

All Eyes on New Launches; Maintain BUY

Est. Vs. Actual for Q1FY25: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q1FY25

FY25E/FY26E: Revenue: -12%/2%; EBITDA: -10%/3%; PAT: -11%/7%

Recommendation Rationale

- **Asset-Light Model with Higher Margins:** The company's focus on an asset-light business model is expected to drive further growth. It has acquired a new project under the JV model in BKC, spanning 1.5 Lc sq ft. New projects are anticipated to be launched by H2FY25, all under the JV/DM model, indicating a significant portion of the portfolio will be asset-light. As a result, while the company's revenue may be lower over the years, PBT numbers and margins are expected to expand, driven by DM fees, PMC fees, and profits from JVs. This approach is likely to enhance the company's absolute bottom-line performance (better EBITDA and PAT margins) without straining the balance sheet. By combining this model with financial discipline, the company aims to achieve scalability and ensure timely project completion.
- **Robust Order Book and Execution Capabilities:** The company has an upcoming order book of around 4 Mn sq ft with a low inventory overhang. In Q1FY25, it handed over two projects: 'One Earth' and 'Atmosphere O2', as well as Aaradhya Highpark. Cash flows for Q1FY25 stood at Rs 321 Cr, with Rs 691 Cr from sales. The company has sold 50% of their Aaradhya One Park project in Ghatkopar, which is a major contributor to its sales. We expect a strong launch trajectory towards H2FY25 and the performance of a healthy collection.
- **Sector Outlook: Positive**

Company Outlook & Guidance: We maintain our **BUY** rating on the stock as we continue to remain positive on the company's long-term prospects.

Current Valuation: DCF-based valuation

Current TP: Rs 240/share (Earlier TP: Rs 270/share).

Recommendation: With a 29% upside from the CMP, we maintain our long-term **BUY** rating on the stock.

Financial Performance: MICL reported a revenue of Rs 342 Cr in Q1FY25. This is a 15.1% QoQ growth but a decline of 33% YoY owing to a lower inventory base. The company's EBITDA margins stand at 24.4%, showcasing a 46% growth QoQ and a 14.2% growth on a YoY basis. This reflects the company's asset-light model. The company has reported a PAT of Rs 78 Cr for Q1FY25, reflecting an 18.8% QoQ growth. The company has recorded improved EBITDA and PAT margins and a healthy cash flow from operations standing at Rs 321 Cr. The company is net cash positive and has further reduced its debt to Rs 33 Cr. Its collections stand at Rs 286 Cr and recorded sales of Rs 691 Cr in Q1FY25, translating to a sales volume of 2.4 Lc sq ft.

Outlook: The company is continuing its focus on an asset-light portfolio with strong execution potential. Its upcoming redevelopment portfolio, coupled with JV/DM projects, results in a low turnaround time and faster completion. It successfully sold 50% of its Ghatkopar Aaradhya One Park project and has also acquired a new project in BKC with a topline of ~Rs 750 Cr. The company is poised to launch larger projects by H2FY25 from a 6.1 Mn sq ft pipeline, and its EPC order book stands at Rs 728 Cr. With ~Rs 15,000 Cr in sales visibility and a robust cash flow book, MICL is set to deliver durable performance.

Valuation & Recommendation: We continue to use a DCF-based approach to value the company, with an NPV of Rs 4,434 Cr and a Terminal value of Rs 4,938 Cr. We maintain our **BUY** rating on the stock with a TP of Rs 240/share.

Key Financials (Consolidated)

| (Rs Cr) | Q1FY25 | QoQ (%) | YoY (%) | Axis Est. | Variance (%) |
|-------------------|--------|---------|---------|-----------|--------------|
| Net Sales | 342 | 15.1 | (33.0) | 386 | (11.4) |
| EBITDA | 84 | 68.3 | (23.4) | 98 | (15.1) |
| EBITDA Margin (%) | 24.4 | 46.2 | 14.2 | 25 | (4.1) |
| Net Profit | 78 | 18.8 | (4.9) | 116 | (33.1) |
| EPS (Rs) | 2.4 | 18.8 | (5.9) | 4 | (33.1) |

Source: Company, Axis Securities Research

(CMP as of 07th August, 2024)

| | |
|-------------------------------|---------|
| CMP (Rs) | 186 |
| Upside /Downside (%) | 29% |
| High/Low (Rs) | 249/132 |
| Market cap (Cr) | 6,637 |
| Avg. daily vol. (6m)Shrs'000. | 723 |
| No. of shares (Cr) | 37 |

Shareholding (%)

| | Sep-23 | Dec-23 | Mar-24 |
|--------------|--------|--------|--------|
| Promoter | 67.2 | 67.2 | 67.3 |
| FIIs | 3.7 | 3.5 | 3.6 |
| MFs / UTI | 2.0 | 2.1 | 2.1 |
| Banks / FIIs | 0.0 | 0.0 | 0.0 |
| Others | 27.1 | 27.2 | 27.0 |

Financial & Valuations

| Y/E Mar (Rs Cr) | FY24 | FY25E | FY26E |
|-----------------|-------|-------|-------|
| Net Sales | 1,263 | 1,289 | 1,219 |
| EBIDTA | 326 | 375 | 326 |
| Net Profit | 300 | 405 | 409 |
| EPS, Rs | 8.1 | 10.9 | 11.0 |
| PER, x | 26.1 | 19.3 | 19.2 |
| EV/EBIDTA, x | 22.4 | 18.3 | 19.1 |
| P/BV, x | 5.4 | 4.3 | 3.5 |
| ROE, % | 20.5 | 22.1 | 18.5 |

Change in Estimates (%)

| Y/E Mar | FY25E | FY26E |
|---------|-------|-------|
| Sales | -12% | 2% |
| EBITDA | -10% | 3% |
| PAT | -11% | 7% |

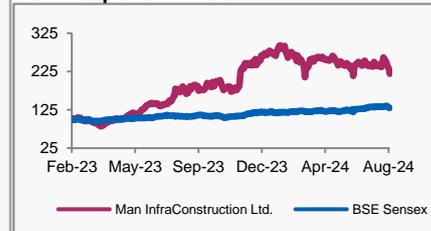
ESG disclosure Score**

| | |
|-----------------------------------|-------------|
| Environmental Disclosure | 19.0 |
| Social Disclosure Score | 14.4 |
| Governance Disclosure Score | 43.9 |
| Total ESG Disclosure Score | 23.9 |
| Sector Average | 41.6 |

Source: LSEG Workspace: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly and does not measure the company's performance on any data point. All scores are based on 2022 disclosures. The Sector average is for NSE500 companies

Relative performance



Source: Ace Equity, Axis Securities Research

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Key Highlights

- **Real Estate Business** – MICL has established a strong presence in the redevelopment sector within the Mumbai region, known for delivering high-rise projects in record time, typically within 3.5 to 4 years. Currently, the company's ongoing order book encompasses an area of ~2.4 Mn sq ft, with upcoming projects spanning 4 Mn sq ft. Q1FY25 marked the successful completion of projects like Aaradhya One Earth, Atmosphere at Mulund, and Aaradhya HighPark. The company expects the delivery of 2 more projects by Q2FY25 – Aaradhya Evoq and Atmosphere O2 - Tower F. It has launched a project in BKC – an ultra-luxury redevelopment project with 1.5 Lc sq ft of saleable area and an indicative topline of Rs 750 Cr. This is expected to be launched in H2FY25.
- **Sales and collections:** During Q1FY24, MICL sold ~2.4 Lc sq. ft. of Carpet Area, with sales totalling Rs 691 Cr. Additionally, collections amounted to Rs 286 Cr and CFO stood at Rs 321 Cr.
- **Debt Reduction:** The company has managed to further lower its debt to Rs 33 Cr in Q1FY25 from Rs 123 Cr in Q4FY24. It is net cash positive with Rs 487 Cr in cash and a debt-to-equity ratio of -0.3x.
- **Overseas projects:** The company acquired a new project in Coconut Grove, Miami with a saleable area of ~10,000 sq ft.- 3090 McDonald Avenue.
- **EPC Business:** The company's current order book stands at Rs 728 Cr, covering 110 hectares of ports and 3.5 Mn sq ft of ongoing projects. Looking ahead, the EPC business is poised for further expansion in the upcoming financial year, supported by the in-house Real Estate EPC order book.

Key Risks to Our Estimates and TP

- **Rise in Input Costs and Regulatory Changes:** Fluctuations in input prices have the potential to impact margins, while delays in approval processes could hinder cash flows.
- **Adverse Changes in the Interest Rate:** An additional increase in interest rates could potentially dampen the demand for housing, thereby affecting the margins of the company. This underscores the importance of closely monitoring macroeconomic indicators and adapting strategic approaches to mitigate potential impacts on MICL's business operations.
- **Government Policies:** Any significant changes in government policies related to the 'Affordable Housing' subsidy scheme or alterations in government support could potentially have adverse effects on the company. MICL should remain vigilant and adapt its strategies accordingly to navigate potential impacts on its operations and financial performance.

Change in Estimates

| | Old Est. | | Revised Est. | | % Revision | |
|---------|----------|-------|--------------|-------|------------|-------|
| | FY25E | FY26E | FY25E | FY26E | FY25E | FY26E |
| Revenue | 1,465 | 1,193 | 1,289 | 1,219 | (12) | 2 |
| EBITDA | 415 | 318 | 375 | 326 | (10) | 3 |
| PAT | 447 | 376 | 400 | 404 | (11) | 7 |
| EPS | 12 | 10.1 | 10.8 | 10.9 | (10) | 8 |

Source: Company, Axis Securities Research

Results Review

| Y/E Mar (Rs Cr) | Q1FY24 | Q4FY24 | Q1FY25 | YoY growth % | QoQ growth % |
|----------------------------------|--------|--------|--------|--------------|--------------|
| Net Sales | 510 | 342 | 386 | -24% | 13% |
| Raw material | 244 | 56 | 63 | -74% | 13% |
| Change in Inventories | 48 | 16 | 16 | -67% | 0% |
| Gross Profits | 265 | 285 | 323 | 22% | 13% |
| Gross Margin (%) | 52 | 84 | 84 | 32bps | 0bps |
| Staff costs | 18 | 20 | 21 | 17% | 5% |
| Labour charges | 89 | 52 | 58 | -35% | 12% |
| Cost of Development | 27 | 82 | 91 | 237% | 11% |
| Other operating expenses | 52 | 49 | 54 | 4% | 10% |
| EBITDA | 109 | 84 | 98 | -10% | 17% |
| EBITDA Margin (%) | 21 | 24 | 25 | 4bps | 1bps |
| Depreciation | -2 | -2 | -2 | 0% | 0% |
| Other Income | 14 | 27 | 36 | 157% | 33% |
| Interest Expenses | -9 | -4 | -4 | -56% | 0% |
| Share of profits from associates | 2 | 9 | 10 | 400% | 11% |
| PBT | 114 | 113 | 138 | 21% | 22% |
| Tax | -27 | -29 | -23 | -0.15 | -0.21 |
| Tax rate (%) | 23 | 16 | 16 | -7bps | 0bps |
| Adj. PAT | 82 | 78 | 116 | 41% | 49% |
| EPS (Rs.) | 3 | 2 | 4 | 33% | 100% |
| Net Sales | 510 | 342 | 386 | -24% | 13% |

Source: Company, Axis Securities Research

Financials (Standalone)

Profit & Loss

(Rs Cr)

| Y/E Mar (Rs Cr) | FY23 | FY24 | FY25E | FY26E |
|----------------------------------|--------------|--------------|--------------|--------------|
| Net sales | 1,890 | 1,263 | 1,289 | 1,219 |
| Growth, % | 96.6 | (33.2) | 2.0 | (5.5) |
| Other operating income | - | - | - | - |
| Total income | 1,890 | 1,263 | 1,289 | 1,219 |
| Raw material expenses | (1,158) | (664) | (708) | (723) |
| Employee expenses | (71) | (79) | (46) | (38) |
| Other Operating expenses | (248) | (194) | (160) | (132) |
| EBITDA (Core) | 414 | 326 | 375 | 326 |
| Growth, % | 67.2 | (21.2) | 15.0 | (13.1) |
| Margin, % | 21.9 | 25.8 | 29.1 | 26.8 |
| Depreciation | (11) | (10) | (11) | (12) |
| EBIT | 403 | 316 | 364 | 314 |
| Growth, % | 69 | (21) | 15 | (14) |
| Margin, % | 21 | 25 | 28 | 26 |
| Interest paid | (58) | (35) | (26) | (25) |
| Other Income | 48 | 97 | 111 | 128 |
| Share of profits from associates | 5 | 19 | 91 | 128 |
| Pre-tax profit | 397 | 397 | 540 | 545 |
| Tax provided | (108) | (94) | (135) | (136) |
| Profit after tax | 289 | 303 | 405 | 409 |
| Growth, % | 19.5 | 16.2 | 34.8 | 0.9 |
| Net Profit (adjusted) | 259 | 300 | 405 | 409 |
| Unadj. shares (Cr) | 37 | 37 | 37 | 37 |
| Wtdavg shares (Cr) | 37 | 37 | 37 | 37 |

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

| Y/E Mar (Rs Cr) | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Cash & bank | 298 | 549 | 968 | 1,579 |
| Marketable securities at cost | 3 | 114 | 114 | 114 |
| Debtors | 333 | 144 | 130 | 108 |
| Inventory | 380 | 505 | 412 | 174 |
| Other current assets | 259 | 404 | 424 | 446 |
| Total current assets | 125 | 168 | 168 | 168 |
| Investments | 1,397 | 1,884 | 2,217 | 2,589 |
| Gross fixed assets | 10 | 24 | 24 | 24 |
| Less: Depreciation | 104 | 99 | 114 | 129 |
| Add: Capital WIP | (43) | (43) | (54) | (66) |
| Net fixed assets | 61 | 56 | 60 | 63 |
| Non-current assets | 171 | 36 | 36 | 36 |
| Total assets | 1,781 | 2,155 | 2,492 | 2,867 |
| Current liabilities | 608 | 551 | 517 | 517 |
| Provisions | 7 | 9 | 9 | 9 |
| Total current liabilities | 615 | 561 | 526 | 526 |
| Non-current liabilities | 20 | 78 | 78 | 78 |
| Total liabilities | 635 | 639 | 605 | 605 |
| Paid-up capital | 74 | 74 | 74 | 74 |
| Reserves & surplus | 1,015 | 1,389 | 1,761 | 2,136 |
| Shareholders' equity | 1,145 | 1,515 | 1,887 | 2,262 |
| Total equity & liabilities | 1,780 | 2,155 | 2,492 | 2,867 |

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

| Y/E Mar (Rs Cr) | FY23 | FY24 | FY25E | FY26E |
|--|----------------|----------------|-------------|--------------|
| PBT | 397.0 | 397.2 | 540 | 545 |
| Adjustments for: | | | | |
| Share of profit of associates and JV | (4.8) | (19.2) | | |
| Depreciation | 11.9 | 10.0 | 11 | 12 |
| Finance cost and net gain on foreign currency transactions and translation | 63.5 | 37.1 | 26 | 25 |
| Operating profit before WC | 420.5 | 335.2 | 577 | 582 |
| Taxes paid | (75.6) | (75.4) | (135) | (136) |
| Net cash flow from operation | 448.0 | 572.6 | 528 | 685 |
| Purchase/sale of PPE | (7.4) | 6.7 | (15) | (15) |
| Net cash flow from Investing | (101.6) | (396.6) | (15) | (15) |
| (Repayment) / proceeds from borrowings | (369.0) | (35.5) | (34) | |
| Finance cost | (55.4) | (36.6) | (26) | (25) |
| Dividend Paid | (33.4) | (84.0) | (33) | (33) |
| Net cash flow from financing | (457.8) | (27.9) | (94) | (58) |
| Net (decrease)/increase in cash & cash equivalent | (111.4) | 148 | 419 | 612 |
| Cash at the beginning | 200.5 | 89.1 | 237 | 656 |
| Closing cash | 89.1 | 237 | 656 | 1,268 |

Source: Company, Axis Securities Research

Ratio Analysis

(%)

| Y/E Mar | FY23 | FY24 | FY25E | FY26E |
|--------------------------------|-------|--------|--------|--------|
| Per Share data | | | | |
| EPS (INR) | 7.0 | 8.1 | 10.9 | 11.0 |
| Growth, % | 19.5 | 16.2 | 34.8 | 0.9 |
| Book NAV/share (INR) | 29.3 | 39.4 | 49.4 | 59.5 |
| FDEPS (INR) | 7.0 | 8.1 | 10.9 | 11.0 |
| CEPS (INR) | 7.3 | 8.4 | 11.2 | 11.3 |
| CFPS (INR) | 7.8 | 4.8 | 8.1 | 10.9 |
| DPS (INR) | 0.9 | 0.9 | 0.9 | 0.9 |
| Return ratios | | | | |
| Return on assets (%) | 19.9 | 17.2 | 18.6 | 16.2 |
| Return on equity (%) | 23.7 | 20.5 | 22.1 | 18.5 |
| Return on capital employed (%) | 27.9 | 24.4 | 24.1 | 20.0 |
| Turnover ratios | | | | |
| Asset turnover (x) | 2.5 | 1.7 | 1.7 | 2.1 |
| Sales/Total assets (x) | 1.1 | 0.6 | 0.6 | 0.5 |
| Sales/Net FA (x) | 30.7 | 21.7 | 22.3 | 19.9 |
| Working capital/Sales (x) | 0.3 | 0.5 | 0.5 | 0.3 |
| Receivable days | 64.2 | 41.6 | 36.9 | 32.2 |
| Inventory days | 73.4 | 145.8 | 116.8 | 52.2 |
| Payable days | 49.1 | 47.9 | 49.2 | 50.3 |
| Working capital days | 94.4 | 193.5 | 175.0 | 113.4 |
| Liquidity ratios | | | | |
| Current ratio (x) | 2.3 | 3.4 | 4.3 | 5.0 |
| Quick ratio (x) | 1.7 | 2.5 | 3.5 | 4.7 |
| Interest cover (x) | 6.9 | 9.0 | 13.8 | 12.5 |
| Net debt/Equity (%) | (8.4) | (28.6) | (47.5) | (67.1) |
| Valuation | | | | |
| PER (x) | 30.3 | 26.1 | 19.3 | 19.2 |
| PEG (x) - y-o-y growth | 1.6 | 1.6 | 0.6 | 22.2 |
| Price/Book (x) | 7.2 | 5.4 | 4.3 | 3.5 |
| EV/Net sales (x) | 4.1 | 5.8 | 5.3 | 5.1 |
| EV/EBITDA (x) | 18.7 | 22.4 | 18.3 | 19.1 |
| EV/EBIT (x) | 19.2 | 23.1 | 18.8 | 19.9 |

Source: Company, Axis Securities Research

Man InfraConstruction Price Chart and Recommendation History



| Date | Reco | TP | Research |
|-----------|------|-----|---------------------|
| 12-Apr-24 | BUY | 270 | Initiating Coverage |
| 16-May-24 | BUY | 270 | Result Update |
| 08-Aug-24 | BUY | 240 | Result Update |

Source: Axis Securities research

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Note: Returns stated in the rating scale are our internal benchmark.

List of Research Analyst (Fundamental):

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