

## India Ratings Affirms Mahindra Lifespace Developers at 'IND AA'/Stable and its CP at 'IND A1+'; Rates Additional CP

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India Ratings and Research (Ind-Ra) has affirmed Mahindra Lifespace Developers Limited's (MLDL) Long-Term Issuer Rating at 'IND AA'. The Outlook is Stable. The instrument-wise rating actions are as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Commercial paper (CP)	-	-	90-180 days	INR750	IND A1+	Affirmed
CP			90-180 days	INR250	IND A1+	Assigned
Fund-based limits	-	-	-	INR1,750	IND AA/Stable/IND A1+	Affirmed
Non-fund-based limits	-	-	-	INR500	IND AA/Stable/IND A1+	Affirmed
Proposed bank facilities*				INR250	WD	Withdrawn

\*Ind-Ra is no longer required to maintain the rating on MLDL's proposed bank facilities as they have not been availed by the company.

**Analytical Approach:** To arrive at the ratings, Ind-Ra continues to take a consolidated view of MLDL and its subsidiaries/joint ventures, in view of the strong operational and strategic ties among the entities. Furthermore, MLDL's ratings continue to factor in support from its 51.5% parent Mahindra & Mahindra Limited (M&M; 'IND AAA'/Stable).

### Key Rating Drivers

**Strategic Linkages with Parent:** MLDL has strategic linkages with M&M, as indicated by an equity infusion of INR1.99 billion by the latter in the former over FY07-FY08, and M&M's subscription to MLDL's shares in a rights issue of INR3.0 billion in 1QFY18. Also, both the entities share a common brand name, Mahindra. Moreover, since MLDL is part of the Mahindra group, it enjoys both operational and financial flexibility. Also, in earning calls, M&M Group has called MLDL its real estate arm and one of its three growth gems, the others being hospitality and logistics, reflecting the importance of this business for the M&M Group as a whole.

**Strong Brand Name and Long Track Record:** MLDL has the advantage of a strong brand name. The company has been present in the real estate market since 2001, and has since developed over 19.23 million square feet (msf) of completed residential and commercial projects. It had about 10.75msf of ongoing and forthcoming residential projects at FYE22 (FY21: 8.98msf).

**Execution-focussed Approach:** The company keeps project execution in line with the demand. At end-March 2022, of its 4.04msf of ongoing residential projects (March 2021: 4.27msf), the company had sold 68% of the saleable area and had completed/incurred costs equivalent to 52% of the likely project cost. MLDL's completed inventory stood at a manageable 188 units at FYE21 (FYE21: 138 units).

In the residential real estate segment, sales volume and sales value increased 20% and 48% yoy to 1.28msf and INR10,280 million, respectively, in FY22 owing to a strong recovery post the resumption of economic activity.

**Diversified across Geographies and Ticket Sizes:** MLDL has significant exposure to six markets. Ind-Ra expects the Mumbai Metropolitan Region to account for about 62% of the company's residential sales over the medium term. Pune (17%), Nagpur (13%) and Chennai (8%) are likely to account for the rest. The company's typical ticket size ranges between INR2.0 million and INR50 million. The diverse geographical presence mitigates the inventory and price risk related to any particular area. Also, the different ticket sizes help it cater to a large customer base, from low-income groups to high-income groups.

**Liquidity Indicator - Adequate:** At end-March 2022, MLDL had sold units worth INR18.4 billion (FY21: INR16.4 billion) in the ongoing projects, while its collections amounted to about INR9.05 billion (FY21: INR6.55 billion). This provides strong collection visibility of INR10 billion over FY22-FY24. In addition, MLDL had completed an inventory of INR0.82 billion at end-March 2022. The committed cash flow from the already sold units, along with the completed unsold inventory, available cash and cash equivalent of INR2.25 billion, available under the fund-based limits at end-March 2022, provides the company with comfortable liquidity over the near-to-medium term to meet the construction cost of its ongoing projects (INR10.4 billion as of March 2022) and current maturities of INR2.97 billion on a consolidated basis. MLDL's average utilisation of its fund-based facilities was about 25% during the 12 months ended June FY22. MLDL's debt maturities amount to INR175 million for FY23 and FY24 each.

**Moderate Sales Performance/Leverage:** In FY22, on a consolidated basis, MLDL's operating performance ratio (consolidated pre-sales/ net debt) was 2.60x (FY21: 1.1x), while its leverage (net debt/net working capital) was 0.13x (0.31x).

**Moderate Project Concentration:** Ind-Ra expects MLDL's top five projects to account for about 58% of the likely sales from ongoing and soon-to-be-launched projects. Some comfort is drawn from the company's strategy of executing its projects in phases.

**Moderate Standalone Financial Profile:** On a standalone basis, MLDL reported a revenue of INR2.52 billion in FY22 (FY21: INR0.89 billion) and an EBITDA loss of INR1.2 billion (EBITDA loss of INR1.0 billion). The company recorded other income of INR0.53 billion in FY22 (FY21 INR0.46 billion), while its finance cost was INR0.046 billion (INR0.036 billion). At FYE22, MLDL had a net cash position (FY21: net cash).

**Cyclicality and Regulatory Risk:** The Indian real estate industry is highly cyclical, with volatile cash flows. The real estate sector is also subject to multiple regulatory approvals; thus, the timely receipt of regulatory approval is critical for timely launches of new projects and future sales/collections. Ind-Ra believes some key markets for MLDL, such as Delhi NCR and Mumbai Metropolitan Region, have high inventories.

## Rating Sensitivities

**Negative:** The leverage (net debt/net working capital) ratio exceeding 0.6x or the operating performance ratio (pre-sales/net debt ratio) falling below 0.8x or the free cash flow turning negative (any or all on sustained basis), and any weakening of linkages with the parent, could result in a downgrade.

## ESG Issues

**ESG Factors Minimally Relevant to Rating:** Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on MLDL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click [here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click [here](#).

## Company Profile

MLDL was formed in 2001 through a merger of Gesco Corporation Limited and Mahindra Realty & Infrastructure Developers Limited. The company was renamed Mahindra Gesco Developers Limited in 2003 and Mahindra Lifespace Developers Limited in 2007. MLDL primarily operates in project management and development activities and operations of commercial complexes.

### FINANCIAL SUMMARY:

Consolidated Financials (IND-AS)	FY22	FY21	FY20
Revenue (INR billion)	3.9	1.66	6.10
EBITDA* (INR billion)	-0.89	-0.93	-0.57
Finance cost (INR billion)	0.065	0.11	0.08
Net Financial leverage (x)	NA	NA	NA

Source: MLDL's annual report, Ind-Ra

\*EBITDA does not include other income

## Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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## Rating History

Instrument Type	Current Rating/Outlook	Historical Rating/Outlook

	Rating Type	Rated Limits (million)	Rating	12 August 2021	13 August 2020	28 February 2020
Issuer rating	Long-term		IND AA/Stable	IND AA/Stable	IND AA/Stable	IND AA/Stable
Fund-based limits	Long-/short-term	INR1,750	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+
Non-fund-based limits	Long-/short-term	INR500	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+
CP	Short-term	INR1,000	IND A1+	IND A1+	IND A1+	IND A1+
Proposed Bank Facilities	Long /Short-term	INR250	WD	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	NA

## Bank wise Facilities Details

Click here to see the details

## Complexity Level of Instruments

Instrument Type	Complexity Indicator
Fund based limits	Low
Non-fund-based limits	Low
CP	Low

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Contact

### Primary Analyst

Pranav Nagar

Senior Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40001748

For queries, please contact: [infogrp@indiaratings.co.in](mailto:infogrp@indiaratings.co.in)

### Secondary Analyst

Aparna Chaughule

Associate Director

+91 22 40001775

### Chairperson

Mahaveer Jain

Director

+91 80 46666817

### Media Relation

Ankur Dahiya

Senior Manager – Corporate Communication

+91 22 40356121

## APPLICABLE CRITERIA

## **Evaluating Corporate Governance**

## **Corporate Rating Methodology**

## **Short-Term Ratings Criteria for Non-Financial Corporates**

## **Parent and Subsidiary Rating Linkage**

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