

March 06, 2024

Macrotech Developers Limited: [ICRA]A+ (Positive) assigned for fresh NCD; rating outstanding for existing bank loans and NCD

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loan	400.00	400.00	[ICRA]A+ (Positive); Outstanding
Short-term – Fund-based	15.00	15.00	[ICRA]A1; Outstanding
Long-term/ Short-term – Unallocated limits	185.00	185.00	[ICRA]A+ (Positive) / [ICRA]A1; Outstanding
Non-convertible debentures	375.00	375.00	[ICRA]A+ (Positive); Outstanding
Non-convertible debentures	853.00	853.00	[ICRA]A+ (Positive); Outstanding
Non-convertible debentures	140.00	140.00	[ICRA]A+ (Positive); Outstanding
Non-convertible debentures	0.00	175.00	[ICRA]A+ (Positive); assigned
Total	1,968.00	2143.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings factor in the strong operating performance of Macrotech Developers Limited (MDL) in FY2024 aided by healthy end-user demand, good sales velocity in its ongoing projects and a strong launch pipeline resulting in expected healthy collections and cash flows from operations (CFO) along with the reduction in debt levels. In 9M FY2024, the company witnessed an increase in pre-sales by 14% YoY to Rs. 10,290 crore, while the net collections remained stable at Rs. 6,920 crore (excluding repatriations from UK). The gross debt reduced to Rs. 8,801 crore as of December 2023 from Rs. 9,100 crore as of March 2023 supported by healthy CFO, with leverage as measured by gross debt/CFO¹ of 2.0 times as of December 2023 (Gross Debt/CFO of 1.8 times as of March 2023). ICRA is given to understand that the company will maintain liquidity of Rs. 1,500 crore to meet any exigencies, considering the liquidity buffer, the net debt to CFO stood at 1.5 times as of December 2023. The company raised NCD of Rs. 979 crore in 9M FY2024 and currently proposes to raise additional Rs. 175 crore of NCD in Q4 FY2024, which would be primarily utilised towards refinancing the existing high-cost debt. ICRA expects the pre-sales to increase by 14% and collections by 5% in FY2024 and estimates the gross debt/CFO to improve to around 1.6 times by March 2024, led by further reduction in debt levels to around Rs. 8,100 crore as on March 2024 along with likely improvement in CFO. MDL is proposing to raise funds of up to Rs. 5000 crore by way of QIP to majorly fund future growth plans and reduce the debt. ICRA has not factored in the impact of QIP in the current assessment and would assess the impact of the proposed QIP issuance on the company's liquidity and financial metrics post a detailed discussion with the management. The ratings continue to factor in MDL's strong leadership position in the Mumbai and Thane residential real estate markets as well as the Group's established track record of over four decades, underpinned by more than 95 million square feet (msf) of deliveries till date.

MDL enjoys healthy pre-sales backed by its diversified product segment and strong reputation. Pre-sales in the residential sector are expected to remain strong, supported by sizeable unsold inventory of around Rs. 30,900 crore as on December 31, 2023, launches of 6.6 msf in 9M FY2024, along with a new launch pipeline of 4.4 msf for Q4 FY2024 totalling to estimated gross development value (GDV) of Rs. 15,000 crore. Through historic land acquisitions, MDL has access to sizeable land parcels (4,300

¹ Cash flow from operations does not include repatriation from UK joint ventures. Trailing 12 months CFO

acres as on December 31, 2023, of which 300 acres is dedicated for digital infrastructure) providing significant potential for future project development.

The ratings are, however, constrained by the moderate cash flow cover² of 64% (as of December 2023) from the committed receivables of existing pre-sales. Therefore, sustaining the sales momentum remains important. The risk is partly mitigated by available ready-to-move-in (RTMI) (with an estimated value of around Rs. 8,000 crore as on December 31, 2023) and comfortable sales velocity with years-to-sell of 2–3 years across most of the projects. The total debt/net working capital for MDL was moderate at around 0.9 times as on March 31, 2023 which is attributable to its historical debt-backed land acquisitions. Despite 160 bps increase in repo rate in the last 18 months, the company has been able to achieve reduction in its overall cost of borrowing to 9.50% as on December 31, 2023 from 10.5% as on March 31, 2022, though it remains on the higher side. The ratings factor in the execution and market risks resulting from the large expansion plans. The company is also exposed to the cyclical nature in the residential real estate market.

Key rating drivers and their description

Credit strengths

Leading real estate developer with track record of 40 years, mainly in Mumbai and Thane markets – MDL has a long track record of over four decades in real estate development across residential, commercial and warehousing segments. As on December 31, 2023, the company had developed more than 95 msf with ~31 msf of ongoing developable area. MDL has an established presence in Mumbai and Thane, since most of its developed projects have been largely concentrated in these markets. The company enjoys market leadership position in these micromarkets based on FY2023 pre-sales. Through historic land acquisitions, it has access to sizeable land parcels (4,300 acres as of December 2023, of which 300 acres is dedicated for digital infrastructure). Pre-sales in the residential sector are expected to remain strong, supported by sizeable unsold inventory of around Rs. 30,900 crore as on December 31, 2023, launches of 6.6 msf in 9MFY2024, along with a new launch pipeline of 4.4 msf for Q4FY2024 totalling to estimated GDV of Rs. 15,000 crore.

Healthy pre-sales backed by diversified portfolio across product segments – MDL's pre-sales/collections are derived from residential, commercial and monetisation of leased assets/ land parcels. Monetisation of leased assets/land parcels accounted for ~9% of collections in FY2023 and are expected to generate around 15% of the CFO in FY2024. The company has reported strong pre-sales of Rs. 12,064 crore in FY2023, which is expected to further grow by around 10% in FY2024, with a healthy mix across different product segments and price points. In 9MFY2024, MDL witnessed an increase in pre-sales by 14% YoY to Rs. 10,290 crore while net collections (Excluding repatriations from UK) remained stable at Rs. 6,920 crore.

Significant reduction in leverage in recent years – The gross debt reduced to Rs. 8,801 crore as of December 2023 from Rs. 9,100 crore as on March 2023 supported by healthy CFO, with leverage as measured by gross debt/CFO of 2.0 times as of December 2023 (Gross Debt/CFO of 1.8 times as of March 2023). ICRA is given to understand that the company will maintain liquidity of Rs. 1,500 crore to meet any exigencies, factoring in the liquidity buffer, the net debt to CFO stood at 1.5 times as of December 2023. The company raised NCD of Rs. 979 crore in 9M FY2024 and currently proposes to raise additional Rs. 175 crore of NCD in Q4 FY2024, which would be primarily utilised towards refinancing the existing high-cost debt. ICRA expects the pre-sales to increase by 14% and collections by 5% in FY2024 and estimates the gross debt/CFO to improve to around 1.6 times by March 2024, led by further reduction in debt levels to around Rs. 8,100 crore as on March 2024 along with likely improvement in CFO. Any significant borrowings resulting in a deviation from the stated debt reduction trajectory would be a key rating monitorable.

² Cash flow cover is assessed by computing cash flow adequacy cover (after adjusting for cost of unlaunched area) for the company's portfolio using receivables/ (pending cost + debt outstanding)

Credit challenges

Collectible amounts from existing pre-sales provide moderate cash flow cover – The cash flow adequacy cover (after adjusting for the cost of unlaunched area) for the company's portfolio is moderate with receivables/(pending cost + debt outstanding) of 64% as on December 31, 2023, indicating dependence on sustaining healthy sales momentum. The risk is partly mitigated by its RTMI (with an estimated value of around Rs. 8,000 crore as on December 31, 2023) as well as comfortable sales velocity with years-to-sell time span of 2–3 years across most projects.

Large expansion plans exposing MDL to execution and market risks – MDL has significant plans of expanding its ongoing portfolio to maintain its growth momentum and strengthen its market presence in new micromarkets of Mumbai Metropolitan Region (MMR) and Pune. As on December 31, 2023, the pipeline for future project launches stood at over 82 msf, exposing the company to execution and market risks. Timely launch of these projects, along with healthy sales and collection momentum, would be critical for improving the operational cash flow generation. Nonetheless, ICRA takes comfort from MDL's established track record of project execution and strong brand presence, which aids sales velocity. Additionally, it is expected to benefit from the ongoing trend of market consolidation, whereby the share of large players is likely to increase, driven by the strong brand, track record of delivery and quality execution.

Susceptibility to cyclical and regulatory risks in the real estate sector – The real estate sector is cyclical and has a highly fragmented market structure because of a large number of regional players. In addition, being a cyclical industry, the sector is highly dependent on macro-economic factors, which exposes the company's sales to any downturn in demand.

Liquidity position: Strong

ICRA expects MDL's liquidity position to remain strong, driven by healthy cash flow from operations against scheduled repayments of around Rs. 1,600 crore in FY2024. The company's liquidity is further supported by ~Rs. 1,300-crore unencumbered cash and bank balances as on December 31, 2023.

Environmental and social risks

The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher costs of raw materials such as building materials and cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can affect business operations. Impact of changing environmental regulations on licences taken for property development could also create credit risks. MDL has set a target to achieve carbon neutrality by 2035. Hence, it is expected to be better prepared in case of any change in aforementioned regulations.

In terms of the social risks, the trend post-pandemic has been favourable for real estate developers as demand for quality home with good social infrastructure has increased. Further, rapid urbanisation and high proportion of workforce population (aged 25-44 years) will support demand for real estate in India and benefit MDL. The same is supported by healthy sales trend reported over the recent quarters.

Rating sensitivities

Positive factors – The ratings may be upgraded if significant and sustained growth in sales and collections in MDL's project portfolio, along with greater business diversification, results in robust and sustainable improvement in cash flows and liquidity, and lower reliance on debt funding. Specific metric for a rating upgrade will be better visibility on trajectory to achieve gross debt/CFO of 1 times.

Negative factors – The ratings may be downgraded if project execution, sales velocity and collections are slower than expected in the ongoing and upcoming projects pipeline and/or significant debt-funded investments in new projects result in gross debt/CFO sustaining above 2.0 times.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty- Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated MDL along with its operational subsidiaries, JVs and associate entities on account of the strong business and financial linkages between these entities. As on December 31, 2023, the company had 16 subsidiaries and 5 JVs/ associates, which are enlisted in annexure-II.

About the company

Macrotech Developers Limited, formerly known as Lodha Developers Limited, is one of the largest real estate developers in India with a market leader position in Mumbai and Thane. MDL is focused on residential development in the MMR, with some projects in Pune and Bengaluru. The company was listed on the Bombay Stock Exchange (BSE) on April 16, 2021. As on December 31, 2023, the company developed more than 95 msf and had ~31 msf of the ongoing developable area. The company also has one of the largest land banks in the country, totalling over 4,300 acres as on December 31, 2023 (inclusive of its ongoing as well as planned projects).

Key financial indicators (audited)

MDL Consolidated	FY2022	FY2023	9MFY2024
Operating income	9,233	9,470	6,298
PAT	1,208	495 [^]	899
OPBDIT/OI	24%	22%	26%
PAT/OI	13%	5%	14%
Total outside liabilities/Tangible net worth (times)	2.2	2.1	NA*
Total debt/OPBDIT (times)	5.3	4.4	NA*
Interest coverage (times)	3.2	4.3	4.5

Source: MDL, ICRA Research, all ratios as per ICRA calculations. PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore; [^] includes one-time exceptional item i.e., provision against UK investment of Rs. 1,177 crore *Not Applicable as balance sheet as on December 31, 2023 is not available

Status of non-cooperation with previous CRA: Not applicable

Any other information

For the NCD of Rs. 245 crore, NCD of Rs. 280 crore and the proposed NCDs of Rs. 175 crore, the company faces the risk of debt acceleration due to rating linked covenants (if the rating is downgraded by 2 notches for Rs. 245 crore, two notches below A for Rs. 280 crore and Rs. 175 crore). Upon failure to meet the covenant, if the company is unable to get waivers from the lenders/investors or the lenders/investors do not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Current rating (FY2024)								Chronology of rating history for the past 3 years			
				Date & rating in FY2024								Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Mar 06, 2024	Nov 03, 2023	Oct 11, 2023	Sep 20, 2023	Jul 11, 2023	Jun 20, 2023	Jun 06, 2023	Dec 12, 2022	Oct 25, 2022	-	-	
1	Term loans	400.00	267.8	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	-	-
2	Fund-based	15.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A1	-	-	-	-	-	-	-	-	-
3	Unallocated limits	185.00	-	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	-	-	-	-
4	NCD	375.00	368.0*	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Stable)	-	-	-
5	NCD	50.00**	-	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	-	-	-	-	-
6	NCD	803.00**	-	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	-	-	-	-	-	-	-
7	NCD	140.00**	-	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	-	-	-	-	-	-	-	-	-	-
8	NCD	175.00**	-	[ICRA]A+ (Positive)	-	-	-	-	-	-	-	-	-	-	-

*Only Rs. 368.0 crore has been placed and Rs. 7 crore is proposed as on February 29, 2024, ** out of NCDs of Rs. 1168 crore, Rs. 979 crore have been placed while NCD of Rs. 189 crore are proposed as on February 29, 2024

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Short-term – Fund-based	Simple
Long-term/Short-term – Unallocated limits	Not applicable
Non-convertible debentures	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#).

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2023	-	FY2028	400.00	[ICRA]A+ (Positive)
NA	Short-term loan	-	-	-	9.00	[ICRA]A1
NA	Overdraft	-	-	-	6.00	[ICRA]A1
NA	Unallocated limits	NA	NA	NA	185.00	[ICRA]A+ (Positive)/ [ICRA]A1
INE670K07174	NCD	FY2023	NA	FY2026	99.0	[ICRA]A+ (Positive)
INE670K07182	NCD	FY2023	NA	FY2026	101.00	[ICRA]A+ (Positive)
INE670K07190	NCD	FY2023	NA	FY2026	100.00	[ICRA]A+ (Positive)
INE670K07208	NCD	FY2023	NA	FY2027	68.00	[ICRA]A+ (Positive)
INE670K07240*	NCD	FY2024	NA	FY2027	405.00	[ICRA]A+ (Positive)
INE670K07224	NCD	FY2024	NA	FY2027	245.00	[ICRA]A+ (Positive)
INE670K07216	NCD	FY2024	NA	FY2027	49.00	[ICRA]A+ (Positive)
INE670K07232	NCD	FY2024	NA	FY2027	280.00	[ICRA]A+ (Positive)
-	Proposed NCD	NA	NA	NA	7.00	[ICRA]A+ (Positive)
-	Proposed NCD	NA	NA	NA	14.00	[ICRA]A+ (Positive)
-	Proposed NCD	NA	NA	NA	175.00	[ICRA]A+ (Positive)

*[Changed from INE670K08024 following the change in terms of NCDs pertaining to security cover](#)

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	MDL Ownership	Consolidation Approach
Macrotech Developers Limited	100% (rated entity)	Full Consolidation
Apollo Complex Pvt. Ltd.	100.00%	Full Consolidation
Bellissimo Industogic Bengaluru 1 Pvt. Ltd. (Formerly known as Bellissimo In City FC NCR 1 Pvt. Ltd.)	100.00%	Full Consolidation
Brickmart Constructions and Developers Pvt. Ltd.	100.00%	Full Consolidation
Cowtown Infotech Services Pvt. Ltd.	100.00%	Full Consolidation
Cowtown Software Design Pvt. Ltd.	100.00%	Full Consolidation
Digirealty Technologies Pvt. Ltd.	100.00%	Full Consolidation
G Corp Homes Pvt. Ltd.	100.00%	Full Consolidation
Lodha Developers International (Netherlands) B. V*	100.00%	Full Consolidation
Lodha Developers International Ltd.*	100.00%	Full Consolidation
Lodha Developers U.S. Inc.^	100.00%	Full Consolidation
National Standard (India) Ltd.	73.94%	Full Consolidation
One Place Commercials Pvt. Ltd.	100.00%	Full Consolidation
Palava City Management Pvt. Ltd.	100.00%	Full Consolidation

Roselabs Finance Ltd.	74.25%	Full Consolidation
Sanathnagar Enterprises Ltd.	72.70%	Full Consolidation
Simtools Pvt. Ltd.	49.85%	Full Consolidation
Thane Commercial Tower A Management Private Limited	100.00%	Full Consolidation
Palava Induslogic 3 Pvt. Ltd.	100.00%	Full Consolidation
Bellissimo Buildtech LLP	100.00%	Full Consolidation
Lodha Developers UK Ltd. & its subsidiaries*	51.00%	Equity Method
Palava Induslogic 2 Pvt. Ltd	100.00%	Equity Method
Palava Induslogic 4 Pvt. Ltd	33.33%	Equity Method
Bellissimo Digital Infrastructure Development Management Pvt. Ltd.	60.00%	Equity Method
Bellissimo Digital Infrastructure Investment Management Pvt. Ltd.	60.00%	Equity Method
Bellissimo In City FC Mumbai 1 Pvt. Ltd.	33.33%	Equity Method

Source: Company, MDL Financials-Q3FY2024, *Upto December 15, 2023, ^Dissolved w.e.f October 3, 2023

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