

CMP: INR 492

Rating: Buy

Target: INR 755

Stock Info

BSE	532313
NSE	MAHLIFE
Bloomberg	MLIFE:IN
Sector	Real Estate
Face Value (INR)	10
Equity Capital (INR mn)	1550
Mkt Cap (INR mn)	76,320
52w H/L (INR)	679 / 474
Avg Yearly Volume (in 000')	388

Shareholding Pattern %

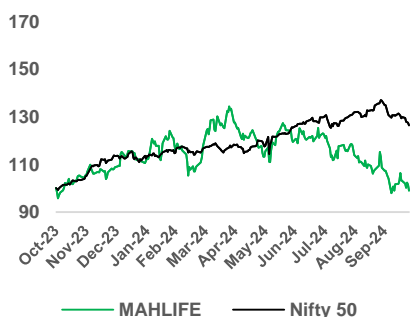
(As on September, 2024)

Promoters	51.15%
DII	9.82%
FII	20.91%
Public & Others	18.12%

Stock Performance (%) 1m 6m 12m

MAHLIFE	-8.55%	-23.11%	-1.90%
NIFTY	-5.59%	7.61%	27.31%

MAHLIFE vs Nifty



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Mahindra lifespace Developers Ltd reported Q2FY25 result numbers were Below Expectation. Revenue for Q2FY25 came in at INR 76.1 Mn, which de-grew by 57% YoY/ de-growth of 96% QoQ, below our estimates of INR 200 Mn. Gross margin at 67%, decreased by 2,151bps YoY/decline of 5,915 bps QoQ. EBITDA loss has increased to INR - 477 Mn from last quarter by 15% and 37% from the last year ,below estimates of INR -300 Mn and has also recorded a loss on PAT of INR 140 Mn (-208.10% QoQ/ -25.87% YoY)

For Q2FY25, pre-sales were INR 3,970 Mn, de - growth of 13% YoY (INR 10,190Mn in Q2FY24) /de-growth of 61% QoQ (INR 4,550Mn in Q1FY25). The collection stood at INR 4,590 Mn growth of 43% YoY (INR 4,550Mn in Q2FY24)/ de-growth of 15% QoQ (INR 3,110Mn in Q1FY25). Realization came in at INR 8,660/sqft which improved by 95% YoY (INR 4,443/sqft in Q2FY24) and increase by 88% QoQ (INR 4615/sqft in Q1FY25).

Pre-sales and Financial Performance in Q2FY25: In Q2FY25, Mahindra Lifespace achieved pre-sales of INR 3,970 Mn, down 13% YoY compared to INR 4,550 Mn in Q2 FY24 due to seasonality and a limited number of project launches. The Integrated Cities and Industrial Clusters (IC&IC) business segment contributed INR 870 Mn in leasing revenue for Q2, largely from World City in Jaipur and Chennai, supported by global interest and domestic demand for industrial setups.

Sustainability and Brand Leadership: They have commitment to sustainable development has positioned it as a preferred developer in India's real estate sector. The company's emphasis on green buildings, net-zero carbon goals, and innovative customer experiences strengthens its brand equity. With established recognition in high-demand regions such as MMR and Pune and strategic partnerships, they continues to attract discerning customers and investors who value long-term, environmentally responsible projects. This focus on sustainability, combined with its operational scale in Integrated Cities and Industrial Clusters (IC&IC), supports a diversified revenue stream and reinforces the company's reputation as an industry leader.

Healthy project pipeline for FY25 : For the remainder of FY25, Mahindra Lifespace has an extensive project pipeline, which includes Phase 2 of the Vista project in Kandivali, further phases of Codename Crown in Pune, and Zen 2 in Bangalore. Additionally, the company is preparing for its first society redevelopment project in Malad, Mumbai, with further projects planned for Jaipur and Chennai.

Outlook & Valuation: We maintain a positive outlook on Mahindra Lifespace's growth potential due to its extensive pipeline of upcoming projects, strong foothold in redevelopment within core areas like MMR, and sustained demand in the real estate sector. Supported by a healthy balance sheet and robust cash flows, the company is positioned well for continued expansion. From a valuation perspective, we have assessed the company on a NAV basis, Buy a target price of INR 755, indicating a potential upside of 40%.

Key Financials-

Y/e 31st March in mn	FY23	FY24	FY25E	FY26E
Net revenues (Rs m)	6066	2121	7586	6455
EBITDA	-1101	-1711	-1297	-5383
EBITDA margins (%)	-18%	-81%	-17%	-83%
PAT	336	982	407	-2932
PAT Margin %	6%	46%	5%	-45%
EPS	6.6	6.3	2.6	-18.9
ROE %	1.9	5.8	2.2	-17.1

Source: Company reports, Arihant Capital Research

Q2FY25 Concall Highlights:**Guidance:**

- The company is on track to launch projects across key locations, including Vista Phase 2 in Kandivali, Crown Phase 2 in Pune, and a new plotted development in Jaipur by FY25-end. Expected GDV of new launches for H2FY25 is approximately INR 45,000 Mn.
- The company has a long-term potential of INR2,000 crore of PAT over the next ten years in its IC business.
- Land bank of ~3,000 acres across major industrial and residential hubs, including 800 acres available for industrial development in Mahindra World City, Jaipur.
- Mahindra Lifespace targets EBITDA and PAT margins of 30% and 20% over the next few years, driven by efficient project execution and high-margin developments in premium segments.

Financials:

- Presales for Q2FY25 were INR 3,970 Mn, which de-grew by 13% YoY/de-growth of 61% QoQ.
- Revenue for Q2FY25 came in at INR 76.1 Mn, which de-grew by 57% YoY/ de-growth of 96% QoQ,
- Collection was at INR 4,590 growth of 48% YoY & decline of 15% QoQ.
- Gross margin at 67%, decreased by 2,151bps YoY/decline of 5,915 bps QoQ.
- EBITDA loss has increased to - 477 Mn from last quarter
- It has also recorded a loss on PAT of INR 140 Mn (-208.10% QoQ/ -25.87% YoY)

Key Highlights:

- The overall real estate market shows strong demand, particularly in premium segments. Stable interest rates and a balanced demand-supply scenario have boosted customer interest and absorption rates.
- Project Updates:
 - Mahindra Zen, Bangalore: Nearly sold out with 91% of units sold.
 - Mahindra Crown, Pune: Strong response with 56% inventory sold.
 - Mahindra Vista Phase 2, Kandivali: Launch planned for H2FY25 following successful sales in Phase 1.
 - Alembic Whitefield, Bangalore: In final stages of approval, targeting mid-premium buyers.
- The company's Industrial Cluster Business segment saw leasing revenue of INR 870 Mn for Q2FY25, with a focus on attracting global clients. Further developments include launching Origins Chennai 2 and converting 500 acres of SEZ land to DTA in Jaipur.
- Operating cash flow for Q2FY25 saw significant growth, reaching INR 2,610 Mn, compared to INR 1,180 Mn in Q2 FY24, reflecting improved collections in the residential sector. Net debt stood at INR 4,770 Mn with a debt-to-equity ratio of 0.26, highlighting a strong balance sheet and improved financial stability
- There strategical approach is to concentrate Exited affordable housing mid-premium and premium segments, with a product price range of INR 20-70 Mn to target high-demand markets in MMR, Pune, and Bangalore.
- Mahindra Lifespace is setting up an equity platform with an estimated fund size of INR 20,000-30,000 Mn, in partnership with a private equity firm, aimed at funding large-scale developments.

Q2FY25 - Quarterly Performance (Consolidated)

INR Mn (Consolidated)	Q2FY25	Q1FY25	Q-o-Q	Q2FY24	Y-o-Y
Net Revenue	76.1	1,881	-95.95%	178	-57.25%
Raw Material Costs	25.1	1,734	-98.55%	97	-74.12%
Gross Profit	51	148	-65.54%	81	-37.04%
Gross Margin	67.02%	7.87%	59.15	45.51%	21.51
Employee costs	294.4	279	5.52%	208	41.54%
Other Expenses	233.7	284	-17.71%	222	5.27%
EBITDA	-477.1	-415	14.96%	-349	36.70%
EBITDA margin	-626.94%	-22.06%	-604.88	-196.07%	-430.87
Other Non Operating Income	83.5	186	-55.11%	79	5.70%
Depreciation	40	43	-6.98%	31	29.03%
EBIT	-433.6	-272	59.41%	-301	44.05%
Finance costs	70.1	60	16.83%	2	3405.00%
Share of profit of joint venture and associate	363.8	365	-0.33%	6	5963.33%
Exceptional Items	-	-	-	-	-
PBT	-139.9	33	-523.94%	-297	-52.90%
Tax Expense	0.2	-96.6	-100.21%	-108	-100.19%
Effective tax rate	0%	-293%		36.36%	
PAT	-140.1	129.6	-208.10%	-189	-25.87%
PAT margin	-184.10%	6.89%	-190.99	-106.18%	-77.92

INR mn	2QFY25	1QFY25	QoQ %	2QFY24	YoY %
Pre-sales (INR Mn)	3,970	10,190	-61%	4,550	-13%
Sales Area (Sqft)	0.53	1.2	-55%	0.7	-24%
Collections (INR Mn)	4,590	5400	-15%	3110	48%
Realizations (INR/Sqft)	7491	8709	-14%	6500	15%

Source: Company reports, Arihant Capital Research

Profit & Loss Statement (Consolidated)

Y/e 31st March in mn	FY23	FY24	FY25E	FY26E
Net revenues (Rs m)	6,066	2,121	7,586	6,455
Net Raw Materials	5,010	1,899	7,525	10,317
Gross Profit	1,056	222	61	(3,862)
Growth (%)	17%	10%	1%	-60%
Direct costs	5,138	1,915	7,638	10,511
Other expenses	2,029	1,917	1,245	1,327
EBITDA	(1,101)	(1,711)	(1,297)	(5,383)
EBITDA margins (%)	(18.2)	(80.7)	(17.1)	(83.4)
Depreciation	122	137	119	121
Other income	530	670	363	298
Interest Exp	109	74	100	100
PBT	(803)	(1,252)	(1,154)	(5,307)
Effective tax rate (%)	(3.5)	35.2	25.2	25.2
+ Associates/(Minorities)	1,167	1,794	1,276	1,039
PAT	336	982	407	(2,932)
Adjusted income	1,014	982	407	(2,932)

Source: Company reports, Arihant Capital Research

Balance Sheet (Consolidated)

Y/e 31st March in mn	FY23	FY24	FY25E	FY26E
Share capital	1,547	1,550	1,550	1,550
Net worth	18,057	18,728	18,803	15,484
Total debt (including Pref)	2,651	8,728	8,511	8,386
Minority interest	2	2	(4)	(18)
Deferred tax Liability/(Asset)	(592)	(1,058)	(1,058)	(1,058)
Capital employed	20,118	26,399	26,251	22,792
Net tangible assets	360	282	201	119
Net Intangible assets	5	5	4	3
Goodwill	-	-	-	-
CWIP (tangible and intangible)	51	51	75	99
Investments (Strategic)	7,092	8,274	9,935	10,849
Investments (Financial)	1,962	863	0	0
Current Assets (ex Cash) Incl LT assets	25,271	38,008	50,200	10,742
Cash	774	1,068	(1,631)	(1,440)
Current Liabilities (ex ST Loan/Current Portion) incl LT liabilities	15,397	22,150	32,557	(2,396)
Working capital	9,874	15,858	17,643	13,138
Capital deployed	20,118	26,399	26,251	22,792

Source: Company reports, Arihant Capital Research

Cash Flow Statement (consolidated)

Y/e 31st March in mn	FY23	FY24	FY25E	FY26E
PBT+ Net Int Expense	(1,223)	(1,848)	-	(5,505)
+ Non-cash items	122	137	119	121
Operating profit before WC changes	(1,101)	(1,711)	-	(5,383)
- Incr./ (decr.) in WC	(971)	5,772	1,997	(4,505)
Others including taxes	35	25	(290)	(1,336)
Operating cash-flow	(165)	(7,417)	(3,004)	457
- Capex (tangible + Intangible)	(530)	57	62	62
Free cash-flow	364	(7,499)	(3,066)	395
Acquisitions	-	-	-	-
- Dividend (including buyback & taxes)	309	357	388	388
+ Equity raised	20	-	-	-
+ Debt raised	43	5,610	(217)	(125)
- Fin Investments	2,830	83	798	914
- Net Int expense + Misc.	(1,230)	(2,898)	(1,583)	(1,223)
Net cash-flow	(1,481)	478	(2,886)	191

Source: Company reports, Arihant Capital Research

Ratio Analysis

Y/e 31st March in mn	FY23	FY24	FY25E	FY26E
P/E (x)	53.7	77.6	187.4	-26.0
EV/EBITDA (x)	-	-	-	-
EV/sales (x)	9.0	41.8	12.1	1.5
P/B (x)	3.0	4.1	4.4	-
RoE (%)	1.9	5.8	2.2	-17.1
RoCE (%) - After tax	-3.4	-4.7	-4.0	-21.2
Sales/FA (x)	14.5	6.3	27.1	29.3
DPS (Rs per share)	2.0	2.3	2.5	2.5
Dividend yield (%)	0.6	0.5	0.5	0.5
Dividend payout (%) - Inc. DDT	92.0	36.3	95.2	#DIV/0!
Net debt/equity (x)	-0.0	0.4	0.5	0.6
Receivables (days)	78	184	100	138
Inventory (days)	1,262	5,813	1,841	-312
Payables (days)	115	335	146	160
CFO:PAT%	-16.3	-690.9	-727.5	-15.6
FCF:PAT% - includ M&A payout	35.9	-698.6	-742.6	-13.5

Source: Company reports, Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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