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India | Equity Research | Company Update

Macrotech Developers

Real Estate

FY24 lays strong foundation; balance sheet strength constructive

Along expected lines, Macrotech Developers (LODHA) achieved strong Q4FY24 sales bookings of INR 42.3bn (up 40% YoY). Hence, the company has achieved FY24 sales bookings of INR 145bn, exactly in line with its FY24 sales booking guidance. With the recent equity raise of ~INR 33bn, LODHA has pared net debt to INR 30.1bn (net D/E of 0.1x). With a strong launch pipeline heading into FY25 and new FY24 project additions with GDV of INR 203bn, the company is targeting 20% sales booking CAGR over FY24-26E as well, implying FY26 sales bookings of INR 210bn, for which it intends to continue pursuing aggressive business development. Factoring in recent QIP and new land bank additions, we revise our TP to INR 1,109 (from INR 1,013) based on 50% premium to FY24E NAV of INR 739/share. Maintain **HOLD**. Key upside risk is higher-than-expected price growth; and downside risk is a slowdown in Mumbai market volumes.

Strong quarter for sales bookings

LODHA clocked Q4FY24 India business sales bookings worth INR 42.3bn (up 40% YoY). With this, the company has achieved its FY24 sales bookings guidance of INR 145bn. For FY24, overall, business development activity has been strong with cumulative GDV addition of INR 203bn across the MMR, Bengaluru and Pune – ahead of FY24's INR 175bn guidance. FY24 collections have also increased 6% YoY to INR 112.6bn and with the recent QIP fund raise of ~INR 33bn, the company's net debt has reduced to INR 30.1bn (net D/E of 0.1x). We believe that LODHA's historical leverage concerns are now a thing of the past (peak debt of over INR 180bn), and the company can now balance growth aspirations with minimal interest outgo and annual internal cash surplus of INR 50-60bn over FY24-26E.

Targeting 20% sales booking CAGR over FY24-26

In FY24, LODHA clocked sales bookings of INR 145bn, achieving 20% YoY growth over FY23 levels. It is targeting to sustain this 20% sales CAGR over FY24-26E as well, implying FY26E sales bookings of INR 210bn. While these numbers are achievable given its expansion in new markets such as Pune and Bengaluru, but 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 FY25E and FY26E sales bookings of INR171bn and INR172bn, 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)	FY23A	FY24E	FY25E	FY26E
Net Revenue	94,704	107,049	114,580	150,681
EBITDA	20,661	25,264	27,860	39,510
EBITDA Margin (%)	21.8	23.6	24.3	26.2
Net Profit	4,866	15,448	19,961	34,333
EPS (INR)	5.1	15.5	21.5	34.5
P/B (x)	8.8	6.7	6.0	5.2
P/E (x)	229.7	74.7	54.0	33.6
Adjusted EV/EBITDA (x)	40.0	34.8	32.7	25.8
RoCE (%)	10.1	13.7	17.7	28.5
RoE (%)	13.4	11.0	11.8	16.7

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Market Data

Market Cap (INR)	1,153bn
Market Cap (USD)	13,844mn
Bloomberg Code	LODHA IN
Reuters Code	LODV BO
52-week Range (INR)	1,278 /440
Free Float (%)	25.0
ADTV-3M (mn) (USD)	16.8

Price Performance (%)	3m	6m	12m
Absolute	6.3	54.8	156.9
Relative to Sensex	3.3	41.7	132.5

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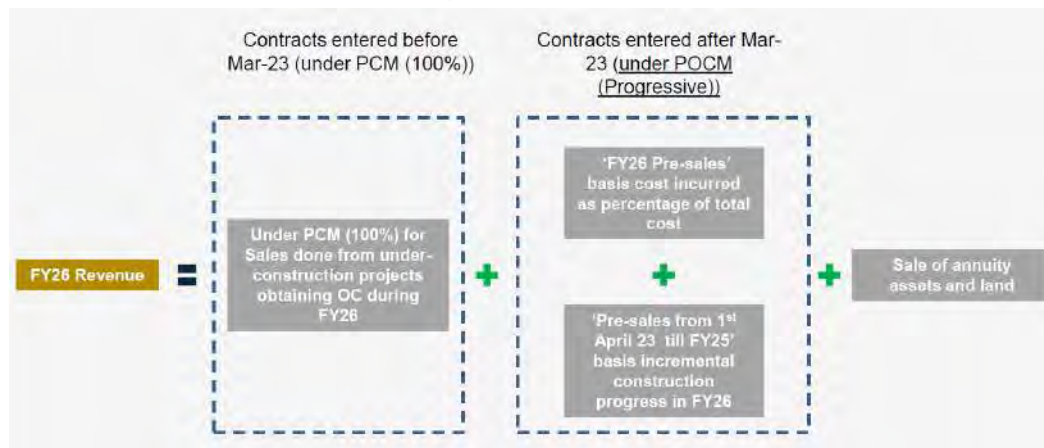
30-01-2024: [Q3FY24 results review](#)

05-10-2023: [Q2FY24 results review](#)

Exhibit 1: LODHA's India business key quarterly operating metrics

Details (INR bn)	Q4FY24	Q4FY23	Q3FY24	YoY (%)	QoQ (%)	FY23
Pre-Sales (Sales Bookings)	42.3	30.3	34.1	39.6	24.0	120.6
Collections	35.1	29.3	25.9	19.8	35.5	106.1
India Business Net Debt	30.1	70.7	67.5	(57.4)	(55.4)	70.7

Source: I-Sec research, Company data

Exhibit 2: Revised accounting policy for projects beginning from Apr'23

Source: Company data, I-Sec research

Exhibit 3: Key assumptions

Development Properties	FY21	FY22	FY23	FY24E	FY25E	FY26E
LODHA Devco Sales Volume (msf)	5.1	8.0	9.4	9.6	10.1	10.2
LODHA Devco Sales Value (INR bn)	59.7	90.2	120.1	145.2	171.4	172.2

Source: Company data, I-Sec research

Exhibit 4: SoTP-based valuation

Details	Amount (INR bn)	INR/share
Post-tax-Free Cash Flow (FY25-30E)	331.3	333
Add: Land bank @ market value	434.0	436
Total EV	765.3	770
Less: FY24 India Net Debt	30.2	30
FY24 NAV	735.1	739
Add: 50% Premium to NAV	367.6	370
Target Price	1,102.7	1,109

Source: I-Sec research, Company data

Exhibit 5: Shareholding pattern

%	Jun'23	Sep'23	Dec'23
Promoters	75.0	74.9	74.9
Institutional investors	23.9	24.1	24.3
MFs and other	1.2	1.1	0.6
FIs/ Banks	2.9	2.4	2.6
FIIIs	19.8	20.6	21.1
Others	1.1	1.0	0.8

Source: Bloomberg, I-Sec research

Exhibit 6: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Net Sales	94,704	1,07,049	1,14,580	1,50,681
Operating Expenses	74,042	81,785	86,720	1,11,171
EBITDA	20,661	25,264	27,860	39,510
EBITDA Margin (%)	21.8	23.6	24.3	26.2
Depreciation & Amortization	928	975	1,023	1,074
Interest expenditure	4,791	3,871	1,892	780
Other Non-operating Income	1,408	1,267	1,331	1,397
Extraordinaries	(11,774)	(1,049)	-	-
Recurring PBT	4,576	22,735	24,863	39,053
Less: Taxes	(370)	5,159	4,872	4,690
PAT	4,946	17,576	19,991	34,363
Less: Minority Interest	25	(1,079)	(30)	(30)
Net Income (Reported)	4,866	15,448	19,961	34,333
Net Income (Adjusted)	16,640	16,497	19,961	34,333

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Total Current Assets	3,57,497	3,63,960	3,54,477	3,84,163
of which cash & cash eqv.	18,242	45,184	68,798	1,03,684
Total Current Liabilities & Provisions	1,67,147	1,66,977	1,67,125	1,66,695
Net Current Assets	1,90,350	1,96,983	1,87,352	2,17,468
Investments	7,763	7,963	8,163	8,363
Net Fixed Assets	12,971	12,247	11,473	10,649
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	20	40	60
Total Intangible Assets	-	-	-	-
Other assets	4,639	4,639	4,639	4,639
Deferred Tax Assets	-	-	-	-
Total Assets	2,15,724	2,21,852	2,11,668	2,41,179
Liabilities				
Borrowings	90,602	50,750	22,668	22,668
Deferred Tax Liability	(2,100)	(2,100)	(2,399)	(2,100)
Equity Share Capital	4,818	5,117	5,117	5,117
Reserves & Surplus	1,21,809	1,67,459	1,85,626	2,14,809
Total Net Worth	1,26,627	1,72,576	1,90,743	2,19,926
Minority Interest	596	626	656	686
Total Liabilities	2,15,724	2,21,852	2,11,668	2,41,179

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24E	FY25E	FY26E
Operating Cashflow	14,752	17,283	21,096	34,040
Working Capital Changes	(1,090)	21,310	33,947	6,069
Capital Commitments	(755)	(270)	(270)	(270)
Free Cashflow	12,907	38,323	54,773	39,839
Other investing cashflow	18,533	67	131	197
Cashflow from Investing Activities	17,778	(203)	(139)	(73)
Issue of Share Capital	100	32,819	-	-
Inc (Dec) in Borrowings	(25,398)	(39,851)	(28,083)	-
Dividend paid	-	(2,317)	(3,206)	(5,150)
Others	-	-	-	-
Cash flow from Financing Activities	(25,299)	(9,350)	(31,289)	(5,150)
Chg. in Cash & Bank balance	6,141	29,040	23,615	34,886
Closing cash & balance	18,242	45,184	68,798	1,03,684

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24E	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	5.1	15.5	21.5	34.5
Adjusted EPS (Diluted)	5.1	15.5	21.5	34.5
Cash EPS	18.2	17.6	22.5	35.6
Dividend per share (DPS)	0.0	2.3	3.2	5.2
Book Value per share (BV)	131.4	173.5	191.8	221.1
Growth (%)				
Net Sales	2.6	13.0	7.0	31.5
EBITDA	(2.8)	22.3	10.3	41.8
EPS (INR)	38.4	(0.9)	29.6	60.6
Valuation Ratios (x)				
P/E	229.7	74.7	54.0	33.6
P/BV	8.8	6.7	6.0	5.2
EV / EBITDA	40.0	34.8	32.7	25.8
Dividend Yield (%)	0.0	0.2	0.3	0.4
Operating Ratios				
EBITDA Margins (%)	21.8	23.6	24.3	26.2
Net Profit Margins (%)	17.6	15.4	18.7	22.8
Net Debt / Equity (x)	0.6	0.0	(0.2)	(0.4)
Net Debt / EBITDA (x)	4.4	2.0	0.8	0.6
Profitability Ratios				
RoCE (%)	10.1	13.7	17.7	28.5
RoE (%)	13.4	11.0	11.8	16.7

Source Company data, I-Sec research

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