RATING RATIONALE

9 Sept 2020

Macrotech Developers Limited (MDL)

Brickwork Ratings reaffirms the ratings for various bank loan facilities and NCD issues of Macrotech Developers Limited (MDL or the 'Company'), as under:
The Outlook continues as Negative.

Particulars.

Facility/ Instrument	Previous Amount (Rs. Cr)	Present Amount (Rs. Cr)	Tenure	Previous Rating (Feb 2020)	Present Rating (September 2020)
Fund Based Loan	5516	5403	Long Term	BWR BBB Negative	BWR BBB Negative
Fund Based Facility CC/OD Sublimit: LC	700.0 (20.0)	700.0 (20.0)	Long Term Sub Limit: Short Term	BWR BBB (Negative)/ BWR A3	BWR BBB Negative BWR A3
NCD	625.0	625.0	Long Term	BWR BBB Negative	BWR BBB Negative
NCD	100.0	100.0	Long Term	BWR BBB Negative	BWR BBB Negative
NCD	65.0	65.0	Long Term	BWR BBB Negative	BWR BBB Negative
NCD	495.0	495.0	Long Term	BWR BBB- Negative	BWR BBB- Negative

^ Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Rated amounts: BLR-Rs. 6103 Crs, and NCD- Rs. 1285 Crs

Rating Action: Reaffirmation.

The rating reaffirmation continues to factor in- the group's established track record and dominant position in the real estate industry, land bank reserves, project execution capabilities over the years, strong brand presence in Mumbai Metropolitan Region (MMR), experienced leadership, professional management team and availability of completed and near completion inventories.
The ratings take into account diversity of the project portfolio in multiple phases and across multiple price points. It also notes that the Reserve Bank of India (RBI) has announced operational details of the proposed one-time restructuring plans, post implementation or otherwise of which BWR would undertake a review.

As constraining factors, the ratings take cognizance of continuing high debt and uncertainties regarding lending to the real estate sector, exposed to real estate cyclicality and current slowdown in the sector compounded by Covid-19 pandemic. However, BWR notes that the Company has formulated plans for graded reduction in debt levels over a 2-year period.

Rating Outlook: Negative
The outlook continues to remain Negative, mainly due to the challenges before the real estate industry, and the possibility that the return to normalcy may take longer for this sector.

Key Rating Drivers
Credit Strengths
Lodha Groups track record and execution skills.
The group has completed ~43mn sq.ft of saleable area under the affordable/ mid income segments, besides nearly 32 mn sq ft under the premium segment. It has 38 ongoing projects with a total developable area of ~20 msf and 19 planned projects with a total developable area of ~ 54 msf. The group has presence across Mumbai Metropolitan region (MMR), Pune and UK.

Land bank and development potential.
The Group claims to have sizable additional land reserves of 4616 acres with an estimated developable area of ~392mn sq.ft.

Availability of completed and near completion inventories.
The Company has completed/near completion inventory of ~10k Cr of which ~50% is in the affordable and mid income segment. The due collection from the sold inventory is Rs. 3640 Cr of which the majority to be collected in FY21 is Rs. 3103 Cr and for FY22 is Rs. 292 Cr. The completed and near completion nature of inventory position gives an added advantage to the Company, given the preference of the customers for such inventories. However, the group's ability to sell these units timely and generate cash flows is crucial for the Company's overall performance.

Credit Risks.
High Debt. The Consolidated debt stood at Rs. 18432.15 Cr as on March 2020. The debt has largely reduced from the previous year on account of deconsolidation of its subsidiary Lodha Developers UK Limited which is now a joint venture. The deconsolidation effect was to the tune of Rs. 5391.77 Cr. The domestic debt repayment obligations for the balance period of FY21 is Rs. 833 Cr and for FY22 is Rs. 4463 Cr. Apart from this the group has project debt o/s amounting to £494mn (~Rs.4830 Cr) (present position GBP 400 Mn) for its UK project- 1 Grosvenor Square and the scheduled repayment for the same is March 2021. The project is expected to be completed by Q3FY21 and as per the Company the project is on schedule as per the revised plans and the debt for the same is expected to be repaid from collections under the project. The Company has also indicated that it is in advance discussions to raise inventory funding and prepay the construction finance loan. The Company has also made plans to reduce the debt levels, including monetization of commercial property in India.

Sales and collections: The total sales for FY20 was Rs. 6570 Cr and collections of Rs. 8190 Cr in FY20 down from Rs. 7613 Cr in FY19 and Rs. 9065 Cr in respectively in FY19. Difficult market conditions have led to much lower sales and collections for Q1FY21. The approximate sales and collections for Q1FY21 was Rs. 600 Cr and Rs. 415 Cr respectively, which was significantly lower, compared to Rs. 1661 Cr and Rs. 1740 Cr respectively reported in Q1FY20.

However, the sales and collections have shown a recovery from July 2020 onwards. The ability to maintain the sales and collection momentum on incremental basis is critical for overall performance and debt servicing. The Company is confident of meeting its targets.

Vulnerability of cash flows to cyclical nature of the industry
The real estate market has been witnessing a slowdown in the recent past. Cyclical nature of the real estate industry coupled with subdued demand puts pressure on sales realizations and consequently the cash flows. Some of the projects are also high-end projects, whose sales are influenced by macro-economic factors.

Project execution risk and high inventories: The group is currently executing various projects under various phases and sectors, and as such, is not immune to the project execution risks. However, the comfort is drawn from the group's execution track record and the group's expertise to complete the projects.

Analytical Approach.
Macrotech Developers Limited (MDL) was, earlier, more a holding company with few projects, and major project execution was happening in various SPVs, which were its subsidiaries. With the merger of many such SPVs into MDLand/ or transfer of projects from the subsidiaries to MDL through the Slump Sale route, many of its projects at different stages of execution have moved to MDL, whose stand-alone balance sheet itself has become large. Still there are some SPVs which are executing projects. As such, BWR has factored overall performance of the Group in execution of projects, customer deliveries, common branding, financial flexibility, etc for assigning the rating to MDL. The list of entities consolidated is given in the annexure.

Rating Sensitivities.
Positive: Significant ramp up in the sales and collections, reduction of debt levels and improvement in capital structure.
Negative: Downward pressure on sales and collections, weakening of financial risk profile, delays in debt reduction are the key negative sensitivities.

The ratings are also sensitive to successful execution of its key initiatives of asset disposal and debt refinancing to correct capital structure.

Liquidity Profile. Adequate with total liquidity of Rs. 1122.85 Cr as on June 2020 which consists of balance with banks in India amounting to Rs. 112.06 Cr, foreign holdings Rs. 412 Cr, cash held in escrow account of Rs. 457 Cr, fixed deposit investment of Rs. 75.93 Cr, and Mutual Fund of Rs. 64.81 Cr. Against which the Company repayment obligation of ~Rs. 833 Cr for balance period of FY21. The debt obligations for the UK project is £494mn (Rs.4830 Cr) which is maturing in March 2021.

Moratorium- Relief measures, such as moratorium on debt servicing as notified by Reserve Bank of India (RBI) are being availed by the Company upto August 2020. The Company has

availed moratorium on the coupon payment, which was due on 4 August 2020 for NCD amounting to Rs.495 Cr. The investor's approval for the same was obtained prior to the due date.

Company Profile

Macrotech Developers Limited.

Established in 1980, the Lodha Group is a major real estate developer in Mumbai Metropolitan Region (MMR) with focus on developing residential and office spaces. Macrotech Developers Limited (earlier known as Lodha Developers Limited) is the flagship company of the group was incorporated in 1995. The name of the Company has been changed to "Marcotech Developers Limited" from "Lodha Developers Limited" with effect from 24th of May 2019. The brand name continues as Lodha and all projects will continue to be named and sold/leased under the Lodha brands**.**

KEY FINANCIAL INDICATORS (in ₹ Cr)

Result Type	FY19	FY20
Particulars (Rs in Cr)	**Audited**	**Audited**
Total Operating Income	12107	12,665.10
PAT	1647	741.53
Tangible Net Worth	3286	4,093.39
Total Debt	25640	18,423.15
Total Debt/ Tangible net worth (times)	7.8x	4.50x

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: Not Applicable

Rating History for the last three years (including rating withdrawal and suspended)

Sr. No	Facility	Type		Current	Rating History					
			Amount (Rs. in Cr)	Sep 2020	Feb 2020	November 2019	August 2019	Feb 2019	2018	2017
1	NCD	LT	65.0	BWR BBB Negative	BWR BBB Negative	NA	NA	NA	NA	NA
2	Term Loan-	LT	110.0	BWR BBB Negative	BWR BBB Negative	NA	NA	NA	NA	NA
3	Term Loan (Trump Tower)	LT	800.0	BWR BBB Negative	BWR BBB Negative	BWR A-Negative	BWR A-Negative	BWR A Stable	BWR A Stable	NA
4	Term Loan – Lodha Luxuria– Phase 3	LT	164.0	BWR BBB Negative	BWR BBB Negative	BWR A-Negative	BWR A-Negative	BWR A Stable	BWR A Stable	NA

5	Term Loan (tower 5)	LT	640.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	NA	NA	NA	NA
6	Loan (Inventory Funding)	LT	470.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	NA	NA	NA	NA
7	Term Loan- Townhouse	LT	135.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative	NA	NA	NA
8	NCD	LT	495.0	BWR BBB- Negative	BWR BBB- Negative	BWR BBB+ Negative	BWR BBB+ Negative	NA	NA	NA
9	Cash Credit	LT	250.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative	NA	NA	NA
10	Term Loan NCP – Tower 2	LT	250.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Assigned	NA	NA
11	Term Loan (Big Win)	LT	325.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Assigned	NA	NA
12	NCD	LT	100.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Assigned	NA	NA
13	Term Loan Amara Plot C	LT	1105	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Assigned	NA	NA
14	Term Loan (tower I and III)	LT	613.85	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Reaffirmed	BWR A Outlook: Stable Reaffirmed	NA
15	Term Loan NCP Tower 7 and 8	LT	339.0	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Reaffirmed	BWR A Outlook: Stable Reaffirmed	NA
16	Term Loan Park Tower VI	LT	451	BWR BBB Negative	BWR BBB Negative	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable Reaffirmed	BWR A Outlook: Stable Reaffirmed	NA
17	Term Loan	LT	225	-	Rating Withdrawn	BWR A- Negative	BWR A- Negative (Downgrade)	BWR A Outlook: Stable	BWR A Outlook: Stable	NA

								Reaffirmed	Reaffirmed	
18	FB- - Overdraft Facility	LT	50	BWR BBB Negative	BWR BBB Negative	BWR A-Negative	BWR A-Negative (Downgrade)	BWR A Outlook: Stable Reaffirmed	BWR A Outlook: Stable Reaffirmed	NA
19	Secured, Listed, Redeemable Non-Convertible Debenture	LT	625	BWR BBB Negative	BWR BBB Negative	BWR A-Negative	BWR A-Negative (Downgrade)	BWR A Outlook: Stable Reaffirmed	BWR A Outlook: Stable Reaffirmed	NA
20	FB - Overdraft Facility Sublimit: LC and BG	LT	200	BWR BBB Negative	BWR BBB Negative	BWR A-Negative	BWR A-Negative (Downgrade)	BWR A Outlook: Stable Reaffirmed	BWR A Outlook: Stable Reaffirmed	NA
21	FB - Overdraft Facility Sublimit: LC and BG	LT	200 (Rs. 20 Cr)	BWR BBB Negative BWR A3	BWR BBB Negative BWR A3	BWR A-Negative BWR A2	BWR A-Negative (Downgrade) BWR A2 (Downgrade)	BWR A Outlook: Stable BWR A2+ Reaffirmed	BWR A Outlook: Stable BWR A2+ Reaffirmed	BWR A Outlook: Stable BWR A2+

NCD Details

ISIN	Amt (Rs. Cr)	Allotment Date	Maturity Date	Coupon
INE670K07067	625	27-Feb-18	27-Feb-23	12.50%
INE711Z07018	100	13-Mar-18	12-Mar-21	14%
INE014S07012	495	13-Jul-17	13-Jul-23	9.50%
INE948 Z07016	65	3- April -18	2- April- 21	13%

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Infrastructure Sector.

Annexure 1: List of Entities Consolidated.

Subsidiaries.	% of holdings
Anantnath Constructions and Farms Pvt Ltd.	100%
Apollo Complex Private Limited	100%
Bellissimo Constructions and Developers Pvt Ltd.	100%
Bellissimo Estate Pvt Ltd.	100%
Centre for Urban Innovation	100%
Copious Developers and Farms Pvt Ltd.	100%
Cowtown Infotech Services Pvt. Ltd	100%
CowtownSoftware Designs Pvt Ltd	100%
Grandezza Supremaous Thane Pvt Ltd	100%
Grosvenor Street Apartments Ltd	75%
1GSQ Leaseco Ltd	75%
Linclon square Apartments Limited.	75%
Lodha Developers 1GSQ Holdings Ltd	76.25%
Lodha Developers 1GSQ Ltd	76.25%
Lodha Developers 48CS Ltd	76.25%
Lodha Developers Canada Limited	100%
Lodha Developers Dorset close Ltd.	76.25%
Lodha Developers International (Jersy) III Ltd	76.25%
Lodha Developers International (Netherlands) B. V Ltd	100%
Lodha Developers International Limited	100%
Lodha Developers UK Limited	75%
Lodha Developers U.S. Inc	100%
Luxuria Complex Pvt Ltd	100%
MMR Social Housing Pvt Ltd.	100%
National Standard (India) Limited	73.94%
New Court Developers Ltd	75%
New Court Holdings Ltd	75%
Odeon Theatres and Properties Pvt Ltd.	100%
One Place Commercials Pvt Ltd.	100%
Palava City Management Pvt Ltd.	100%
Palava Dwellers Pvt Ltd	98.03%
Palava Institute of Advance Skill Training	100%
Ramshyam Infracon Pct Ltd.	100%
Renover Green Consultants PVt Ltd	100%
Roselabs Finance Ltd	74.25%
Santathnagar Enterprises Ltd	72.21%
Simtools Pvt Ltd	53.46%

Sitaldas Estate Pvt Ltd.	91.18%
Associate/Joint Venture	
Kora Constructions Pvt Ltd.	44%
Altamount Road property Private Limited	40.94%
Lodha Developers UK Limited	75%
Grosvenor Street Apartments Ltd	75%
Lodha Developers 1GSQ Holdings Ltd	76.25%
Lodha Developers 1GSQ Ltd	76.25%
Lodha Developers 48 CS Limited	76.25%
Lodha Developers Dorset close Ltd.	76.25%
Lodha Developers International (Jersy) III Ltd	76.25%
1GSQ Leaseco Ltd	75%
New Court Developers Ltd	75%
New Court Holdings Ltd	75%
Lincoin Square Apartments Ltd	75%
LLP	
Belliimo Buildtech LLP	100%

Annexure II
Details of Bank Loan Facilities.

Facility Amount

Facility	**Tenure**	**Amount. (Rs. Cr)**
Fund Based. Term Loan	Long Term	5403
Fund Based CC Overdraft Sublimit: LC	Long Term Sublimit: Short Term	250.0 450.0 (20.0)

There are multiple lender and at the request of company, aggregate amount is shown.

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