

30 October 2023

India | Equity Research | Q2FY24 Results Update

Macrotech Developers

Real Estate

On track to achieve FY24 sales booking guidance

Macrotech Developers (LODHA) achieved strong Q2FY24 sales bookings of INR35.3bn (up 12% YoY) – which is its best-ever Q2 (Jul-Sep) performance – in spite of new locations seeing launches during the quarter. With H1FY24 sales bookings of INR69bn, the company has already achieved 48% of its FY24 sales booking guidance of INR145bn (l-sec estimate of INR134bn). The company has a strong launch pipeline heading into the festive season with seven new locations set to be launched in H2FY24. This, in our view, should enable the company to sustain sales momentum going ahead. Further, India business net debt declined by INR5.4bn during the quarter to INR67.3bn. While we remain constructive on the company's growth prospects, we retain our **HOLD** rating with an unchanged target price of INR732/share based on FY23 NAV.

Strong quarter for sales bookings

LODHA clocked Q2FY24 India business sales bookings worth INR35.3bn (up 12% YoY), marginally above the l-sec estimate of INR33.0bn. Q2FY24 collections were up 16% YoY at INR27.5bn, while India business net debt declined by INR5.4bn during the quarter to INR67.3bn. Business development activity was relatively muted with two new project additions of 1.2msf having GDV of INR23bn; this is after a strong Q1FY24 when the company had added five new projects having 7.1msf of saleable area with GDV of INR120bn.

Targeting 20% sales booking CAGR over FY23-26

In H1FY24, the company has clocked sales bookings of INR69bn, achieving 48% of its FY24 sales booking guidance of INR145bn (l-sec estimate of INR134.0bn); it is targeting to sustain this 20% sales CAGR over FY24-26 as well, implying FY26E sales bookings of INR210bn. While these numbers are achievable given the expansion in new markets such as Pune and Bengaluru, this would require the company to continuously procure new land parcels at prime locations and would also require residential real estate demand to sustain. We currently model for FY24E and FY25E sales bookings of INR134.0bn and INR148.0bn, respectively. We await further clarity on company's ability to replenish high-value inventory, especially in South and Central Mumbai before raising our estimates further.

Financial Summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	92,332	94,704	1,04,773	1,11,955
EBITDA	21,247	20,661	23,729	26,379
EBITDA Margin (%)	23.0	21.8	22.6	23.6
Net Profit	12,024	16,640	19,434	18,327
EPS (INR)	12.5	17.3	20.2	19.0
P/B (x)	5.9	5.6	5.0	4.5
P/E (x)	59.0	145.9	36.5	38.7
EV/Adjusted EBITDA (x)	25.0	26.3	23.4	21.2
RoCE (%)	10.8	10.1	13.0	17.2
RoE (%)	14.4	13.4	14.4	12.1

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Market Data

Market Cap (INR)	711bn
Market Cap (USD)	8,544mn
Bloomberg Code	LODHA IN
Reuters Code	LODV BO
52-week Range (INR)	829 /356
Free Float (%)	25.0
ADTV-3M (mn) (USD)	11.6

Price Performance (%)	3m	6m	12m
Absolute	1.5	57.0	45.5
Relative to Sensex	4.9	50.7	37.4

ESG Disclosure	2021	2022	Change
ESG score	42.1	47.2	5.1
Environment	13.5	28.9	15.4
Social	49.0	48.9	(0.1)
Governance	63.6	63.6	-

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

Source: Bloomberg, l-sec research

Previous Reports

05-10-2023: [Company Update](#)30-07-2023: [Q1FY24 results review](#)

Exhibit 1: Q2FY24 consolidated result snapshot

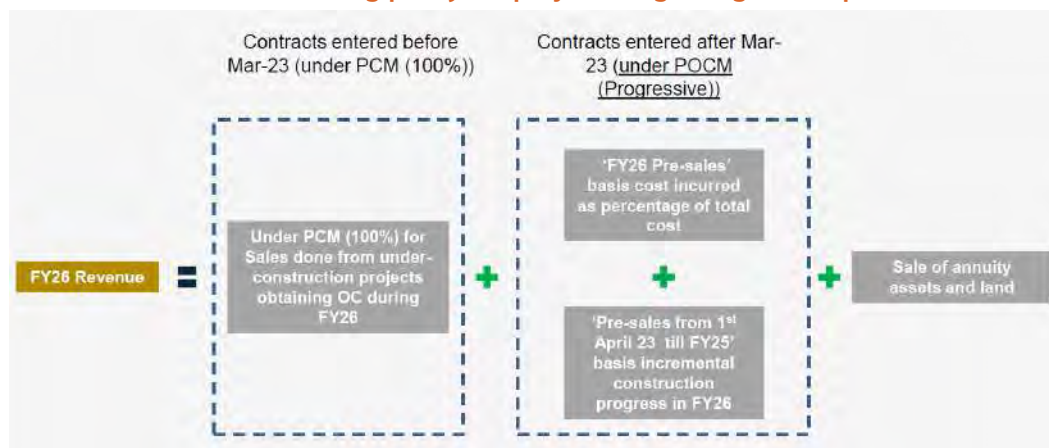
Year ending March (INR mn)	Q2FY24	Q2FY23	Q1FY24	YoY (%)	QoQ (%)
Total Operating income	17,496	17,654	16,174	(0.9)	8.2
Raw Materials	9,990	10,505	10,042	(4.9)	(0.5)
Personnel Cost	1,153	1,105	1,192	4.3	(3.3)
Other Expenses	2,192	1,805	1,640	21.4	33.7
Total Expenses	13,335	13,415	12,874	(0.6)	3.6
EBITDA	4,161	4,239	3,300	(1.8)	26.1
EBITDA margin (%)	23.8	24.0	20.4	(22.9)	337.9
Interest (Net)	1,231	1,249	1,241	(1.4)	(0.8)
Depreciation	293	219	240	33.8	22.1
Other Income	55	(42)	544	NM	(89.9)
Exceptional items*	-	(11,774)	-	NM	NM
Profit Before Tax	2,692	(9,045)	2,363	(129.8)	13.9
Taxation	624	270	556	131.1	12.2
Profit After Tax before MI/Associate	2,068	(9,315)	1,807	(122.2)	14.4
MI/Associate share	(40)	(16)	(15)	150.0	166.7
Reported PAT	2,028	(9,331)	1,792	(121.7)	13.2
Adjusted PAT	2,028	2,443	1,792	(17.0)	13.2
Adjusted Net margin (%)	11.6	13.8	11.1	(224.7)	51.2

Source: I-Sec research, Company data

Exhibit 2: LODHA's India business key quarterly operating metrics

Details (INR mn)	Q2FY24	Q2FY23	Q1FY24	YoY (%)	QoQ (%)	FY22	FY23
Pre-Sales (Sales Bookings)	35,300	31,500	33,500	12.1	5.3	90,240	1,20,640
Collections	27,500	23,800	24,000	15.5	14.6	85,970	1,06,060
India Business Net Debt	67,300	88,000	72,600	(23.5)	(7.3)	93,000	70,710

Source: I-Sec research, Company data

Exhibit 3: Revised accounting policy for projects beginning from Apr'23

Source: Company data, I-Sec research

Exhibit 4: Key Assumptions

Development Properties	FY20	FY21	FY22	FY23	FY24E	FY25E
LODHA Devco Sales Volume (msf)	6.2	5.1	8.0	9.4	9.6	10.1
LODHA Devco Sales Value (INR bn)	65.7	59.7	90.2	120.1	134.0	148.0

Source: Company data, I-Sec research

Exhibit 5: SoTP Valuation of Lodha

Details	Amount (INR bn)	INR/share
Post-tax-Free Cash Flow (FY24-30E)	312.5	325
Add: Land bank @ market value	271.0	282
Add: UK proceeds	10.0	10
Total EV	593.5	617
Less: FY23 India Net Debt	71.6	74
FY23 NAV	521.9	542
Add: Premium to NAV	182.7	190
Target Price	704.6	732

Source: I-Sec research, Company data

Exhibit 6: Shareholding pattern

%	Mar'23	Jun'23	Sep'23
Promoters	75.0	75.0	74.9
Institutional investors	23.4	23.9	24.1
MFs and other	1.1	1.2	1.1
FIs/ Banks	2.6	2.9	2.4
FIIIs	19.7	19.8	20.6
Others	2.2	1.1	1.0

Source: Bloomberg, I-Sec research

Exhibit 7: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 8: Profit & Loss

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	92,332	94,704	1,04,773	1,11,955
Operating Expenses	10,459	13,402	12,956	10,821
EBITDA	21,247	20,661	23,729	26,379
EBITDA Margin (%)	0.0	21.8	0.0	23.6
Depreciation & Amortization	748	928	975	1,023
Interest expenditure	6,803	4,791	3,938	3,457
Other Non-operating Income	3,460	1,408	1,478	1,552
Extraordinaries	-	(11,774)	-	-
Recurring PBT	17,156	16,350	20,296	23,451
Less: Taxes	5,080	(370)	831	5,093
PAT	12,075	16,720	19,464	18,357
Less: Minority Interest	(61)	(28)	(30)	(30)
Net Income (Reported)	12,024	4,866	19,434	18,327
Net Income (Adjusted)	12,024	16,640	19,434	18,327

Source Company data, I-Sec research

Exhibit 9: Balance sheet

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	3,37,628	3,57,497	3,58,543	3,22,458
of which cash & cash eqv.	12,457	18,242	39,767	43,567
Total Current Liabilities & Provisions	1,30,040	1,67,147	1,66,977	1,67,125
Net Current Assets	2,07,588	1,90,350	1,91,566	1,55,333
Investments	11,128	7,763	7,963	8,163
Net Fixed Assets	13,840	12,971	12,247	11,473
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	20	40
Total Intangible Assets	-	-	-	-
Other assets	5,598	4,639	4,639	4,639
Deferred Tax assets	-	-	-	-
Total Assets	2,38,153	2,15,724	2,16,435	1,79,649
Liabilities				
Borrowings	1,15,367	90,602	74,763	22,668
Deferred Tax Liability	1,168	(2,100)	(2,100)	(2,399)
Equity Share Capital	4,815	4,818	4,818	4,818
Reserves & Surplus	1,16,235	1,21,809	1,38,328	1,53,906
Total Net Worth	1,21,050	1,26,627	1,43,146	1,58,724
Minority Interest	568	596	626	656
Total Liabilities	2,38,153	2,15,724	2,16,435	1,79,649

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(Rs mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	13,616	14,752	18,960	17,828
Working Capital Changes	(13,565)	(13,565)	(13,565)	(13,565)
Capital Commitments	(330)	(330)	(330)	(330)
Free Cashflow	(279)	12,907	40,000	58,293
Other investing cashflow	11,720	11,720	11,720	11,720
Cashflow from Investing Activities	11,390	11,390	11,390	11,390
Issue of Share Capital	63,466	100	-	-
Inc (Dec) in Borrowings	(72,916)	(25,398)	(15,838)	(52,096)
Dividend paid	-	-	(2,915)	(2,749)
Others	(6,778)	-	-	-
Cash flow from Financing Activities	(9,451)	(25,299)	(18,753)	(54,845)
Chg. in Cash & Bank balance	1,990	6,141	21,525	3,800
Closing cash & balance	12,457	18,242	39,767	43,567

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	12.5	5.1	20.2	19.0
Adjusted EPS (Diluted)	12.5	5.1	20.2	19.0
Cash EPS	13.3	18.2	21.2	20.1
Dividend per share (DPS)	-	-	3.0	2.9
Book Value per share (BV)	125.8	125.8	125.8	125.8
Growth (%)				
Net Sales	69.5	2.6	10.6	6.9
EBITDA	54.9	(2.8)	14.8	11.2
EPS (INR)	135.3	38.4	16.8	(5.7)
Valuation Ratios (x)				
P/E	59.0	145.9	36.5	38.7
P/BV	5.9	5.6	5.0	4.5
EV / EBITDA	25.0	26.3	23.4	21.2
Dividend Yield (%)	0.0	0.0	0.4	0.4
Operating Ratios				
EBITDA Margins (%)	23.0	21.8	22.6	23.6
Net Profit Margins (%)	13.0	17.6	18.5	16.4
Net Debt / Equity (x)	0.9	0.6	0.2	(0.1)
Net Debt / EBITDA (x)	5.4	4.4	3.2	0.9
Profitability Ratios				
RoCE (%)	10.8	10.1	13.0	17.2
RoE (%)	14.4	13.4	14.4	12.1

Source Company data, I-Sec research

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