

Macrotech Developers

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	LODHA IN
Equity Shares (m)	963
M.Cap.(INRb)/(USDb)	1206.6 / 14.5
52-Week Range (INR)	1309 / 440
1, 6, 12 Rel. Per (%)	3/42/144
12M Avg Val (INR M)	1271

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	103.2	140.7	185.6
EBITDA	26.8	37.3	52.9
EBITDA (%)	25.9	26.5	28.5
Net profit	16.3	24.1	35.9
EPS (INR)	16.9	25.0	37.3
EPS Growth (%)	6.0	47.9	49.0
BV/Share (Rs)	183.5	206.3	241.3

Ratios

Net D/E	0.3	0.2	0.0
RoE (%)	10.7	12.8	16.7
RoCE (%)	8.6	10.5	14.4
Payout (%)	14.0	9.0	6.0

Valuations

P/E (x)	71.6	48.4	32.5
P/BV (x)	6.6	5.9	5.0
EV/EBITDA (x)	45.5	32.3	22.2
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	72.2	74.9	75.0
DII	3.3	3.2	4.4
FII	23.8	21.1	19.0
Others	0.7	0.8	1.6

CMP: INR1,212 **TP: INR1,415 (+17%)** **Buy**

Achieves guidance on pre-sales and debt

Aiming for 20% bookings growth in FY25

- Macrotech Developers (LODHA) achieved bookings of INR42.3b (in line with estimate), up 40%/24% YoY/QoQ. Further, the company achieved its guidance, recording pre-sales of INR145b for FY24, up 20% YoY.
- Sales volumes for 4Q increased 32% YoY to 3.3msf and blended realization rose 6% during the same period. In FY24, the company achieved volume of 11msf, up 19% YoY, and raised prices by 5% at the portfolio level.
- The company had a successful foray in Bengaluru as both its projects received strong response with 63% of the total launched inventory getting absorbed, resulting in bookings of INR12b (8% of overall sales).
- In line with its medium-term target, the company expects to deliver a 20% growth in pre-sales to INR175b in FY25. The growth will be largely driven by ~INR300b of ready and ongoing inventory and 10msf of launches with a GDV of ~INR121b, which can increase further with project additions in FY25.
- **Financial Performance:** LODHA reported the highest ever quarterly revenue of INR40b, up 23% YoY (8% above estimate). For FY24, revenue stands at INR103b, up 9% YoY. EBITDA (excl. other income) increased 36% YoY to INR10.5b, 13% above our estimate, as margin improved 250bp YoY to 26%. However, PAT came in at INR6.6b, down 11% YoY, on account of higher depreciation and tax. Full-year PAT stood at INR16b, up 5% YoY.

Achieves significant reduction in leverage, aided by capital raise

- LODHA reported collections of INR35b, up 20%/36% YoY/QoQ and OCF increased 32%/100% YoY/QoQ to INR21b. In FY24, collections and OCF were flat at INR107b and INR57b, respectively.
- During the quarter, it spent INR14b on land and JV-related investments. In FY24, the company achieved business development of INR203b – higher than its guidance of INR175b – with an investment of INR41b.
- Aided by the recent capital raise of INR33b, net debt further reduced by INR41b (INR11b from operations and INR30b from capital raise) to INR30b, which is <0.2x of equity.

Key concall highlights

- **Guidance:** The company is aiming to achieve bookings of INR175b, up 20% YoY. Of this, 5% will be driven by pricing, 4-5% from volumes, and the remaining from market share gains. The company is conservatively aiming for INR40b from Bengaluru and Pune operations in FY25.
- **BD:** The company will have a war chest of INR70b (INR50b post tax OCF and INR20b debt) including headroom for debt and it is targeting to spend 50% on new BD.
- **Township projects:** The company achieved INR22b in sales across two townships and anticipates a 30% growth in FY25, given the progress in infrastructure. The company plans to launch its first premium category product in Palava in FY25, targeting a realization of INR10k psf on saleable area vs. the current price of INR6k psf within the township.

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

Valuation and view: well placed to deliver consistent performance; retain BUY

- We marginally trim our FY25E/FY26E bookings by 4% due to reduced launches. Overall, LODHA has been delivering a steady performance across its key parameters of pre-sales, cash flows, business development, profitability, and return ratios over the last two years.
- As it prepares itself to capitalize on the strong growth and consolidation opportunities, we expect LODHA to continue recording consistent operational performance.
- Further, the recent capital raise can provide firepower to target aggressive growth when opportunities arise. Our terminal growth rate of 5% in our DCF-based methodology is the least it can achieve in the long term, leaving further headroom for re-rating.
- **Reiterate BUY with an increased TP of INR1,415, indicating 17% upside potential.**

Financial Performance (INR m)

Y/E March	FY23				FY24E				FY23	FY24	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%/bp)
Gross Sales	26,758	17,654	17,738	32,554	16,174	17,496	29,306	40,185	94,704	1,03,161	37,262	8
YoY Change (%)	67	-17	-14	-5	-40	-1	65	23	2.6	8.9	14.5	
Total Expenditure	22,091	13,414	13,701	24,837	12,874	13,335	20,479	29,716	74,042	76,404	27,989	
EBITDA	4,667	4,240	4,038	7,717	3,300	4,161	8,827	10,469	20,661	26,757	9,273	13
Margins (%)	17.4	24.0	22.8	23.7	20.4	23.8	30.1	26.1	21.8	25.9	24.9	
Adj. EBITDA (as per co.)	9,030	5,250	5,700	9,800	4,600	5,500	10,800	13,400	29,780	34,300	9,273	45
Margins (%)	33.7	29.7	32.1	30.1	28.4	31.4	36.9	33.3	31.4	33.2	24.9	
Depreciation	196	219	217	296	240	293	333	1,173	928	2,039	212	
Interest	1,193	1,249	1,176	1,172	1,241	1,231	1,168	1,158	4,791	4,798	1,101	5
Other Income	0	-42	1,286	163	544	55	281	654	1,408	1,534	376	74
PBT before EO expense	3,278	2,730	3,931	6,412	2,363	2,692	7,607	8,792	16,350	21,454	8,335	5
Extra-Ord expense	0	-11,774	0	0	0	0	1,049	0	-11,774	-1,049	0	
PBT	3,278	-9,044	3,931	6,412	2,363	2,692	6,558	8,792	4,576	20,405	8,335	5
Tax	559	270	-119	-1,080	556	624	1,439	2,115	-370	4,734	2,368	
Rate (%)	17.0	-3.0	-3.0	-16.8	23.5	23.2	21.9	24.1	-0.1	0.2	28.4	
MI & P/L of Asso. Cos.	6	16	0	58	15	40	67	7	80	180	33	
Reported PAT	2,713	-9,330	4,050	7,434	1,792	2,028	5,052	6,670	4,866	15,491	5,934	12
Adj PAT (as per co.)	1,200	3,670	3,000	7,500	1,700	2,100	5,700	6,670	15,370	16,170	5,934	12
YoY Change (%)	-2	28	8	31	42	-43	90	-11	21.9	5.2	-20.9	
Margins (%)	4.5	20.8	16.9	23.0	10.5	12.0	19.4	16.6	16.2	15.7	15.9	67bp

Operational Performance

Key metrics	FY23				FY24				FY23	FY24	FY24E	Variance
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%/bp)
Sale Volume (msf)	2.2	2.1	2.5	2.5	2.8	2.6	2.6	3.3	9.3	10.9	2.9	13
Sale Value (INRb)	28.1	31.5	30.7	30.3	33.5	35.3	34.1	42.3	120.6	145.2	41.6	2
Collections (INRb)	26.2	23.8	26.8	29.3	24.0	27.5	25.9	35.1	106.0	112.5	35.4	-1
Realization (INR/sft)	11,027	13,743	11,920	11,680	11,429	13,308	12,192	12,394	12,056	13,284	14,206	-13

Source: Company, MOFSL

Key exhibits

Exhibit 1: Reported pre-sales of INR42b, up 32% YoY

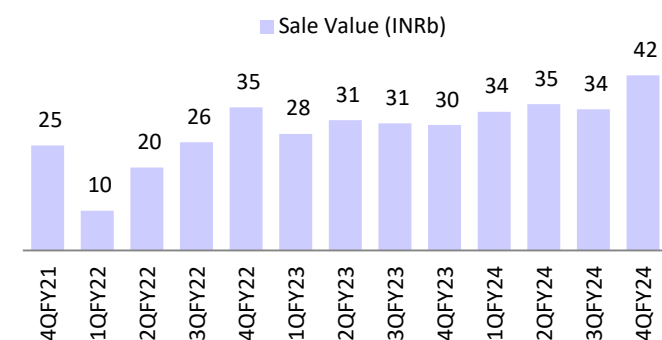


Exhibit 2: Company launched 5msf in 4Q

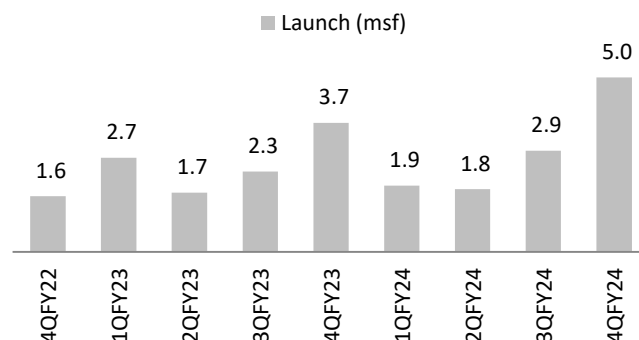


Exhibit 3: Steady performance in under-penetrated markets

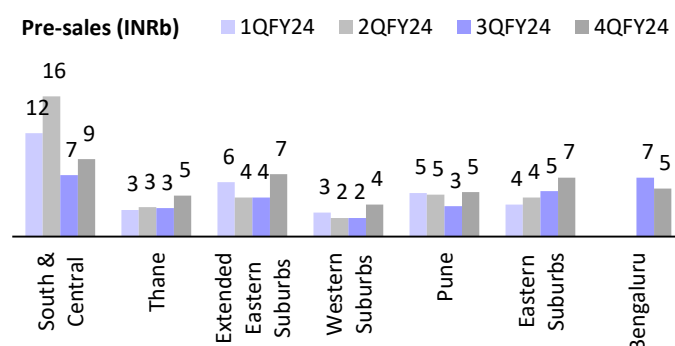


Exhibit 4: Strong launch pipeline of 10msf for the next 12 months

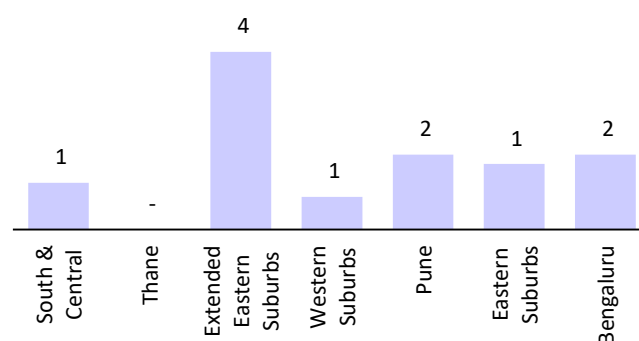


Exhibit 5: Launch pipeline for FY25 has a healthy mix of Own/JDA projects

Micro-market	Own/JDA	Area (msf)	Est. GDV (INRb)	No. of Projects
Eastern Suburbs	JDA	0.2	6.0	1
Eastern Suburbs	Own	0.7	10.0	1
Extended Eastern Suburbs	Own	0.5	4.4	1
Pune	Own	0.5	3.9	1
South Central	JDA	1.0	22.0	2
Western Suburbs	JDA	0.5	9.5	1
Total		3.4	55.8	7
At existing projects	Own	5.3	45.5	6
	JDA	1.4	19.8	4
Total	JDA	6.7	65.3	10
Grand Total		10.1	121.1	17.0

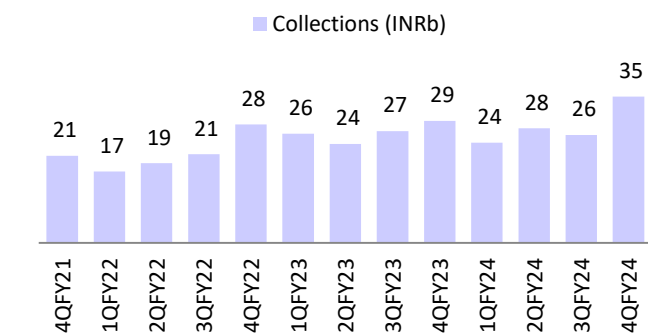
Source: Company, MOSL

Exhibit 6: In FY24, it signed new projects worth GDV of INR203b

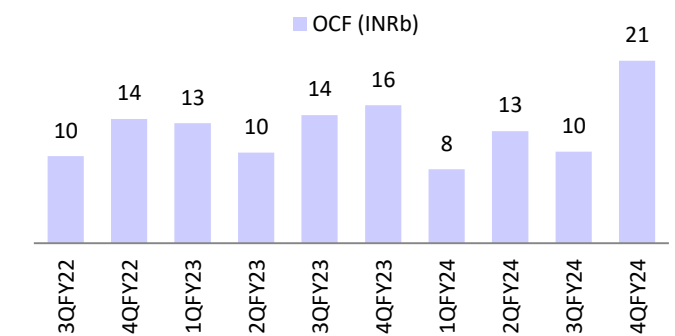
Micro-market	Saleable Area (msf)	Est GDV (INRb)
Signed in 9MFY24		
MMR - South Central	4.3	74
MMR - South Central	1.1	16
MMR - South Central	0.4	12
MMR - Western Suburbs	0.3	10
Bengaluru - South	1	8
MMR - Eastern Suburbs	0.7	13
MMR - Western Suburbs	0.5	10
MMR - South Central	0.8	24
MMR - South Central	0.8	24
MMR - South Central	0.4	12
Total	10	203

Exhibit 7: Annualized cost inflation for the company's portfolio moderated since Mar'21

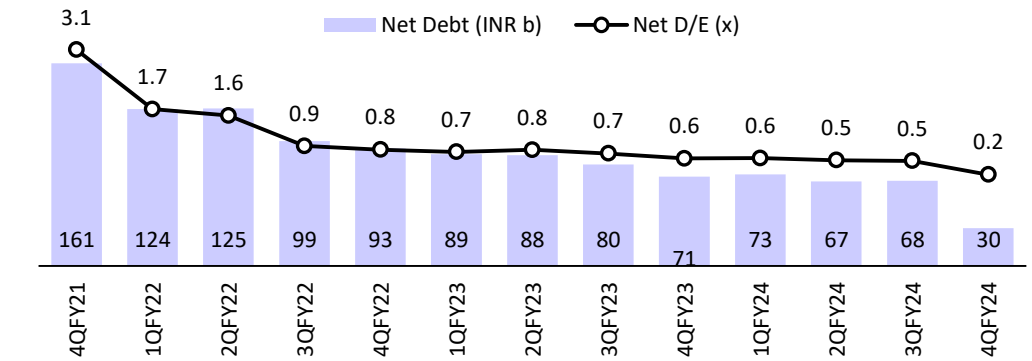
Commodity/ Component	% Share in total cost	% Change over Mar'21 to Mar'22	Mar'21 to Mar'24	
			% Change	Weighted Impact
Steel	12.9	35.1	-3.9	-0.5
Flooring Tiles	5.0	23.9	15.3	0.8
Electrical/Plumbing	11.8	10.1	5.0	0.6
Labour	34.4	3.0	7.1	2.5
External Windows	3.9	21.9	9.2	0.4
RMC	11.0	6.3	13.9	1.5
Lifts & Elevators	3.3	16.6	37.7	1.2
Carpentry Materials	3.5	15.5	7.6	0.3
Painting	3.8	13.1	33.6	1.3
Overall		13.7		10.6

Exhibit 8: Collections increased 20% YoY to INR35b

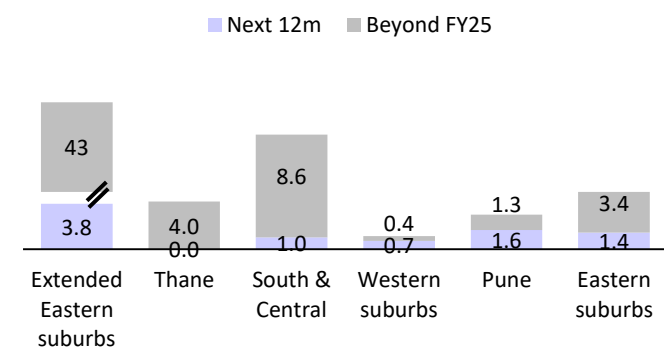
Source: MOFSL, Company

Exhibit 9: The company generated an OCF of INR21b

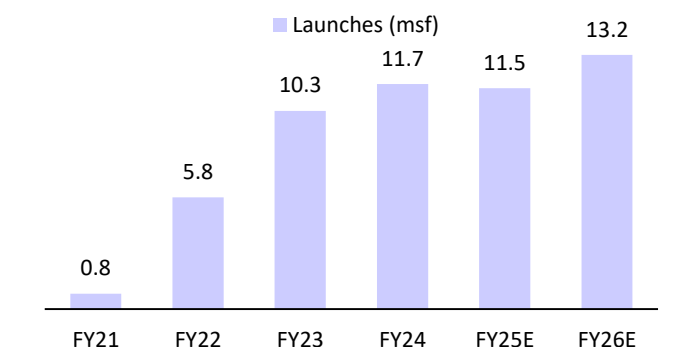
Source: MOFSL, Company

Exhibit 10: Post the recent capital raise, net debt is down to INR30b

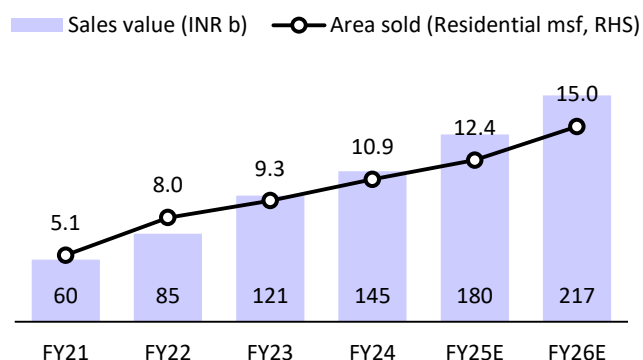
Source: MOFSL, Company

Exhibit 11: The company has a strong ~70msf of pipeline to be launched in the medium term

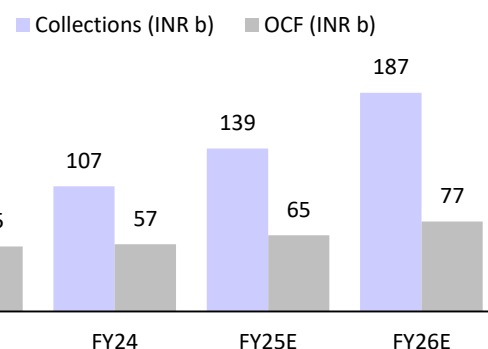
Source: Company, MOFSL

Exhibit 12: Expect launches to further sustain at 10msf+

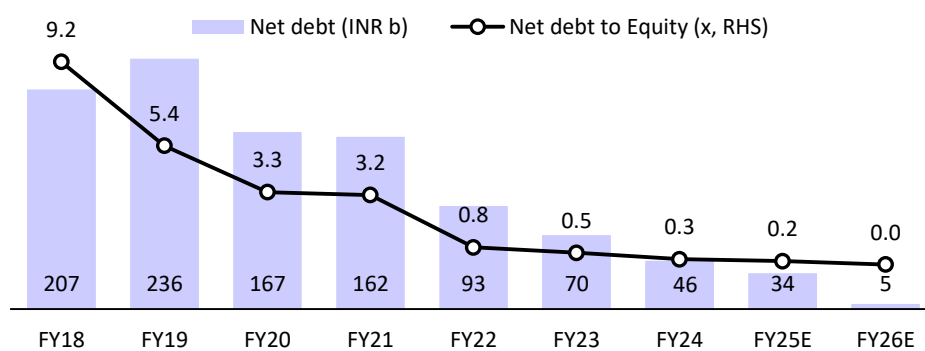
Source: Company, MOFSL

Exhibit 13: To report 23% CAGR in pre-sales over FY24-26 to INR217b

Source: MOFSL, Company

Exhibit 14: Expect the company to generate ~INR60b OCF by FY25

Source: MOFSL, Company

Exhibit 15: Company is aiming to maintain the net D/E below 0.5x

Source: MOFSL, Company

Exhibit 16: Our earnings revision summary

(INR m)	Old		New		Change	
	FY25E	FY25E	FY25E	FY26E	FY25E	FY26E
Revenue	1,40,643	1,82,268	1,40,311	1,85,070	0%	2%
EBITDA	37,270	51,946	37,182	52,745	0%	2%
Adj. PAT	23,863	34,702	24,026	35,741	1%	3%
Pre-sales	1,87,501	2,26,933	1,79,761	2,17,918	-4%	-4%
Collections	1,31,394	1,50,216	1,26,443	1,47,948	-4%	-2%
OCF	60,280	75,826	64,814	75,295	8%	-1%

Source: MOFSL, Company

Highlights from management commentary

Pune Market

- It is a fragmented market with over 100 developers. The share of large developers is less, but is growing gradually.
- The company has 9msf of projects under development across all major micro-markets. Pre-sales from Pune has now grown to INR18b vs. INR11b in FY23.
- LODHA is already among the top five players and is on way to become the largest player in 4-5 years. The company is targeting 15-20% market share by end of the decade (5% now).

Others

- Competition is certainly intensifying with the entry of new players into the Mumbai market. Currently, the company holds a 10% market share, while large

developers collectively control 20-25% of the market. This provides ample opportunity for consolidation.

- 40 different projects contribute to sales, lowering the dependency on a few large projects.
- Construction spend during the year was lower than expected and it will ramp up to over INR50b in FY25.

Valuation and view: On track for consistent growth; reiterate BUY

- We value LODHA on an SoTP basis: 1) The residential segment is valued using the DCF of four-year cash flows at a WACC of 12% and a terminal growth rate of 5%; 2) the commercial business is valued at a cap rate of 8% for operational assets and DCF for ongoing assets.
- We arrive at a NAV of INR1,364b, assuming net debt of INR34b in FY25. Applying zero discount to its NAV, we arrive at a TP of INR1,415, indicating a 17% upside potential.

Exhibit 17: Based on our SoTP approach, we arrive at a NAV of INR1,364b (or INR1,415 per share), implying a 17% upside potential

Particulars		Value (INR b)	Per share	% contribution	% of CMP
Residential	❖ DCF of 4 years cash flow at WACC of 12% and terminal value assuming 5% long term growth	1,253	1,301	92%	107%
Commercial	❖ Cap rate of 8.5% for operational assets and DCF for ongoing assets	30	31	2%	3%
Industrial	❖ PV of future cash flows discounted at WACC of 12%	115	119	8%	10%
Gross asset value		1,398	1,451	102%	120%
Net debt	FY25E	(34)	(35)	-2%	-3%
Net asset value		1,364	1,416	100%	117%
No. of share (m)		963.0			
Price Objective		1,415			
CMP		1,212			
Upside		17%			

Source: MOFSL, Company

Financials and valuations

Consolidated Income Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	1,24,426	54,486	92,332	94,704	1,03,161	1,40,727	1,85,638
Change (%)	4.5	-56.2	69.5	2.6	8.9	36.4	31.9
Total Expenditure	1,05,353	40,766	71,085	74,042	76,404	1,03,434	1,32,731
% of Sales	84.7	74.8	77.0	78.2	74.1	73.5	71.5
EBITDA	19,073	13,720	21,247	20,661	26,757	37,293	52,907
Margin (%)	15.3	25.2	23.0	21.8	25.9	26.5	28.5
Depreciation	2,924	734	748	928	2,039	888	933
EBIT	16,149	12,985	20,499	19,733	24,718	36,405	51,974
Int. and Finance Charges	6,544	11,257	6,803	4,791	4,798	3,349	2,349
Other Income	435	3,231	3,460	1,408	1,534	1,628	1,928
PBT bef. EO Exp.	10,039	4,959	17,156	16,350	21,454	34,684	51,553
EO Items	2	-4,628	0	-11,774	-1,049	0	0
PBT after EO Exp.	10,041	332	17,156	4,576	20,405	34,684	51,553
Total Tax	2,615	-147	5,080	-370	4,734	10,405	15,466
Tax Rate (%)	26.0	-44.4	29.6	-8.1	23.2	30.0	30.0
Minority Interest	139	77	61	80	180	180	180
Reported PAT	7,286	402	12,014	4,866	15,491	24,099	35,907
Adjusted PAT	7,285	7,084	12,014	15,370	16,297	24,099	35,907
Change (%)	-55.5	-2.8	69.6	27.9	6.0	47.9	49.0
Margin (%)	5.9	13.0	13.0	16.2	15.8	17.1	19.3

Consolidated Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	3,959	3,959	4,815	4,815	9,945	9,945	9,945
Total Reserves	41,564	42,031	1,16,235	1,21,809	1,66,748	1,88,680	2,22,421
Net Worth	45,523	45,990	1,21,050	1,26,624	1,76,693	1,98,625	2,32,366
Minority Interest	5,192	5,269	568	596	647	647	647
Total Loans	1,84,232	1,81,669	1,15,367	90,602	76,976	56,976	36,976
Deferred Tax Liabilities	-935	-2,098	1,911	332	1,637	10,365	23,183
Capital Employed	2,34,011	2,30,829	2,38,896	2,18,153	2,55,953	2,66,613	2,93,172
Gross Block	17,499	17,608	18,318	19,487	15,845	16,732	17,665
Less: Accum. Deprn.	5,649	6,383	7,130	8,059	10,098	10,985	11,918
Net Fixed Assets	11,851	11,226	11,187	11,429	5,747	5,747	5,747
Investment Property	2,882	2,767	2,650	1,539	1,463	1,463	1,463
Goodwill on Consolidation	5,477	5,471	5,388	5,303	4,520	4,520	4,520
Capital WIP	63	63	0	0	0	0	0
Total Investments	15,529	15,794	5,740	2,460	4,929	4,749	4,569
Curr. Assets, Loans&Adv.	3,70,188	3,55,663	3,59,824	3,70,816	4,55,593	4,86,612	5,61,363
Inventory	2,90,314	2,83,007	2,73,583	3,01,167	3,39,930	3,66,276	4,06,878
Account Receivables	7,943	6,545	6,461	7,393	7,999	5,783	7,629
Cash and Bank Balance	1,870	3,668	12,457	18,242	26,348	18,237	27,540
Loans and Advances	70,061	62,442	67,322	44,013	81,316	96,316	1,19,316
Curr. Liability & Prov.	1,71,979	1,60,153	1,45,892	1,73,393	2,16,299	2,36,478	2,84,490
Account Payables	22,728	16,978	15,087	20,962	25,790	26,989	35,602
Other Current Liabilities	1,49,012	1,42,963	1,30,581	1,52,129	1,90,173	2,09,154	2,48,552
Provisions	239	212	224	302	336	336	336
Net Current Assets	1,98,210	1,95,509	2,13,932	1,97,422	2,39,294	2,50,134	2,76,873
Appl. of Funds	2,34,011	2,30,829	2,38,896	2,18,153	2,55,953	2,66,613	2,93,172

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	20.7	9.2	8.9	12.5	16.0	16.9	25.0	37.3
Cash EPS	23.1	12.9	9.9	13.3	16.9	19.0	25.9	38.3
BV/Share	48.5	57.5	58.1	125.7	131.5	183.5	206.3	241.3
DPS	0.0	0.0	0.0	0.0	0.0	2.3	2.3	2.3
Payout (%)	0.0	0.0	0.0	0.0	0.0	14.0	9.0	6.0
Valuation (x)								
P/E	36.6	82.2	84.5	60.6	47.4	71.6	48.4	32.5
Cash P/E	32.7	58.6	76.6	57.0	44.7	63.7	46.7	31.7
P/BV	15.6	13.1	13.0	6.0	5.7	6.6	5.9	5.0
EV/Sales	7.1	6.3	14.3	9.0	8.5	11.8	8.6	6.3
EV/EBITDA	26.8	40.9	56.6	39.1	38.7	45.5	32.3	22.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2
FCF per share	-7.1	47.3	32.0	27.4	28.7	0.0	19.9	35.6
Return Ratios (%)								
RoE	54.0	17.4	15.5	14.4	12.4	10.7	12.8	16.7
RoCE	7.4	4.2	10.2	7.3	10.1	8.6	10.5	14.4
RoIC	7.9	4.8	8.8	6.7	10.2	9.0	10.9	14.4
Working Capital Ratios								
Fixed Asset Turnover (x)	6.7	7.1	3.1	5.0	4.9	6.5	8.4	10.5
Asset Turnover (x)	0.4	0.5	0.2	0.4	0.4	0.4	0.5	0.6
Inventory (Days)	1,273	852	1,896	1,082	1,161	1,203	950	800
Debtor (Days)	15	23	44	26	28	28	15	15
Creditor (Days)	69	67	114	60	81	91	70	70
Leverage Ratio (x)								
Current Ratio	2.3	2.2	2.2	2.5	2.1	2.1	2.1	2.0
Interest Cover Ratio	5.4	2.5	1.2	3.0	4.1	5.2	10.9	22.1
Net Debt/Equity	6.5	4.0	3.9	0.9	0.6	0.3	0.2	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	24,889	10,007	4,959	17,156	4,576	20,405	34,684	51,553
Depreciation	1,944	3,064	734	748	928	2,039	888	933
Interest & Finance Charges	30,032	31,119	25,246	19,923	13,890	8,798	6,698	4,698
Direct Taxes Paid	-3,116	-821	857	-1,778	-2,110	-400	-1,678	-2,648
(Inc)/Dec in WC	-59,476	-4,112	-1,218	-7,271	-1,091	-33,766	-18,951	-17,436
CF from Operations	-5,726	39,257	30,579	28,778	16,194	-2,924	21,641	37,100
Others	1,095	-1,525	-5,339	-2,500	11,306	-1,534	-1,628	-1,928
CF from Operating incl EO	-4,632	37,732	25,239	26,278	27,499	-4,458	20,013	35,172
(Inc)/Dec in FA	-991	-292	65	78	149	4,426	-888	-933
Free Cash Flow	-5,622	37,439	25,304	26,356	27,648	-32	19,125	34,239
(Pur)/Sale of Investments	-300	-2,822	-176	1,491	6,817	-2,573	0	0
Others	-552	5,231	4,310	9,820	10,812	1,534	1,628	1,928
CF from Investments	-1,843	2,117	4,199	11,389	17,778	3,387	740	995
Issue of Shares	0	0	0	63,466	100	5,130	0	0
Inc/(Dec) in Debt	37,050	-11,362	-10,325	-72,916	-25,393	-13,626	-20,000	-20,000
Interest Paid	-29,691	-30,534	-18,027	-19,427	-11,756	-8,798	-6,698	-4,698
Dividend Paid	0	0	0	0	0	-1,926	-2,167	-2,167
Others	0	0	0	0	-6	0	0	0
CF from Fin. Activity	7,359	-41,896	-28,351	-28,878	-37,054	-19,220	-28,864	-26,864
Inc/Dec of Cash	885	-2,047	1,087	8,789	8,223	-20,291	-8,111	9,303
Opening Balance	2,552	6,575	1,870	3,668	12,457	20,680	389	-7,722
Closing Balance	3,437	4,529	2,956	12,457	20,680	389	-7,722	1,581

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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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