

Real Estate | Q1FY24 Result Update

Operating in top gear. Progress on annuity stream build-up key for rerating

- Macrotech clocked its best 1Q presales of Rs33.5bn; up 19% YoY and 11% QoQ. New project additions during the Q stood at Rs120bn (~Rs100bn in Alibaug – a second home luxury market); achieving 60% / 70% of FY23 actual / FY24 guidance respectively. This aids the existing launch pipeline for FY24 of Rs126bn.
- Investments in new BD remained within guidance at ~5% of GDV offsetting core FCF (ex-growth capex) of Rs6.4bn and resulting in net debt increasing 3% QoQ. Guidance is for net debt reducing hereon with leverage target of below 1x OCF intact. A well-diversified sizeable ready inventory of Rs86bn is set to aid both leverage targets and 20% presales growth for FY24.
- We raise our Mar '24 TP to Rs750 as we reset the scale & average pricing higher for new BD – implied price realisation in 1Q up 19% vs. FY23 and set to increase further with the addition of high value Juhu (MMR- Western suburbs) project. Also, we lift our annual price escalation by 1-2ppt for both ongoing projects and landbank.

Industry leading KPIs is priced-in; cut to 'Reduce'

We view Macrotech as a prime beneficiary of industry consolidation aided by its strong execution, industry leading KPIs and large scale of operations. However, this is well captured in its industry leading valuation of ~17x EV / EBITDA (embedded) on presales of Rs150bn+. Cut to 'Reduce'.

On track for achieving +20% YoY growth in presales

Presales of Rs33.5bn was aided strong footfalls of 30k across sites and conversion rates stable at 8%. Share of high value South & Central market increased to 35% aided by Lodha Malabar project. The developer is confident on growing presales by 20% YoY to Rs145bn in FY24. The growth mix is set to come from a) 6% (1% in 1Q) price escalation, b) 4% volume growth in existing markets and c) 10ppt of the growth coming from new micro markets. Sizeable launch pipeline of Rs126bn for FY24, ready unsold inventory of Rs86bn and large scale new BD underpins the growth guidance.

Q1FY24 Result (Rs Mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)
Presales (Rs Mn)	33,500	28,140	19.0	30,300	10.6
Collections (Rs Mn)	24,000	26,160	(8.3)	29,300	(18.1)
EBITDA (Rs mn)	3,844	4,667	(17.6)	7,880	(51.2)
PAT (Rs Mn)	1,792	2,713	(33.9)	7,462	(76.0)
OCF (Rs Mn)	8,400	13,500	(37.8)	16,000	(47.5)
FCFE (Rs Mn)	(1,800)	4,430	(140.6)	9,800	(118.4)
Net Debt (Rs Mn)	72,600	88,560	(18.0)	70,700	2.7
ND / E (%)	56.2	71.5	(21.4)	55.6	1.1

CMP	Rs 747
Target / Upside	Rs 750 / 0%
NIFTY	19,646

Scrip Details

Equity / FV	Rs 9,636mn / Rs 10		
Market Cap	Rs 720bn		
	USD 8.8bn		
52-week High/Low	Rs 1,180/ 530		
Avg. Volume (no)	11,70,270		
Bloom Code	LODHA IN		
Price Performance	1M	3M	12M
Absolute (%)	12	61	31
Rel to NIFTY (%)	8	48	16

Shareholding Pattern

	Dec'22	Mar'23	Jun'23
Promoters	75.0	75.0	75.0
MF/Banks/FIs	3.5	3.7	3.7
FIs	19.4	19.0	19.0
Public / Others	2.1	2.4	2.4

Valuation (x)

	FY24E	FY25E	FY26E
P/E	32.1	32.6	28.6
EV/EBITDA	20.3	21.2	19.6
ROE (%)	15.4	13.4	13.5
RoACE (%)	14.0	12.9	12.5

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	128.0	127.9	140.6
EBITDA	37.7	34.8	37.4
PAT	22.4	22.1	25.1
EPS (Rs.)	23.3	22.9	26.1

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Exhibit 1: Consolidated Actual V/s DART estimates (Rs mn)

Particulars (Rs Mn)	Actual	Estimate	%/ bps variance	Comments
Presales	33,500	33,500	0.0	Lower than anticipated OC received
Revenue	16,718	22,100	(24.4)	
EBITDA	3,844	4,598	(16.4)	
PAT	1,792	3,919	(54.3)	

Source: Company, DART. Note: consolidated financials

Exhibit 2: Change in Estimates

Particulars (Rs mn)	FY24E			FY25E		
	Old	New	Chg (%)	Old	New	Chg (%)
Presales	1,46,437	1,50,437	2.7	1,75,990	1,85,923	5.6
Revenue	1,23,534	1,27,997	3.6	1,24,152	1,27,902	3.0
EBITDA	35,878	37,686	5.0	33,287	34,840	4.7
PAT	21,093	22,445	6.4	20,715	22,109	6.7

Source: Company, DART. Note: consolidated financials

Exhibit 3: Macrotech - Quarterly summary

Particulars (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	QoQ %	YoY %
Sales	28,140	31,480	30,300	30,300	33,500	10.6	19.0
Collections	26,160	23,750	26,800	29,300	24,000	(18.1)	(8.3)
CFO	13,500	10,180	14,500	16,000	8,400	(47.5)	(37.8)
Area delivered (msf)	1.3	2.9	1.9	3.4	1.8	(47.1)	38.5
Financial summary							
Revenue	26,758	17,654	17,738	32,554	16,174	(50.3)	(39.6)
Adj. EBITDA*	9,030	5,250	5,700	9,800	4,600	(53.1)	(49.1)
Adj. EBITDA margin	33.7	29.7	32.1	30.1	28.4		
Adj. PAT	2,713	2,444	4,050	7,462	1,792	(76.0)	(33.9)
Adj. PAT margin	10.1	13.8	22.8	22.9	11.1		
Net Debt (India business)	88,560	87,950	80,400	70,700	72,600	2.7	(18.0)
Net Debt / Equity (%)	71.5	76.3	67.3	55.6	56.2		
Cost of borrowing (%)	10.5	9.9	9.7	9.7	9.7		

Source: Company, DART, Note: *Post grossing up of Finance cost included in cost of project and Forex gains/losses

Exhibit 4: Macrotech - Portfolio snapshot

Particulars	Residual Collections (Rs bn)			Planned launches (msf)				Land Bank
	Sold units	Ready unsold	Ongoing unsold	In next 12 months		Beyond 12 months		
				Own Land	JDA	Own Land	JDA	
South & Central	30.9	28.8	74.4	0.3	1.0	0.9	6.1	-
Thane	10.2	2.4	24.5	1.5	-	3.3	0.2	-
Extended Eastern Suburbs	21.4	22.0	33.9	3.5	-	46.1	-	4000+
Western Suburbs	7.8	2.0	11.3	-	0.6	-	0.7	-
Pune	12.0	1.1	18.9	0.6	1.7	0.1	1.6	-
Eastern Suburbs	14.4	-	23.7	0.3	1.6	1.2	2.3	-
Extended Western Suburbs	1.3	-	0.6	-	-	-	-	-
Bangalore	-	-	-	-	1.2	-	1.1	-
Offices & Retail (for rent)	0.3	29.9	2.5	-	-	7.2	-	-
Digital Infrastructure	-	-	300 acres*	-	-	-	-	-
Others	0.2	-	-	-	-	-	-	-
Total	98.5	86.2	188.9 + 300 acres	6.2	6.1	58.8	12.0	4000+

Source: Company, DART, Note:* Includes ~70 acres land under JV with Morgan Stanley (MDL interest 25%) and 110 acres in JV for Digital Platform (MDL interest 33%)

Exhibit 5: Macrotech - Key financials and operating metrics

Particulars (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Total Sales	90,240	1,20,600	1,50,437	1,85,923	2,11,239
Sales growth	51.2	33.6	24.7	23.6	14
Trailing 3Y moving average	71,873	90,173	1,20,426	1,52,320	1,82,533
OCF after tax before NWC	33,549	28,590	30,112	27,379	28,897
NWC changes	(13,565)	(1,090)	6,536	8,195	(16,295)
OCF (before int paid)	19,983	27,500	36,648	35,573	12,601
Net interest paid	(18,537)	(10,951)	(6,699)	(4,299)	(2,782)
FCFE	1,447	16,549	29,498	31,275	9,819
Net Worth	1,21,050	1,26,627	1,45,705	1,64,498	1,85,861
Net Debt	1,02,909	72,244	45,768	17,916	11,973
ND / Equity	85.0	57.1	31.4	10.9	6.4

Source: Company, DART

Valuation and key risks

Our Mar'24 TP of Rs750 is arrived by applying a blended methodology, whereby, we value the residential / development sales business using the average of NAV premium approach and multiple based (EV / EBITDA) valuation.

Our NAV premium approach factors a 40% development NAV premium basis 18msf of annual execution pace starting FY28, as the developer expands outsidess MMR & Pune. A large proportion (34%) of our GAV is locked-in the developer's large land-bank of >4,000 acres. Ongoing and planned inventory account for 37%, potential JDA 13%, ready inventory and receivables 11%. We have used a WACC of 12% (ex-landbank).

For EV / EBITDA, we apply an 18x multiple on 3yr moving average FY25E presales and EBITDA margin profile of 35%. The economic share in development business is arrived at 85% basis a 60:40 share of own / JDA respectively; assuming revenue share in JDA coming at 65%. A higher multiple factors the growing scale, strong execution and deep presence in high value market of MMR.

Note that our valuation does not attribute any value to portfolio management services where the management projects the business to clock a net income of Rs1bn by FY26 and Rs4bn by end of the decade.

Key upside risks: 1) faster than anticipated digital infrastructure monetization, 2) strong traction and brand acceptance in Bengaluru market and 3) higher than forecasted pricing and new BD activity. **Key downside risks:** 1) higher inflationary and interest rate environment will be a key dampener of demand in the affordable / mid income portfolio (>60% of Macrotech portfolio and 2) dilution in economic terms of new JDAs

Exhibit 6: Macrotech – Mar '24E SOTP summary

SOTP - Mar '24E	Value (in Rs mn)	Per share (Rs)	% GAV	Comments
Ongoing + Planned	181,164	188	37%	DCF, WACC of 12%
Ready Inventory & Receivables	53,320	55	11%	DCF, WACC of 12%
Potential JDA / BD in the med-term	61,961	64	13%	Assuming ~Rs200bn in annual new BD added between FY25-FY27 and Rs225bn in FY25. Effective economic share at 68%
Land Bank	169,317	176	34%	Monetization upto FY50; WACC 12.5%
UK assets	4,911	5	1%	Cumulative net cashflow amounting to Rs5.5bn discounting back over FY24-FY25
Others	23,413	24	5%	Commercial rental assets monetization basis 9% cap rate and FY25 as exit year
Total GAV	494,085	513	100%	
Net Debt	45,768	47		
NAV	448,317	465		
Shares outstanding	964			
NAV / share	465	465		
Development NAV premium	40%			Assuming annual execution reaching 18msf starting FY28; WACC: 12.5%. Effective revenue share of 70% basis 75:25 JDA:owned mix
NAV / share	659			

Source: DART

Exhibit 7: Macrotech - EV / EBITDA valuation

Key parameters	in Rs mn
FY25E (3yr moving average presales)	152,320
Multiple (x)	18.0
Embedded EBITDA margin % (Project level)	35%
Macrotech economic share	85%
Development EV	815,675
Others	28,323
Total GAV	843,998
Net debt	45,768
NAV	798,230
NAV / share	828
Target NAV	744

Source: DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	94,704	1,27,997	1,27,902	1,40,564
Total Expense	74,042	90,311	93,063	1,03,186
COGS	60,640	74,899	75,801	84,198
Employees Cost	4,239	4,875	5,460	6,006
Other expenses	9,163	10,538	11,802	12,982
EBIDTA	20,661	37,686	34,840	37,378
Depreciation	928	929	934	939
EBIT	19,733	36,757	33,906	36,439
Interest	4,791	7,888	5,746	4,544
Other Income	1,408	1,188	1,447	1,761
Exc. / E.O. items	0	0	0	0
EBT	16,350	30,057	29,607	33,657
Tax	(370)	7,574	7,461	8,482
RPAT	16,640	22,445	22,109	25,134
Minority Interest	28	38	37	42
Profit/Loss share of associates	(52)	0	0	0
APAT	4,866	22,445	22,109	25,134

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	4,818	9,636	9,636	9,636
Minority Interest	596	633	670	712
Reserves & Surplus	1,21,809	1,36,069	1,54,862	1,76,225
Net Worth	1,26,627	1,45,705	1,64,498	1,85,861
Total Debt	90,486	70,486	50,486	50,486
Net Deferred Tax Liability	332	332	332	332
Total Capital Employed	2,18,040	2,17,156	2,15,986	2,37,391

Applications of Funds

Net Block	12,971	12,147	11,320	10,488
CWIP	0	0	0	0
Investments	7,418	7,418	7,418	7,418
Current Assets, Loans & Advances	3,71,160	3,68,569	3,73,729	3,76,938
Inventories	3,01,167	2,89,805	2,85,935	2,79,067
Receivables	7,393	9,689	10,866	15,001
Cash and Bank Balances	18,242	24,718	32,570	38,512
Loans and Advances	11,467	11,467	11,467	11,467
Other Current Assets	32,545	32,545	32,545	32,545
Less: Current Liabilities & Provisions	1,73,509	1,70,978	1,76,481	1,57,452
Payables	20,962	21,838	22,644	22,064
Other Current Liabilities	1,52,547	1,49,141	1,53,836	1,35,389
<i>sub total</i>				
Net Current Assets	1,97,651	1,97,591	1,97,248	2,19,486
Total Assets	2,18,040	2,17,156	2,15,986	2,37,391

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	36.0	41.5	40.7	40.1
EBIDTA Margin	21.8	29.4	27.2	26.6
EBIT Margin	20.8	28.7	26.5	25.9
Tax rate	(2.3)	25.2	25.2	25.2
Net Profit Margin	17.6	17.5	17.3	17.9
(B) As Percentage of Net Sales (%)				
COGS	64.0	58.5	59.3	59.9
Employee	4.5	3.8	4.3	4.3
Other	9.7	8.2	9.2	9.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.7	0.5	0.3	0.3
Interest Coverage	4.1	4.7	5.9	8.0
Inventory days	1161	826	816	725
Debtors days	28	28	31	39
Average Cost of Debt	5.3	11.2	11.4	9.0
Payable days	81	62	65	57
Working Capital days	762	563	563	570
FA T/O	7.3	10.5	11.3	13.4
(D) Measures of Investment				
AEPS (Rs)	5.1	23.3	22.9	26.1
CEPS (Rs)	6.0	24.3	23.9	27.1
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	131.4	151.2	170.7	192.9
RoANW (%)	13.1	15.4	13.4	13.5
RoACE (%)	9.9	14.0	12.9	12.5
RoAIC (%)	9.9	19.1	18.5	18.3
(E) Valuation Ratios				
CMP (Rs)	747	747	747	747
P/E	147.9	32.1	32.6	28.6
Mcap (Rs Mn)	7,19,698	7,19,698	7,19,698	7,19,698
MCap/ Sales	7.6	5.6	5.6	5.1
EV	7,91,596	7,65,120	7,37,268	7,31,326
EV/Sales	8.4	6.0	5.8	5.2
EV/EBITDA	38.3	20.3	21.2	19.6
P/BV	5.7	4.9	4.4	3.9
Dividend Yield (%)	0.0	0.0	0.0	0.0
(F) Growth Rate (%)				
Revenue	2.6	35.2	(0.1)	9.9
EBITDA	(5.2)	82.4	(7.6)	7.3
EBIT	(6.2)	86.3	(7.8)	7.5
PBT	(4.7)	83.8	(1.5)	13.7
APAT	(59.5)	361.2	(1.5)	13.7
EPS	(59.5)	361.2	(1.5)	13.7

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	4,524	30,057	29,607	33,657
Depreciation & w.o.	928	929	934	939
Net Interest Exp	13,890	7,888	5,746	4,544
Direct taxes paid	2,110	7,574	7,461	8,482
Change in Working Capital	(1,090)	6,536	8,195	(16,295)
Non Cash	0	0	0	0
(A) CF from Operating Activities	27,500	36,648	35,573	12,601
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(755)	(106)	(106)	(107)
Free Cash Flow	26,745	36,542	35,467	12,495
(Inc.)/ Dec. in Investments	7,682	0	0	0
Other	10,046	0	0	0
(B) CF from Investing Activities	17,778	1,083	1,341	1,655
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(25,398)	(20,000)	(20,000)	0
Interest exp net	(11,756)	(7,888)	(5,746)	(4,544)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	0	0	0	0
(C) CF from Financing	(37,054)	(31,254)	(29,062)	(8,314)
Net Change in Cash	8,223	6,476	7,852	5,942
Opening Cash balances	4,771	13,108	19,584	27,436
Closing Cash balances	13,108	19,584	27,436	33,378

E – Estimates

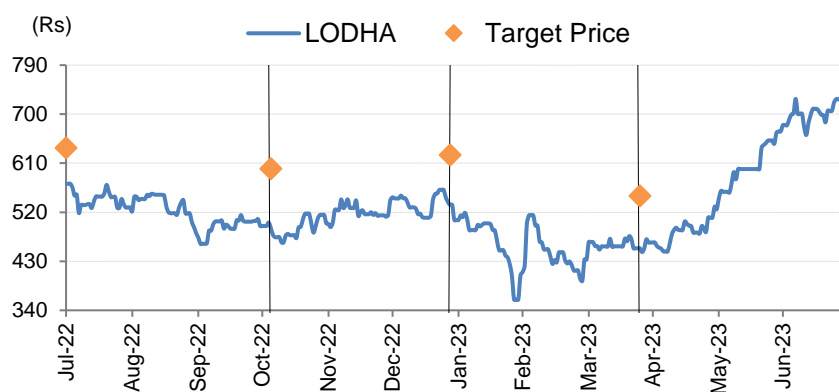
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jul-22	Accumulate	638	572
Nov-22	Accumulate	600	491
Jan-23	Accumulate	625	533
Apr-23	Accumulate	550	454

**Price as on recommendation date*

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