chief Financial Officer

Source: BSE

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Mahindra & Mahindra Ltd.	51.19
2	Kotak Mahindra Asset Management Co.	6.69
3	ICICI Prudential Asset Management	4.17
4	L&T Mutual Fund Trustee Ltd./India	3.20
5	The Vanguard Group Inc.	2.13
6	Nippon Life India Asset Management	2.00
7	First State Investments ICVC	1.23
8	CAISSE DE DEPOT ET PLACEMENT	1.12
9	The Goldman Sachs Group Inc.	1.06
10	GOLDMAN SACHS INDIA PVT. LTD.	1.06

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

Sharekhan

by BNP PARIBAS

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