

Macrotech Developers | BUY

Going from strength to strength

Macrotech Developers (Lodha) should be able to consolidate its leadership position further, led by its robust sales machinery and healthy mix of premium, mid-income and affordable projects, coupled with existing tailwinds across the residential cycle. It has also continued to expand into segments such as logistic parks, commercial and retail, as part of mixed-use developments, to strengthen its position as a top developer across product categories and customer segments. We expect Lodha to launch c.45msf in the next 3 years, which should help pre-sales grow by a CAGR of 20% in FY24-FY27E. The stock has come down from recent highs post the 1QFY25 results, which leaves 27% upside to our NAV. We assume coverage with a BUY rating and a Mar'25 TP of INR 1,480.

- Market leader with a proven track record:** Lodha is the largest real estate developer in India by cumulative residential sales value for the past 7 years with a dominant presence in MMR (India's largest real estate market) and Pune. It has successfully executed large phases of townships (Palava and Upper Thane) and continues to expand into segments such as logistic parks, commercial and retail as part of mixed-use developments. Macrotech has been able to leverage its brand presence and track record of successfully delivering projects to increase sales volumes and command premium pricing for products compared to other projects in the respective micro-markets.
- Ability to develop townships and generate annuity-like cash flows:** Lodha has the ability to identify land, acquire it at competitive cost, aggregate it from several landowners and design a master plan to develop township projects. It is currently developing large townships located at Palava (Navi Mumbai, Dombivli Region) and Upper Thane (Thane outskirts) under its affordable and mid-income housing projects. On the back of a strong brand name and innovative sales and marketing strategies, Lodha is able to drive sales volumes and generate recurring operating cash flows. Furthermore, it is able to command c. 50% cash margins from these townships (most of it is paid-up land) making them highly profitable due to lower land costs.
- Higher intensity of asset-light portfolio additions to drive pre-sales growth:** Since the IPO, Lodha has added projects with a total estimated gross development value (GDV) of c.550bn, with a significant portion of these projects being asset-light in nature. Of the total, c.54% of the GDV added was in markets where Lodha has no/minimal presence. These markets today together contribute c.41% of the total sales (As of FY24). We expect that Lodha to comfortably meet its business development targets and will continue to gain market share from the smaller/Tier 2 developers. Aided by expansion in newer micro-markets/cities we expect Lodha to launch c.45msf in the next 3 years, which should help pre-sales grow by a CAGR of 20% in FY24-FY27E.
- Assume coverage with BUY, TP of INR 1,480:** We assume coverage on Macrotech with a BUY rating and an SoTP-based Mar'25 TP of INR 1,480. Key risks include prolonged slowdown in pre-sales and significant exposure to the MMR market.



Sumit Kumar

sumit.kumar@jmf.com | Tel.: (91 22) 66303089

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	
Current Price Target (12M)	1,480
Upside/(Downside)	27.4%
Previous Price Target	
Change	NA

Key Data – LODHA IN

Current Market Price	INR1,161
Market cap (bn)	INR1,155.6/US\$13.8
Free Float	25%
Shares in issue (mn)	994.9
Diluted share (mn)	994.9
3-mon avg daily val (mn)	INR2,054.3/US\$24.5
52-week range	1,650/641
Sensex/Nifty	81,086/24,823
INR/US\$	83.9

Price Performance

%	1M	6M	12M
Absolute	-15.2	4.6	67.3
Relative*	-15.0	-6.1	33.9

* To the BSE Sensex

Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	92,332	94,704	103,161	123,283	135,462
Sales Growth (%)	69.5	2.6	8.9	19.5	9.9
EBITDA	21,786	20,661	26,757	35,845	36,856
EBITDA Margin (%)	23.6	21.8	25.9	29.1	27.2
Adjusted Net Profit	12,024	16,640	16,540	27,241	27,899
Diluted EPS (INR)	12.5	17.3	16.6	27.4	28.0
Diluted EPS Growth (%)	139.1	38.4	-0.6	64.7	2.4
ROIC (%)	6.9	10.3	9.5	13.6	12.9
ROE (%)	14.4	13.4	11.0	14.6	13.1
P/E (x)	93.1	67.3	69.8	42.4	41.4
P/B (x)	9.2	8.8	6.6	5.8	5.1
EV/EBITDA (x)	57.8	59.4	45.1	32.9	31.7
Dividend Yield (%)	0.0	0.0	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of 23/Aug/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.