April 23, 2024 (Revised)

Macrotech Developers Limited: Ratings reaffirmed for existing limits; rating of [ICRA]A1+ assigned to proposed Commercial Paper programme

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]AA- (Stable); reaffirmed
Short-term – Fund-based	15.00	15.00	[ICRA]A1+; reaffirmed
Long-term/ Short-term – Unallocated limits	185.00	185.00	[ICRA]AA- (Stable) / [ICRA]A1+; reaffirmed
Non-convertible debentures	375.00	375.00	[ICRA]AA- (Stable); reaffirmed
Non-convertible debentures	853.0	853.0	[ICRA]AA- (Stable); reaffirmed
Non-convertible debentures	140.0	140.0	[ICRA]AA- (Stable); reaffirmed
Non-convertible debentures	175.00	175.00	[ICRA]AA- (Stable); reaffirmed
Commercial Paper	0.00	500.00	[ICRA]A1+; assigned
Total	**2,143.00**	**2,643.00**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation factors in the expected improvement in Macrotech Developers Limited (MDL)'s leverage driven by increase in cash flow from operations and reduction in debt, supported by recent equity raise of Rs 3,300 crore via qualified institutional placement (QIP). MDL's operating performance has remained strong in FY2024, which is expected to be sustained in FY2025, 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). In FY2024, the company's pre-sales increased by 20% YoY to Rs. 14,520 crore, while the collections increased by 10% YoY to Rs. 10,710 crore (excluding repatriations from the UK). ICRA estimates the pre-sales to increase to Rs 16000 - 16500 crore, while collections are expected to increase to Rs 13000 - Rs 13500 crore, in FY2025, supported by healthy sales in ongoing as well as upcoming projects and healthy construction progress. MDL has an outstanding total debt of Rs. 7,709 crore as of March 31, 2024, of which ~12% is LRD debt against commercial assets. MDL has recently raised ~Rs. 3,300 crore via QIP, of which around Rs. 1,500-1,600 crore is for debt reduction and remaining for funding the future growth plans. Consequently, the company's gross debt/CFO is estimated to improve to 1.15-1.25 times as of March 2025 (Estimated to be 1.6 times[1] as of March 2024 and 1.8 times as of March 2023) and the Net Debt/CFO is estimated to remain below 1 times as of March 2024 and March 2025.

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, including 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 acres as of December 2023, of which 300 acres are dedicated for digital infrastructure) providing significant potential for future project development. The ratings continue to factor in MDL's strong leadership position in the Mumbai

[1] *CFO excludes repatriations from the UK*

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.

The ratings are, however, constrained by the moderate cash flow cover[2] of 57% (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 of December 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 high at around 114%[3] as of March 2023, which is attributable to its historical debt-backed land acquisitions. Despite an increase of 160 bps 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, reduction of 100 bps during the same period, though it remains on the higher side. The ratings factor in the execution and market risks resulting from the large expansion plans. Nonetheless, ICRA takes comfort from MDL's established track record of project execution and strong brand presence, which aid sales velocity. The company is also exposed to the cyclicality in the residential real-estate market.

The Stable outlook on the long-term rating reflects ICRA's opinion that MDL will continue to benefit from its healthy operating performance backed by strong launch pipeline and healthy end-user demand. Further, the company is expected to sustain the growth in sales, collections and low leverage.

Key rating drivers and their description

Credit strengths

Expected improvement in leverage driven by increase in cash flow from operations and reduction in debt, supported by recent equity raise - The company has successfully raised ~Rs. 3,300 crore of capital through QIP issuance on March 07, 2024, which is intended to be partly deployed for reducing the high-cost debt (around Rs. 1,500-1,600 crore) and remaining for future growth plans. MDL's operating performance has remained strong in FY2024, which is expected to be sustained in FY2025, aided by healthy end-user demand, good sales velocity in its ongoing projects and a strong launch pipeline resulting in expected healthy collections and CFO. Consequently, the company's gross debt/CFO is estimated to improve to 1.15-1.25 times as of March 2025 (Estimated to be 1.6 times as of March 2024 and 1.8 times as of March 2023) and the net debt/CFO is estimated to remain below 1 times as of March 2024 and March 2025.

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. In FY2024, the company's pre-sales increased by 20% YoY to Rs. 14,520 crore, while the collections increased by 10% YoY to Rs. 10,710 crore (excluding repatriations from the UK). ICRA estimates the pre-sales to increase to Rs 16000 - 16500 crore, while collections are expected to increase to Rs 13000 - Rs 13500 crore, in FY2025, supported by healthy sales in ongoing as well as upcoming projects and healthy construction progress.

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, as 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, including launches of 6.6 msf in 9M FY2024, along with a new launch pipeline of 4.4 msf for Q4 FY2024 totalling to estimated GDV of Rs. 15,000 crore.

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[2] *Cash flow cover is assessed by computing cash flow adequacy cover for the company's portfolio using committed receivables/ (pending cost + debt outstanding (excluding LRD debt))*

[3] *The Net Debt/NWC is 96%*

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 57% 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 and 1.9 years for the entire portfolio.

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 cyclicality and regulatory risks in 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 macroeconomic 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 estimated net repayments of around Rs. 1,050 crore in FY2024 and Rs. 250 crore in FY2025. The company's liquidity is further supported by unencumbered cash and bank balances of Rs. 1,300 crore and undrawn debt of Rs. 1,604 crore as on December 31, 2023. The company has raised funds of Rs. 3,300 crore via QIP in March 2024.

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 reduce scope 1 and 2 emissions by ~98% by 2028. 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 rating 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 resulting in an improvement in leverage metrics.

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 Net Debt/CFO sustaining above 1.5 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 below.

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 of December 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 of December 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; ** Unaudited*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)					Chronology of rating history for the past 3 years										
		Type	Amount rated (Rs. crore)	Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2025		Date & rating in FY2024							Date & rating in FY2023		Date & rating in FY2022
					Apr 23, 2024	Apr 04, 2024	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**	Long-term	400.00	267.8	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[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**	Short-Term	15.00	-	**[ICRA]A1+**	**[ICRA]A1+**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1**	-	-	-	-	-	-	-
3	**Unallocated limits**	Long-term and short-term	185.00	-	**[ICRA]AA- (Stable)/ [ICRA]A1+**	**[ICRA]AA- (Stable)/ [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**	Long-term	375.00	368.0*	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[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**	Long-term	50.00**	-	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	-	-	-	-
6	**NCD**	Long-term	803.00**	-	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	-	-	-	-	-
7	**NCD**	Long-term	140.00**	-	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Positive)**	**[ICRA]A+ (Positive)**	-	-	-	-	-	-	-	-
8	**NCD**	Long-term	175.00**	-	**[ICRA]AA- (Stable)**	**[ICRA]AA- (Stable)**	**[ICRA]A+ (Positive)**	-	-	-	-	-	-	-	-	-
9	**CP**	Short term	500.00^	-	**[ICRA]A1+**	-	-	-	-	-	-	-	-	-	-	-

**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;*
^ proposed CP

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
Commercial Paper	Very 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]AA- (Stable)
NA	Short-term loan	-	-	-	9.00	[ICRA]A1+
NA	Overdraft	-	-	-	6.00	[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	185.00	[ICRA]AA- (Stable)/ [ICRA]A1+
INE670K07174	NCD	Sep 05, 2022	9.95%	Sep 05, 2025	99.0	[ICRA]AA- (Stable)
INE670K07182	NCD	Sep 20, 2022	9.24%	Sep 20, 2025	101.00	[ICRA]AA- (Stable)
INE670K07190	NCD	Dec 12, 2022	9.65%	Dec 12, 2025	100.00	[ICRA]AA- (Stable)
INE670K07208	NCD	Dec 30, 2022	9.85%	Jun 29, 2026	68.00	[ICRA]AA- (Stable)
INE670K07240*	NCD	Sep 01, 2023	9.50%	Aug 31,2026	405.00	[ICRA]AA- (Stable)
INE670K07224	NCD	Sep 27, 2023	8.90%	Sep 25, 2026	245.00	[ICRA]AA- (Stable)
INE670K07216	NCD	Jul 19, 2023	9.42%	Jun 30, 2026	49.00	[ICRA]AA- (Stable)
INE670K07232	NCD	Nov 09, 2023	8.79%	Nov 06, 2026	280.00	[ICRA]AA- (Stable)
-	Proposed NCD	NA	NA	NA	7.00	[ICRA]AA- (Stable)
-	Proposed NCD	NA	NA	NA	14.00	[ICRA]AA- (Stable)
-	Proposed NCD	NA	NA	NA	175.00	[ICRA]AA- (Stable)
-	Commercial Paper^	NA	NA	NA	500.00	[ICRA]A1+

*Source: Company; *Changed from INE670K08024 following the change in terms of NCDs pertaining to security cover, ^ Proposed*

[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 Induslogic 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, ICRA research, MDL Financials-Q3FY2024, *Upto December 15, 2023, ^Dissolved w.e.f October 3, 2023*

Corrigendum

Rationale dated April 23, 2024, has been revised with addition of coupon rate and date of issuance/maturity in Annexure-I for NCD.

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