

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

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AUG 2021

By Pranav Nagar

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
Fund-based limits	-	-	-	INR1,750	IND AA/Stable/IND A1+	Affirmed
Commercial paper (CP)	-	-	90-180 days	INR750	IND A1+	Affirmed
Proposed bank facilities				INR250	IND AA/Stable/IND A1+	Affirmed
Non-fund-based limits	-	-	-	INR500	IND AA/Stable/IND A1+	Affirmed

**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 between 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 entities share a common brand name, Mahindra. Moreover, MLDL is part of the Mahindra group; this provides it both operational and financial flexibility.

**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 17.93 million square feet (msf) of completed residential and commercial projects. It had about 8.98msf of ongoing and forthcoming residential projects at FYE21 (FY20: 7.81msf).

**Execution-Focused Approach:** The company keeps project execution in line with the demand. As of March 2021, of its 4.27msf of ongoing residential projects (March 2020: 3.60msf), the company had sold 65% of the saleable area and had completed/incurred costs equivalent to 58% of the likely project cost. MLDL's completed inventory stood at a manageable 138 units at FYE21 (FYE20: 220 units).

In the residential real estate segment, sales volume decreased by 18% yoy to 1.07msf in FY21 due to the adverse impact of the pandemic-led disruptions. However, sales value increased by 4% yoy to INR6.95 billion in FY21.

**Diversified across Geographies and Ticket Sizes:** MLDL has significant exposure to six markets. Ind-Ra expects the Mumbai Metropolitan Region to account for about 47% of the company's residential sales over the medium term. National Capital Region (25%), Chennai (11%), Pune (12%) and Nagpur (6%) are likely to account for the rest. The company's typical ticket size ranges between INR2.0 million-50 million. The diverse geographical presence mitigates the inventory and price risk related to any particular area. Also, the different ticket sizes help it to cater to a large customer base, from the low-income-groups to high-income-groups.

**Strong Collection Visibility/Liquidity indicator - Adequate:** As of March 2021, in the ongoing projects, MLDL had sold units worth INR16.4 billion (FY20: INR13.3 billion), while its collections amounted to about INR6.55 billion (FY20: INR9.3 billion). This provides strong collection visibility of INR9.93 billion over FY22-FY24. In addition, MLDL had completed inventory of INR0.44 billion as of March 2021. The committed cash flow from already

sold units, along with the completed unsold inventory, available cash and cash equivalent of INR2.99 billion, available under the fund-based limits as of March 2021, provides the company with comfortable liquidity in the near-to-medium term to meet its construction cost in ongoing projects (INR9.26 billion as of March 2020) and current maturities of INR2.97 billion on a consolidated basis.

**Moderate Sales Performance/ Leverage:** In FY21, on a consolidated basis, MLDL's operating performance ratio (consolidated pre-sales/ net debt) was 101% (FY20: 101%), while its leverage (net debt/net working capital) was 31% (31%).

**Moderate Project Concentration:** Ind-Ra expects MLDL's top five projects to account for about 73% 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 revenue of INR0.89 billion in FY21 (FY20: INR4.39 billion) and an EBITDA loss of INR1.06 billion (EBITDA loss of INR0.64 billion). The company recorded other income of INR0.46 billion in FY21 (FY20 INR0.80 billion), while its finance cost was INR0.036 billion (INR0.018 billion). At end-FY21, MLDL had net debt of INR0.03 billion (FY20: INR0.23 billion).

**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 that some key markets for MLDL, such as Delhi NCR and Mumbai Metropolitan Region, have high inventories.

## RATING SENSITIVITIES

**Negative:** The net debt/net working capital ratio exceeding 0.6x or the 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 may result in a downgrade.

## 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 then 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)	FY21	FY20
Revenue (INR billion)	1.66	6.10
EBITDA* (INR billion)	-0.93	-0.57
Finance cost (INR billion)	0.11	0.08
Net Financial leverage (x)	NA	NA
Source: Annual report, Ind-Ra *EBITDA does not include other income		

## RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (million)	Rating	13 August 2020	28 February 2020	31 December 2018	21 September 2018
Issuer rating	Long-term		IND AA/Stable	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+	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+	IND AA/Stable/IND A1+
CP	Short-term	INR750	IND A1+	IND A1+	IND A1+	IND A1+	IND A1+
Proposed Bank Facilities	Long /Short-term	INR250	IND AA/Stable/IND A1+	IND AA/Stable/IND A1+	NA	NA	NA

## COMPLEXITY LEVEL OF INSTRUMENTS

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

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

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## Applicable Criteria

[Corporate Rating Methodology](#)  
[Parent and Subsidiary Rating Linkage](#)  
[Short-Term Ratings Criteria for Non-Financial Corporates](#)

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