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Company update

Real Estate

Target price Rs1,348

Shareholding pattern

	Dec '21	Mar '22	Jun '22
Promoters	82.2	82.2	82.2
Institutional investors	16.5	16.4	16.4
MFs and others	0.4	0.4	0.3
FIs and Banks	0.0	0.0	0.0
FIIIs	16.1	16.0	16.1
Others	1.3	1.4	1.4

Source: BSE India

ESG disclosure score

Year	2021	2022	Chg
ESG score	41.8	47.1	5.2
Environment	13.2	28.6	15.4
Social	48.6	48.9	0.3
Governance	63.6	63.6	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Macrotech Developers Limited

BUY

Maintained

Rs996

Sales momentum sustains

Macrotech Developers (LODHA) achieved its best ever July-September sales bookings in Q2FY23 worth Rs31.5bn (Isec estimate of Rs27.5bn) which was driven by a combination of monetization of ready/completed inventory and new launches. The company has given FY23 sales booking guidance of Rs115bn (Isec estimate of Rs110bn) and we believe that the sales guidance is achievable given that the company has already achieved H1FY23 sales bookings of Rs60.0bn (52% of FY23 guidance) in a seasonally weaker period where the April-September period typically accounts for 40-45% of annual sales. The company's India business net debt reduced by Rs0.6bn QoQ to Rs88.0bn as of Sep'22 while in its London investments, the company has repaid USD225mn bonds ahead of schedule and has no further obligation on its India balance sheet towards its London investments. We retain our BUY rating with an unchanged target price of Rs1,348/share. Key risks are demand slowdown in the MMR market and rising interest rates.

► **Strong quarter for sales bookings:** LODHA clocked Q2FY23 India business sales bookings worth Rs31.5bn (up 57% YoY) vs. Isec estimate of Rs27.5bn and is the highest quarterly sales booking clocked by the company till date for the July-September period, which is typically the weakest quarter of the year. We believe that the new launches in Mahalaxmi (South/Central Mumbai) and Vikhroli (eastern suburbs) may be the key drivers for sales bookings apart from monetization of inventory in ongoing/completed projects. With a strong performance in H1FY23 where the company has clocked Rs60.0bn of sales bookings (52% of FY23 sales guidance of Rs115bn), the company is well on track to achieve its guidance for FY23.

► **Net debt flattish QoQ on lower collections and strong business development:** The company's India business net debt reduced by Rs4.4bn QoQ to Rs88.6bn in Jun'22 from Rs93.0bn in Mar'22. In Q2FY23, the company's net debt reduced by Rs0.6bn QoQ to Rs88.0bn (flat QoQ). The lower net debt reduction is primarily owing to lower Q2FY23 collections of Rs23.8bn (decline of 9% QoQ) due to slower construction activity during monsoon and deferral of registrations during 15 days of inauspicious period in India (Pitruapaksh/Shraadh). In the company's London investments, the USD225mn bonds have been fully repaid in Sep'22, 6 months ahead of schedule which means that the company has no further obligations on its India balance sheet w.r.t to the London investments.

► **On track to achieve over Rs100bn of annual sales bookings over FY23-24E:** Post listing in Q1FY22, the company has added new projects having total saleable area of 8.8msf having an estimated GDV of Rs146.0bn in FY22, majority of which are slated for FY23 launch. Considering the strong launch pipeline and sustenance in sales momentum, we estimate sales bookings of Rs110bn in FY23E vs. company guidance of Rs115bn (Rs105bn from core residential business and Rs10bn from non-core business) and Rs119bn in FY24E. The company is targeting adding new projects having GDV of Rs115bn in FY23 of which it has signed 3 new JDA projects in Q1FY23 having 5.1msf of saleable area with estimated GDV of Rs62.0bn and in Q2FY23 it has signed 4 new projects with 2.2msf of saleable area with estimated GDV of Rs31.0bn. While rise in mortgage rates remain key risk to demand, the company is providing partial developer subvention for interest rate increase beyond 6.99% up to June 2024 to mitigate this risk (capped at 150bps or ~8.5%).

Market Cap	Rs480bn/US\$5.9bn	Year to Mar	FY21	FY22	FY23E	FY24E
Bloomberg	LODHA IN	Revenue (Rs bn)	54.5	92.3	104.9	104.8
Shares Outstanding (mn)	481.6	Adj. Net Income (Rs bn)	5.1	12.0	18.5	22.3
52-week Range (Rs)	1490/851	Adj. EPS (Rs)	12.9	25.0	38.6	46.4
Free Float (%)	17.8	% Chg YoY	NM	93.6	54.2	20.4
FII (%)	16.1	P/E (x)	NA	39.8	25.8	21.5
Daily Volume (US\$/'000)	5,213	P/B (x)	NA	4.0	3.5	3.1
Absolute Return 3m (%)	(9.0)	Adjusted EV/E (x)	NA	17.9	16.0	15.9
Absolute Return 12m (%)	(5.4)	Dividend yield (%)	-	-	0.6	0.7
Sensex Return 3m (%)	8.6	RoCE (%)	7.2	10.8	12.8	13.9
Sensex Return 12m (%)	(0.4)	RoE (%)	11.2	14.4	14.4	15.3

Please refer to important disclosures at the inside front and end of this report

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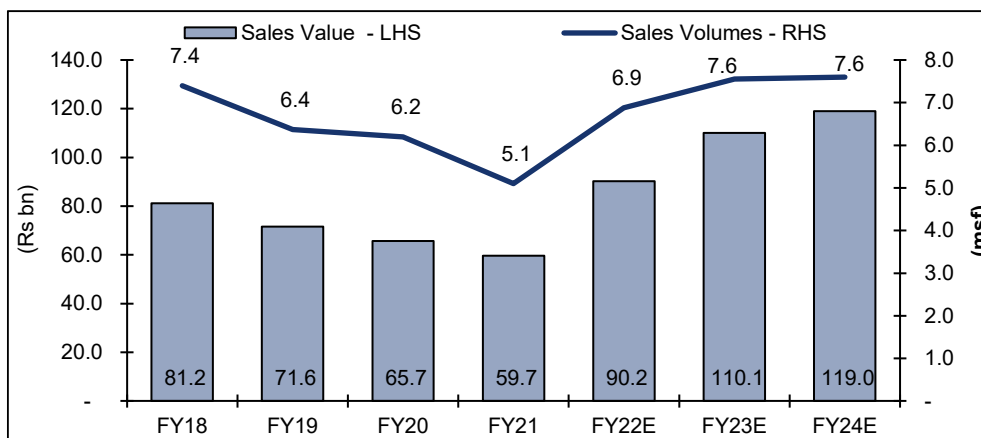
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Table 1: LODHA’s India business key quarterly operating metrics

Details (Rs mn)	Q2FY23	Q2FY22	Q1FY23	YoY (%)	QoQ (%)	FY22
Pre-Sales (Sales Bookings)	31,480*	20,030	28,140	57.2	11.9	90,240
Collections	23,750	19,120	26,160	24.2	(9.1)	85,970
India Business Net Debt	87,960	124,770	88,560	(29.5)	(0.7)	93,000

Source: Company, Isec research, *includes pre-sales of Rs5.36bn from projects where the company is development manager

Chart 1: Lodha’s India business sales trajectory for FY18-24E



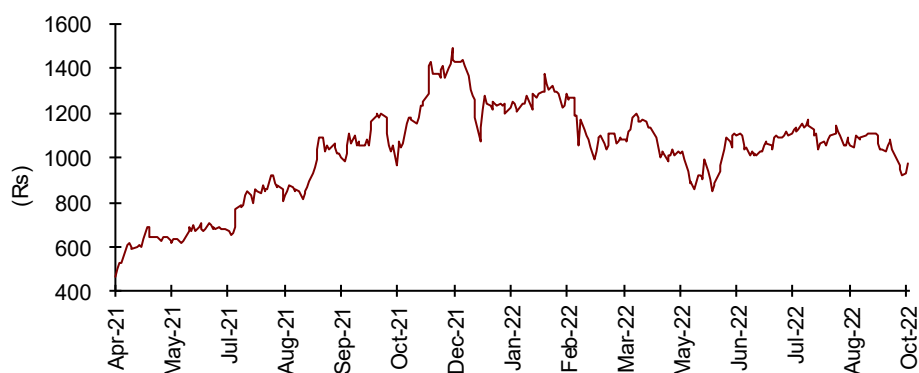
Source: Company, Isec research estimates

Table 2: SoTP Valuation of LODHA

Details	Amount (Rs bn)	Rs/share
Post-tax-Free Cash Flow (FY23-30E)	350.7	730
Add: Land bank @ market value	221.0	459
Add: UK proceeds	20.0	42
Total EV	592.0	1,231
Less: FY22 India Net Debt	93.0	193
FY22 NAV	498.9	1,037
Add: 30% premium to NAV	149.7	311
Target Price*	648.6	1,348

Source: Isec research estimates, * adjusted for QIP proceeds of Rs40bn raised in Q3FY22

Price chart



Source: Bloomberg

Financial summary (consolidated)

Table 3: Profit & Loss statement

(Rs mn, year ending March 31)

	FY21	FY22	FY23E	FY24E
Net Sales	54,486	92,332	1,04,925	1,04,773
Operating Expenses	40,766	71,085	80,521	80,601
Reported EBITDA	13,720	21,247	24,404	24,172
% margins	25%	23%	23%	23%
Adjusted EBITDA*	17,110	32,430	34,245	32,172
% Adjusted EBITDA margins*	31%	35%	33%	31%
Depreciation & Amortisation	734	748	785	824
Interest expenses	11,257	6,803	7,873	3,951
Other Income	3,231	3,460	3,633	3,814
Exceptional items	(4,628)	-	-	-
PBT	9,587	17,156	19,378	23,211
Less: Taxes	(147)	5,080	807	854
PAT before Minority/Associate	9,734	12,075	18,571	22,357
Minority/Associate share	(4,624)	(52)	(25)	(30)
Net Income (Reported)	402	12,024	18,546	22,327
Net Income (Adjusted)	5,110	12,024	18,546	22,327

Source: Company data, I-Sec research, *Reclassification of interest costs

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY21	FY22	FY23E	FY24E
Assets				
Total Current Assets	3,28,358	3,37,628	3,16,701	3,06,704
of which cash & cash eqv.	3,668	12,457	9,860	17,046
Total Current Liabilities & Provisions	1,38,145	1,30,040	1,29,913	1,29,599
Net Current Assets	1,90,213	2,07,588	1,86,789	1,77,105
Goodwill/Investments	21,261	11,128	11,528	11,728
Other Non-Current Assets	5,296	5,598	5,598	5,598
Net Fixed Assets	13,996	13,840	13,305	12,731
Capital WIP	63	-	20	40
Total Assets	2,30,829	2,38,153	2,17,239	2,07,201
Liabilities				
Borrowings	1,81,669	1,15,367	78,664	49,618
Equity Share Capital	3,959	4,815	4,815	4,815
Reserves & Surplus	42,031	1,16,235	1,31,999	1,50,977
Net Worth	45,990	1,21,050	1,36,814	1,55,792
Minority Interest	5,269	568	593	623
Deferred Taxes	(2,098)	1,168	1,168	1,168
Total Liabilities	2,30,829	2,38,153	2,17,239	2,07,201

Source: Company data, I-Sec research

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22	FY23E	FY24E
PBT	9,587	17,156	19,378	23,211
Depreciation	734	748	785	824
Non-Cash Adjustments	(712)	(2,510)	(3,633)	(3,814)
Working Capital Changes	(1,218)	(13,565)	19,202	17,870
Taxes Paid	857	(1,778)	(807)	(854)
Operating Cashflow	9,248	51	34,925	37,237
Capital Commitments	65	(330)	(270)	(270)
Free Cashflow	9,313	(279)	34,655	36,967
Other investing cashflow	4,134	11,720	2,233	2,614
Cashflow from Investing Activities	4,199	11,390	1,963	2,344
Issue of Share Capital	-	63,466	-	-
Inc (Dec) in Borrowings	(10,325)	(72,916)	(36,703)	(29,046)
Dividend paid	-	-	(2,782)	(3,349)
Cashflow from Financing activities	(10,325)	(9,451)	(39,485)	(32,395)
Chg. in Cash & Bank balances	3,122	1,990	(2,597)	7,186

Source: Company data, I-Sec research

Table 6: Key ratios

(Year ending March 31)

	FY21	FY22	FY23E	FY24E
Per Share Data (Rs)				
EPS	12.9	25.0	38.6	46.4
Cash EPS	14.8	26.5	40.2	48.1
Dividend per share (DPS)	0.0	0.0	5.8	7.0
Book Value per share (BV)	116.2	251.6	284.4	323.9
Growth (%)				
Net Sales	(56.2)	69.5	13.6	(0.1)
EBITDA	(28.1)	54.9	14.9	(0.9)
PAT	(29.7)	135.3	54.2	20.4
Valuation Ratios (x)				
P/E		39.8	25.8	21.5
P/BV	0.0	4.0	3.5	3.1
EV / Adjusted EBITDA		17.9	16.0	15.9
Dividend Yield	0.0	0.0	0.6	0.7
Operating Ratios				
Debt/EBITDA (x)	13.2	5.4	3.2	2.1
Net D/E	3.9	0.9	0.5	0.2
Profitability/Return Ratios (%)				
RoE	11.2	14.4	14.4	15.3
RoCE	7.2	10.8	12.8	13.9
EBITDA Margins	25.2	23.0	23.3	23.1
Net Income Margins	9.4	13.0	17.7	21.3

Source: Company data, I-Sec research

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