



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	✓	↔	✓

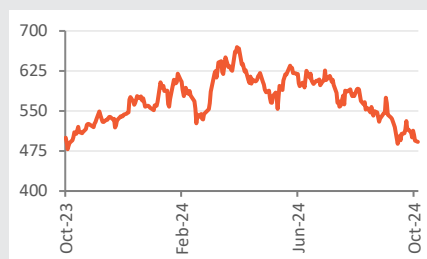
Company details

Market cap:	Rs. 7,628 cr
52-week high/low:	Rs. 679 / 474
NSE volume: (No of shares)	0.67 lakh
BSE code:	532313
NSE code:	MAHLIFE
Free float: (No of shares)	7.6 cr

Shareholding (%)

Promoters	10
FII	21
DII	18
Others	51

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-8.5	-20.0	-22.8	-1.5
Relative to Sensex	-3.4	-18.4	-29.9	-26.3

Sharekhan Research, Bloomberg

Mahindra Lifespace Developers Ltd

Weak Q2; Retain Buy

Real Estate	Sharekhan code: MAHLIFE		
Reco/View: Buy	↔	CMP: Rs. 492	Price Target: Rs. 644
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- We retain a Buy on Mahindra Lifespace Developers Limited (MLDL) with a revised PT of Rs. 644, removing NAV premium due to slower-than-anticipated new project additions and higher leverage.
- MLDL reported weak residential sales bookings, while collections remained healthy. The IC&IC business leasing remained healthy. Consolidated earnings lagged estimates owing to lower revenue bookings.
- Launch pipeline remains strong for H2FY2025 to maintain pre-sales growth trajectory. Business development pipeline targeted to cross Rs. 4400 crore achieved in FY2024.
- It is mulling equity platform having Rs. 2000-3000 crore size and equitable ownership. Focus to stay on mid-premium and premium projects.

Mahindra Lifespace Developers Limited (MLDL) reported weak pre-sales for Q2FY2025 at Rs. 397 crore (down 13% y-o-y and 61% q-o-q) on account of absence of major project launches and the seasonal impact of Pitru Paksha and heavy monsoons. Collections grew 48% y-o-y (down 15% q-o-q) at Rs. 459 crore. IC&IC leasing business remained healthy at Rs. 87 crore (up 3x y-o-y). Consolidated revenues were down 57% y-o-y at just Rs. 7.6 crore (much lower than our estimate) driven by lower revenue recognition. Consequently, operating loss widened to Rs. 47.7 crore (operating losses of Rs. 34.9 crore and Rs. 41.6 crore in Q2FY2024 and Q1FY2025, respectively) while it reported a net loss of Rs. 14 crore (versus net losses of Rs. 19 crore and profit of Rs. 12.7 crore in Q2FY2024 and Q1FY2025). The company has a strong launch pipeline for H2FY2025 including phase 2 of Vista (Kandivali), phase 2 of Crown (Pune), Zen-2 (Bangalore), Phase I of Alembic (Whitefield), Navy (Malad) and plotted project in MWC (Chennai). It added Rs. 2050 crore new projects during H1FY2025 and targets to cross the Rs. 4400 crore worth of project additions done during FY2024 in FY2025.

Key positives

- Collections rose 48% y-o-y to Rs. 459 crore. Free cash flows excluding land related payments were healthy at Rs. 261 crore.
- IC&IC leasing business stayed healthy at 3x y-o-y (up 15% q-o-q) at Rs. 87 crore.

Key negatives

- Pre-sales fell by 13% y-o-y and 61% q-o-q affected by absence of key project launches and seasonality.
- Consolidated earnings lagged estimates owing to lower revenue bookings. Nil new business development during Q2FY2025.

Management Commentary

- MLDL plans to launch following projects in H2FY2025 including 1) phase 2 of Vista, Kandivali (~Rs. 1200 crore GDV), phase 2 of Crown, Pune (~Rs. 800 crore GDV), Zen-2, Bangalore (~Rs. 250-300 crore GDV), Alembic, Whitefield (Phase 1 of ~Rs. 700-900 crore of total GDV of Rs. 1800 crore), Navy, Malad (~Rs. 1000 crore GDV) and plotted project in MWC, Chennai (~Rs. 200 crore).
- It targets to surpass last year Rs. 4400 crore GDV additions in FY2025.
- It is looking to set up equity platform with contribution of Rs. 1000-1500 crore each from the company and the partner with equal shareholding.

Revision in estimates – We have lowered our net earnings estimates penciling lower revenue bookings for FY2025 and FY2026.

Our Call

Valuation – Retain Buy with a revised PT of Rs. 644: MLDL has achieved strong momentum in residential sales over the past two years, which is expected to sustain considering its strong launch pipeline and new project additions. Further, its industrial leasing business, although lumpy, has started to gain traction. The company remains on a solid growth trajectory with a vision to multiply manifold over the next four years, focusing on the MMR, Pune, and Bengaluru. MLDL is chalking out fund-raising plans to scale up its business operations. We retain a Buy on the stock with a revised price target (PT) of Rs. 644, removing NAV premium due to slower than anticipated new project additions and higher leverage.

Key Risks

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

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E
Revenue	606.6	212.1	511.9	682.9
OPM (%)	-18.2	-80.7	-31.3	-11.1
Adjusted PAT	33.6	98.2	47.6	126.0
Y-o-Y growth (%)	-41.7	192.3	-51.6	164.8
Adjusted EPS (Rs.)	2.2	6.4	3.1	8.2
P/E (x)	225.7	77.2	159.4	60.2
P/B (x)	4.2	4.1	3.9	3.7
EV/EBIDTA (x)	-	-	-	-
RoNW (%)	1.9	5.3	2.5	6.4
RoCE (%)	-0.1	-5.1	-4.8	-1.7

Source: Company; Sharekhan estimates

Key Conference Call Takeaways

- ♦ **Guidance:** It targets to surpass last year Rs. 4400 crore GDV additions in FY2025.
- ♦ **Industry outlook:** NCR and Hyderabad are slowing down where it does not participate. Overall, 87000 units were sold during Q2FY2025 while inventory overhand is just 14 months. MMR and Pune saw highest launches in Q2FY2025 with an overall growth of 43% y-o-y. MMR saw 9% y-o-y growth in absorption and 6% y-o-y pricing led growth. Bengaluru saw absorption outpacing supply leading to 10% y-o-y growth in pricing.
- ♦ **Equity platform:** It is looking to set up equity platform with contribution of Rs. 1000-1500 crore each from the company and the partner with equal shareholding.
- ♦ **Q2FY2025 performance:** Residential pre-sales were lower 13% y-o-y and 61% y-o-y at Rs. 397 crore affected by inauspicious Pitru Paksha period. Consolidated revenues stood at Rs. 16 crore as against Rs. 25.7 crore in Q2FY2024, share of income from JVs increased to Rs. 36 crore as against Rs. 1 crore while net loss stood at Rs. 14 crore as against net loss of Rs. 19 crore. Operating cash flows (excluding land related payments) was healthy at Rs. 261 crore in Q2FY2025 and Rs. 118 crore in Q1FY2025. Net Debt stood at Rs. 477 crore with net debt to equity at 0.26x. Cost of debt was lower q-o-q at 8.83%.
- ♦ **H2 launch pipeline:** MLDL plans to launch following projects in H2FY2025 including 1) phase 2 of Vista, Kandivali (~Rs. 1200 crore GDV), phase 2 of Crown, Pune (~Rs. 800 crore GDV), Zen-2, Bangalore (~Rs. 250-300 crore GDV), Alembic, Whitefield (Phase 1 of ~Rs. 700-900 crore of total GDV of Rs. 1800 crore), Navy, Malad (~Rs. 1000 crore GDV) and plotted project in MWC, Chennai (~Rs. 200 crore).
- ♦ **Business Development:** It executed new business developments of Rs. 2050 crore during H1FY2025 (1) Rs. 1,800 crore society development in Sai Baba Nagar, Borivali (7 societies); (2) Rs. 250 crore GDV potential from 2 acre land parcel adjacent to its Project 'Mahindra Zen' in Bengaluru.
- ♦ **IC&IC:** It achieved land leasing of 34.9 acres in the IC&IC business for Rs. 163.2 crore in H1FY2025 (Q2 FY25 - 16.1 acres for Rs. 87.1 crore). It estimates Rs. 2000 crore PAT (its share) potential from overall IC&IC business over the next ten years.
- ♦ **Thane:** Given the Maharashtra state elections, it would take another 12-18 months to launch the project.
- ♦ **Santacruz redevelopment project:** The Rs. 500 crore project has been slower because of differences between the two societies. It is yet to reach the stage of getting approvals.

Results (Consolidated)

Particulars	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Net sales	7.6	17.8	-57.2%	188.1	-96.0%
Other income	8.4	7.9	5.3%	18.6	-55.0%
Total income	16.0	25.7	-37.9%	206.7	-92.3%
operating expenses	55.3	52.7	5.0%	229.7	-75.9%
Operating profit	-47.7	-34.9	-	-41.6	-
Depreciation	4.0	3.1	28.6%	4.3	-7.8%
Interest	7.0	0.2	-	6.0	16.4%
Exceptional item	0.0	0.0	-	0.0	-
Share of JV	36.4	0.6	-	36.5	-
PBT	-14.0	-29.8	-	3.1	-
Taxes	0.0	-10.8	-	-9.7	-
RPAT	-14.0	-19.0	-	12.7	-
Onetime items	0.0	0.0	-	0.0	-
APAT	-14.0	-19.0	-	12.7	-
EPS (Rs.)	-0.9	-1.2	-	0.8	-
Margin (%)			BPS		BPS
OPM	-	-	-	-	-
NPM	-	-	-	-	-
Effective tax rate	-	-	-	-	-

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 incomes 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 twin benefits of driving demand and reducing funding costs. Overall, we are positive about the residential segment of the real estate market for the above reasons.

■ 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. MLDL is witnessing strong demand for built-to-suit factories, warehouses, and data centers 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, 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 a revised PT of Rs. 644

MLDL has achieved strong momentum in residential sales over the past two years, which is expected to sustain considering its strong launch pipeline and new project additions. Further, its industrial leasing business, although lumpy, has started to gain traction. The company remains on a solid growth trajectory with a vision to multiply manifold over the next four years, focusing on the MMR, Pune, and Bengaluru. MLDL is chalking out fund-raising plans to scale up its business operations. We retain a Buy on the stock with a revised price target (PT) of Rs. 644, removing NAV premium due to slower than anticipated new project additions and higher leverage.

Valuation Mix

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	5,950	386	Project NAV-based valuation
Commercial	536	35	Valued at an 8% cap rate
Gross Asset Value	9,876	675	;
Net cash/(Debt)	476	31	
Net Asset Value	10,352	644	
Premium to NAV	Nil	Nil	
NAV post premium	10,352	644	

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: Company Website

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

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