

Issue Detail

Type	100% Book Built Issue
Issue Size (Cr)	2500 Cr
Offer Price	Rs. 483 – 486
Retail & Employee Discount	NIL
Min App Size	30 Shares
Issue Open	07th April 2021
Issue Close	09th April 2021
Shares Offer	5,14,40,328
Face Value	Rs.10

Lead Mgrs
Axis Capital Limited
J.P. Morgan India Private Limited
Kotak Mahindra Capital Company Limited

Listing	BSE & NSE
Registrar	Link Intime India Private Limited
Market Cap (Post Issue) Rs.	21740 Crs

Market cap., issue size, shares offer are as per Upper price band

No. of shares (Post & Pre Issue)

No. of Shares (Pre Issue)	39,58,78,000
Offer for Sale	-
Fresh Issue made*	5,14,40,329
No. of Shares (Post Issue)	44,73,18,329

* No. of shares as per Upper price band

Bid allocation pattern

QIB	50%	2,57,20,165
Non-Institutional	15%	77,16,049
Retail	35%	1,80,04,115
Employee Reserv.	-	6,17,283

Management Team:

- ❑ **Mr. Mukund Manohar Chitale**
• **Designation:** Independent Director and Chairman
- ❑ **Abhishek Mangal Prabhat Lodha**
• **Designation:** Managing Director and Chief Executive Officer
- ❑ **Mr. Rajendra Narpatmal Lodha**
• **Designation:** Whole-Time Director

Company Overview

- ❑ Macrotech Developers is the largest real estate developer in India, by residential Sales value for the financial years 2014 to 2020.
- ❑ Company's core business is residential real estate developments with a focus on affordable and mid-income housing and currently have residential projects in the MMR(Mumbai Metropolitan Region) and Pune.
- ❑ Company also develops commercial real estate, including as part of mixed-use developments in and around core residential projects.
- ❑ Company's core competency lies in professionally managing the real estate value chain as they have in-house capabilities to deliver a project from conceptualization to completion.
- ❑ Lodha group has been involved in the real estate business since 1986. Further, Company is led by Abhishek M. Lodha, Managing Director and Chief Executive Officer.
- ❑ Company has a leadership team of experienced professionals, with relevant functional expertise across different industries, who are instrumental in implementing the business strategies.
- ❑ Company commenced 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.
- ❑ Under the logistic and industrial park portfolio, it has planned to develop an industrial park of over 800 acres of land near Palava. However, the commercial real estate portfolio includes projects like corporate offices, IT campuses, and boutique office spaces.
- ❑ As on Dec 31 2020, the firm has successfully completed 91 projects comprising 77.22 million sq. ft. of developable area, with 59.13 million sq. ft. in the affordable housing segment.

Competitive Strengths

- ❑ Largest residential real estate developer in India.
- ❑ Strong sales distribution network across India as well as NRI markets i.e. GCC, UK, Singapore, and US.
- ❑ Brand equity and premium pricing.
- ❑ Strong project execution capabilities.
- ❑ Experienced management team.

Strategies

- ❑ Focus on enhancing leadership position in residential developments by growing in the MMR and gradually diversifying in select tier-I Indian cities
- ❑ Leverage leadership position to act as a partner of choice for landowners and grow using a joint development or joint venture approach
- ❑ Pursue a value-accretive land acquisition strategy
- ❑ Develop large-scale industrial parks
- ❑ Focus on development of commercial projects as part of mixed-use developments

Objectives of the Issue

- ❑ **Fresh Issue:**
 1. Reduction of the aggregate outstanding borrowings of our Company on a consolidated basis;
 2. Acquisition of land or land development rights; and
 3. General corporate purposes.

View & Valuation

The topline and bottomline are inconsistent for the company in last 3 fiscals. Further, the company has high debt of Rs 16700 crs as on FY20 in its balancesheet. Being capital intensive business, the ongoing second wave of Covid-19 scare and a possible rollback of stamp duty cut, may have negative impact to business in nearterm. At upper price band, the issue is offered at PBV of 5x based on FY20 earnings. Even though, the real-estate theme may seem to have better prospects in upcoming months, an investor may get choice with better options to invest in the same. Hence, we remain Neutral to the issue.

Business Overview

MACROTECH Developers is one of the largest real estate developers in India, by residential Sales value for the financial years 2014 to 2020.

Companies core business is residential real estate developments with a focus on affordable and mid-income housing. Currently, They have residential projects in the MMR and Pune. In 2019, They forayed into the development of logistics and industrial parks and entered into a joint venture with ESR Mumbai 3 Pte. Limited ("ESR"), a subsidiary of ESR Cayman Limited, an Asia Pacific focused logistics real estate platform. They also develop commercial real estate, including as part of mixed-use developments in and around their core residential projects.

The customer-centric business model focuses on designing and developing their "branded products" to address consumer needs across locations and price points. Their core competency lies in professionally managing the real estate value chain as they have in-house capabilities to deliver a project from conceptualization to completion. They have a strong focus on de-risking projects and improving their return on investment with fast turnaround time from acquisition to launch to completion.

They believe one of the reasons for the success has been the strength of their brand and ability to convert the surroundings of a location into attractive destinations for people across income groups. Company brands include "Lodha", "CASA by Lodha" and "Crown – Lodha Quality Homes" for the affordable and mid-income housing projects, the "Lodha" and "Lodha Luxury" brands for the premium and luxury housing projects, and the "iThink", "Lodha Excelus" and "Lodha Supremus" brands for the office spaces. Their inhouse sales team is supported by a distribution network of multiple channels across India as well as key non-resident Indian ("NRI") markets, such as the Gulf Cooperation Council, United Kingdom, Singapore and the United States. They believe that their understanding of the relevant real estate market, positive perception and trust in their brand, innovative design and marketing and branding techniques enable them to attract customers.

The Lodha group has been involved in the real estate business since 1986. Further, the Company is led by Abhishek M. Lodha, Managing Director and Chief Executive Officer. Also have a leadership team of experienced professionals, with relevant functional expertise across different industries, who are instrumental in implementing the business strategies.

They commenced their 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.

The large ongoing portfolio of affordable and mid-income housing projects include Palava (Navi Mumbai, Dombivali Region), Upper Thane (Thane outskirts), Amara (Thane), Lodha Sterling (Thane), Lodha Luxuria (Thane), Crown Thane (Thane), Bel Air (Jogeshwari), Lodha Belmondo (Pune), Lodha Splendor (Thane) and Casa Maxima (Mira Road). They believe that they were an early entrant to the affordable and mid-income housing category and introduced one or more high-quality amenities in projects, such as a large swimming pool, a private movie theatre, a cricket ground, a football stadium or an indoor swimming pool, at these price points. Their large townships are located at Palava (Navi Mumbai, Dombivali Region) and Upper Thane (Thane outskirts). The affordable and mid-income housing developments accounted for Sales of ₹ 18,172 million and ₹ 30,553 million during the nine months ended December 31, 2020 and the financial year 2020, and constituted 57.78% and 57.77% of the total residential Sales, respectively. Their premium and luxury housing projects include Lodha Park (Worli), Lodha World Towers (Lower Parel), Lodha Venezia (Parel) and New Cuffe Parade (Wadala). In addition, They have a few projects under the "Lodha Luxury" brand, which comprise small-scale, high-value developments such as Lodha Altamount (Altamount Road), Lodha Seamont (Walkeshwar) and Lodha Maison (Worli).

As part of logistics and industrial park portfolio, they have planned to develop a logistics and industrial park of over 800 acres of land near Palava, which is strategically located near the Jawaharlal Nehru Port, the proposed international airport in Navi Mumbai and the industrial hub of Taloja. Out of this area, approximately 290 acres is under development as of December 31, 2020, including an 89-acre logistics and industrial park that is being developed in partnership with ESR. The product offerings under this category include built to suit structures, standard structures and land parcels for the logistics and industrial clients.

In commercial portfolio, Their office space projects comprise corporate offices, IT campuses and boutique office spaces, which are concentrated in suburban locations. Their retail projects focus on high street retail with shopping and entertainment options for the local community.

As of December 31, 2020, they have 91 completed projects comprising approximately 77.22 million square feet of Developable Area, of which 59.13 million square feet is in affordable and mid-income housing, 12.15 million square feet is in premium and luxury housing, 5.21 million square feet is in office space and 0.74 million square feet is in retail space. They also have 36 ongoing projects comprising approximately 28.78 million square feet of Developable Area, of which 23.57 million square feet is in affordable and mid-income housing, 2.80 million square feet is in premium and luxury housing, 2.38 million square feet is in office space and 0.04 million square feet is in retail space, and 18 planned projects comprising approximately 45.08 million square feet of Developable Area, of which 35.48 million square feet is in affordable and mid-income housing, 2.04 million square feet is in premium and luxury housing, 7.13 million square feet is in office space and 0.43 million square feet is in retail space, as of December 31, 2020. In logistics and industrial park portfolio, They have an ongoing and planned development of approximately 290 and 540 acres, as of December 31, 2020, respectively.

In addition to their ongoing and planned projects, as of December 31, 2020, they have land reserves of approximately 3,803 acres for future development in the MMR, with the potential to develop approximately 322 million square feet of Developable Area.

Company have invested in two real estate projects in London, namely Lincoln Square in the West End and No. 1 Grosvenor Square in Mayfair. Both these projects are now complete, and the net proceeds after repaying the indebtedness is intended to be repatriated to the Company.

Comparison with listed industry peers

Name of the Company	Total Revenue (Rs. in million)	Face Value (Rs.)	P/E	EPS (Basic) (Rs.)	EPS (Diluted) (Rs.)	Return on Net Worth (%)	NAV per share (Rs.)
Macrotech Developers Limied	1,25,609.85	10	-	18.46	18.46	17.80%	103.86
Listed Peers							
Brigade Enterprises Ltd	26,815.60	10	43.62	6.39	6.34	4.66%	119.73
DLF Ltd	68,881.42	2	-	-2.41	-2.41	-26.62%	139.24
Godrej Properties Ltd	29,145.90	5	131.1	10.84	10.84	5.63%	190.64
Oberoi Realty Ltd	22,859.85	10	30.8	18.96	18.96	7.99%	237.33
Presige Estate Projects Ltd	82,433.00	10	25.8	10.63	10.63	9.82%	139.41
Sobha Limited	38,256.59	10	15.56	29.69	29.69	11.59%	256.33
Sunteck Realty Ltd	6,315.51	1	48.1	7.14	7.13	3.46%	199.5

Industry Overview

GDP Growth to Rebound Sharply

India has been one of the fastest growing economies in the world over the last few years. India's gross domestic product ("GDP") grew by 8.3% in 2016, 7.0% in 2017, 6.1% in 2018 and 4.2% in 2019. The International Monetary Fund ("IMF") estimated a dip of 10.3% in the real GDP growth rate of India in 2020. However, as per recent estimates by the Ministry of Finance, the real GDP (at 2011-2012 prices) and the nominal GDP (at current prices) has been estimated to contract by 7.7% and 4.2%, respectively in 2020-2021.

The Reserve Bank of India ("RBI") had earlier anticipated a contraction of 9.5% in the GDP in 2020 due to reduction in economic activities in the first quarter of 2020 as a result of nationwide lockdown on account of the COVID-19 pandemic.

However, on account of an increase in economic activity during the last two quarters of 2020, the RBI revised its forecast of contraction from 9.5% to 7.7%. With continuous quarter-on-quarter growth and COVID-19 related vaccination roll out in place, the Indian economy is projected to show a sharp rise in the real GDP growth in 2021 at 8.8%, as per the IMF.

After the outbreak of the COVID-19 pandemic in India since March 2020, the future of the pandemic remains uncertain making it difficult for businesses to plan their way forward.

However, improvement in key economic indicators, such as the Goods and Services Tax ("GST") collections and electricity demand, published by the RBI in December 2020 indicate a positive outlook in the coming quarters. For example, GST collections in December 2020 was ₹ 1.15 trillion, which is 12% higher than GST collections in December 2019. Further, in response to the COVID-19 pandemic, the Government has taken several initiatives, including financial packages, tax reliefs and relaxation in interest payments, to drive recovery of the Indian economy.

India has been one of the fastest growing economies of the world over the last few years, and is now among the top ten economies of the world. Despite the slowdown in 2020, the IMF expects the Indian economy to bounce back in 2021 with a growth rate of 8.8% and regain its position as one of the fastest growing emerging economies in 2021.

Overview of the Indian Real Estate Sector

The real estate market in India has grown at a CAGR of approximately 10% from USD 50 billion in 2008 to USD 120 billion in 2017, and is expected to further grow at a CAGR of 17.7% to reach USD 1 trillion by 2030. The real estate market contributed approximately 6% to India's GDP in 2017 and is likely to contribute approximately 13% to India's GDP by 2025. Residential, commercial and retail are the three key asset classes that have primarily contributed to the growth of the real estate market in India.

Residential Real Estate Market in India

In last three to four years, the real estate sector in India has witnessed several changes because of demonetization, the liquidity crisis and the implementation of RERA and GST. Despite the spiralling COVID-19 pressure across the country, the Indian residential sector made a significant comeback in Q4 2020 with absorption rebounding to 86% of the corresponding period in 2019.

The Mumbai Metropolitan Region ("MMR"), Pune, Bengaluru, Hyderabad, the National Capital Region ("NCR"), Chennai and Kolkata ("Top Seven Indian Markets") recorded absorption of approximately 1.38 lakh units in 2020 against 2.61 lakh units in 2019. Further, new supply declined by 46% to approximately 1.28 lakh units in 2020 from approximately 2.37 lakh units in 2019. In addition, there has been a continuous decline in the overall unsold inventory, primarily because absorption in the past years have exceeded total launches consistently since 2016. The unsold inventory of the Top Seven Indian Markets declined by 2% from approximately 648,400 units as of the end of 2019 to approximately 638,020 units as of the end of 2020.

Top Developers in India

Indian residential real estate market is dominated by a few pan-India and branded players and multiple local players. The top five developers in terms of highest cumulative sales from Fiscal 2014 to 2020 are Lodha group, Godrej Properties Limited, Prestige Estates Projects Limited, Sobha Limited and DLF Limited. While Prestige Estates Projects Limited primarily operates in South India, Lodha group has majority of its projects in West India. DLF Limited, Godrej Properties Limited and Sobha Limited have a pan-India presence. With approximately ₹ 500 billion of cumulative sales and 57 million square feet of area delivered over Fiscals 2014 to 2020, Lodha group is one of the largest real estate developers in India by residential sales and area delivered.

Financials Snap Shot

Income Statement						Key Ratios					
Rs in Crores											
Y/E March	FY18	FY19	FY20	9MFY20	9MFY21	Y/E March	FY18	FY19	FY20	9MFY20	9MFY21
Revenue (Net)	13,527.19	11,906.98	12,442.59	9,272.96	2,915.01	EPS	79.10	41.53	18.81	12.71	-6.68
Other Income	199.38	71.89	118.39	84.38	245.47	Book Value Per share	99.68	110.53	128.11	121.75	121.56
Total Revenue	13,726.57	11,978.87	12,560.99	9,357.35	3,160.49	Valuation(x)					
Cost of project	8,908.45	7,377.96	9,549.98	6,909.96	2,052.37	P/E (Lower Band)	6.11	11.63	25.67	38.01	-72.34
Employee benefits expense	493.00	389.90	390.45	324.09	201.47	P/E (Upper Band)	6.14	11.70	25.83	38.24	-72.79
Other expenses	836.08	972.09	581.90	380.96	97.60	Price / Book Value	4.88	4.40	3.79	3.99	4.00
Total Expenses	10,237.53	8,739.95	10,522.33	7,625.01	2,351.44	EV (Rs. crs)	43817.98	44444.80	39967.21	43496.71	40078.16
EBITDA	3,489.04	3,238.92	2,038.66	1,732.34	809.05	EV/Sales	3.24	3.73	3.21	4.69	13.75
Depreciation	397.92	194.45	306.39	202.22	56.42	EV/EBITDA	12.56	13.72	19.60	25.11	49.54
EBIT	3,091.12	3,044.48	1,732.27	1,530.13	752.63	Profitability Ratios					
Finance Costs	381.59	555.59	731.52	578.60	810.96	RoE	79%	38%	15%	10%	-5%
Profit before Tax	2,709.53	2,488.88	1,000.75	951.53	-58.34	RoCE	65%	62%	24%	29%	10%
Exceptional Items	-	-	5.62	-	-462.75	PAT Margin(%)	13%	14%	6%	5%	-9%
Total tax expense	-920.14	-844.91	-261.50	-448.45	257.04	EBITDA Margin (%)	26%	27%	16%	19%	28%
PROFIT AFTER TAX	1,789.39	1,643.98	744.88	503.08	-264.05	Liquidity Ratios					
Share in Profit/(Loss) of Joint Ventures	-	-	-0.05	-0.002	0.253	Interest Coverage Ratio	8.10	5.48	2.37	2.64	0.93
Profit For the Period/Year After Tax	1,789.39	1,643.98	744.84	503.08	-264.30	Current Ratio	1.03	1.04	1.01	1.07	1.03
						Debt to equity	0.93	0.88	0.82	0.86	0.83

Balance Sheet						Cash Flow Statement					
Rs in Crores						Rs in Crores					
Y/E March	FY18	FY19	FY20	9MFY20	9MFY21	Y/E March	FY18	FY19	FY20	9MFY20	9MFY21
Share Capital	395.88	395.88	395.88	395.88	395.88	Profit / (Loss) before tax	2,709.53	2,488.884	1,006.33	951.53	-521.34
Share Premium	212.80	212.80	212.80	212.80	212.80	Adjustments for:					
Retained Earnings	-151.97	1,426.29	2,147.55	2,013.37	1,877.11	Depreciation and amortisation	397.92	194.45	306.39	202.2150	56.42
Reserves	1,762.34	1,806.03	1,796.10	1,788.63	1,801.11	Net (Profit)/ Loss on Sale of Property, Plant and Equipment	0.06	0.27	-3.16	0.0000	0.13
Non-controlling interests	35.89	534.80	519.16	409.04	525.26	Net Unrealised Foreign Exchange Differences	35.827	34.68	-16.30	1,194.0	-148.24
Net Worth	2,254.93	4,375.79	5,071.48	4,819.71	4,812.15	Interest Income	-43.757	-4.93	-50.88	-26.6920	-209.92
Financial liabilities						Finance Costs	2,934.888	3003.17	3111.87	2353.1250	1893.67
Other financial liabilities	7.298	13.88	86.371	60.146	146.427	(Gain)/ Loss on Sale of Investments/ Subsidiary (net)	2.756	-1.14	-9.66	-10.5510	0.00
Trade Payable Due to Micro and Small Enterprises	14.880	17.54	18.302	17.450	72.141	Share of Loss of Associates	-	-	0.05	0.0020	0.25
Due to Others	217.567	188.17	204.774	189.660	102.332	Exceptional Items	-	-	-5.62	-	-462.75
Borrowings	2,493.513	513.51	2,133.859	517.139	2,488.602	Sundry Balances / Excess Provisions written off/ back (net)	-17.81	0.65	-49.08	-18.76	-9.70
Provisions	24.767	26.20	17.671	16.248	17.536	Provision for Doubtful Receivables and Advances / Deposits	11.00	83.24	-20.66	-14.66	0.00
Deferred Tax Liabilities (Net)	-	0.04	0.051	158.324	0.025	Gains arising from derecognition of financial assets	-1.15	-0.43	-1.69	-2.91	-9.06
Other non-current liabilities	-	-	96.90	97.56	95.54	Dividend Income	-3.36	-2.88	-1.13	-1.04	-0.47
Non-current liabilities	2,758.03	759.34	2,557.93	1,056.53	2,922.61	Operating Profit before working capital	6025.90	5795.96	4266.46	3433.44	1514.51
Financial liabilities						Changes in working capital:					
Borrowings	20,106.920	22,848.83	16,280.307	22,068.513	16,144.90	Increase/(decrease) in trade payables	-6,205.13	-2,886.107	-1,313.43	-1,896.12	12.81
Trade payables	1,924.55	2,057.44	2,049.71	1,965.19	1,902.25	Increase/(decrease) in Trade and Other Assets	2,386.58	-512.683	-303.12	-121.82	-57.68
Other current liabilities	18,136.90	15,372.87	12,346.72	13,398.57	12,243.05	(Increase)/decrease in Inventories	-946.69	-2,548.775	1,205.36	903.51	-168.66
Provisions	9.23	9.20	6.25	6.27	5.37	Net changes in working capital	-4765.24	-5947.57	-411.19	-1114.42	-213.53
Other financial liabilities	2,532.30	4,439.64	2,361.80	4,687.43	2,493.09	Cash generated from operations	1260.67	-151.60	3855.27	2319.02	1300.98
Current tax Balances (net)	88.43	0.84	18.37	24.86	71.21	Less: Income Tax Paid	-564.67	-311.576	-82.10	-55.57	135.76
Current liabilities	42,798.32	44,728.81	33,063.15	42,150.84	32,859.86	Net cash from operating activities (A)	695.99	-463.18	3773.17	2263.45	1436.74
Total Liabilities	47,811.28	49,863.94	40,692.56	48,027.07	40,594.62	Net cash from / (used in) investing activities (B)	-655.23	-184.26	211.72	-64.91	290.36
Property, plant and equipment	1,285.30	1,282.74	1,185.06	1,228.62	1,136.37	Net cash from / (used in) financing activities (C)	23.95	735.897	-4189.55	-2294.22	-1645.60
Investment Property	199.04	193.33	288.16	290.52	281.37	Net Increase / (Decrease) in cash and cash equivalents (A+B+C)	64.71	88.45	-204.66	-95.67	81.50
Other Intangible assets	2.37	1.69	1.02	1.28	0.50	Cash and cash equivalents at the beginning of the Year	185.83	255.22	352.53	352.53	118.54
Capital work-in-progress	5.92	6.29	6.29	6.29	6.29	Cash and cash equivalents at the end of the Year	255.219	352.528	118.54	257.90	205.05
Investments accounted for using the Equity Methc	13.96	13.96	58.32	58.11	58.49						
Investments	121.58	121.58	204.25	228.59	217.19						
Other financial assets	51.08	55.99	131.72	34.72	188.89						
Goodwill	748.15	661.06	546.68	610.94	546.68						
Loans	45.46	194.52	4,256.01	116.73	3,702.11						
Deferred tax assets (net)	1,103.27	320.62	93.59	59.97	408.41						
Non-current Tax Assets (net)	149.97	297.80	363.54	347.96	222.83						
Other non-current assets	62.64	64.00	70.21	67.21	75.24						
Non-current assets	3,788.72	3,213.57	7,204.84	3,050.94	6,844.36						
Inventories	39,163.45	41,512.41	29,031.44	39,782.57	29,200.11						
Loans	563.22	480.21	416.66	486.32	413.84						
Trade receivables	733.98	484.32	794.29	708.62	650.17						
Cash and cash equivalents	255.22	352.53	118.54	257.90	205.05						
Bank Balances other than Cash & C/eq	267.23	305.02	68.41	571.04	90.29						
Investments	1,248.58	1,269.424	1,290.37	1,244.07	1,298.35						
Other financial assets	517.22	750.53	616.36	662.46	680.73						
Other current assets	1,273.66	1,495.94	1,151.64	1,263.16	1,211.72						
Total Current assets	44,022.56	46,650.37	33,487.71	44,976.14	33,750.26						
TOTAL Assets	47,811.28	49,863.94	40,692.56	48,027.07	40,594.62						

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