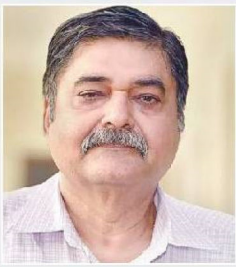


# MACROTECH SET TO GAIN FROM PRESENT SITUATION



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**The company is focussed on the affordable housing and mid-segment sections of the real estate market**



MACROTECH Developers Limited, formerly known as Lodha Developers is tapping the capital markets with its mega issue to raise Rs 2,500 cr in a price band of Rs 483-486. The issue would open on Wednesday the 7th of April and close on Friday the 9th of April. Macrotech Developers is focussed on the affordable housing and mid-segment sections of the real estate market and is a developer in MMR (Mumbai Metropolitan Region). It has a few years ago entered the adjoining Pune market as well.

The company reported revenues of Rs 9,576 cr, EBITDA of Rs 2,925 cr and a restated profit after tax of Rs 1,205 cr for the year ended March 2020 in its India operations. Its EBITDA margins were Rs 30.5 per cent while PAT margins were 12.6 per cent. In the nine months period ended December 20, revenues were Rs 2,915 cr, EBITDA was Rs 767 cr and there was a net loss of Rs 264 cr. This was understandable as the period included pandemic where for the first half of the year virtually nothing happened due to lockdown. The State government introduced benefits for the sector with lower stamp duty charges and this saw a spurt in demand during the second half leading to significant growth in sales. While the company has not declared the numbers for March 2021, property registration details from the registrar, indicate record sales by realty companies in the last quarter. With Macrotech Developers being the largest player in MMR, they should be able to show record sales.

The company has been delivering large number of dwellings every year and with its huge land parcels concentrated in nature, has the ability to focus on the affordable segment. This segment has incentives from the government and is the fastest growing segment in the real estate market. The affordable segment fetches a realisation of about Rs 5,000 per square foot



while in the mid-segment the average realisation is Rs 7,500 per square foot. The company believes that their business model is like a FMCG company and is confident of continuing to delivering the largest number of sales across real estate developers in residential segment. They have been delivering close to 10 million square feet in the last year and expect to do even better in the coming years. The company has land reserves which are in excess of 3,800 acres. In terms of developable area, the company has the potential to develop over 322 million square feet, the bulk of which would be in the affordable and mid-segment areas.

The company besides residential segment is also into premium luxury housing segment, retail segment, office and IT parks and logistic parks. The company had also ventured overseas where they did two projects in London. The projects in London have been completed and

there is a loan of Rs 1,500 cr on account of these projects. The built-up area is in the process of being sold and on successful completion of the same, minus the loan amount, approximately Rs 1,500 cr is expected to be realised by the Indian company. This should accrue in the next one year or earlier.

The issue based on EPS for the year ended March 20, of Rs 18.46, values the company at a PE multiple of 26.15-26.33 times. This valuation is in line with its peers. Further if one looks at the overall company valuation, the market capitalisation, pre-money would be around Rs 19,300 cr. Against this amount, minus the debt of Rs 16,700 cr on the books of the company, if one were to add the ready inventory the company has, the work in progress, land bank and receivables, the same would be a little over double the pre-money valuation of Rs 19,300 cr. With the object of the issue being 60 per cent (Rs 1,500 cr) of the proceeds to be used to retire existing debt, this would help the company post better results going forward.

While many may or may not agree, Covid-19 has been a blessing in disguise for real estate players eventually. While work from home is a reality and office space demand has seen a dip, more and more households are looking to upgrade their homes with that extra room to make the home an office as well. With affordable housing the need of the hour, Macrotech Developers Limited is well poised to benefit from present conditions.

Marquee names which include Brookfield, Abu Dhabi Investment Authority and Ivanhoe Cambridge are amongst the foreign names who would be investing. Considering the demand for affordable housing and the government's plan for housing for all, this appears to be a decent investment opportunity going forward.

*(The author is the founder of Kejriwal Research and Investment Services, an advisory firm)*