

18 June 2024

India | Equity Research | Company Update

Mahindra Lifespace Developers

Real Estate

Growth gem, to focus on scaling up business development

We attended Mahindra Group's Analyst Day held on Jun 14, '24, wherein Mahindra Lifespace (MLIFE) was identified as one of the group's growth gems. The company reiterated its long-term vision of achieving annual sales bookings and leasing of INR 80-100bn by FY28 vs INR 27bn achieved in FY24. This hinges on company's ability to add annual GDV of INR 60-80bn (INR 44bn of GDV additions in FY24) which will entail an estimated investment of INR 70bn of which 50% is likely to be funded through internal accruals and the balance through platform tie-ups and debt. We expect the company's residential bookings to scale up further to INR 28.4bn in FY25E and INR 35.5bn in FY26E. We retain our **HOLD** rating on the stock with an unchanged target price of INR 649/share. Key upside risk: Higher price growth in residential segment. Key downside risk: Rise in land and construction costs.

Long-term goal of achieving INR 80-100bn of annual sales bookings

At the Analyst Day, the company reiterated its vision of achieving annual sales bookings of INR 80-100bn by FY28 which will be primarily dependent on GDV additions worth INR 450bn over FY25-28. The focus remains on the key markets of MMR, Pune and Bengaluru with 60% of GDV addition estimated to be in MMR and 20% each in Pune and Bengaluru. In order to fund these GDV additions, the company envisages investment of ~INR 70bn in land, of which, 50% is estimated to be funded via internal accruals while the balance investment would be from platform deals and debt. While the company achieved GDV additions of INR 44bn in FY24, GDV additions going forward need to be in INR 60-80bn range to achieve management's FY28 guidance.

On track to achieve FY25 sales guidance of INR 25bn

In FY25, the company is targeting multiple new launches primarily across MMR, Pune and Bengaluru and given the robust launch pipeline, we estimate sales bookings of INR 28.4bn in FY25E and INR 35.5bn in FY26E. Hence, we believe the company is on track to achieve its medium-term guidance of INR 25bn of residential sales by FY25. Beyond this, the pace of GDV additions over FY25-27 (INR 60-80bn annually) through a mix of outright, society redevelopment and asset light JDA deals would drive growth.

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Market Data

Market Cap (INR)	96bn
Market Cap (USD)	1,146mn
Bloomberg Code	MLIFE IN
Reuters Code	MALD.BO
52-week Range (INR)	679 /448
Free Float (%)	48.0
ADTV-3M (mn) (USD)	3.6

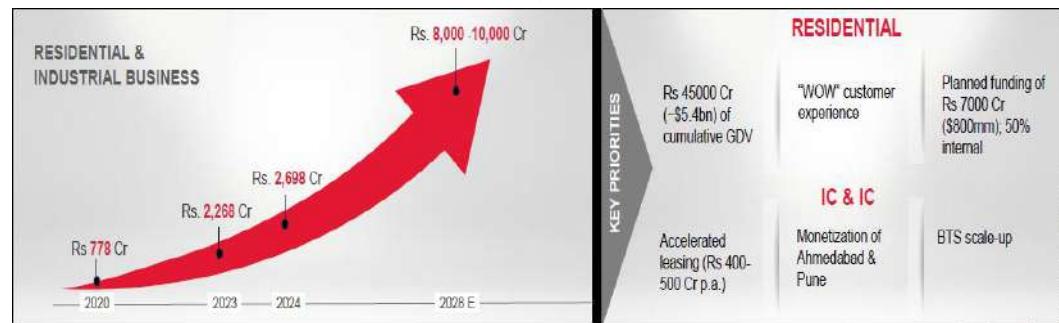
Price Performance (%)	3m	6m	12m
Absolute	13.5	14.6	31.0
Relative to Sensex	8.2	5.4	9.2

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	6,066	2,121	11,400	11,162
EBITDA	(1,101)	(1,711)	671	1,104
EBITDA Margin (%)	(18.2)	(80.7)	5.9	9.9
Net Profit	365	982	1,915	2,277
EPS (INR)	2.4	6.4	12.4	14.8
P/B (x)	5.3	5.1	4.6	4.2
P/E (x)	261.0	96.9	49.7	41.8
EV/EBITDA (x)	(88.1)	(60.1)	151.4	90.1
RoCE (%)	2.3	4.3	8.1	8.7
RoE (%)	(1.7)	5.3	9.7	10.5

Previous Reports

30-04-2024: [Q4FY24 results review](#)07-02-2024: [Q3FY24 results review](#)

Exhibit 1: MLIFE's stated business strategy across different segments


Source: Company data, I-Sec research

Exhibit 2: MLIFE's FY25 launch pipeline


Source: Company data, I-Sec research

Exhibit 3: Key assumptions

Development Properties	FY21	FY22	FY23	FY24	FY25E	FY26E
MLIFE Devco Sales Volume (msf)	1.1	1.3	2.2	2.5	2.8	3.2
MLIFE Devco Sales Value (INR bn)	7.0	10.3	18.1	23.3	28.4	35.5

Source: I-Sec research, Company data

Exhibit 4: SoTP Valuation of MLIFE

Details	Amount (INR mn)	INR/share
Devco residential (FY25-30E)	35,034	227
Industrial cities/SEZs	8,605	56
Rental assets	4,083	26
Land Bank	18,957	123
Total Mar'24E NAV	66,678	433
Add: 50% premium for new project acquisitions/group land parcels	33,339	216
Target Price	100,016	649

Source: I-Sec research, Company data

Exhibit 5: Sensitivity of NAV to WACC and sales price increase

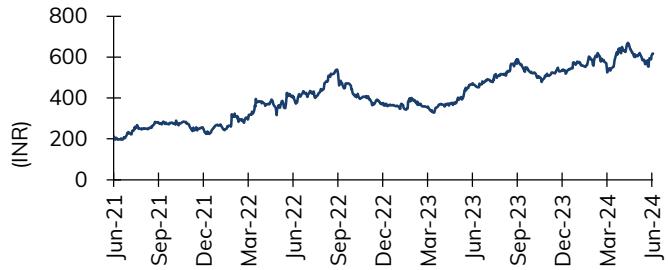
NAV	WACC (%)					
	433	9%	10%	11%	12%	13%
3%	385	378	372	365	359	
4%	399	392	385	379	373	
5%	414	406	399	393	386	
6%	429	421	414	407	400	
7%	444	436	429	421	414	

Source: Company data, I-Sec research

Exhibit 6: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	51.2	51.2	51.2
Institutional investors	32.0	31.7	31.4
MFs and others	19.6	21.5	20.1
Insurance Cos	0.2	1.3	1.5
FII	12.2	8.9	9.8
Others	16.8	17.1	17.4

Source: Bloomberg, I-Sec research

Exhibit 7: Price chart


Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	6,066	2,121	11,400	11,162
Operating Expenses	7,167	3,832	10,729	10,058
EBITDA	(1,101)	(1,711)	671	1,104
EBITDA Margin (%)	(18.2%)	(80.7%)	5.9%	9.9%
Depreciation & Amortization	122	137	58	66
Interest expenditure	109	74	552	582
Other income	530	670	818	848
Other Non-operating Income	678	-	-	-
Recurring PBT	(1,481)	(1,252)	879	1,303
Less: Taxes	28	(440)	221	328
PAT	(1,509)	(812)	658	975
Less: Minority Interest	1,874	1,794	1,257	1,302
Net Income (Reported)	(313)	982	1,915	2,277
Net Income (Adjusted)	365	982	1,915	2,277

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	25,221	37,984	43,235	49,736
of which cash & cash eqv.	774	1,068	2,788	5,397
Total Current Liabilities & Provisions	12,662	19,847	23,505	28,052
Net Current Assets	12,559	18,137	19,730	21,684
Investments	7,092	8,274	8,974	9,674
Net Fixed Assets	824	903	993	1,092
Capital Work-in-Progress	361	243	285	319
Other non-current assets	51	51	51	51
Total Assets	20,886	27,608	30,033	32,819
Liabilities				
Borrowings	2,651	8,728	9,228	9,728
Equity Share Capital	1,547	1,550	1,550	1,550
Reserves & Surplus	16,511	17,178	19,092	21,369
Total Net Worth	18,058	18,728	20,642	22,919
Minority Interest	16	2	2	2
Deferred taxes/others	161	150	160	170
Total Liabilities	20,886	27,608	30,033	32,819

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(964)	(1,518)	2,524	2,925
Working Capital Changes	(520)	(5,096)	47	566
Capital Commitments	(138)	245	(100)	(100)
Free Cashflow	(1,622)	(6,369)	2,472	3,392
Other investing cashflow	417	1,899	(700)	(700)
Cashflow from Investing Activities	278	2,143	(800)	(800)
Issue of Share Capital	5	21	-	-
Interest Cost	(11)	(813)	(552)	(582)
Inc (Dec) in Borrowings	47	6,036	500	500
Dividend paid	(311)	(357)	-	-
Others	-	-	-	-
Cash flow from Financing	(271)	4,887	(52)	(82)
Activities				
Chg. in Cash & Bank balance	(1,476)	416	1,720	2,609
Closing cash & balance	774	1,068	2,788	5,397

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	2.4	6.4	12.4	14.8
Cash EPS	3.2	7.3	12.8	15.2
Dividend per share (DPS)	2.0	2.3	0.0	0.0
Book Value per share (BV)	117.3	121.6	134.1	148.9
Growth (%)				
Net Sales	54.1	(65.0)	437.5	(2.1)
EBITDA	23.0	55.4	(139.2)	64.4
EPS (INR)	(36.8)	169.5	94.9	18.9
Valuation Ratios (x)				
P/E	261.0	96.9	49.7	41.8
P/BV	5.3	5.1	4.6	4.2
EV / EBITDA	(88.1)	(60.1)	151.4	90.1
Dividend Yield (%)	0.3	0.4	0.0	0.0
Operating Ratios				
EBITDA Margins (%)	(18.2)	(80.7)	5.9	9.9
Net Profit Margins (%)	6.0	46.3	16.8	20.4
Net Debt / Equity (x)	0.1	0.4	0.3	0.2
Net Debt / EBITDA (x)	(2.4)	(5.1)	13.7	8.8
Profitability Ratios				
RoCE (%)	2.3	4.3	8.1	8.7
RoE (%)	(1.7)	5.3	9.7	10.5

Source Company data, I-Sec research

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