

# HSIE Results Daily

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- Macrotech Developers:** Macrotech Developers Ltd (MDL) reported its highest-ever annual presales of 9.3msf (+16% YoY), valued at INR 120bn (+33% YoY), beating its own guidance of INR 115bn. This was on the back of robust launches of 10.5msf (+81% YoY). For FY24, MDL is expecting INR 145bn in presales (+20% YoY), with INR 7-10bn coming from two pilot projects in Bengaluru, INR 20+bn from Pune and the rest from MMR. This 20% growth in presales will be driven by 5-6% growth in price (8% growth seen in FY23) and the rest from higher footfalls and conversion. The overall conversion rate was 7.5% in FY23 (6.8% in FY22). Presales in Township are strong and were INR 23bn (+16% YoY). This was on the back of a price increase of 5.5% and a higher conversion rate of 10%. MDL targets to achieve an overall INR 210bn of annual presales by FY26. The net debt fell short of its target and FY23 ended at INR 70bn, mainly on the back of robust BD activity. It added INR 198bn worth of GDV in FY23 and aims to add more than INR 175bn GDV in FY24, mostly via the JDA route (the current mix has 40% JDA project). We reiterate BUY with an unchanged SOTP valuation of INR 1,249/sh.

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# IndusInd Bank

## Strong P&L; sub-par balance sheet

IndusInd Bank (IIB) reported its highest-ever quarterly earnings, mainly led by strong loan growth (+21% YoY), stable margins and sustained traction in fee income. However, elevated gross slippages at 2.4%, primarily from MFI (~13%) and corporate book (~11%) in addition to higher credit costs (142bps) suggest that IIB is having to operate at the higher end of the risk spectrum, especially given its historically sub-par / non-granular deposit profile. Over its next three-year planning cycle, IIB is focusing on achieving deposit granularity through its branch expansion strategy. However, we believe that IIB faces structural challenges in a deposit-constrained environment, translating into sub-optimal operating leverage from continued investments on both sides of the balance sheet. We trim our FY24E/FY25E estimates to factor in elevated credit costs, and higher opex, offset by NIM refraction (higher mix of the fixed-rate portfolio). We maintain REDUCE with a revised TP of INR1,025 (1.1x Mar-25 ABVPS).

- **In-line operating performance:** IIB reported strong NII growth (+17.2% YoY), led by stable margins (4.3%) and healthy loan growth (+21% YoY). Consumer finance grew by 20% YoY, led by business banking, VF, MFI and PL/CC, while corporate book witnessed healthy growth across sectors. With a scramble for deposits and lagged re-pricing catching up, medium-term margins are likely to stay soft before benefits accrue from a fixed-rate portfolio (51% of loans) in a declining interest rate environment (a while away).
- **Elevated slippages reflect a sub-par deposit franchise:** Gross slippages at 2.4%, mainly from the MFI and corporate book, remain a concern, indicating that IIB that is having to operate at the higher end of the risk spectrum because of a sub-par deposit franchise. The restructured book moderated to 0.84%; however, credit costs at 142bps are high for a benign credit environment.
- **Deposit-side re-jig in the next planning cycle is a steep ask:** With a sub-optimal mix of retail deposits at 43%, we believe that IIB faces accelerated competitive intensity. This, alongside accelerated opex on network expansion and digital investments, is likely to impede medium-term return ratios. While the bank's aspiration to improve its mix of granular deposits (50%) is commendable, we believe this poses a steep ask and a tricky growth-margin trade-off.

### Financial summary

(INR bn)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
NII	46.7	39.9	17.2%	45.0	3.9%	150.0	175.9	203.5	231.2
PPOP	37.6	33.8	11.1%	36.9	1.9%	128.4	144.2	160.9	182.2
PAT	20.4	14.0	45.9%	19.6	4.1%	46.1	74.4	81.2	90.6
EPS (INR)	26.3	18.1	45.5%	25.3	4.0%	59.5	95.9	104.7	116.8
ROAE (%)						10.1	14.5	13.8	13.6
ROAA (%)						1.2	1.7	1.7	1.6
ABVPS (INR)						596.0	687.3	774.7	880.9
P/ABV (x)						1.9	1.6	1.4	1.3
P/E (x)						18.7	11.6	10.6	9.5

### Change in estimates

(INR bn)	FY24E			FY25E		
	Old	New	Δ	Old	New	Δ
Net advances	3,308	3,310	0.1%	3,786	3,788	0.1%
NIM (%)	4.4	4.4	7 bps	4.3	4.4	12 bps
NII	200.9	203.5	1.3%	227.2	231.2	1.8%
PPOP	163.1	160.9	-1.4%	183.9	182.2	-0.9%
PAT	82.5	81.2	-1.5%	91.9	90.6	-1.4%
Adj. BVPS (INR)	778.2	774.7	-0.5%	886.1	880.9	-0.6%

Source: Company, HSIE Research

## REDUCE

CMP (as on 24 Apr 2023) INR 1,102

Target Price INR 1,025

NIFTY 17,743

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR1,007	INR1,025
	FY23E	FY24E
EPS %	-1.5%	-1.4%

### KEY STOCK DATA

Bloomberg code	IIB IN
No. of Shares (mn)	776
MCap (INR bn) / (\$ mn)	855/10,439
6m avg traded value (INR mn)	3,872
52 Week high / low	INR 1,276/763

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(9.1)	(3.8)	14.8
Relative (%)	(7.6)	(4.2)	9.8

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	16.5	16.5
FIs & Local MFs	22.7	27.0
FPIs	46.9	42.5
Public & Others	7.0	7.1
Pledged Shares	6.9	6.9

Source : BSE

Pledged shares as % of total shares

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# Macrotech Developers

## Well-placed for growth

Macrotech Developers Ltd (MDL) reported its highest-ever annual presales of 9.3msf (+16% YoY), valued at INR 120bn (+33% YoY), beating its own guidance of INR 115bn. This was on the back of robust launches of 10.5msf (+81% YoY). For FY24, MDL is expecting INR 145bn in presales (+20% YoY), with INR 7-10bn coming from two pilot projects in Bengaluru, INR 20+bn from Pune and the rest from MMR. This 20% growth in presales will be driven by 5-6% growth in price (8% growth seen in FY23) and the rest from higher footfalls and conversion. The overall conversion rate was 7.5% in FY23 (6.8% in FY22). Presales in Township are strong and were INR 23bn (+16% YoY). This was on the back of a price increase of 5.5% and a higher conversion rate of 10%. MDL targets to achieve an overall INR 210bn of annual presales by FY26. The net debt fell short of its target and FY23 ended at INR 70bn, mainly on the back of robust BD activity. It added INR 198bn worth of GDV in FY23 and aims to add more than INR 175bn GDV in FY24, mostly via the JDA route (the current mix has 40% JDA project). We reiterate BUY with an unchanged SOTP valuation of INR 1,249/sh.

- **Q4FY23 financial highlights:** Revenue came in at INR 32.5bn (-6%/+84% YoY/QoQ, a beat of 18%). EBITDA was INR 7.7bn (-15%/+91% YoY/QoQ, a beat of 9%). Other income was INR 163mn (-56/-87% YoY/QoQ). RPAT was INR 7.5bn (+39/+84% YoY/QoQ). After adjusting for deferred taxes of INR 2.3bn, PAT came in at INR 4.7bn (-11/+62% YoY/QoQ, a beat of 11%). The embedded EBITDA margin was 32% in FY23 and is expected at 30% in FY24 on account of the higher mix of JDA projects in FY24 at 40% vs. 27% in FY23. This higher JDA mix is also expected to increase RoE by close to 20% (15% in FY23).
- **Strong presales with robust launch pipeline:** MDL posted quarterly presales of INR 30bn (-12%/0% YoY/QoQ), with a booking area of 2.5msf (-17%/+0%, YoY/QoQ). For FY23, MDL achieved the highest-ever presales of INR 120bn (+33% YoY). It has guided INR 145bn of presales in FY24, a growth of 20% YoY and INR 210bn annual presales by FY26. Presales in the township increased to INR 22.6bn in FY23 vs 19.4bn in FY22 (+16% YoY). New market performance was also robust with Pune presales in FY23 at INR 11.3bn from 4 projects vs 5.5bn from 2 projects in FY22 (+103%) and for Eastern Suburbs in MMR, presales were INR 12.3bn from 5 projects in FY23 vs 1.4bn from 2 projects in FY22 (+764% YoY). The launch pipeline for FY24 is 10.6msf, valued at INR 129bn.
- **Net debt reduces; BD activity strong:** Collections came in at INR 29bn (+3%/+9% YoY/QoQ), resulting in a healthy operating cash flow (OCF) of INR 16bn (+15%/+10%, YoY/QoQ). Consequently, the overall net debt reduced to INR 70.7bn (INR 80bn in Q3FY23). The average borrowing cost inched up from 9.7% as of Dec-22 to 9.8%. For FY24, MDL is targeting net debt at INR 60bn (0.5x Net D/E) on the back of INR 60bn of OCF by FY24. MDLs own net debt target for FY23 was missed on the back of robust BD activity. It added INR 198bn worth of GDV in FY23 and aims to add more than INR 175bn GDV in FY24. From its UK investment, MDL received INR 5.5bn in FY23, and the balance of INR 5.5bn is expected in FY24.

### Consolidated financial summary (INR mn)

YE March (INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	32,554	34,446	(5.5)	17,738	83.5	92,332	94,704	103,725	119,419
EBITDA	7,717	9,057	(14.8)	4,038	91.1	21,247	20,661	24,372	29,102
APAT	4,768	5,380	(11.4)	2,941	62.1	12,085	12,183	16,982	19,724
Diluted EPS (INR)	9.9	11.2	(11.4)	6.1	62.1	25.1	25.3	35.3	41.0
P/E (x)						36.2	35.9	28.6	24.6
EV / EBITDA (x)						25.4	24.7	22.0	17.8
RoE (%)						14.5	13.5	12.9	13.4

Source: Company, HSIE Research

**BUY**

CMP (as on 24 Apr 2023)	INR 908
Target Price	INR 1,249
NIFTY	17,743

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,249	INR 1,249
EPS Change %	FY24E	FY25E
	-	-

### KEY STOCK DATA

Bloomberg code	LODHA IN
No. of Shares (mn)	482
MCap (INR bn) / (\$ mn)	437/5,339
6m avg traded value (INR mn)	590
52 Week high / low	INR 1,191/711

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(15.8)	(12.1)	(11.4)
Relative (%)	(14.3)	(12.4)	(16.4)

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	75.00	74.99
FIs & Local MFs	4.08	4.39
FPIs	19.42	18.98
Public & Others	1.50	1.64
Pledged Shares	-	-

Source : BSE

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**Rating Criteria**

BUY: &gt;+15% return potential

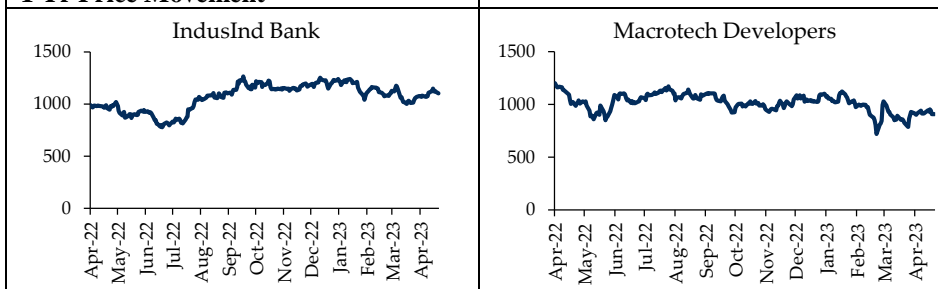
ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: &gt; 10% Downside return potential

**Disclosure:**

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	IndusInd Bank	PGDM	NO
Deepak Shinde	IndusInd Bank	PGDM	NO
Neelam Bhatia	IndusInd Bank	PGDM	NO
Parikshit Kandpal	Macrotech Developers	CFA	NO
Manoj Rawat	Macrotech Developers	MBA	NO
Nikhil Kanodia	Macrotech Developers	MBA	NO

**1 Yr Price Movement**


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