

## Macrotech Developers (LODHA)

**MACROTECH DEVELOPERS LIMITED (LODHA) is one of the largest real estate developers in India, by residential Sales value for the financial years 2014 to 2020. Its core business is residential real estate developments with a focus on affordable and mid-income housing. In 2019, it forayed into the development of logistics and industrial parks and entered into a joint venture with ESR, it also developed commercial real estate, including as part of mixed-use developments.**

**Positives:** (a) One of India's largest residential real estate developers, Lodha having a market share of more than 10% in micro markets of MMR Market (b) Diversified portfolio across price points and micro-markets in the MMR with a focus on affordable and mid-income housing. (c) Change in customer preference of buying ready to move inventory will help the company to increase its market share in MMR region as the company has significant inventory of completed units. (d) We have seen a very good housing demand after the sector was hit by the covid pandemic, sales momentum to continue for Lodha developers in near future.

**Investment concerns:** (a) Lodha developers having a net debt of 16700 crores as on 31st December 2020, any downturn in industry may affect the company significantly. (b) Company product portfolio is too concentrated on the residential market of MMR region any change in rule and regulation by authority may affect the company significantly. (c) Company not able to generate significant positive cash flow for the shareholder in the last 3 years and may continue to have negative cash flows in the near future.

**Outlook & Valuation:** Company has a strong brand in affordable and mid income housing projects, but is not able to deliver the growth in sales and free cash flow in the last couple of years. The company has posted sales degrowth of 68% in 9MFY21 and reported a negative profit after tax of 265 crores. Given weak revenue growth in the past and leverage balance sheet we **assign a "NEUTRAL" rating to the IPO**

### Key Financials

Y/E March (₹ cr)	FY2018	FY2019	FY2020	9MFY2021
<b>Net Sales</b>	13,527	11,907	12,443	2,915
% chg	-	-12.0	4.5	-68.6
<b>Net Profit</b>	1,789	1,644	745	-264
% chg	-	-8.1	-54.7	-152.5
EBITDA (%)	24	27	15	19
<b>EPS (Rs)</b>	45.2	41.5	18.8	(6.7)
P/E (x)	10.8	11.7	25.8	-
P/BV (x)	8.5	4.4	3.8	4.0
ROE (%)	79.4	37.6	14.7	-
ROCE (%)	11.5	10.6	6.7	2.1
EV/EBITDA	12.5	13.3	19.4	66.5
EV/Sales	3.1	3.5	3.0	12.9

Source: Company, Angel Research.

Note: Valuation ratios at upper price band.

Please refer to important disclosures at the end of this report

## NEUTRAL

Issue Open: April 7, 2021

Issue Close: April 9, 2021

### Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹396 cr

Offer for Sale: N/A

Fresh issue: 5.1 crore shares

Post Eq. Paid up Capital: ₹ 448 cr

Issue size (amount): ₹2500 cr

Price Band: ₹483-₹486

Lot Size: 30 shares and in multiple thereafter

Post-issue mkt. cap: \*₹21605 cr - \*\*₹21740 cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 88.5%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	88.5%
Others	11.5%

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## Company background

Company core competency lies in professionally managing the real estate value chain as we have in-house capabilities to deliver a project from conceptualization to completion. Its brands include “Lodha”, “CASA by Lodha” and “Crown – Lodha Quality Homes” for affordable and mid-income housing projects, the “Lodha” and “Lodha Luxury” brands for premium and luxury housing projects, and the “iThink”, “Lodha Excelus” and “Lodha Supremus” brands for office spaces. Lodha group has been involved in the real estate business since 1986. It commenced its operations in Mumbai, developing affordable housing projects in the suburbs of Mumbai, and later diversified into other segments and regions in the MMR and Pune. Its large townships are located at Palava (Navi Mumbai, Dombivali Region) and Upper Thane (Thane outskirts).

## Issue details

The issue comprises of fresh issues of up to Rs. 2500 crore in the price band of ₹483-486.

### Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	395,878,000	100.0	350,352,030	88.5
Public	0	0.0	96,966,299	11.5
<b>Total</b>	<b>395,878,000</b>	<b>100.0</b>	<b>447,318,329</b>	<b>100.0</b>

Source: Company, Angel Research & RHP.

## Objectives of the Offer

- Repayment/ Reduction of the aggregate outstanding borrowings of our Company on a consolidated basis
- Acquisition of land or land development rights
- General corporate purpose

## Key Management Personnel

**Mukund Manohar Chitale**, aged 71 years, is an Independent Director and Chairman of the Company. He holds a bachelor's degree in commerce from the University of Mumbai and is a qualified Chartered Accountant. He was appointed as an Independent Director of the Company with effect from November 23, 2016. He has nearly 43 years of experience as a practicing Chartered Accountant. He is a fellow member of ICAI and has served as the President of ICAI in the year 1997-1998. He was also the Chairman of the Ethics Committee of BSE. He was a member of Advisory Board on Bank, Commercial and Financial Frauds of Central Vigilance Commission.

**Abhishek Mangal Prabhat Lodha**, aged 41 years, is the Managing Director and Chief Executive Officer of Company. He holds a master's degree in science (industrial and systems engineering (supply chain & logistics) from Georgia Institute of Technology. He was appointed as the Managing Director of the Company with effect from March 9, 2016 and was reappointed as 'Managing Director and Chief Executive Officer' with effect from March 1, 2018.

**Rajendra Narpatmal Lodha**, aged 54 years, is a Whole-Time Director of the Company. He holds a bachelor's degree in civil engineering from M.B.M. Engineering College, University of Jodhpur, Jodhpur. He ceased to be the Director of the Company from March 9, 2016 and was re-appointed with effect from June 21, 2016.

**Rajinder Pal Singh**, aged 69 years, is a Non-Executive Director of the Company. He holds a post graduate degree in mathematics from Advanced Centre for Pure Mathematics, Punjab University, Chandigarh.

**Raunika Malhotra**, aged 41 years, is a Whole-Time Director of the Company. She is President – Marketing and Corporate Communications of the Lodha group. She has been with the Lodha group for 12 years, including two years as Deputy Regional Chief Executive Officer. She holds a bachelor's degree in engineering (electronics and telecommunication branch) from the University of Pune and a post-graduate diploma in industrial engineering from the National Institute of Industrial Engineering, Mumbai.

## Consolidated Profit &amp; Loss Statement

Y/E March (₹ cr)	FY2018	FY2019	FY2020	9MFY2021
<b>Total operating income</b>	13,527.2	11,907.0	12,442.6	2,915.0
% chg	-	-12.0	4.5	-68.6
<b>Total Expenditure</b>	10,237.5	8,739.9	10,522.3	2,351.4
Cost of Projects	8,908.5	7,378.0	9,550.0	2,052.4
Employee Benefits Expense	493.0	389.9	390.4	201.5
Other Expenses	836.1	972.1	581.9	97.6
<b>EBITDA</b>	3,289.7	3,167.0	1,920.3	563.6
% chg	-	-3.7	-39.4	-65.8
(% of Net Sales)	24.3	26.6	15.4	19.3
Depreciation & Amortization	397.9	194.4	306.4	56.4
<b>EBIT</b>	2,891.7	2,972.6	1,613.9	507.2
% chg	-	2.8	-45.7	-64.9
(% of Net Sales)	21.4	25.0	13.0	17.4
Finance costs	381.6	555.6	731.5	811.0
Other income	199.4	71.9	118.4	245.5
(% of Sales)	1.5	0.6	1.0	8.4
<b>Recurring PBT</b>	2,709.5	2,488.9	1,000.8	-58.3
% chg	-	-8.1	-59.8	-106.1
Exceptional item	-	-	5.6	-463.0
Tax	-920.1	-844.9	-261.5	257.0
<b>PAT (reported)</b>	1,789.4	1,644.0	744.8	-264.3
% chg	-	-8.1	-54.7	-152.5
(% of Net Sales)	13.2	13.8	6.0	-9.1
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	45.2	41.5	18.8	-6.7

Source: Company, Angel Research

**Consolidated Balance Sheet**

Y/E March (₹ cr)	FY2018	FY2019	FY2020	9MFY21	9MFY20
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	395.9	395.9	395.9	395.9	395.9
Other equity (Retained Earning)	1,823.2	3,445.1	4,156.4	3,891.0	4,014.8
<b>Shareholders' Funds (NCI)</b>	<b>2,254.9</b>	<b>4,375.8</b>	<b>5,071.5</b>	<b>4,812.1</b>	<b>4,819.7</b>
<b>Total Loans</b>	<b>22,600.4</b>	<b>23,362.3</b>	<b>18,414.2</b>	<b>18,633.5</b>	<b>22,585.7</b>
Other liabilities	264.5	245.8	424.1	434.0	539.4
<b>Total Liabilities</b>	<b>25,119.9</b>	<b>27,984.0</b>	<b>23,909.7</b>	<b>23,879.6</b>	<b>27,944.8</b>
<b>APPLICATION OF FUNDS</b>					
Property, Plant and Equipment	1,285.3	1,282.7	1,185.1	1,136.4	1,228.6
Capital Work-in-Progress	5.9	6.3	6.3	6.3	6.3
Investment Property	199.0	193.3	288.2	281.4	290.5
Goodwill	748.1	661.1	546.7	546.7	610.9
Other Intangible Assets	2.4	1.7	1.0	0.5	1.3
Investments by Equity Method	14.0	14.0	58.3	58.5	58.1
<b>Current Assets</b>	<b>44,022.6</b>	<b>46,650.4</b>	<b>33,487.7</b>	<b>33,750.3</b>	<b>44,976.1</b>
Inventories	39,163.5	41,512.4	29,031.4	29,200.1	39,782.6
Investments	1,248.6	1,269.4	1,290.4	1,298.4	1,244.1
Loans	563.2	480.2	416.7	413.8	486.3
Trade Receivables	734.0	484.3	794.3	650.2	708.6
Cash and Cash Equivalents	255.2	352.5	118.5	205.1	257.9
Cash and Cash Equivalents	267.2	305.0	68.4	90.3	571.0
Other Financial Assets	517.2	750.5	616.4	680.7	662.5
Other Current Assets	1,273.7	1,495.9	1,151.6	1,211.7	1,263.2
Current Liability	22,691.4	21,880.0	16,782.8	16,715.0	20,082.3
<b>Net Current Assets</b>	<b>21,331.2</b>	<b>24,770.4</b>	<b>16,704.9</b>	<b>17,035.3</b>	<b>24,893.8</b>
Other Non Current Asset	1,533.9	1,054.5	5,119.3	4,814.6	855.1
<b>Total Assets</b>	<b>25,119.9</b>	<b>27,984.0</b>	<b>23,909.7</b>	<b>23,879.6</b>	<b>27,944.8</b>

Source: Company, Angel Research

### Cash Flow Statement

Y/E March (₹cr)	FY2018	FY2019	FY2020	9MFY21	9MFY20
Operating profit before changes	6,025	5,795	4,266	1,514	3,433
Net changes in working capital	-4,765	-5,947	-411	-213	-1,114
Cash generated from operations	1,260	-151	3,855	1,301	2,319
Direct taxes paid (net of refunds)	-564.6	-311.5	-82.1	135.8	-55.6
<b>Operating Activities (A)</b>	<b>696</b>	<b>-463</b>	<b>3,773</b>	<b>1,436</b>	<b>2,263</b>
Purchase of Non-Current Investments	-526.9	-10.7	-82.6	-13.3	-159.8
Loans (Given)/ Received back (Net)	-184.4	-66.1	471	309.1	41.6
Interest received	96.3	22.1	44.2	15.4	32.1
Sale/ (Purchase) of Current Investments	-31.3	-19.2	-199.5	1.0	28.2
Others	-8.9	-110.4	-21.3	-21.8	-7.0
<b>Investing Activity (B)</b>	<b>-655.2</b>	<b>-184.3</b>	<b>211.7</b>	<b>290.4</b>	<b>-64.9</b>
Proceeds from Borrowings	12972	11087	5389	888	1138
Finance Costs Paid	-3021	-2969	-3053	-1080	-2346
Repayment of Borrowings	-9927	-7872	-6497	-1453	-1057
Proceeds Opt Convert Deb	0	500	0	0	0
Repayment Opt Convert Deb	0	-10	-28.2	0	-28.2
<b>Financing Activity (C)</b>	<b>24</b>	<b>736</b>	<b>-4,189</b>	<b>-1,645</b>	<b>-2,294</b>
Inc./ (Dec.) in Cash	64.7	88.5	-204.7	81.5	-95.7
<b>Opening Cash balances</b>	<b>185.8</b>	<b>255.2</b>	<b>352.5</b>	<b>118.5</b>	<b>352.5</b>
<b>Closing Cash balances</b>	<b>250.5</b>	<b>343.7</b>	<b>147.9</b>	<b>200.0</b>	<b>256.9</b>
Net Effect of Exchange	4.7	8.9	-29.3	5.0	1.0
<b>Closing Cash balances (Net)</b>	<b>255.2</b>	<b>352.5</b>	<b>118.5</b>	<b>205.1</b>	<b>257.9</b>

Source: Company, Angel Research

### Key Ratios

Y/E March	FY2018	FY2019	FY2020	9MFY2021	9MFY2020
<b>Valuation Ratio (x)</b>					
P/E (on FDEPS)	10.8	11.7	25.8	-	38.2
P/CEPS	8.8	10.5	18.3	-	27.3
P/BV	8.5	4.4	3.8	4.0	4.0
EV/Sales	3.1	3.5	3.0	12.9	4.5
EV/EBITDA	12.5	13.3	19.4	66.5	25.1
<b>Per Share Data (Rs)</b>					
EPS (Basic)	45.2	41.5	18.8	(6.7)	12.7
EPS (fully diluted)	45.2	41.5	18.8	(6.7)	12.7
Cash EPS	55.3	46.4	26.6	(5.3)	17.8
Book Value	57.0	110.5	128.1	121.6	121.7
<b>Returns (%)</b>					
ROE	79.4	37.6	14.7	-	10.4
ROCE	11.5	10.6	6.7	2.1	5.2
<b>Turnover ratios (x)</b>					
Receivables (days)	33.7	38.9	37.9	162.6	49.0
Inventory (days)	1,056.7	1,272.5	851.6	3,656.3	1,565.9
Payables (days)	612.3	670.7	492.3	2,092.9	790.5
Working capital cycle (days)	478.2	640.7	397.2	1,725.9	824.4

Source: Company, Angel Research

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