

Macrotech Developers

BSE SENSEX 63,328
S&P CNX 18,817

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Bloomberg	LODHA IN
Equity Shares (m)	963
M.Cap.(INRb)/(USDb)	616.6 / 7.5
52-Week Range (INR)	709 / 356
1, 6, 12 Rel. Per (%)	29/22/4
12M Avg Val (INR M)	639

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	94.7	100.2	112.4
EBITDA	20.7	25.7	29.9
EBITDA Margin (%)	21.8	25.6	26.6
Adj PAT	15.4	15.8	19.4
Cons. EPS (INR)	16.0	16.4	20.2
EPS Growth (%)	27.2	3.0	22.7
BV/Share (INR)	131.5	144.6	160.8

Ratios

Net D:E	0.6	0.4	0.1
RoE (%)	12.4	11.9	13.2
RoCE (%)	10.1	8.7	10.7
Payout (%)	0.0	20.0	20.0

Valuations

P/E (x)	40.0	38.9	31.7
P/B (x)	4.9	4.4	4.0
EV/EBITDA (x)	33.3	26.0	21.6
Div Yield (%)	0.0	0.5	0.6

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	75.0	75.0	82.2
DII	4.4	4.1	1.5
FII	19.0	19.4	14.9
Others	1.6	1.5	1.4

FII Includes depository receipts

CMP: INR640 **TP: INR775 (+21%)** **Buy**

Expansion strategy gaining traction

Contribution from the township segment to double by FY26E

Faster turnarounds leading to market share gains

- During its IPO in FY21, Macrotech Developers (LODHA) outlined a strategy to expand into the micro-markets of MMR and Pune – where the company had limited or zero presence – via asset-light joint development agreements (JDA).
- Since then LODHA has acquired ~23msf of projects with gross development value (GDV) of INR345b spread across the new markets of Eastern (INR150b) and Western (INR32b) suburbs in Mumbai, Pune (INR61b) and Bengaluru (INR12b) as well as its existing markets of South and Central Mumbai (INR76b) and Thane (INR16b).
- More importantly, out of the 17 projects added to date, the company has already launched 11 projects with acquisition-to-launch (turnaround) time of zero to three quarters.
- Due to faster turnarounds, these JDAs contributed to INR30b or 27% of pre-sales in FY23, up from 6% in FY22. As a result, LODHA's market share in Mumbai improved to ~10% in FY23 from 7% in FY21. It made steady progress in Pune too and captured 2% market share over the last two years.
- As management expects to continue the business development momentum with targeted addition of INR175b in FY24, the share of JDA projects is also likely to rise gradually to 40% over the next two years.

Completion of key infrastructure projects to enhance contribution from the township segment

- After the pandemic-induced lull, the township segment revived in FY23 and contributed INR23b to pre-sales, which was similar to the run-rate clocked in FY18.
- This revival was despite ~200bp rise in interest rates during the year, which was perceived to have hit the affordable segment severely versus a favorable environment for the same segment in FY18.
- According to the management, key infrastructure projects such as Airoli-Katai Naka tunnel, Thane-Dombivali link road, Metro line, second phase of Samruddhi Mahamarg, etc. are expected to improve the connectivity of the township (Palava) with key hubs of MMR and will lead to enhanced traction.
- Management further expects the township location to witness completion of at least one major infrastructure project every year over the next 3-4 years leading to further improvement in real estate absorption in the area.
- With absence of any like-for-like competition around Palava, LODHA will be the biggest beneficiary of this scale-up and thus, it expects the contribution from its township segment to nearly double to INR40b by FY26.

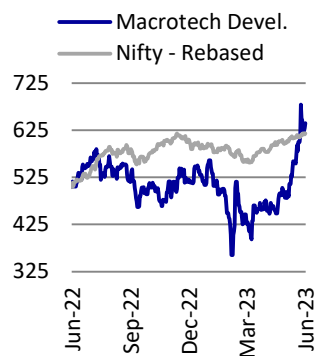
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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Stock Performance (1-year)



Aiming for profit-led growth; expects embedded RoE to reach 20% by FY24

- LODHA's reported EBITDA margin has, on an average, sustained at 22-24% over the last five years while the same on adjusted (excluding capitalized interest) basis has been at 30-35% during FY21-23.
- As reported by the company, embedded EBITDA margin on bookings clocked during FY23 stood at 32%. Despite the expected rise in the share of JDA, the company forecasts EBITDA margin to sustain at 30%.
- Further, average realizations for select JDA projects have been 2-25% higher than its underwriting price especially in the suburbs, which might lead to further improvement in margins for certain revenue-based JDA projects.
- As highlighted earlier ([note link](#)), LODHA under its '20-20-20' medium-term strategy, is not only focused on 20% pre-sales CAGR over FY23-26 but also aims to supplement the growth with 20% PAT margin and 20% RoE.
- While reported RoE has declined to 12% in FY23 from 17% in FY20, the indicative RoE on existing pre-sales was at 17% in FY23 and likely to reach 20% by FY24.

Valuation and view

- We retain our pre-sales and P&L estimates for FY24/FY25. As the company continues to successfully implement its market share gain strategy with focused project additions, faster turnarounds and healthy sales velocity, we expect the strong pre-sales growth rate to sustain over the long term.
- Given the recent spike in real estate stock prices, our preference remains inclined towards players with an ability to sustain pre-sales growth rate over a medium term along with healthy profitability. **We reiterate our BUY rating on the stock with our unchanged SoTP-based TP of INR775 indicating a potential upside of 21%**

Exhibit 1: Based on our SoTP approach, we arrive at a NAV of INR746b (or INR775 per share), implying a 21% upside potential

Particulars		Value (INR b)	Per Share	% contribution	% of CMP
Residential	❖ DCF of four-year cash flow at WACC of 12% and terminal value assuming 5% long-term growth	677	703	91	108
Commercial	❖ Cap rate of 8% for operational assets and DCF for on-going assets	29	30	4	5
Industrial	❖ PV of future cash flows discounted at WACC of 12%	82	85	11	13
UK investment	❖ PV of future cash flows discounted at WACC of 12%	8	9	1	1
Gross asset value		797	828	107	127
Net debt	❖ FY24E	(51)	(53)	-7	-8
Net asset value		746	775	100	119
No. of share (m)		963.0			
Price objective		775			
CMP		639			
Upside (%)		21			

Source: MOFSL, Company

Key Exhibits

Exhibit 1: Over the last two years, LODHA has added 23msf of JDA projects with GDV of INR345b...

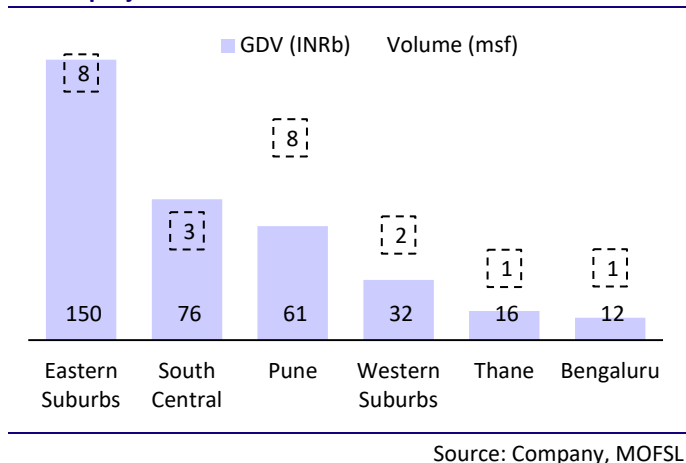
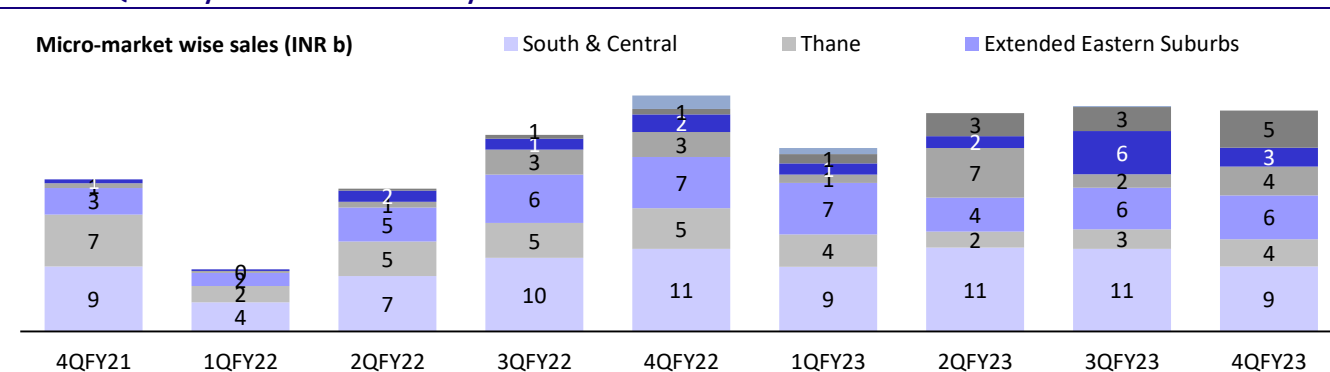


Exhibit 2: ...and has also demonstrated the ability of faster turnarounds by launching projects with 1-3 quarters of acquisition

Project/Micro-market	Project added	Launched	Turnaround time (qtrs)
MMR-ES - Mulund	2QFY22	2QFY22	1
MMR - ES - Vikhroli	3QFY22	2QFY23	3
MMR - ES - Powai	3QFY22	4QFY22	1
MMR - ES - Matunga	3QFY23	3QFY23	1
MMR - WS - Kandivali	1QFY22	3QFY22	2
MMR - WS - Andheri	2QFY23	4QFY23	2
MMR - SC - Mahalaxmi	3QFY22	2QFY23	3
MMR - Thane	2QFY23	4QFY23	2
Pune - NIBM	4QFY21	2QFY22	2
Pune - West Pune	1QFY23	4QFY23	3
Pune - East Pune	3QFY23	3QFY23	1

Source: Company, MOFSL; Note: ES = Eastern Suburbs, WS = Western Suburbs and SC = South Central

Exhibit 3: Quarterly sales run-rate from key micro-markets -



Source: MOFSL, Company

Exhibit 4: Launches from JDA projects increased further in FY23...

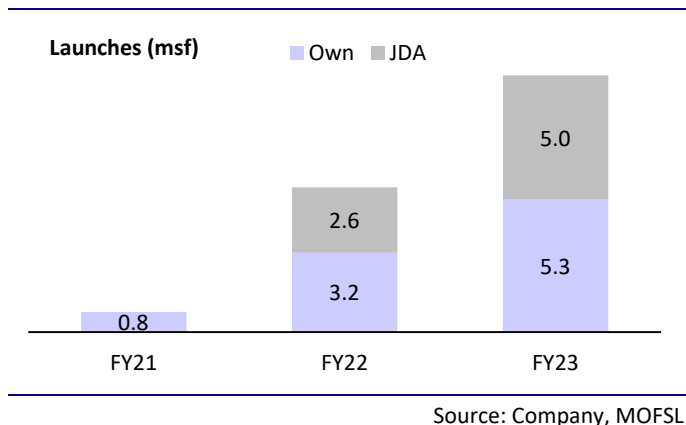


Exhibit 5: ...and contributed 27% to overall sales in FY23 v/s 6% in FY22

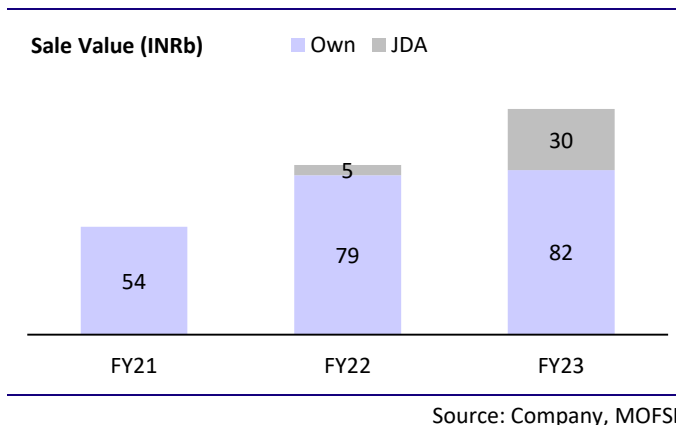
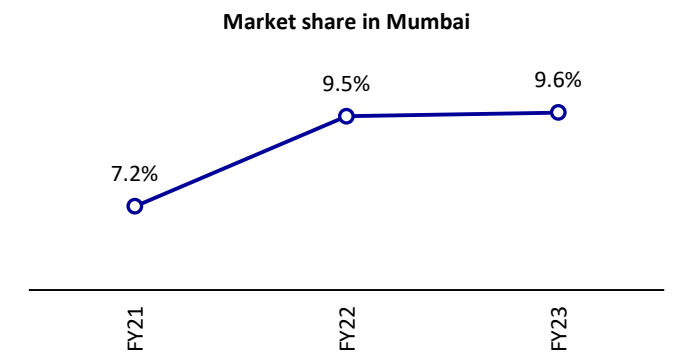
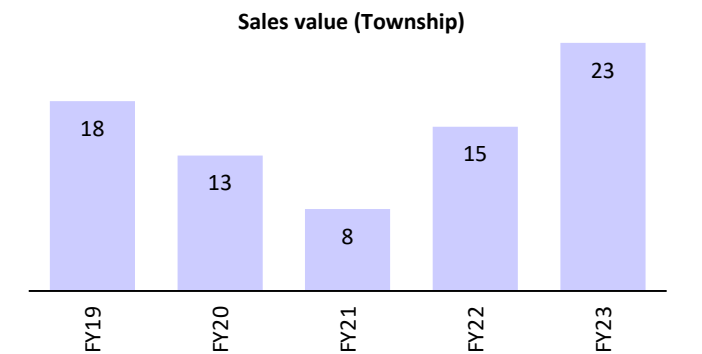
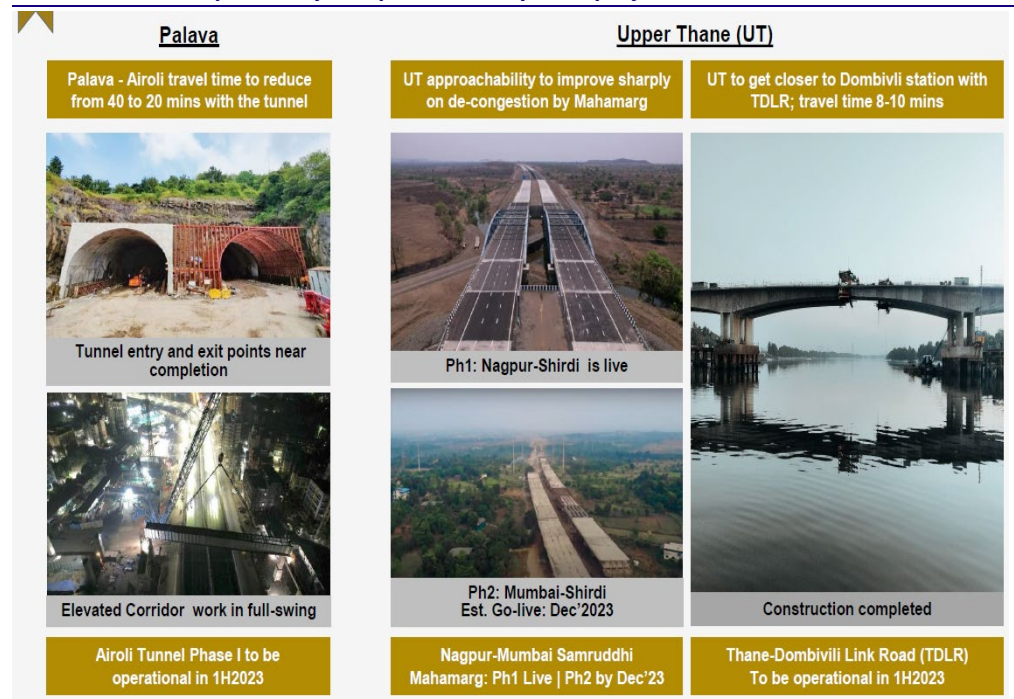


Exhibit 6: The company gradually gaining market share aided by the success of JDA projects

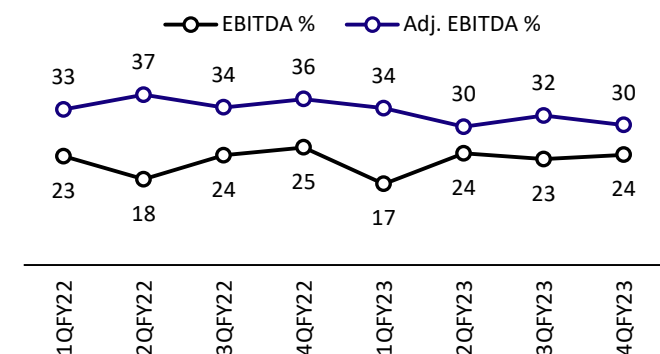
Source: Company, MOFSL

Exhibit 7: Demand traction at the township project to increase further...

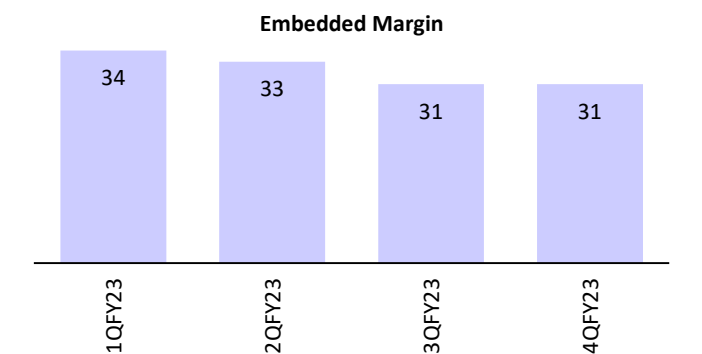
Source: Company, MOFSL

Exhibit 8:underpinned by completion of key infra projects

Source: Company, MOSL

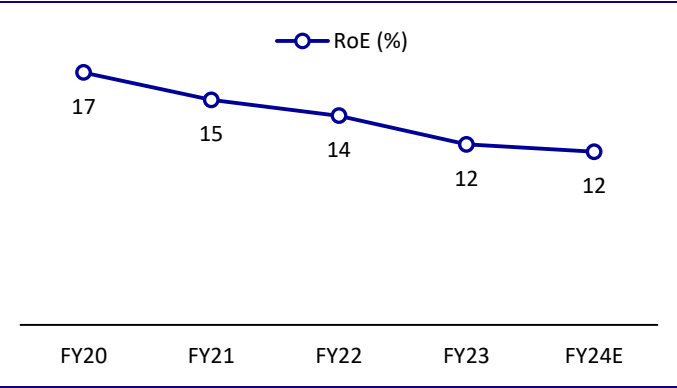
Exhibit 9: Margin profile based on reported financials

Source: Company, MOFSL

Exhibit 10: The embedded margin on pre-sales stands at an average of ~32%

Source: Company, MOFSL

Exhibit 11: While reported RoE declined due to increased capital base...



Source: Company, MOFSL

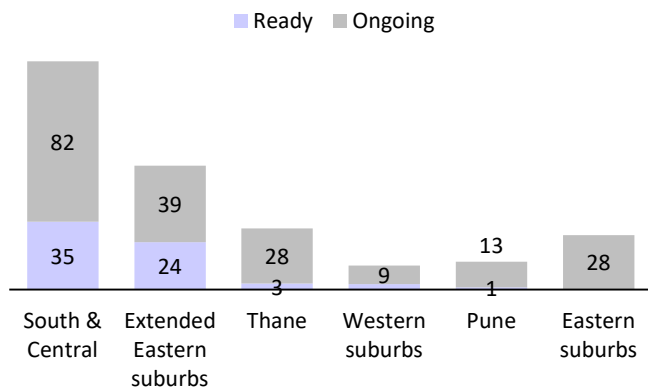
Exhibit 12: ...indicative RoE on current sales run-rate reached 17% and will reach 20% in FY24

	FY23	FY24E
Pre-sales	120.6	145
Embedded EBITDA	38.6	43.5
Embedded EBITDA (%)	32	30
D&A	0.9	1
Finance Cost	10	7.5
PBT	27.7	35
Taxes	7	8.8
PAT	20.7	26.2
Net Worth	121	134
RoE (%)	17	20

Source: Company, MOFSL

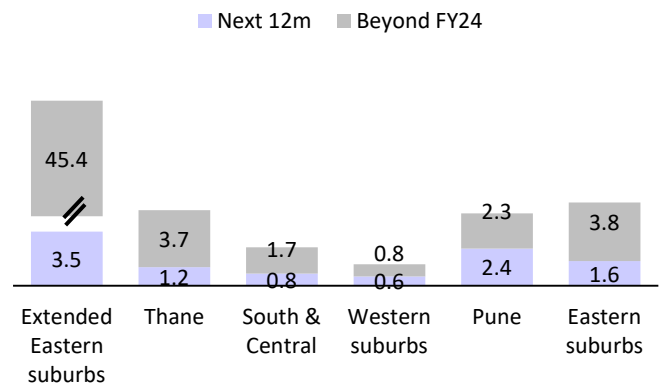
Story in charts

Exhibit 13: Focus on execution led to INR66b of ready inventory, with INR200b of inventory in progress



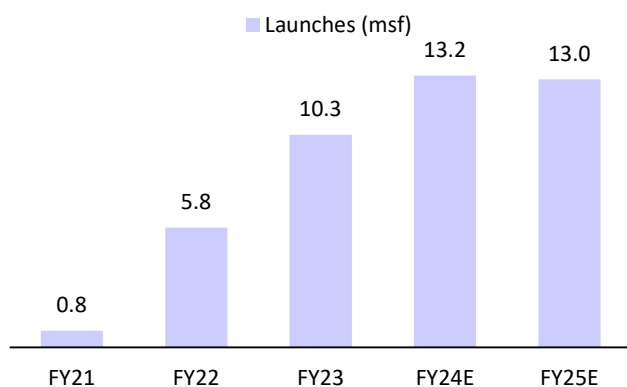
Source: Company, MOFSL

Exhibit 14: The company has a strong ~80msf of pipeline to be launched in the medium term



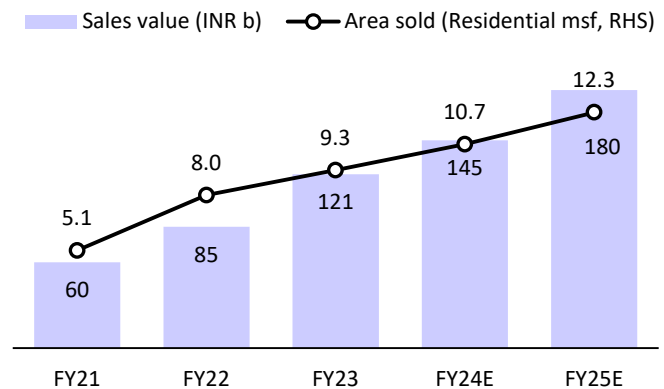
Source: Company, MOFSL

Exhibit 15: Expect launches to further rise from FY24



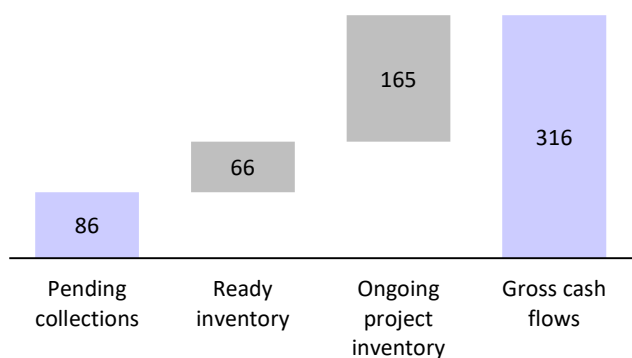
Source: MOFSL, Company

Exhibit 16: To report 22% CAGR in pre-sales over FY23-25 to INR180b



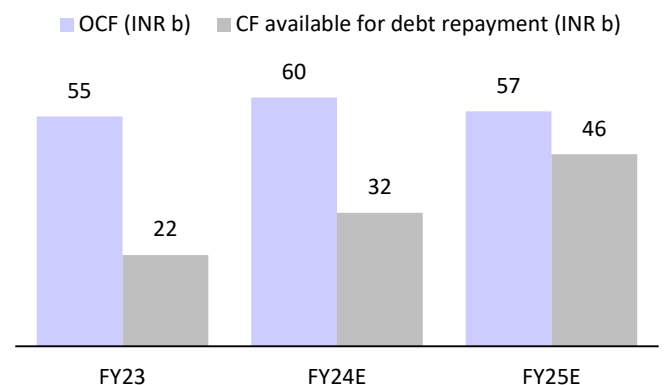
Source: MOFSL, Company

Exhibit 17: Over the next 4-5 years, ongoing and completed project pipeline can generate ~INR300b of gross cash inflows



Source: Company, MOFSL

Exhibit 18: Expect the company to generate ~INR60b OCF for the next two years



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	1,19,070	1,24,426	54,486	92,332	94,704	1,00,184	1,12,424
Change (%)	-12.0	4.5	-56.2	69.5	2.6	5.8	12.2
Total Expenditure	87,399	1,05,223	40,766	71,085	74,042	74,501	82,505
% of Sales	73.4	84.6	74.8	77.0	78.2	74.4	73.4
EBITDA	31,670	19,203	13,720	21,247	20,661	25,683	29,919
Margin (%)	26.6	15.4	25.2	23.0	21.8	25.6	26.6
Depreciation	1,944	3,064	734	748	928	814	846
EBIT	29,726	16,139	12,985	20,499	19,733	24,869	29,073
Int. and Finance Charges	5,556	7,315	11,257	6,803	4,791	3,470	2,680
Other Income	719	1,184	3,231	3,460	1,408	1,342	1,494
PBT bef. EO Exp.	24,889	10,008	4,959	17,156	16,350	22,741	27,887
EO Items	0	56	-4,628	0	-11,774	0	0
PBT after EO Exp.	24,889	10,064	332	17,156	4,576	22,741	27,887
Total Tax	8,449	2,615	-147	5,080	-370	6,822	8,366
Tax Rate (%)	33.9	26.0	-44.4	29.6	-8.1	30.0	30.0
Minority Interest	78	130	77	61	80	80	80
Reported PAT	16,361	7,319	402	12,014	4,866	15,839	19,441
Adjusted PAT	16,361	7,278	7,084	12,014	15,370	15,839	19,441
Change (%)	-8.4	-55.5	-2.7	69.6	27.9	3.0	22.7
Margin (%)	13.7	5.8	13.0	13.0	16.2	15.8	17.3

Consolidated - Balance Sheet

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	3,959	3,959	3,959	4,815	4,815	4,815	4,815
Total Reserves	34,451	41,564	42,031	1,16,235	1,21,809	1,34,480	1,50,032
Net Worth	38,410	45,523	45,990	1,21,050	1,26,624	1,39,295	1,54,847
Minority Interest	5,348	5,192	5,269	568	596	596	596
Total Loans	2,56,406	1,84,232	1,81,669	1,15,367	90,602	63,602	43,602
Deferred Tax Liabilities	-3,206	-935	-2,098	1,911	332	3,557	8,567
Capital Employed	2,96,958	2,34,011	2,30,829	2,38,896	2,18,153	2,07,049	2,07,611
Gross Block	17,704	17,499	17,608	18,318			
Less: Accum. Deprn.	4,877	5,649	6,383	7,130	19,487	20,302	21,148
Net Fixed Assets	12,827	11,851	11,226	11,187	8,059	8,873	9,719
Investment Property	1,933	2,882	2,767	2,650	11,429	11,429	11,429
Goodwill on Consolidation	6,627	5,477	5,471	5,388	1,539	1,539	1,539
Capital WIP	63	63	63	0	5,303	5,303	5,303
Total Investments	14,050	15,529	15,794	5,740	0	0	0
Curr. Assets, Loans&Adv.	4,59,933	3,70,188	3,55,663	3,59,824	2,460	2,380	12,300
Inventory	4,15,124	2,90,314	2,83,007	2,73,583			
Account Receivables	4,843	7,943	6,545	6,461	3,70,816	3,78,267	3,90,011
Cash and Bank Balance	6,575	1,870	3,668	12,457	3,01,167	3,04,670	3,14,172
Loans and Advances	33,390	70,061	62,442	67,322	7,393	4,117	4,620
Curr. Liability & Prov.	1,98,475	1,71,979	1,60,153	1,45,892	18,242	10,467	12,206
Account Payables	22,631	22,728	16,978	15,087	44,013	59,013	59,013
Other Current Liabilities	1,75,490	1,49,012	1,42,963	1,30,581	1,73,393	1,91,868	2,12,970
Provisions	354	239	212	224	20,962	19,213	21,561
Net Current Assets	2,61,457	1,98,210	1,95,509	2,13,932	1,52,129	1,72,353	1,91,107
Misc Expenditure	0	0	0	0	302	302	302
Appl. of Funds	2,96,958	2,34,011	2,30,829	2,38,896	1,97,422	1,86,399	1,77,041

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)								
EPS	45.1	41.3	18.4	17.9	25.0	16.0	16.4	20.2
Cash EPS	55.2	46.2	26.1	19.7	26.5	16.9	17.3	21.1
BV/Share	56.1	97.0	115.0	116.2	251.4	131.5	144.6	160.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0	3.3	4.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	20.0	20.0
Valuation (x)								
P/E	23.8	25.9	58.3	59.9	43.0	40.0	38.9	31.7
Cash P/E	19.4	23.2	41.0	54.3	40.4	37.8	37.0	30.3
P/BV	19.1	11.0	9.3	9.2	4.3	4.9	4.4	4.0
EV/Sales	4.8	5.7	4.9	11.1	6.7	7.3	6.7	5.8
EV/EBITDA	19.6	21.3	31.6	43.9	29.1	33.3	26.0	21.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.6
FCF per share	16.5	-14.2	94.6	63.9	41.7	28.7	29.9	41.0
Return Ratios (%)								
RoE	80.5	54.0	17.3	15.5	14.4	12.4	11.9	13.2
RoCE	16.4	7.4	4.4	10.2	7.3	10.1	8.7	10.7
RoIC	17.5	7.9	4.8	8.8	6.7	10.2	8.9	10.8
Working Capital Ratios								
Fixed Asset Turnover (x)	8.0	6.7	7.1	3.1	5.0	4.9	4.9	5.3
Asset Turnover (x)	0.6	0.4	0.5	0.2	0.4	0.4	0.5	0.5
Inventory (Days)	1,057	1,273	852	1,896	1,082	1,161	1,110	1,020
Debtor (Days)	20	15	23	44	26	28	15	15
Creditor (Days)	58	69	67	114	60	81	70	70
Leverage Ratio (x)								
Current Ratio	1.9	2.3	2.2	2.2	2.5	2.1	2.0	1.8
Interest Cover Ratio	7.6	5.4	2.2	1.2	3.0	4.1	7.2	10.8
Net Debt/Equity	10.0	6.5	4.0	3.9	0.9	0.6	0.4	0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	27,095	24,889	10,007	4,959	17,156	4,576	22,741	27,887
Depreciation	3,979	1,944	3,064	734	748	928	814	846
Interest & Finance Charges	29,349	30,032	31,119	25,246	19,923	13,890	7,710	5,360
Direct Taxes Paid	-5,647	-3,116	-821	857	-1,778	-2,110	-3,597	-3,356
(Inc)/Dec in WC	-47,652	-59,476	-4,112	-1,218	-7,271	-1,091	3,249	11,097
CF from Operations	7,124	-5,726	39,257	30,579	28,778	16,194	30,917	41,833
Others	-164	1,095	-1,525	-5,339	-2,500	11,306	-1,342	-1,494
CF from Operating incl EO	6,960	-4,632	37,732	25,239	26,278	27,499	29,575	40,339
(Inc)/Dec in FA	-416	-991	-292	65	78	149	-814	-846
Free Cash Flow	6,544	-5,622	37,439	25,304	26,356	27,648	28,761	39,493
(Pur)/Sale of Investments	-5,583	-300	-2,822	-176	1,491	6,817	0	-10,000
Others	-553	-552	5,231	4,310	9,820	10,812	1,342	1,494
CF from Investments	-6,552	-1,843	2,117	4,199	11,389	17,778	528	-9,352
Issue of Shares	0	0	0	0	63,466	100	0	0
Inc/(Dec) in Debt	30,454	37,050	-11,362	-10,325	-72,916	-25,393	-27,000	-20,000
Interest Paid	-30,214	-29,691	-30,534	-18,027	-19,427	-11,756	-7,710	-5,360
Dividend Paid	0	0	0	0	0	0	-3,168	-3,888
Others	0	0	0	0	0	-6	0	0
CF from Fin. Activity	239	7,359	-41,896	-28,351	-28,878	-37,054	-37,878	-29,248
Inc/Dec of Cash	647	885	-2,047	1,087	8,789	8,223	-7,775	1,739
Opening Balance	1,858	2,552	3,525	1,185	3,668	12,457	20,680	12,905
Closing Balance	2,505	3,437	1,479	2,272	12,457	20,680	12,905	14,644

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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