

Mahindra Lifespaces

Mixed performance

Mahindra Lifespaces Developers Ltd (MLDL) reported operationally a decent quarter with presales of INR 1.4bn (sustenance sales, ~4x/-58% YoY/QoQ), considering the absence of new launches during the quarter. MLDL lost six weeks due to COVID, which delayed new launches. We expect bunching up of new launches in the rest of 9MFY22 (~2mn sqft, Rs 12bn+ in value). MLDL has MOUs in place for new land addition (subject to final agreement sign-ups), which shall add INR 25bn+ presales potential. It announced a bonus of two shares for one share held in the company. Given strong growth trajectory, robust balance sheet, trustworthy brand, and tailwinds for organised players, we remain constructive on MLDL and maintain a BUY rating. We move to our Mar-23 NAV based TP of INR 1,047/sh (vs earlier 1-yr Mar-22 TP of INR 773/sh). NAV increase is driven by addition of new development potential and development value of the Ghodbunder project (likely launch in FY23E).

- Financial highlights:** Revenue: INR 1.5bn (10x/+165% YoY/QoQ, beat at ~5.5x est.). EBITDA: INR (242) mn (INR (200)/(371) mn in Q1FY21/Q4FY21, vs INR (138) mn est.). Interest cost: INR 12mn (-66.8%/-33.9% YoY/QoQ). Other income: INR 74mn (INR 8/70 mn Q1FY21/Q4FY21). RPAT/APAT: INR (139) mn (INR (210)/(272) mn Q1FY21/Q4FY21), vs an estimated loss of INR 77mn. Higher-than-expected revenue recognition was offset by lopsided cost recognition. MLDL has been reporting losses for the past six quarters and is expected to be back in the black by the next 2-3 quarters.
- Decent performance sans launches:** The presales value for the quarter came in at INR 1.4bn (~4x/-58% YoY/QoQ) and volume stood at 0.2msf (~2x/-65% YoY/QoQ). Sales were entirely through sustenance ones as MLDL did not launch any project during the quarter. While planned launches of INR 12bn for FY22 remain on track, the Ghodbunder project launch is expected by FY23. MLDL leased out 6.7acres for INR 143mn during Q1FY22.
- Healthy balance sheet supportive of growth:** MLDL's consolidated net debt stood at INR 1.1bn with net D/E at 0.06x, which provides ample room for expansion. The standalone borrowing cost at 5.9% is the lowest vs peers, which is a good sign for land bank acquisitions. MLDL needs to add ~INR 20bn saleable area annually to achieve the target of INR 25bn annual sales by FY25. This could increase the net D/E ratio to 0.5x by FY24, which is in a comfortable range and near the upper end of MLDL guidance.

Consolidated Financial Summary (INR mn)

YE March	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)	FY21	FY22E	FY23E	FY24E
Net Sales	1,482	143	936.4	560	164.7	1,663	3,580	7,663	10,171
EBITDA	(242)	(200)	20.8	(371)	(34.8)	(935)	(629)	157	416
APAT	(139)	(210)	(34.0)	(272)	(49.1)	(717)	(345)	1,433	1,783
EPS (INR)	(2.7)	(4.1)	(34.0)	(5.3)	(49.1)	(14.0)	(6.7)	27.9	34.8
P/E (x)						(54.4)	(113.1)	27.2	21.9
EV/EBITDA (x)						(42.9)	(70.4)	296.9	115.6
RoE (%)						(4.3)	(2.1)	8.6	9.8

Consolidated Estimate Change Summary

(INR mn)	FY22 New	FY22 Old	% Cha.	FY22 New	FY22 Old	% Cha.
Revenue	3,580	1,474	143	7,663	7,136	7
EBITDA	-629	-858	(27)	157	83	89
EBITDA Margin (%)	(17.57)	(58.24)	4,068	2.05	1.16	88
APAT	-345	32	NA	1,433	1,454	(1)

Source: Company, HSIE Research

BUY

CMP (as on 29 July 2021)	INR 754
Target Price	INR 1,047
NIFTY	15,778

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 773	INR 1,047
EPS	FY22E	FY23E
Change %	NA	-1.4

KEY STOCK DATA

Bloomberg code	MLIFE IN
No. of Shares (mn)	51
MCap (Rs bn) / (\$ mn)	38.7/521.6
6m avg traded value (Rs mn)	57
52 Week high / low	Rs 797/194

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	49.4	92.2	270.2
Relative (%)	41.5	78.5	230.6

SHAREHOLDING PATTERN (%)

	Mar-21	Jun-21
Promoters	51.46	51.45
FIs & Local MFs	14.05	15.79
FPIs	13.50	12.59
Public & Others	20.99	20.17
Pledged Shares	-	-

Source: BSE

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Disclosure:

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