

# Macrotech Developers

**BSE SENSEX** 54,482  
**S&P CNX** 16,221

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Bloomberg	LODHA IN
Equity Shares (m)	482
M.Cap.(INRb)/(USD\$)	524 / 6.6
52-Week Range (INR)	1539 / 670
1, 6, 12 Rel. Per (%)	0/-1/55
12M Avg Val (INR M)	477

## Financials & Valuations (INR b)

Y/E Mar	FY22	FY23E	FY24E
Sales	92.3	94.3	94.3
EBITDA	21.2	24.2	25.6
EBITDA (%)	23.0	25.7	27.2
Net profit	12.1	16.9	18.5
EPS (Rs)	25.1	35.1	38.4
EPS Growth (%)	40.3	96.0	54.1
BV/Share (Rs)	252.6	286.5	324.9

## Ratios

Net D/E	0.8	0.4	0.1
RoE (%)	13.6	13.0	12.6
RoCE (%)	7.3	8.5	9.6
Payout (%)	0.0	0.0	0.0

## Valuations

P/E (x)	43.3	28.9	26.3
P/BV (x)	4.3	3.5	3.1
EV/EBITDA (x)	29.0	22.7	19.8
Div Yield (%)	0.0	0.0	0.0

## Shareholding pattern (%)

As on	Mar-22	Dec-21
Promoter	82.2	82.2
DII	1.5	1.2
FII	14.9	15.3
Others	1.4	1.3

FII Includes depository receipts

**CMP: INR1,088 TP: INR1,570 (+44%) Buy**

## Clarity on expansion strategy provides strong growth visibility

We recently met with the management of Macrotech Developers to understand: a) their mitigation plans to tackle the rising interest rate scenario, b) its medium-term growth strategy, with its entry into the Bengaluru market, and c) outlook on the digital Infrastructure business after entering into an USD1b platform partnership.

## 'Interest locked' initiative to sustain affordability

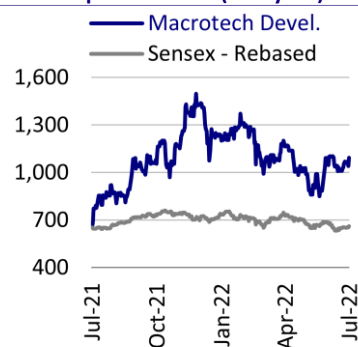
- In the management interaction after announcing its 4QFY22 earnings, it said it has mitigation plans in place to absorb the impact of the over 50bp increase in interest rates, which, as per an internal study, does have a minor impact on housing affordability.
- RBI raised the repo rate by 90bp, which led to a subsequent rise in mortgage rates to 7.6%. As a result, LODHA recently introduced its 'interest locked' initiative, which offers fixed-rate loans at 6.99% to its customers until Jun'24.
- As per its assessment, these lower rates will help home buyers save 1-1.5% and mitigate the higher EMI burden, until it is offset by income growth in two years. The margin impact for LODHA will not exceed 1.2%.

## The '20-20-20' strategy - Targets pre-sales of INR200b by FY26

- The management has guided for INR115b of pre-sales (up 27% YoY) in FY23, of which the Residential segment is expected to contribute INR105b, up 24% YoY.
- Beyond FY23, LODHA will follow its '20-20-20' strategy over the medium term to deliver 20% growth in pre-sales, maintaining PAT margin at 20%, and generate a RoE of 20%. Under this strategy, the management expects pre-sales to reach INR200b by FY26.
- The company currently has an upcoming pipeline of 30msf over the next three years, which, along with ready and ongoing unsold inventory, is valued ~INR500b. The existing pipeline is expected to contribute residential pre-sales of INR110-120b, which should suffice for targeted growth over the next two years, but will need further project additions to sustain the growth beyond FY24.
- The management aims to continue the momentum in deal additions and add projects with a GDV of INR150b in FY23. While it has progressed well in increasing its exposure in Mumbai, it is aiming at scaling up project additions in Pune and the newly entered market of Bengaluru.

## Deleveraging to continue despite aggressive growth targets

- The management expects to generate INR60b of operating cash flows in FY23, which will be largely utilized to pare down its debt below INR60b from INR90b as of Mar'22.

**Stock's performance (one-year)**

- We expect operating cash flows to sustain at INR50-60b over the next three years, leading to a healthy surplus for growth. Beyond FY24, LODHA is looking to introduce a formal payout policy for a regular dividend stream to shareholders.
- As the company strategically continues its disciplined execution approach and avoids any over commitment on land with asset light approach, we expect its Balance Sheet strength to remain intact post de-leveraging.

**An USD1b digital platform to enable faster land monetization**

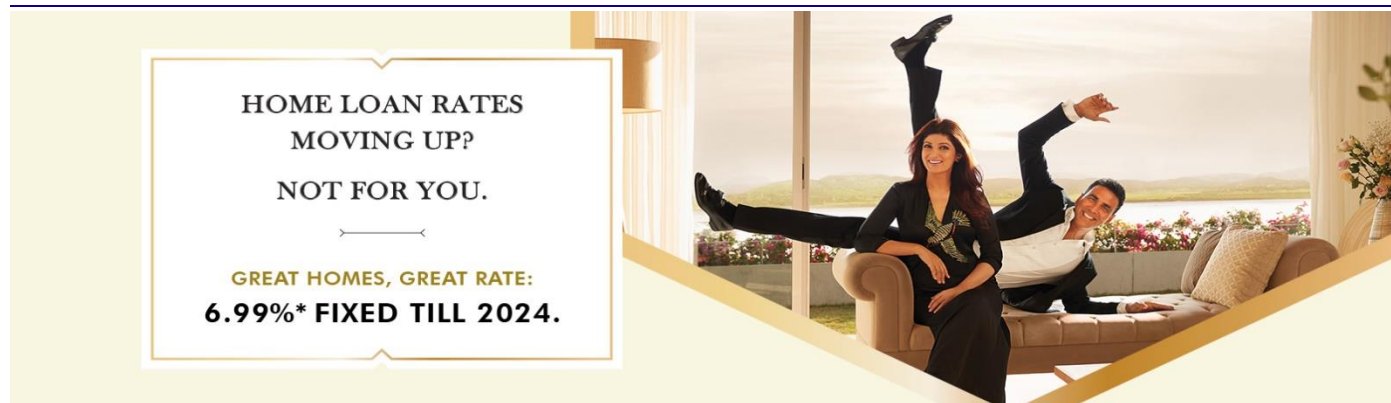
- In May'22, LODHA entered into a Green Digital Infrastructure Partnership with Ivanhoe Cambridge and Bain Capital to form a USD1b platform that will develop ~30msf of industrial and logistics parks and an in-city fulfillment center in multiple cities.
- LODHA will infuse land into the partnership as a part of its equity contribution, while the other two partners will contribute USD200m in equity. It has the option to infuse land higher than its stake, which will enable an upfront capital release. Construction will be taken care of by USD400m of debt in the platform
- The fund once fully deployed over the expected timeline of four-to-five years will help generate an Annuity income stream of INR5-6b for the company.

**Valuation and view**

- We raise our FY24 pre-sales estimate by 7% to incorporate recent JDA additions in the Eastern suburbs and South-Central Mumbai.
- The management has laid out a clear growth strategy as it looks to capture market share in micro-markets with a niche presence. In line with its growth strategy, the company has already added 14 new JDA projects with a GDV of INR210b, which gives us confidence on future project additions.
- At the CMP, the stock trades at 1.1x its existing project NAV, which indicates that the market is not offering much value to its ability to undertake further project additions beyond FY23. We maintain our Buy rating on the stock with our unchanged SoTP-based TP of INR1,570, indicating a potential upside of 44%.

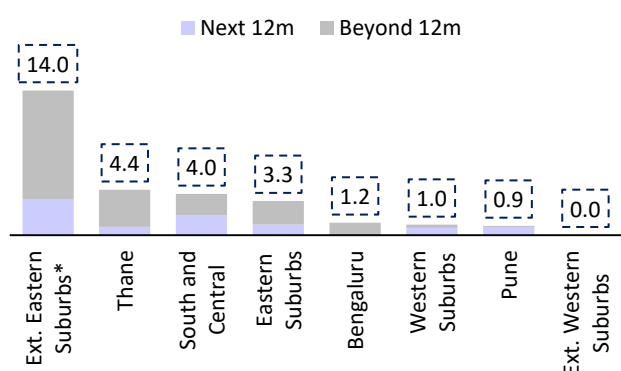
## Story in charts

**Exhibit 1: Banner advertising LODHA's 'interest locked' initiative that will offer loans at 6.99% until Jun'24**



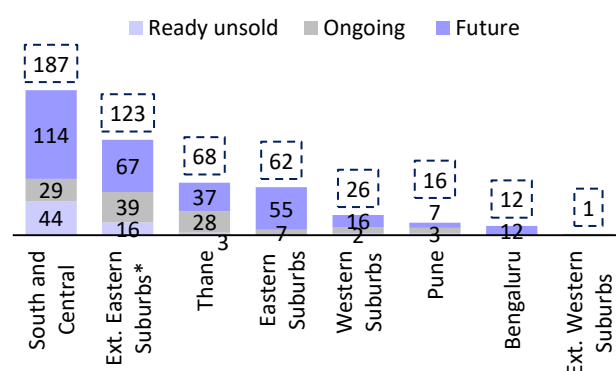
Source: Company

**Exhibit 2: LODHA has an upcoming project pipeline of 30msf to be launched over the next three years**



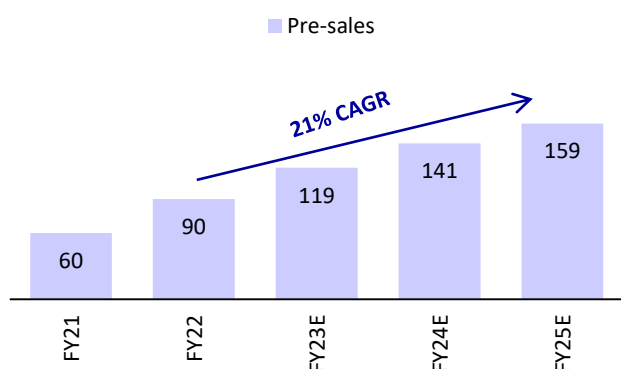
Source: Company, MOFSL Note: \*only includes projects expected to be launched over the next three years

**Exhibit 3: Including ready and ongoing inventory, the pipeline has a revenue potential of INR500b**



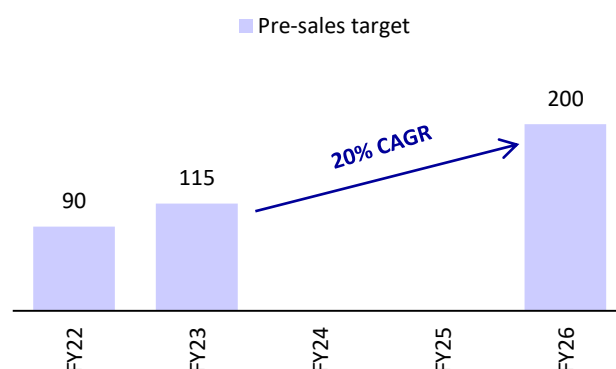
Source: Company, MOFSL Note: \*only includes projects expected to be launched over the next three years

**Exhibit 4: Expect pre-sales to clock 21% CAGR to INR159b over FY22-25**



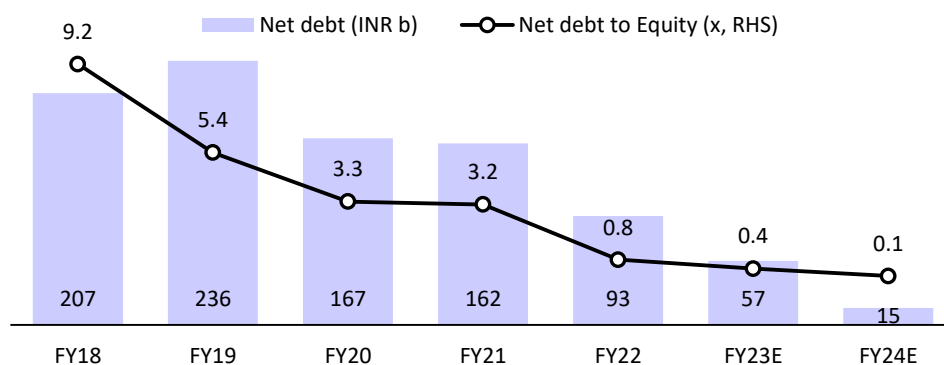
Source: Company, MOFSL

**Exhibit 5: Under its '20-20-20' strategy, LODHA target pre-sales of INR200b by FY26**



Source: Company, MOFSL

**Exhibit 6: Expect net debt to decline to INR15b by FY24, with OCF sustaining at INR50-60b over the next three years**



Source: Company, MOFSL

**Exhibit 7: Based on our SoTP approach, we arrive at a NAV of INR756b (or INR1,570/share), implying a 44% upside potential**

Particulars	Rationale	Value (INR b)	Per share (INR)	Contribution	As a percentage of CMP
Residential	❖ DCF of four years cash flows at a WACC of 12.3% and a terminal value, assuming a long-term growth of 5%	668	1,388	88%	127%
Commercial	❖ Cap rate of 9% for operational assets and a DCF for ongoing and planned assets	46	95	6%	9%
Industrial	❖ PV of future cash flows discounted at a WACC of 12.3%	78	161	10%	15%
UK investment	❖ PV of future cash flows discounted at a WACC of 12.3%	21	44	3%	4%
<b>Gross asset value</b>		<b>813</b>	<b>1,689</b>	<b>108%</b>	<b>154%</b>
Net debt	❖ FY23E	(57)	(119)	-8%	-11%
<b>Net asset value</b>		<b>756</b>	<b>1,570</b>	<b>100%</b>	<b>143%</b>
Number of shares (m)		481.5			
Target price (INR)		<b>1,570</b>			
CMP (INR)		1,088			
Upside (%)		44%			

Source: MOFSL, Company

### **‘Interest locked’ initiative to sustain affordability**

- In the management interaction after announcing its 4QFY22 earnings, it said the first 50bp of mortgage rate hike was a non-event, as per its internal study. It expects a minor impact beyond that, for which it has a mitigation plan in place.
- The company recently introduced its ‘interest locked’ initiative, offering fixed-rate loans at 6.99% until Jun’24 which will ensure lowest rate in decade will continue.
- As per its assessment, these lower rates will help home buyers save 1-1.5% and mitigate the higher EMI burden, until income growth takes care of the burden.

### **LODHA will lock interest rates at 6.99% for its customers till Jun’24**

- In 4QFY22 earnings call, it said it has mitigation plans in place to absorb the impact of the over 50bp increase in interest rates.
- It recently announced its ‘Interest locked’ initiative across all its ongoing and upcoming projects, which offers mortgage at 6.99% for a two-year period.
- The mortgage rate, which will be locked until Jun’24, will be immune to any subsequent rise in the repo rate and will also ensure decade low rates will continue for its customers

**Exhibit 8: Banner advertising LODHA’s ‘interest locked’ initiative that will offer loans at 6.99% until Jun’24**



Source: Company

### **Margin impact not expected to be more than 1.2% for LODHA**

- As per the management, the initiative will keep rates attractive and the demand momentum intact, but it will also help customers save 1-1.5% of the total cost if interest rates rise to 8-8.5%.
- Assuming the maximum LTV of 80%, the margin impact for the company is unlikely to be more than 1.2%. Continued demand momentum will also help them take gradual price hikes and offset this impact.

Exhibit 9: For a ticket size of INR12.5m (80% LTV), the margin impact is less than 1.2%



Source: Company



## The '20-20-20' strategy

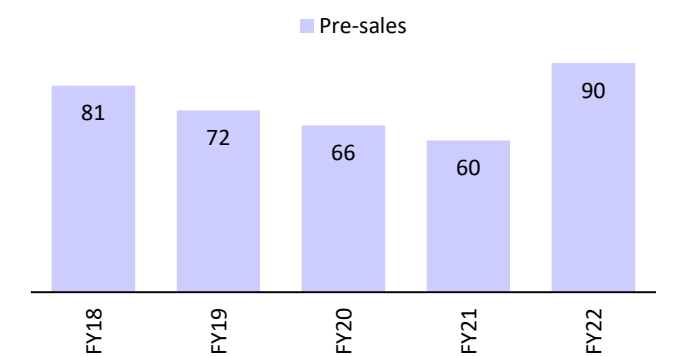
### Aims to achieve 20% growth at 20% PAT margin and 20% RoE

- Pre-sales grew 51% YoY to INR90b in FY22. The management has guided for INR115b of pre-sales (up 27% YoY) in FY23, of which the Residential segment is expected to contribute INR105b, up 24% YoY.
- Beyond FY23, LODHA will follow its '20-20-20' strategy over the medium term to deliver 20% growth in pre-sales, maintaining PAT margin at 20%, and generate a RoE of 20%. Under this strategy, the management expects pre-sales to reach INR200b by FY26.
- The company currently has a medium-term pipeline of 30msf, which, along with ready and ongoing unsold inventory, is valued ~INR500b. The said pipeline should largely suffice for targeted growth over the next two years, but would need further additions to sustain growth beyond FY24.
- The management aims to continue the momentum in business development and add projects with a GDV of INR150b in FY23. While it has progressed well in increasing its exposure in Mumbai, it is aiming at similar deal additions in Pune and the newly entered market of Bengaluru.

### Expect pre-sales to grow at 21% CAGR over FY22-25

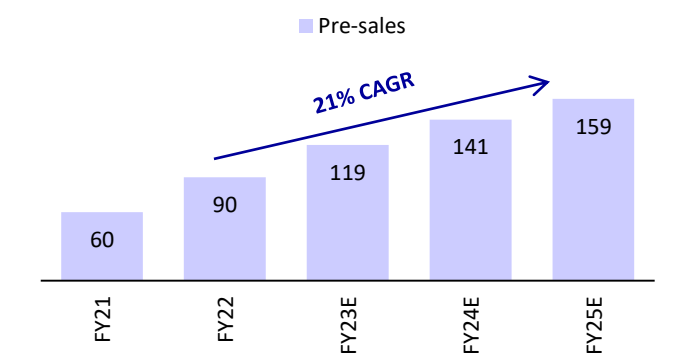
- LODHA reported pre-sales of INR90b in FY22 (up 51% YoY), of which Residential pre-sales stood at INR85b – the highest ever by the company.
- In FY23, the management guided for pre-sales of INR115b, an increase of 27% YoY. We expect it to better its guidance and report INR119b in pre-sales.
- The company is expected to report 21% CAGR in pre-sales over FY22-25E to INR159b, which also builds in sales from upcoming JDAs that are expected to be signed over the next the two-to-three years.

**Exhibit 10: LODHA reported its highest ever pre-sales in FY22**



Source: Company, MOFSL

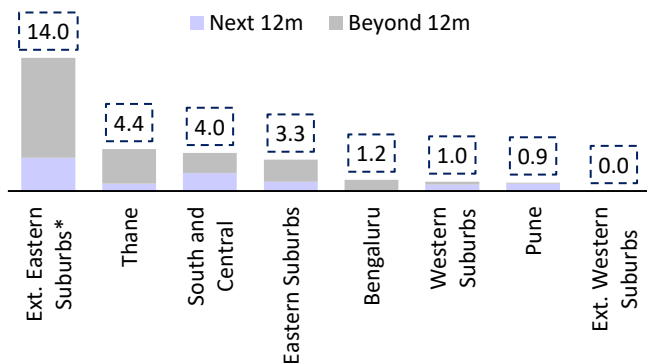
**Exhibit 11: Expect pre-sales to clock 21% CAGR to INR159b over FY22-25**



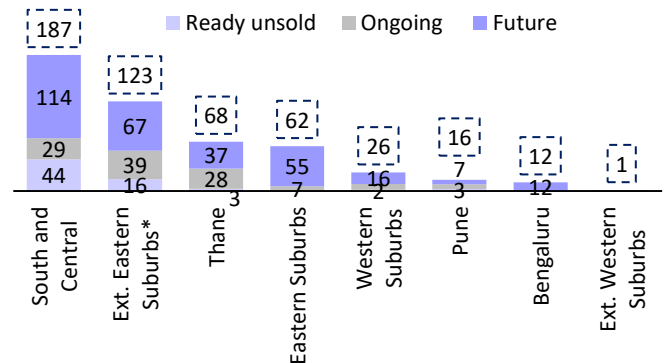
Source: Company, MOFSL

### Existing pipeline will deliver INR120-130b of pre-sales over FY23-25

- LODHA currently has an upcoming project pipeline of 30msf, which is expected to be launched over the next three years (This figure does not include its extended eastern suburbs pipeline at full potential).
- Including the ready and ongoing unsold inventory of INR187b, this pipeline has revenue potential of ~INR500b. The existing pipeline provides visibility of INR120-130b of annual pre-sales over FY23-25.

**Exhibit 12: LODHA has an upcoming project pipeline of 30msf to be launched over the next three years**

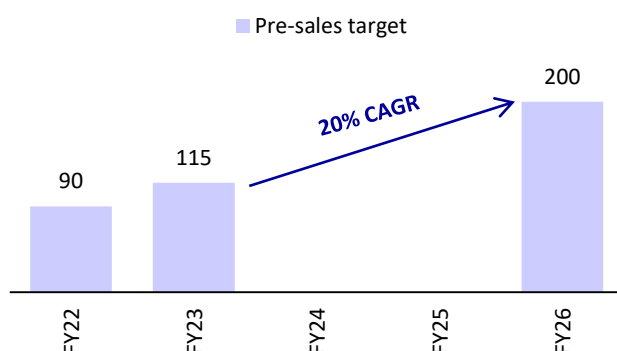
Source: Company, MOFSL Note: \*only includes projects expected to be launched over the next three years

**Exhibit 13: Including ready and ongoing inventory, the pipeline has a revenue potential of INR500b**

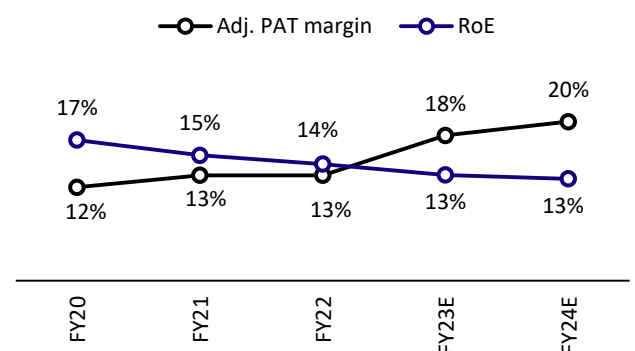
Source: Company, MOFSL Note: \*only includes projects expected to be launched over the next three years

### The '20-20-20' strategy targets INR200b of pre-sales by FY26

- LODHA is targeting a '20-20-20' strategy beyond FY23 to deliver 20% CAGR in pre-sales over FY23-26, at a PAT margin of 20% and generate a RoE of 20%.
- Including the ready and ongoing unsold inventory of INR187b, this pipeline is valued ~INR500b. The existing pipeline provides annual pre-sales visibility of INR120-130b over FY23-25.
- We estimate a shortfall of INR130b of cumulative pre-sales over the next three years to reach INR200b of targeted pre-sales by FY26, which will be filled through further project additions over the next two years.
- LODHA's PAT margin is expected to increase to 20% in FY24 due to a reduction in interest costs. The recognition of profit from low-margin JDA projects, starting FY25, will lead to a dilution in PAT margin but same is expected to be offset by scale up in business.
- RoE is expected to remain stagnant at 13% over the next two years. The management is targeting 20% RoE in the medium term.

**Exhibit 14: '20-20-20' strategy will lead to pre-sales of INR200b by FY26**

Source: Company, MOFSL

**Exhibit 15: PAT margin is within target, while RoE is below target**

Source: Company, MOFSL



### Expanding in markets with a niche presence; entry into Bengaluru to be another growth driver

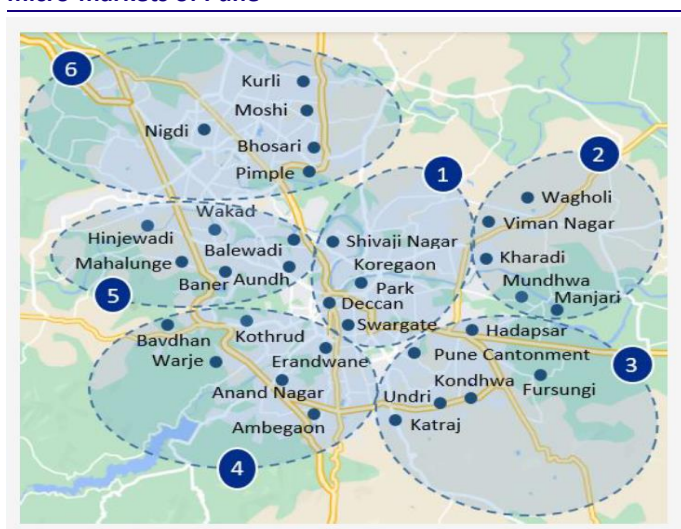
- LODHA has progressed well in increasing its exposure in the suburban markets of Mumbai. It added five/two projects in Eastern/Western suburbs of Mumbai.
- While keeping its focus on MMR, the management is looking to expand its presence in the INR250b Pune market and is targeting a 15% share in the medium term.
- LODHA recently also announced its entry into the Bengaluru market, with its first project in North Bengaluru having a saleable area of 1.3msf and GDV potential of INR12b. As per the management, Bengaluru is an INR400b market and it is targeting 10-15% share.
- In FY23, it aims to add projects with a GDV of INR150b, of which the company has already added three projects with a GDV of INR62b in 1QFY23.

**Exhibit 16: The Pune market is pegged at INR250b, and the management aims at a 15% share in the medium-term**

Micro-market	Market size (INR b)
1 Central	10
2 Northeast	45
3 Southeast	35
4 South-West	35
5 North-West	65
6 Pimpri-Chinchwad	60
<b>Total</b>	<b>250</b>

Source: Company

**Exhibit 17: LODHA wants to enhance its presence in all six micro-markets of Pune**



Source: Company

## Deleveraging to continue despite aggressive growth

### Payout policy to be in place to distribute surplus cash flows beyond FY24

- The management expects to generate INR60b of operating cash flows in FY23, which will be largely utilized to pare down its debt below INR60b from INR90b as of Mar'22.
- We expect operating cash flows to sustain at INR50-60b over the next three years, leading to a healthy surplus for growth.
- As the management continues to focus on asset-light growth and opportunistic land acquisition, surplus cash flows, after the de-leveraging, is expected to be paid out to shareholders with a formal distribution policy in place beyond FY24.

### Cash flow run-rate of INR50-60b to sustain

- In FY23, LODHA expects to generate INR60b of operating cash flows at a collection run-rate of INR110b. While we await clarity on capital release from its digital infrastructure platform we expect overall collections of INR100b which is lower than the management's guidance.
- We expect the operating cash flow run-rate to sustain at INR50-60b over the next three years.

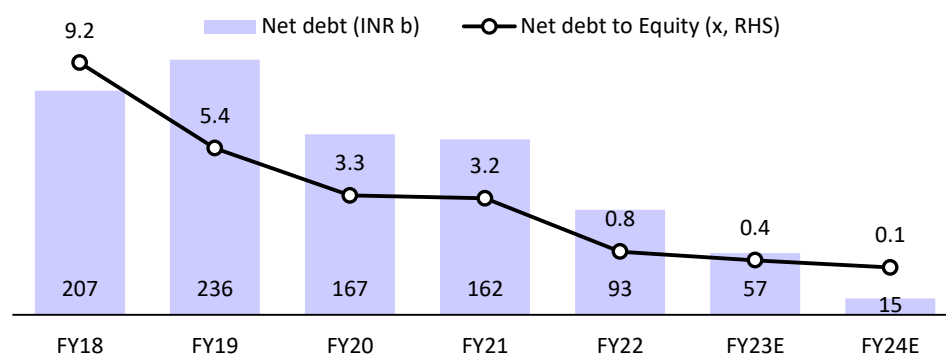
### Exhibit 18: OCF run-rate is likely to sustain at INR50-60b over the next three years

in INR b	FY22	FY23E	FY24E	FY25E
<b>Collections</b>	<b>78</b>	<b>100</b>	<b>113</b>	<b>120</b>
Construction	-26	-37	-40	-39
SG&A	-10	-12	-15	-17
Taxes	-1	-1	-3	-3
<b>Operating cash flow</b>	<b>40</b>	<b>50</b>	<b>55</b>	<b>61</b>
Interest	-18	-10	-5	0
<b>Operating cash flow (post interest)</b>	<b>21</b>	<b>41</b>	<b>50</b>	<b>61</b>
Equity issue	24	0	0	0
Promoter loan	16	0	0	0
QIP	39	0	0	0
UK investments	0	10	5	0
Land and approvals	-16	-5	-5	-5
Stake buyout	-6	0	0	0
JV related payments	0	-10	-10	0
<b>Free cash flow</b>	<b>79</b>	<b>36</b>	<b>40</b>	<b>56</b>

Source: MOFSL, Company

### Net debt to decline to INR15b by FY24, leverage at 0.1x

- Excluding interest payout and INR15b of JDA and approval-related payouts, LODHA is expected to generate INR35-40b of surplus cash flows over the next two years.
- The surplus is expected to be utilized to reduce its leverage. The management expects net debt to decline to sub-INR60b in FY23, which is expected to further reduce to INR15b in FY24.
- After FY24, the company will continue to generate a healthy cash flow surplus, which will be distributed as regular dividend to shareholders under a formal payout policy.

**Exhibit 19: Expect surplus cash flow to lead to a decline in net debt to INR15b by FY24**

Source: Company, MOFSL

### Disciplined execution and avoiding over-commitment towards land will ensure Balance Sheet strength remains intact

- Historically, the company committed a large amount of capital in large land parcels such as NCP and Lodha Park, where monetization took time.
- The management has now course corrected its strategy to target asset-light project additions to ensure deleveraging. Going forward, even if LODHA plans to acquire any land, the execution timeline is not expected to be over five years.
- It is also targeting phase launches of projects to avoid over commitments in construction. These initiatives are likely to keep its Balance Sheet strength intact once a large part of the de-leveraging is behind it.

**Exhibit 20: LODHA launches 50% of the total area in FY22**

	Total size (msf)	Launch (msf)	Launch as a percentage of the total
Western suburb – Kandivali	1.20	0.60	50%
NIBM, Pune	1.40	0.70	50%
Eastern suburb – Mulund	0.60	0.30	50%
Eastern suburb – Powai	0.40	0.20	50%

Source: Company, MOFSL

**Exhibit 21: It is similarly planning phase launches of its upcoming JDA projects in FY23**

	Total size (msf)	Launch (msf)	Launch as a percentage of the total
Eastern suburb	1.50	0.40	27%
South Central	0.80	0.40	50%
South Central	0.80	0.30	38%
Eastern suburb	1.00	0.30	30%
South Central	0.40	0.20	50%

Source: Company, MOFSL

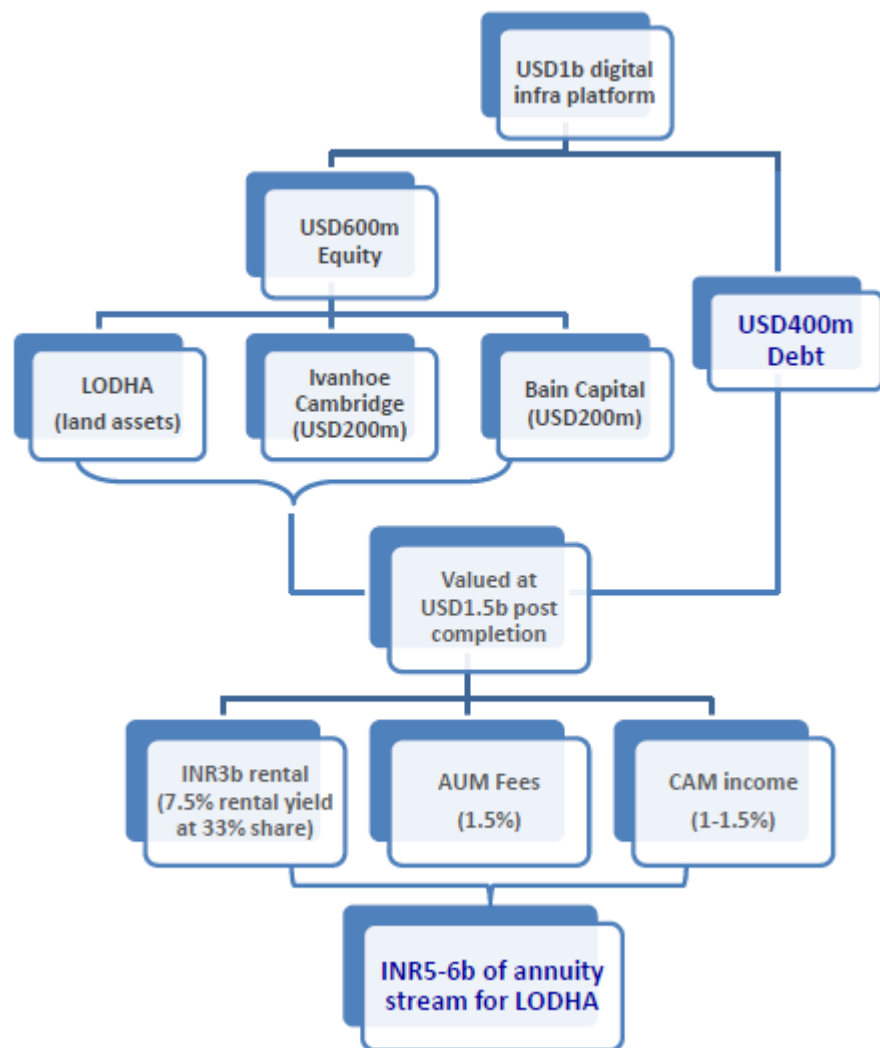
## **USD1b digital platform to enable faster land monetization**

### **Will generate a regular Annuity stream for the company**

- LODHA recently entered into a Green Digital Infrastructure Partnership with Ivanhoe Cambridge and Bain Capital to form a USD1b platform to create ~30msf of industrial and logistic parks and an in-city fulfillment center in multiple cities.
- LODHA will infuse land into the partnership as part of its equity contribution, while the other two partners will contribute USD200m in equity. Debt will be raised to take care of construction.
- The fund once fully deployed over the expected timeline of four-to-five years will help generate INR5-6b of regular income for the company.

### **Platform to enable faster land monetization**

- In May'22, LODHA entered into a digital Infrastructure partnership with Ivanhoe Cambridge and Bain Capital to form a USD1b platform for a 30msf (1,200 acres) industrial and logistics parks and an in-city fulfillment center.
- The platform will develop assets in multiple cities, including LODHA's core markets of MMR and Pune, where it will infuse its own land. Land outside of the company's core markets will be acquired by the platform via equity.
- The platform is expected to have a 40:60 debt-to-equity share. Both Ivanhoe Cambridge and Bain Capital will contribute USD200m to the platform, while LODHA will infuse land assets equivalent to its 33% share.

**Exhibit 22: The platform will deliver INR5-6b of annuity flow for LODHA****An Annuity stream opportunity of INR5-6b for LODHA**

- Assets once created will be valued at USD1.5b. At an assumed rental yield of 7-8%, LODHA will generate a rental income of INR3b for its share.
- Additionally, the assets will be operated and maintained by LODHA, for which it will earn 1.5% of AUM fees and 1-1.5% of CAM income, which will cumulatively lead to an Annuity stream of INR5-6b for the company.
- LODHA has an option to contribute land assets more than its share, which will lead to upfront capital release. The same is not yet built into our estimates.

## Financials and valuations

### Consolidated Income statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Total Income from Operations</b>	<b>1,35,272</b>	<b>1,19,070</b>	<b>1,24,426</b>	<b>54,486</b>	<b>92,332</b>	<b>94,270</b>	<b>94,309</b>
Change (%)	NA	-12.0	4.5	-56.2	69.5	2.1	0.0
<b>Total Expenditure</b>	<b>1,02,375</b>	<b>87,399</b>	<b>1,05,223</b>	<b>40,766</b>	<b>71,085</b>	<b>70,021</b>	<b>68,668</b>
As a percentage of Sales	75.7	73.4	84.6	74.8	77.0	74.3	72.8
<b>EBITDA</b>	<b>32,897</b>	<b>31,670</b>	<b>19,203</b>	<b>13,720</b>	<b>21,247</b>	<b>24,249</b>	<b>25,640</b>
Margin (%)	24.3	26.6	15.4	25.2	23.0	25.7	27.2
Depreciation	3,979	1,944	3,064	734	748	769	798
<b>EBIT</b>	<b>28,917</b>	<b>29,726</b>	<b>16,139</b>	<b>12,985</b>	<b>20,499</b>	<b>23,480</b>	<b>24,843</b>
Int. and Finance Charges	3,816	5,556	7,315	11,257	6,803	3,346	1,710
Other Income	1,994	719	1,184	3,231	3,460	2,928	2,134
<b>PBT bef. EO Exp.</b>	<b>27,095</b>	<b>24,889</b>	<b>10,008</b>	<b>4,959</b>	<b>17,156</b>	<b>23,062</b>	<b>25,268</b>
EO Items	0	0	56	-4,628	0	0	0
<b>PBT after EO Exp.</b>	<b>27,095</b>	<b>24,889</b>	<b>10,064</b>	<b>332</b>	<b>17,156</b>	<b>23,062</b>	<b>25,268</b>
Total Tax	9,201	8,449	2,615	-147	5,080	6,111	6,696
Tax Rate (%)	34.0	33.9	26.0	-44.4	29.6	26.5	26.5
Minority Interest	39	78	130	77	61	61	61
<b>Reported PAT</b>	<b>17,855</b>	<b>16,361</b>	<b>7,319</b>	<b>402</b>	<b>12,014</b>	<b>16,889</b>	<b>18,510</b>
<b>Adjusted PAT</b>	<b>17,855</b>	<b>16,361</b>	<b>7,278</b>	<b>7,084</b>	<b>12,014</b>	<b>16,889</b>	<b>18,510</b>
Change (%)	NA	-8.4	-55.5	-2.7	69.6	40.6	9.6
Margin (%)	13.2	13.7	5.8	13.0	13.0	17.9	19.6

### Consolidated Balance Sheet

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	3,959	3,959	3,959	3,959	4,815	4,815	4,815
Total Reserves	18,232	34,451	41,564	42,031	1,16,235	1,33,125	1,51,635
<b>Net Worth</b>	<b>22,190</b>	<b>38,410</b>	<b>45,523</b>	<b>45,990</b>	<b>1,21,050</b>	<b>1,37,940</b>	<b>1,56,450</b>
Minority Interest	359	5,348	5,192	5,269	568	568	568
Total Loans	2,26,161	2,56,406	1,84,232	1,81,669	1,15,367	82,367	37,367
Deferred Tax Liabilities	-11,033	-3,206	-935	-2,098	1,911	6,744	10,448
<b>Capital Employed</b>	<b>2,37,678</b>	<b>2,96,958</b>	<b>2,34,011</b>	<b>2,30,829</b>	<b>2,38,896</b>	<b>2,27,618</b>	<b>2,04,833</b>
Gross Block	16,850	17,704	17,499	17,608	18,318	19,087	19,885
Less: Accum. Deprn.	3,997	4,877	5,649	6,383	7,130	7,900	8,697
<b>Net Fixed Assets</b>	<b>12,853</b>	<b>12,827</b>	<b>11,851</b>	<b>11,226</b>	<b>11,187</b>	<b>11,187</b>	<b>11,187</b>
<b>Investment Property</b>	<b>1,990</b>	<b>1,933</b>	<b>2,882</b>	<b>2,767</b>	<b>2,650</b>	<b>2,650</b>	<b>2,650</b>
Goodwill on Consolidation	7,505	6,627	5,477	5,471	5,388	5,388	5,388
Capital WIP	59	63	63	63	0	0	0
<b>Total Investments</b>	<b>13,841</b>	<b>14,050</b>	<b>15,529</b>	<b>15,794</b>	<b>5,740</b>	<b>5,678</b>	<b>5,617</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>4,30,831</b>	<b>4,59,933</b>	<b>3,70,188</b>	<b>3,55,663</b>	<b>3,59,824</b>	<b>3,66,482</b>	<b>3,66,351</b>
Inventory	3,91,635	4,15,124	2,90,314	2,83,007	2,73,583	2,64,486	2,57,234
Account Receivables	7,340	4,843	7,943	6,545	6,461	5,165	5,168
Cash and Bank Balance	5,224	6,575	1,870	3,668	12,457	19,508	16,628
Loans and Advances	26,632	33,390	70,061	62,442	67,322	77,322	87,322
<b>Curr. Liability and Prov.</b>	<b>2,29,402</b>	<b>1,98,475</b>	<b>1,71,979</b>	<b>1,60,153</b>	<b>1,45,892</b>	<b>1,63,767</b>	<b>1,86,360</b>
Account Payables	21,570	22,631	22,728	16,978	15,087	15,496	15,503
Other Current Liabilities	2,07,492	1,75,490	1,49,012	1,42,963	1,30,581	1,48,046	1,70,633
Provisions	340	354	239	212	224	224	224
<b>Net Current Assets</b>	<b>2,01,429</b>	<b>2,61,457</b>	<b>1,98,210</b>	<b>1,95,509</b>	<b>2,13,932</b>	<b>2,02,715</b>	<b>1,79,991</b>
Misc. Expenditure	0	0	0	0	0	0	0
<b>Appl. of Funds</b>	<b>2,37,678</b>	<b>2,96,958</b>	<b>2,34,011</b>	<b>2,30,829</b>	<b>2,38,896</b>	<b>2,27,619</b>	<b>2,04,833</b>



## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>45.1</b>	<b>41.3</b>	<b>18.4</b>	<b>17.9</b>	<b>25.0</b>	<b>35.1</b>	<b>38.4</b>
Cash EPS	55.2	46.2	26.1	19.7	26.5	36.7	40.1
BV/Share	56.1	97.0	115.0	116.2	251.4	286.5	324.9
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Valuation (x)</b>							
P/E	22.4	24.5	55.0	56.6	40.6	28.9	26.3
Cash P/E	18.3	21.9	38.7	51.2	38.2	27.6	25.2
P/BV	18.1	10.4	8.8	8.7	4.0	3.5	3.1
EV/Sales	4.6	5.5	4.7	10.6	6.4	5.8	5.4
EV/EBITDA	18.9	20.5	30.4	42.2	27.8	22.7	19.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	16.5	-14.2	94.6	63.9	41.7	96.9	93.1
<b>Return Ratios (%)</b>							
RoE	80.5	54.0	17.3	15.5	14.4	13.0	12.6
RoCE	16.4	7.4	4.4	10.2	7.3	8.5	9.6
RoIC	17.5	7.9	4.8	8.8	6.7	8.2	9.5
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	8.0	6.7	7.1	3.1	5.0	4.9	4.7
Asset Turnover (x)	0.6	0.4	0.5	0.2	0.4	0.4	0.5
Inventory (Days)	1,057	1,273	852	1,896	1,082	1,024	996
Debtor (Days)	20	15	23	44	26	20	20
Creditor (Days)	58	69	67	114	60	60	60
<b>Leverage Ratio (x)</b>							
Current Ratio	1.9	2.3	2.2	2.2	2.5	2.2	2.0
Interest Coverage Ratio	7.6	5.4	2.2	1.2	3.0	7.0	14.5
Net Debt/Equity ratio	10.0	6.5	4.0	3.9	0.9	0.5	0.1

### Consolidated Cash Flow Statement

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	27,095	24,889	10,007	4,959	17,156	23,062	25,268
Depreciation	3,979	1,944	3,064	734	748	769	798
Interest and Finance Charges	29,349	30,032	31,119	25,246	19,923	9,515	4,862
Direct Taxes Paid	-5,647	-3,116	-821	857	-1,778	-1,278	-2,992
(Inc.)/Dec. in WC	-47,652	-59,476	-4,112	-1,218	-13,565	18,267	19,844
<b>CF from Operations</b>	<b>7,124</b>	<b>-5,726</b>	<b>39,257</b>	<b>30,579</b>	<b>22,483</b>	<b>50,335</b>	<b>47,779</b>
Others	-164	1,095	-1,525	-5,339	-2,500	-2,928	-2,134
<b>CF from Operations incl. EO</b>	<b>6,960</b>	<b>-4,632</b>	<b>37,732</b>	<b>25,239</b>	<b>19,984</b>	<b>47,406</b>	<b>45,645</b>
(Inc.)/Dec. in FA	-416	-991	-292	65	78	-769	-798
<b>Free Cash Flow</b>	<b>6,544</b>	<b>-5,622</b>	<b>37,439</b>	<b>25,304</b>	<b>20,062</b>	<b>46,637</b>	<b>44,847</b>
(Pur.)/Sale of Investments	-5,583	-300	-2,822	-176	1,491	0	0
Others	-553	-552	5,231	4,310	9,820	2,928	2,134
<b>CF from Investments</b>	<b>-6,552</b>	<b>-1,843</b>	<b>2,117</b>	<b>4,199</b>	<b>11,389</b>	<b>2,159</b>	<b>1,337</b>
Issue of Shares	0	0	0	0	63,466	0	0
Inc./(Dec.) in Debt	30,454	37,050	-11,362	-10,325	-66,138	-33,000	-45,000
Interest Paid	-30,214	-29,691	-30,534	-18,027	-19,427	-9,515	-4,862
Dividend Paid	0	0	0	0	0	0	0
Others	0	0	0	0	-6,777	0	0
<b>CF from Fin. Activity</b>	<b>239</b>	<b>7,359</b>	<b>-41,896</b>	<b>-28,351</b>	<b>-28,877</b>	<b>-42,515</b>	<b>-49,862</b>
<b>Inc./Dec. in Cash</b>	<b>647</b>	<b>885</b>	<b>-2,047</b>	<b>1,087</b>	<b>2,496</b>	<b>7,050</b>	<b>-2,880</b>
Opening Balance	1,858	2,552	3,525	1,185	2,272	4,768	11,818
<b>Closing Balance</b>	<b>2,505</b>	<b>3,437</b>	<b>1,479</b>	<b>2,272</b>	<b>4,768</b>	<b>11,818</b>	<b>8,938</b>

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.