



Largest player in Indian Real Estate Industry..

Macrotech Developers Limited ("Macrotech Developers") was incorporated as 'Lodha Developers Private Limited' on September 25, 1995. The Lodha group has been involved in the real estate business since 1986. Macrotech Developers is the largest real estate developer in India, by residential Sales value for the financial years 2014 to 2020 (~Rs. 50,000 crores of cumulative sales in the last 7 fiscal years). The Company's core business is residential real estate developments with a focus on affordable and mid-income housing. Currently, its residential projects are in the Mumbai Metropolitan Region ("MMR") and Pune. The Company has ~77 msf developable area-completed with ~74 msf developable area- ongoing and planned. In 2019, the Company forayed into the development of logistics and industrial parks and entered into a joint venture with ESR Mumbai 3 Pte. Ltd ("ESR"), a subsidiary of ESR Cayman Ltd., an Asia Pacific focused logistics real estate platform. The Company has cashflow visibility through inventory ~5.5msf of residential RTM inventory and 14.8msf of ongoing residential inventory.

Strong presence in the Extended Western Suburb micro-market of the MMR..

The company has a strong presence in the Extended Western Suburb micro-market of the MMR, with the 2nd largest share of absorption (by value) and the 5th largest share of supply (of units) of residential developments, among the 5 largest developers in the respective micro-market, from 2015 to 2020. The Company's 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).

Good brand visibility and recall..

The company's brands include "Lodha", "CASA by Lodha" and "Crown – Lodha Quality Homes" for their affordable and mid-income housing projects, the "Lodha" and "Lodha Luxury" brands for their premium and luxury housing projects, and the "iThink", "Lodha Excelus" and "Lodha Supremus" brands for their office spaces.

Pipeline of ongoing projects..

The Company's large on-going portfolio of affordable and mid-income housing projects includes Palava (Navi Mumbai), Upper Thane (Thane outskirts), Amara (Thane), Lodha Sterling (Thane), Lodha Luxuria (Thane), Crown Thane (Thane), Bel Air (Jogeshwari), Lodha Belmondo (Pune), Lodha Splendora (Thane) and Casa Maxima (Mira Road). The Company was an early entrant to the affordable and mid-income housing category and introduced one or more high-quality amenities in their 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), which have the potential to continue generating annuity like operating cash flows. Their affordable and mid-income housing developments accounted for Sales of Rs. 1,817.2 crore and Rs. 3,055.3 crore during the 9 months ended December 31, 2020 and the financial year 2020, and constituted 57.78 percent and 57.77 percent of their total residential Sales, respectively.

Foraying in logistics and industrial park..

The Company has planned to develop a logistics and industrial park of over 800 acres of land near Palava, which is strategically located near the Jawaharalal 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. Their product offerings under this category include built to suit structures, standard structures and land parcels for their logistics and industrial clients.

Issue date	April 07 - April 09, 2021
Listing date	April 22 , 2021
Price Band	Rs. 483 - Rs.486 (FV: Rs. 10)
Bid lot	30 equity shares and in multiples thereof
Issue size & type	Fresh issue: Rs. 2,500 crores
Issue structure	QIB – 50 %, NIB – 15%, Retail – 35%
Post issue shares	44.73 crore equity shares
Promoter holding	Pre issue: 100%/Post issue: 88.50%
Post issue market cap	Rs. 21,740 crores
GCBRLMs	Axis Capital, J.P. Morgan India, Kotak Mahindra Capital
BRLMs	ICICI Securities, Edelweiss Securities, IIFL Securities, JM Financial, Yes Securities, SBI Capital Markets, BOB Capital Markets
Registrar to the issue	Link Intime India Pvt. Ltd.

Particulars (Rs. crores)	9MFY21	FY20	FY19	FY18
Topline	2,915	12,443	11,907	13,527
EBITDA	768	2,925	3,684	4,039
EBITDA (%)	26.3	30.5	30.9	29.9
Profit after tax	(264)	745	1,644	1,789
PAT margin (%)	(9.1)	5.9	13.8	13.2
Equity share cap.	395.8	395.8	395.8	395.8
Networth	3,841	4,112	3,390	1,765
Long term debt	2,489	2,134	514	2,494
Short term debt	16,145	16,280	22,849	20,107
Post IPO EPS (Rs.)	-	16.65	36.75	39.99
P/E	-	29	13	12
RoNW (%)	(7)	17.8	48.3	101.1

Source: RHP

Investment recommendation and rationale

At the upper end of the price band of Rs. 486, the Company's IPO is valued at P/E of 29x at post IPO FY20 EPS of Rs. 16.65 discount to listed players like Godrej properties, Oberoi Realty, Sunteck Realty, DLF in the real estate segment. The Company will enjoy premium considering it being the largest player in India by residential Sales value for the financial years 2014 to 2020 (~Rs. 50,000 crores of cumulative sales in the last 7 fiscal years) and its leadership position in MMR region. We recommend to "SUBSCRIBE the issue for listing gains" due to the following factors: a) strong player in India's residential real estate market with a leadership position in the attractive MMR market (10 percent market share in 2020), b) well-established brand with ability to sell at premium pricing and throughout the construction phase, c) asset light growth strategy, d) proven end-to-end execution capabilities with continuous innovation and ability to deliver projects at competitive cost, e) highly diversified portfolio across price points and micro-markets in the MMR with a focus on affordable and mid-income housing with potential to penetrate further in MMR region, f) significant inventory of completed, ready-to-move units, g) 3,803 acres strategic land reserves with developable area of ~322 msf, h) unique ability to develop townships and generate annuity-like cash flows from them with average gross collections of Rs. 2,170 crores, j) good past financial performance, j) the company has already raised Rs. 741 crores from marquee anchor investors which instills confidence in the issue.

Objects of the issue - Fresh issue

Name of the shareholder	Amount (Rs. in crores)
Reduction of the aggregate outstanding borrowings of the company on a consolidated basis	1,500
Acquisition of land or land development rights	375
General corporate purposes	-

Impact of COVID-19 crisis on business

The lockdown led to a closure of company's offices and it moved to a work-from-home model. The Company resumed operations at their offices in a staggered manner in compliance with the lockdown restrictions and government guidelines. The COVID-19 pandemic caused a material decline in general business activity and consequently a slowdown in the sale and construction of units at their residential developments and in obtaining or renewing lease commitments for their commercial developments. The company has availed moratorium issued by RBI for a period of 6 months (i.e. the months of March to August 2020) with respect to their financial commitments to maintain sufficient liquidity to satisfy their operational needs.

While the Company's operations had slowed down during the lockdown period, it has almost resumed to full normalcy with requisite precautions. The Company has used the principles of prudence in applying judgments, estimates and assumptions based on the current conditions. In assessing the liquidity position and recoverability of assets such as goodwill, inventories, financial assets and other assets, based on current indicators of future economic conditions, the Company expects to recover the carrying amounts of their assets. However, the actual impact of COVID-19 pandemic on their consolidated results remain uncertain and dependent on spread of COVID-19 and steps taken by the Government to mitigate the economic impact and may differ from their estimates. They are closely monitoring the impact of COVID-19 on their financial condition, liquidity, operations, suppliers and workforce.

Key business strategies

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

Competition

The real estate development industry in India, including Mumbai, while fragmented, is highly competitive. Company's competitors include real estate developers such as: **Godrej Properties Ltd., Oberoi Realty Ltd., Piramal Realty Pvt. Ltd., DLF Ltd. Prestige Estates Projects Ltd., Wadhwa Group Holdings Pvt. Ltd., Dosti Realty Ltd., Hiranandani Developers Pvt. Ltd., L&T Realty Ltd., Rustomjee Builders Pvt. Ltd., Tata Housing Development Co. Ltd.**

Investments in United Kingdom (UK)

The Company have investments in the Central London, United Kingdom, through Lodha Developers UK Limited and its subsidiaries in two projects namely Lincoln Square and Grosvenor Square aggregating to GBP 208 million (net of provisions) including interest accrued over the period and excluding funds raised through issuance of bond. Both projects have repaid their respective construction finance loans and have currently availed of inventory finance. The Company's London projects are completed physically, construction of projects is over, project management of London projects is handled separately and Macrotech Developers Limited would not be involved in the management of the London projects. The Company is waiting for return on investment money, repayment of ~Rs. 1,600 crores bond liabilities would be from UK cash flows, there would be capital repatriation to India which would be in the range of Rs. 1,500 - Rs. 2,000 crores. Going forward, the Company will focus on purely on India business and not on international business.

Key concerns

- 1) **Significant amount of debt especially high short term borrowings:** As of December 31, 2020, the Company had **Rs. 18,662 crores of aggregate outstanding borrowings on a consolidated basis**, of which Rs. 18,499 crores was secured indebtedness and Rs. 164.6 crores was unsecured indebtedness. The Company has high short term borrowings in 9MFY21 (**Rs. 16,145 crores**) and since last three years which can put pressure on the Company's financial position in difficult times.
- 2) **Loss at bottom-line in 9MFY21:** The Company has reported **loss of Rs. 264 crores in 9MFY21** owing to impact of COVID-19 crisis on its business operations.

- 3) **Resurgence of COVID-19 cases in Mumbai, Thane, Pune:** There is strong resurgence of COVID-19 cases in second wave especially in Mumbai, Thane and Pune which can affect its business operations, sales and profitability going ahead.
- 4) **Unsold inventory in the Company's projects if not sold in a timely manner would adversely affects its business, results of operations and financial condition:** As of December 31, 2020, the Company had unsold inventory in residential projects of approximately 14.8 million square feet and approximately 5.5 million square feet of ready-to-move unsold inventory of residential projects in India. If the Company is unable to sell such inventory at acceptable prices and in a timely manner, the Company's business, results of operations and financial condition could be adversely affected.
- 5) **Contingent liabilities may affect its business operations, financial conditions:** The following table sets forth certain information relating to consolidated contingent liabilities as of December 31, 2020:

Particulars	Amount (Rs. in crores)
Disputed demands of customers excluding amounts not ascertainable.	264
Corporate guarantees given	164
Disputed taxation matters	270
Disputed land related legal cases	83
Total	782

RHP

Company Background

The company was incorporated as 'Lodha Developers Private Limited' on September 25, 1995. The Promoters are Abhishek Mangal Prabhat Lodha, Rajendra Narpatmal Lodha, Sambhavnath Infrabuild and Sambhavnath Trust. As on the date, the Promoters in aggregate hold 395,878,000 Equity Shares in the company representing 100% of the issued, subscribed and paid-up Equity Share capital of the company.

Promoter and Management background

Mukund Manohar Chitale is the Independent Director and Chairman of the company. He has nearly 43 years of experience as a practicing Chartered Accountant.

Abhishek Mangal Prabhat Lodha is the Managing Director and Chief Executive Officer of the company. He has 19 years of experience in strategy, design, project management, construction, corporate planning, legal and brand communication.

Rajendra Narpatmal Lodha is the Whole-Time Director of the company. He started his career with Lodha group. He has 31 years of experience in all facets of real estate development.

Rajinder Pal Singh is the Non-Executive Director of the company. He was appointed as a Non-Executive Director of the company with effect from January 1, 2016.

Ashwani Kumar is the Independent Director of the company. He was appointed as an Independent Director of the company with effect from April 8, 2020. He has held industry-wide leadership positions in multiple organisations.

Raunika Malhotra is the 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 2 years as Deputy Regional Chief Executive Officer. She has more than 15 years of experience in leadership, corporate strategic planning, consumer insights and brand management.

Sushil Kumar Modi has been appointed as the Chief Financial Officer Designate with effect from February 1, 2020 and as Chief Financial Officer with effect from June 26, 2020. He has experience in mergers and acquisitions and identifying viable capital raising and financing options, among others.

Shaishav Dharja is CEO – Townships & Rental Assets. He joined the company in 2010. He has over 20 years of experience in consulting across leading organisations in India and the United States.

Prateek Bhattacharya is President – Mid Income & Affordable Housing. He joined the Lodha group in 2014. He has over 20 years of experience across leading organisations.

Deepak Chitnis is the Executive Vice President - Design. He joined the company in 2007. He has 26 years of experience in design and development.

Gopal Menghani is the President - Legal of the company. He has over 33 years of experience in the areas of litigation and dispute resolution. He joined the company in 2007.

Janhavi Sukhtankar is the President – Human Resources. She has over 22 years' experience in the area of human resources, both in India and in Europe. She joined the company in 2012.

Prashant Bindal is the Chief Sales Officer of the company. He joined the company in 2015.

Sanjyot Rangnekar is the Company Secretary and Compliance Officer of the company. She has over 23 years of experience as a company secretary.



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Rajesh Sahana is the President – Consumer Experience. He is a customer experience professional with over 24 years' experience in banking, telecom and DTH organisations in India, Africa and the Middle East. He joined the Lodha group in 2019.



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