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IPO Note – Macrotech Developers Limited.

06-April-2021

RETAIL RESEARCH

Macrotech Developers Ltd.

Issue Snapshot:

Issue Open: April 07 – April 09, 2021

Price Band: Rs. 483 – 486

*Issue Size: 51,440,329 eq shares

Issue Size: Rs. 2484.6 – 2500.0 cr

Reservation for:

QIB	Upto 50% eq sh
Non Institutional	atleast 15% eq sh
Retail	Upto 35% eq sh
*Employee	Upto 617,284 eq sh

Face Value: Rs 10

Book value:Rs. 97.03 (Dec 31, 2020)

Bid size: - 30 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs. 395.88 cr
Post issue Equity:	Rs. 447.32 cr

Listing: BSE & NSE

Global Co-Ordinators Book Running Lead Managers: Axis Capital Ltd, J.P. Morgan India Private Ltd, Kotak Mahindra Capital Company Ltd

Book Running Lead Manager: ICICI Securities Ltd, Edelweiss Financial Services, IIFL Securities Ltd, JM Financial Ltd, YES Securities (India) Ltd, SBI Capital Markets Ltd, BOB Capital Markets Ltd

Registrar to issue: Link Intime India Private Ltd

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	100.0	88.5
Public & Employee	0.0	11.5
Total	100.0	100.0

Source for this Note: RHP

* = assuming pricing at higher end of band

Background & Operations:

Macrotech Developers Limited (MDL) is one of the largest real estate developers in India, by residential Sales value for the financial years 2014 to 2020. Its core business is residential real estate developments with a focus on affordable and mid-income housing. Currently, it has residential projects in the MMR and Pune. In 2019, it forayed into the development of logistics and industrial parks and entered into a joint venture with ESR Mumbai 3 Pte. Limited ("ESR"), a subsidiary of ESR Cayman Limited, an Asia Pacific focused logistics real estate platform. It also develops commercial real estate, including as part of mixed-use developments in and around its core residential projects.

MDL's customer-centric business model focuses on designing and developing its "branded products" to address consumer needs across locations and price points. Its core competency lies in professionally managing the real estate value chain as it has in-house capabilities to deliver a project from conceptualization to completion. The Company has a strong focus on de-risking projects and improving return on investment with fast turnaround time from acquisition to launch to completion. Its brands include "Lodha", "CASA by Lodha" and "Crown – Lodha Quality Homes" for affordable and mid-income housing projects, the "Lodha" and "Lodha Luxury" brands for premium and luxury housing projects, and the "iThink", "Lodha Excelus" and "Lodha Supremus" brands for office spaces. Its inhouse sales team is supported by a distribution network of multiple channels across India as well as key non-resident Indian ("NRI") markets, such as the Gulf Cooperation Council, United Kingdom, Singapore and the United States. Understanding of the relevant real estate market, positive perception and trust in brand, innovative design and marketing and branding techniques enable MDL to attract customers.

MDL's large ongoing portfolio of affordable and mid-income housing projects include Palava (Navi Mumbai, Dombivali Region), Upper Thane (Thane outskirts), Amara (Thane), Lodha Sterling (Thane), Lodha Luxuria (Thane), Crown Thane (Thane), Bel Air (Jogeshwari), Lodha Belmondo (Pune), Lodha Splendora (Thane) and Casa Maxima (Mira Road). Its affordable and mid-income housing developments accounted for Sales of Rs. 18,172 million and Rs. 30,553 million during the nine months ended December 31, 2020 and the financial year 2020, and constituted 57.78% and 57.77% of its total residential Sales, respectively. Its premium and luxury housing projects include Lodha Park (Worli), Lodha World Towers (Lower Parel), Lodha Venezia (Parel) and New Cuffe Parade (Wadala). In addition, it has a few projects under the "Lodha Luxury" brand, which comprise small-scale, high-value developments such as Lodha Altamount (Altamount Road), Lodha Seamont (Walkeshwar) and Lodha Maison (Worli). In commercial portfolio, its office space projects comprise corporate offices, IT campuses and boutique office spaces, which are concentrated in suburban locations. Its retail projects focus on high street retail with shopping and entertainment options for the local community.

As of December 31, 2020, MDL has 91 completed projects comprising approximately 77.22 million square feet of Developable Area. It also has 36 ongoing projects comprising approximately 28.78 million square feet of Developable Area. In logistics and industrial park portfolio, it has on ongoing and planned development of approximately 290 and 540 acres, as of December 31, 2020, respectively. In addition to its ongoing and planned projects, as of December 31, 2020, it has land reserves of approximately 3,803 acres for future development in the MMR, with the potential to develop approximately 322 million square feet of Developable Area. The Company has invested in two real estate projects in London, namely Lincoln Square in the West End and No. 1 Grosvenor Square in Mayfair. Both these projects are now complete, and the net proceeds after repaying the indebtedness is intended to be repatriated to the Company.

Objects of Issue:

Fresh Issue

The Net Proceeds from the Issue are proposed to be utilised in the following manner:

- Reduction of the aggregate outstanding borrowings of MDL on a consolidated basis Rs.15000 mn

- Acquisition of land or land development rights Rs.3750 mn; and General corporate purposes.

In addition to the aforementioned objects, MDL intends to strengthen its capital base and expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, including among other things, enhancing the visibility of its brand and the Company.

The table below shows key financial and operational metrics for India Operations:

Particulars	9MFY21	FY20	FY19	FY18
Sales (Value in Rs. million)	33,513.5	65,699.2	71,626.6	81,299.4
Sales (Developable Area in million square feet)	3.3	6.2	6.4	7.4
Sales (number of units)	3,163.0	5,912.0	5,975.0	6,844.0
Gross Collections (Rs. in million)	28,931.5	81,896.2	90,648.8	85,641.4
Completed Developable Area1 (million square feet)	0.1	15.7	6.4	13.8
Revenue from operations (Rs. in million)	29,150.1	95,766.5	119,065.5	135,271.9
Adjusted EBITDA (in Rs. million)	7,675.0	29,254.3	36,840.0	40,387.5
Adjusted EBITDA margin (%)	26.3%	30.5%	30.9%	29.9%
Restated profit/(loss) for the period/year IND AS	-2,643.0	12,057.5	16,724.3	17,844.1
Restated profit/(loss) margin (%)	-9.1%	12.6%	14.0%	13.2%

Competitive Strengths:

One of India's largest residential real estate developers with a leadership position in the attractive MMR market: MDL is one of the largest real estate developers in India, by residential Sales value for the financial years 2014 to 2020. The MMR is considered the most attractive real estate market in the Top Seven Indian Markets, having the largest share of supply and absorption, as well as the highest average base selling price, of residential units from 2016 to 2020, catering to a wide spectrum of income and demography. The MMR has significant depth of demand for real estate developments across price points and also high barriers to entry due to limited land availability, high prices of land and knowledge of the regulatory and approval processes required for developing a project. As a result of MDL's strong brand, existing land reserves and industry knowledge and regulatory environment know-how in the MMR, it has attained a leadership position in the South Central Mumbai, Thane and the Extended Eastern Suburbs micro-markets of the MMR, with the largest share of supply (by units), absorption (by value) and completion (by area) of residential developments, among the five largest developers in the respective micro-market, from 2015 to 2020. In addition, it has a strong presence in the Extended Western Suburb micro-market of the MMR, with the second largest share of absorption (by value) and the fifth largest share of supply (of units) of residential developments, among the five largest developers in the respective micro-market, from 2015 to 2020. In addition, it has several planned projects in the MMR, which enabled to have a robust launch pipeline over the next few years. MDL is well positioned to benefit from the expected increase in real estate demand as the Government commits infrastructure spending in the MMR.

Well-established brand with ability to sell at premium pricing and throughout the construction phase: A strong and recognizable brand is a key attribute in MDL's industry, since it increases customer confidence, influences buying decision and helps target premium pricing for products. MDL focus on branded realty, with a belief in developing and marketing its real estate projects as "branded products". The strength of its brand and its association with trust, quality and reliability is primarily driven by its track record of delivering quality products, with modern amenities and innovative design elements and landscapes, largely within committed timelines. It has also increased its brand recall through celebrity endorsements and by collaborating with luxury designers. Its brand reputation enables to sell throughout the construction phase of projects. The Company typically aims to sell over 80% of the Saleable Area of a project during the construction phase. It leverage its brand value and focus on selling sizeable percentage of units within one year from the launch of a project as well as prior to the receipt of the occupation certificate ("OC"), which assists in generating operating cash flows during the construction phase. Such sales help reduce the need for construction finance and enable to achieve optimal returns on projects. MDL has been able to leverage its brand presence, customer confidence, track record of successfully delivering projects and superior construction quality to increase its sales volumes and also command premium pricing for its products vis-à-vis other projects in the respective micro-markets.

Proven end-to-end execution capabilities with continuous innovation and ability to deliver projects at competitive cost: MDL has adopted an integrated real estate development model, with capabilities and in-house resources to carry on a project from its initiation to completion. Its business development team scouts for land in strategic locations with good development prospects and clean title and focuses on acquiring them at competitive prices. Its brand and ability to sell under-construction developments since the time of their launch attract existing landowners and other developers to approach the Company in order to monetize their land assets. Due to the strength of its brand, lenders to stressed landowners and other developers has provided it with land proposals in several instances. All this coupled with institutionalized understanding of real estate markets positions it well to quickly identify land parcels and contract with landowners at competitive terms. Its design team innovates and designs products with a focus on integrated developments across several price points, in line with the consumer demand. They also work closely with external consultants to drive improvements in the design of its products.

As a result of end-to-end execution capabilities and in-house resources, MDL is able to develop its projects at competitive cost as well as create value for future projects through efficient supply chain, which enables to benefit from economies of scale. MDL's understanding of the relevant real estate market, positive customer perception, product innovation, innovative design and marketing and branding strategies enable to attract customers. Its execution capabilities comprising strong in-house operations consisting of design, engineering, procurement, construction and quality assurance teams, is a critical factor that has contributed to its leading position. Its track record in execution and continued construction has been instrumental in consistent sales and performance, despite the challenging market conditions over the last three years.

Strong focus on sustainable development*:* MDL follow a comprehensive approach to sustainable development from an early design phase through the construction period. It works closely with designers for a sustainable design and operation of its developments. Most of its developments have 100% wastewater recycling, rain water harvesting, solar power usage in common areas and a large number of tree plantations. The design of most of its residential developments includes passive features such as ventilation to ensure low energy usage. It has implemented environmentally friendly building concepts in many of its projects and aims to increase green cover in its developments to minimize the net carbon impact. The Company has obtained leadership in energy and environment design ("LEED") certifications as well as five stars from the Bureau of Energy Efficiency for various developments. It is a member of the U.S. Green Building Council, which is actively involved in promoting the green building concept in India with a vision to serve as a single point solutions provider and facilitator for green building activities in India.

Highly diversified portfolio across price points and micro-markets in the MMR with a focus on affordable and mid-income Housing: MDL has a diversified portfolio of residential developments, spread across price points and micro-markets in the MMR, catering to a wide spectrum of economic and demographic segments, from luxury residences in South Mumbai to large, integrated townships in the extended suburbs offering affordable homes. As of December 31, 2020, 35% of its unsold inventory of residential developments was priced under Rs. 10 million, 21% was priced between Rs. 10 and Rs. 30 million, 7% was priced between Rs. 30 and Rs. 50 million, 22% was priced between Rs. 50 and Rs. 80 million and 15% was priced above Rs. 80 million. Over the years, it has established a strong reputation and track record in affordable and mid-income as well as premium housing projects. As of December 31, 2020, the unsold inventory in affordable and mid-income projects constituted 52% of the total unsold inventory of residential developments (by value). MDL's ability to design a high-quality and differentiated product and positioning it to the target segment through appropriate marketing and branding strategy, has enabled to deliver several prominent projects in this category. Its significant portfolio of completed and near-complete inventory in premium and luxury housing, coupled with limited land availability in the South Central Mumbai micro-market where its premium and luxury housing projects are located, will drive sales volumes in its premium and luxury projects. As of December 31, 2020, its premium and luxury projects constituted 48% of the total unsold inventory of residential developments (by value).

Significant inventory of completed, ready-to-move units: Residential customers in India have started to prefer ready-to-move homes and the COVID-19 pandemic has further accentuated this trend. As of December 31, 2020, MDL had approximately 5.5 million square feet of ready-to-move inventory of residential projects in India, which accounted for 29.6% of its total unsold residential inventory, by area. Such inventory status positions the Company as one of the few real estate developers in India with a diverse portfolio of ready-to-move homes, enabling it to cater to the requirements of residential customers preferring such homes.

Unique ability to develop townships and generate recurring operating cash flows from them: MDL 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. Upon development of the townships, Government agencies develop the surrounding infrastructure such as enhancing road and railway connectivity to improve the standard of living for the residents of the townships. It is currently developing large townships located at Palava (Navi Mumbai, Dombivali Region) and Upper Thane (Thane outskirts) under its affordable and mid-income housing projects. Its ability to develop such townships, coupled with the strength of brand and innovative sales and marketing strategies will help MDL drive sales volumes and generate recurring operating cash flows for it.

Innovative marketing and sales strategies: MDL's marketing and sales team, which comprised 605 professionals, as of December 31, 2020, track market trends which enables to position its projects appropriately in terms of location and price points, and creates a cohesive marketing strategy designed to secure and build brand value and awareness. The primary focus of marketing team is to collectively work towards identifying the target market groups and leveraging promotional tools to attract the target group. Further, it has worked and continue to collaborate with major design and service brands for each of its projects based on specific themes, purpose and nature of the properties and specializations of its partners. MDL uses differentiated sales strategies and multiple channels to sell its products. It has an in-house sales team that has separate teams focusing on pre-sales (in-house tele-callers), easy lease (potential buyers residing at its developments on rent), corporate sales, NRI clients, outstation customers and loyalty sales.

MDL has an experienced customer care team with approximately 279 professionals, as of December 31, 2020, who regularly interact with its customers and are responsible for assisting them throughout the entire period from initial booking to handover of their homes. This provides its customers with a one-point interface for any specific requirement or grievance they may have. The Company's ability to anticipate the requirements of its customers and to provide customers with essential services from booking a unit until final sale facilitates their satisfaction with its project, which in turn enhances MDL's brand reputation.

High quality management team: MDL is organized as a matrix organization, with its businesses organized by business units headed by CEOs and functions serving the regions in their respective areas of expertise. Its Board of Directors comprises eminent individuals with significant experience across various industries and functions. Its Managing Director and Chief Executive Officer, Abhishek M. Lodha, has in-depth industry knowledge and extensive managerial experience in the real estate development business. It also has a leadership team of experienced professionals, having relevant functional expertise across different industries and who are instrumental in implementing its business strategies. Additionally, several members of leadership team have spent significant time with the Company, highlighting its ability to retain high quality talent. It has a retention strategy for its key employees, including short-term and long-term incentives and housing benefit plans. The strength of management team and its understanding of the real estate market in India will enable MDL to continue to take advantage of current and future market opportunities.

Business Strategy:

Focus on enhancing leadership position in residential developments by growing in the MMR and gradually diversifying in select tier-I Indian cities: MDL intends to continue to grow in the MMR real estate market, where it has fared very well. Mumbai's position as the commercial and financial capital of India, along with the depth of real estate developments across asset classes and categories, provides it with a significant opportunity to market its projects. Its market leadership, industry knowledge and know-how of the regulatory environment in the MMR enables to benefit from the expected increase in real estate demand as the Government commits infrastructure spending in the MMR. MDL also expects to benefit due to the expected consolidation in the real estate industry as small developers and landowners seeks to collaborate with branded developers such as MDL. Further, it intends to use its primary expertise and know-how to expand into and identify additional residential development opportunities, with a focus on affordable and mid-income housing, in select micro-markets in the MMR where it is under-represented, such as the Western Suburbs (Bandra to Virar), Eastern Suburbs (Ghatkopar to Mulund) and Navi Mumbai, and to build a strong presence, allowing to derive efficiencies of scale.

Leverage leadership position to act as a partner of choice for landowners and grow using a joint development or joint venture approach: MDL intends to leverage its brand and leadership position to grow business by entering into joint development agreements or joint ventures with landowners and other smaller developers. Such an approach will enable the Company to be more capital efficient and reduce upfront land acquisition costs. It intends to follow this strategy in the MMR, especially in micro-markets where it has a limited presence. It also intends to use this model to grow in other tier-1 India cities such as Pune, Hyderabad, Bengaluru and the NCR. MDL is a partner of choice for such projects because of its strong brand recall, diversified presence across price points, its ability to sell units at the launch of projects and during their construction phase and its strong marketing and sales capabilities.

Pursue a value-accretive land acquisition strategy: MDL intends to continue to evaluate and acquire strategically located parcels of land at competitive prices while ensuring a disciplined capital structure with the goal of maximizing returns and developing a robust pipeline of projects in the MMR as well as select tier-1 Indian cities. It focus on acquiring land parcels of select size, which can be completed in one or two phases and have a typical completion timeline of four years (single phase) to seven years (two phases). Further, it will focus on land parcels where the lead-time between acquisition of land parcels and the launch of the project is short. The Company has identified key locations where it is under-represented and intends to grow in such markets through land acquisitions as well as its joint development or joint venture approach. MDL will continue to look for strategic lands to acquire and will select an optimal, capital-efficient and value-accretive land acquisition strategy.

Develop large-scale industrial parks: MDL has planned to develop a logistics and industrial park of over 800 acres near Palava, which is strategically located near the Jawaharlal Nehru Port, the proposed international airport in Navi Mumbai and the industrial hub of Taloja. Out of this area, approximately 290 acres is under-construction, as of December 31, 2020. Its product offerings include built to suit structures, standard structures and land for it logistics and industrial clients for manufacturing, warehousing and data centre space. To successfully execute this strategy, it has organized the development of this project as a separate business unit with a dedicated team and set up a business facilitation office to assist it obtain statutory approvals and permits in a quick and efficient manner. The Indian e-commerce industry is expected to grow at a CAGR of 25% to reach US$200 billion by 2027, primarily on account of increasing smartphone and internet penetration, consumer wealth, online shopping and traction from tier-2 and tier-3 cities. In addition, several Government and private initiatives, such as Digital India, Internet Saathi and Udaan, which are encouraging people to use online modes of commerce, along with increasing inflow of foreign direct investment are expected to drive growth of the e-commerce industry. MDL intends to capitalize on the growing demand for warehousing and logistics as well as industrial developments as a result of the growth of the e-commerce sector in India and expand into other locations in India.

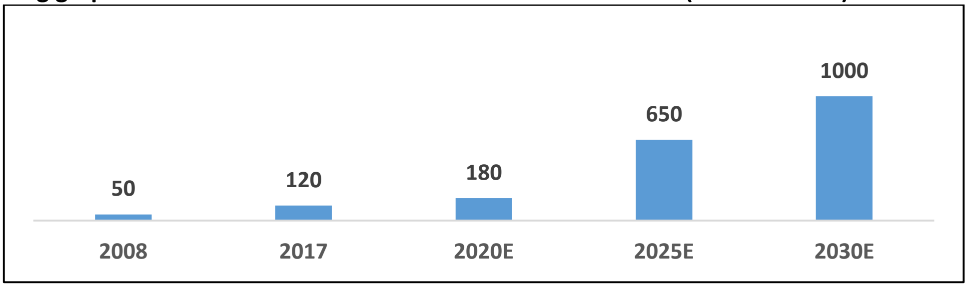
Focus on development of commercial projects as part of mixed-use developments*:* MDL intends to continue to focus on the development of commercial spaces as part of large mixed-use developments to enable to create value through complimentary asset classes. As of December 31, 2020, it has approximately 9.51 million square feet of ongoing and planned office space projects (of which approximately 7.83 million is in suburban locations and approximately 1.68 million is in city-centric locations) and 0.46 million square feet of ongoing and planned retails projects across several micro-markets of the MMR. Upon completion of such projects, it intends to monetize these assets while retaining significant minority stake as well as management and maintenance of these assets.

Industry:

Overview of the Indian Real Estate Sector

The real estate market in India has grown at a CAGR of approximately 10% from USD 50 billion in 2008 to USD 120 billion in 2017, and is expected to further grow at a CAGR of 17.7% to reach USD 1 trillion by 2030. The real estate market contributed approximately 6% to India's GDP in 2017 and is likely to contribute approximately 13% to India's GDP by 2025. Residential, commercial and retail are the three key asset classes that have primarily contributed to the growth of the real estate market in India.

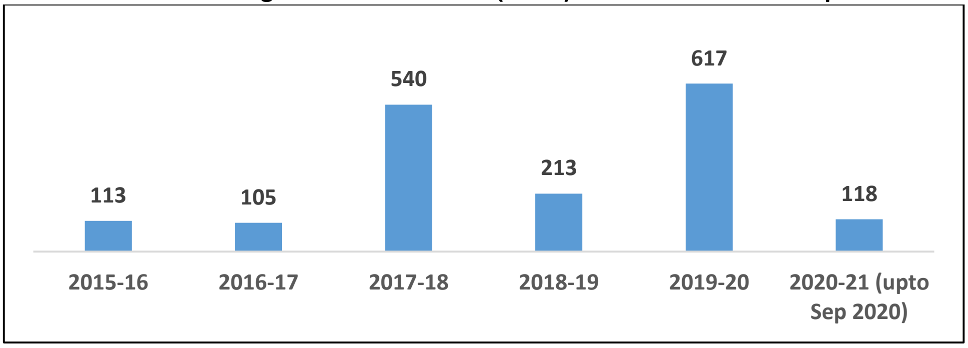
The following graph sets forth the size of the Indian real estate market (in USD billion) from 2008 to 2030:



Key Growth Drivers of the Indian Real Estate Sector

Inflow of Foreign Direct Investment

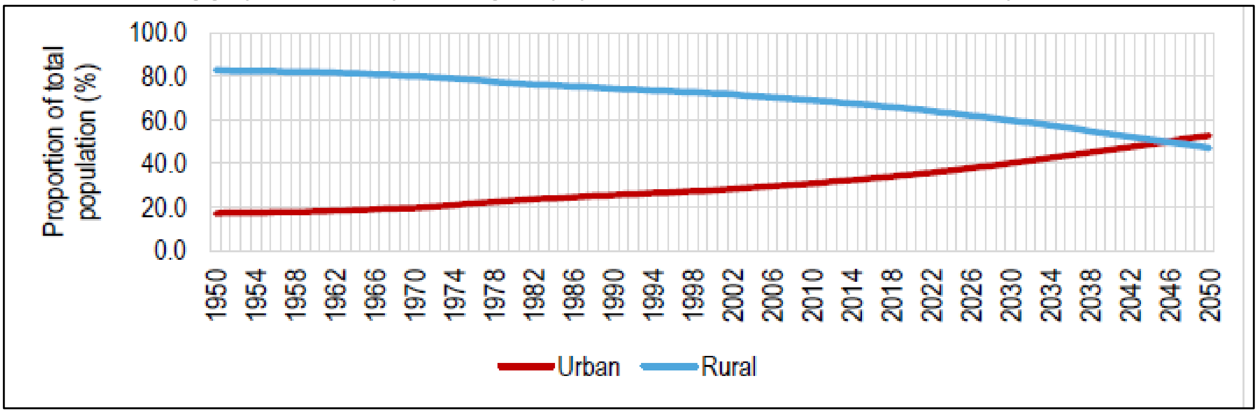
The following graph sets forth inflow of foreign direct investment ("FDI") in construction development over the periods indicated:



Rapid Urbanization Boosting Urban Population

Demographic shifts in a country affect demand for real estate in that country. India's large population base of approximately 1.37 billion provides huge domestic demand base, which attracts businesses from across the world to setup their operations in India. Along with increasing population, India's urbanization rate is also increasing at a fast pace. As per the United Nations Development Programme, eight cities in India are projected to have a population base of over 10 million by 2035, and approximately 50% of India's population is projected to be urban by 2046.

The following graph sets forth percentage of population in urban and rural areas over periods indicated:

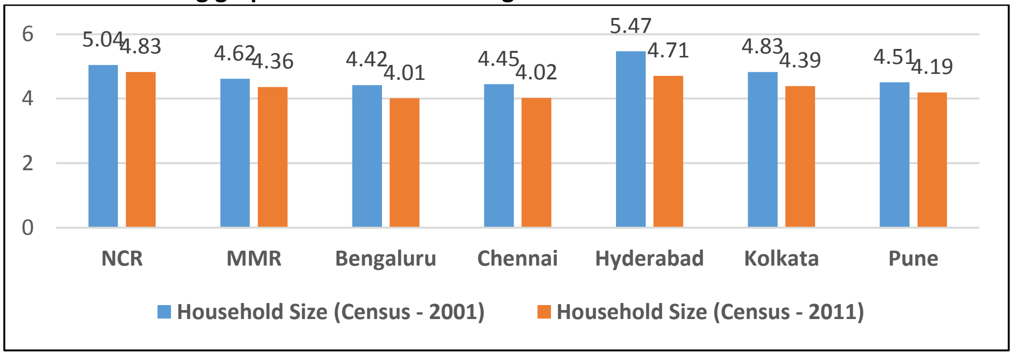


Rapid urbanization in India is expected to drive the demand for residential, offices and other real estate asset classes in the medium to long term.

Nuclearization of Families

India has witnessed reduction in overall household size in the past few decades, primarily on account of an increase in nuclearization of families. With an increase in nuclearization of families, more households are being added, resulting in an increase in consumption and demand for housing.

The following graph sets forth the average household size for select Indian cities:



Note: For the NCR, Delhi, Gurugram, and Gautam Buddha Nagar have been considered; For the MMR, Mumbai and Thane District have been considered

India Enters a 37-Year Period of Demographic Dividend

As per a report by the United Nations Population Fund (“**UNFPA**”), in 2011, India had approximately 61% of its population in the age group of 15 to 59 years, which is expected to reach approximately 65% by 2036. With an increasing young population, the dependency ratio has been declining and India has entered a period of demographic dividend. As per the UNFPA, ‘demographic dividend’ is the economic growth potential that can result from shifts in age structure of the population, primarily when the working age population (i.e. 15 to 64 years) is larger than the non-working age population (i.e. 14 years and younger or 65 years and older). The percentage of urban population and age distribution profile are key demand drivers for real estate in a country. India with its increasing urban population is a relatively younger nation as compared to developed economies of the world and is likely to retain its position in the future as well. India, with one of the largest workforces, is expected to be a huge market for both, residential as well as other real estate asset classes.

Improving Education Levels and Increasing Per Capita Income

India has witnessed substantial improvement in education levels both, in higher education as well as school education. India’s education index, which is an indicator of school education, exhibited a growth of 46% in the last two decades. In addition, there has been considerable improvement in the quality of higher education in India. As of December 2020, there are 9,700 institutes across various disciplines, including engineering, management, hotel management and applied arts, which are affiliated with All India Council for Technical Education (“**AICTE**”). Approximately 1.5 million students graduate from these institutes every year and approximately 0.7 to 0.8 million students are directly placed from these institutes every year in white-collar jobs, which create wide demand base for mid-end housing improvement in overall education level leads to better job prospects and enhancement in standard of living. With improvements in socio-economic parameters, India’s per capita gross national income (“**GNI**”) has also increased at a CAGR of 10% over Fiscals 2014 to 2020, which in turn is expected to drive demand for real estate development.

Growth in Income Level of Households in India

As per a report by the World Economic Forum, growth in household income is expected to transform India from the bottom of the pyramid economy to a middle-class economy. As indicated in the chart below, approximately 140 million households are expected to be added to the upper mid income and lower mid income bracket between 2018 and 2030. Households belong to these two income brackets are expected to drive housing demand in the mid-end category in tier-1 and tier-2 cities. The Ministry of Housing and Urban Affairs has launched the ‘Ease of Living Index’ to assess and monitor quality of life in smart cities. As per the Ease of Living Index 2018, Navi Mumbai, Greater Mumbai and Thane are among the top six markets in India.

Key Reforms in the Indian Real Estate Sector

GST

GST came into force with effect from July 1, 2017, to remove multiple taxations and seeks to transform India with its one nation, one market and one tax principle. In the real estate sector, ready-to-move-in properties and land are exempt from GST. Initially, for under-construction properties, GST was charged at 8% for affordable housing projects (under 60 square meters in non-metro cities and 30 square meters in metro cities) and 12% for other under-construction housing projects with a provision to receive an input tax credit (“**ITC**”). Post April 1, 2019, buyers of under-construction affordable housing projects (priced up to Rs. 4.5 million both in metro as well as non-metro cities) are charged GST at 1% and 5% for other under-construction housing projects, without the ITC benefit. Alternatively, for under-construction housing projects, where both construction and actual booking have started before April 1, 2019 and which have not been completed by March 31, 2019, GST may be charged at the old rates with the provision to receive the ITC benefit. The reduction in GST rates is likely to boost absorption in the affordable housing category.

Real Estate (Regulation and Development) Act, 2016

Real Estate (Regulation and Development) Act, 2016 (“**RERA**”) came into force with effect from May 2016. RERA was aimed to improve transparency, financial discipline and accountability in the real estate sector in order to increase buyers’ confidence and prevent developers from wilful misuse of funds that led to delay in project execution. Some of the key features of RERA include: (i) registration of projects post receipt of all requisite clearances; (ii) advertisement of projects by developers post RERA registration; (iii) opening of an escrow account for a project to avoid diversion of funds; (iv) providing timeline for project completion; and (v) consent requirement of 2/3rd of the allottees to modify the layout. Benami Transactions (Prohibition) Amended Act 2016 The objective of the Benami Transactions (Prohibition) Amended Act 2016 (“**Benami Act**”) was to curb the use of unaccounted cash transactions associated with properties and bring transparency in the real estate sector. While the Benami Act is still in nascent stage of implementation to estimate the impact on the overall real estate sector, it is likely to improve transparency and increase institutional investments in future.

Demonetization

The Government of India banned all Rs. 500 and Rs. 1000 currency notes in November 2016, to curb black money and check the circulation of fake currency. In the long term, this reform along with RERA has helped in organizing the real estate sector, resulting in more institutional inflows in the sector.

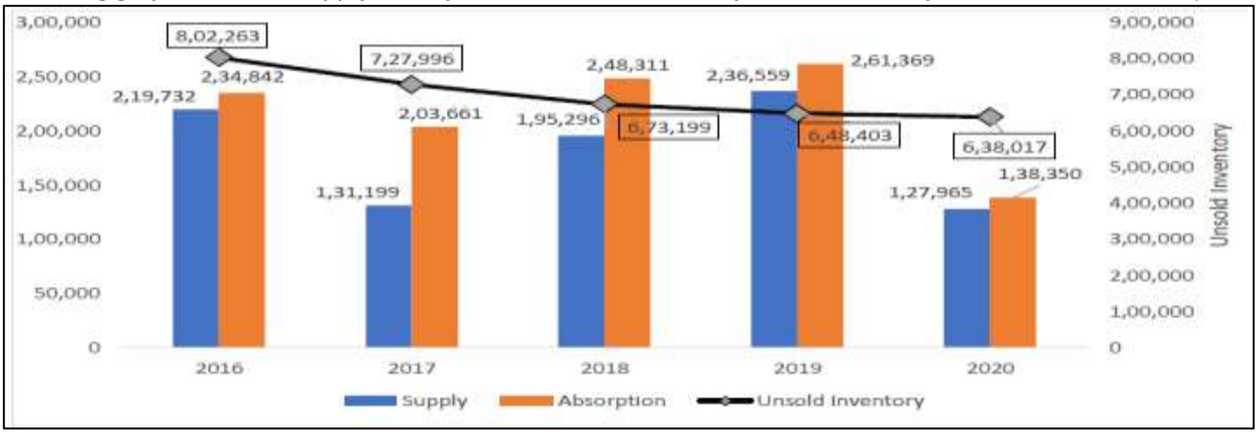
No access to capital for tier-2 unbranded developers

Since 2012, non-banking financing companies (“**NBFCs**”) have been the largest lenders for the real estate projects. Indiscriminate lending by NBFCs to tier-2 unbranded developers led to a significant increase in the supply of under-construction projects. Due to lack of experience in executing and completing the projects, tier-2 unbranded developers delayed their projects significantly, which resulted in loss of customer confidence. Further, in order to compete with tier-1 branded developers, tier- 2 unbranded developers often resorted to price-cuts, which further eroded their profitability. However, they were able to continue with this business model due to ample liquidity present in the system prior to 2018. While project delays jeopardized cash flows for these projects, NBFCs continued to refinance and provide incremental capital for project completions. In September 2018, the Infrastructure Leasing and Financial Services (“**IL&FS**”) crisis caused a severe liquidity crunch. Thereafter, NBFCs significantly reduced real estate funding during the under-construction phase, which led to low sales and poor cash flow management for the developers, especially smaller developers with limited access to bank loans. Since tier-1 branded developers were able to sell substantially at the time of launch and throughout the under-construction phase, limited financing was required for the completion of under-construction projects. Most of the tier-1 branded developers also had access to bank loans, and were able to complete under-construction projects on time.

Residential Real Estate Market in India

In last three to four years, the real estate sector in India has witnessed several changes because of demonetization, the liquidity crisis and the implementation of RERA and GST. Despite the spiralling COVID-19 pressure across the country, the Indian residential sector made a significant comeback in Q4 2020 with absorption rebounding to 86% of the corresponding period in 2019. The Mumbai Metropolitan Region (“**MMR**”), Pune, Bengaluru, Hyderabad, the National Capital Region (“**NCR**”),Chennai and Kolkata (“**Top Seven Indian Markets**”) recorded absorption of approximately 1.38 lakh units in 2020 against 2.61 lakh units in 2019. Further, new supply declined by 46% to approximately 1.28 lakh units in 2020 from approximately 2.37 lakh units in 2019. In addition, there has been a continuous decline in the overall unsold inventory, primarily because absorption in the past years have exceeded total launches consistently since 2016. The unsold inventory of the Top Seven Indian Markets declined by 2% from approximately 648,400 units as of the end of 2019 to approximately 638,020 units as of the end of 2020.

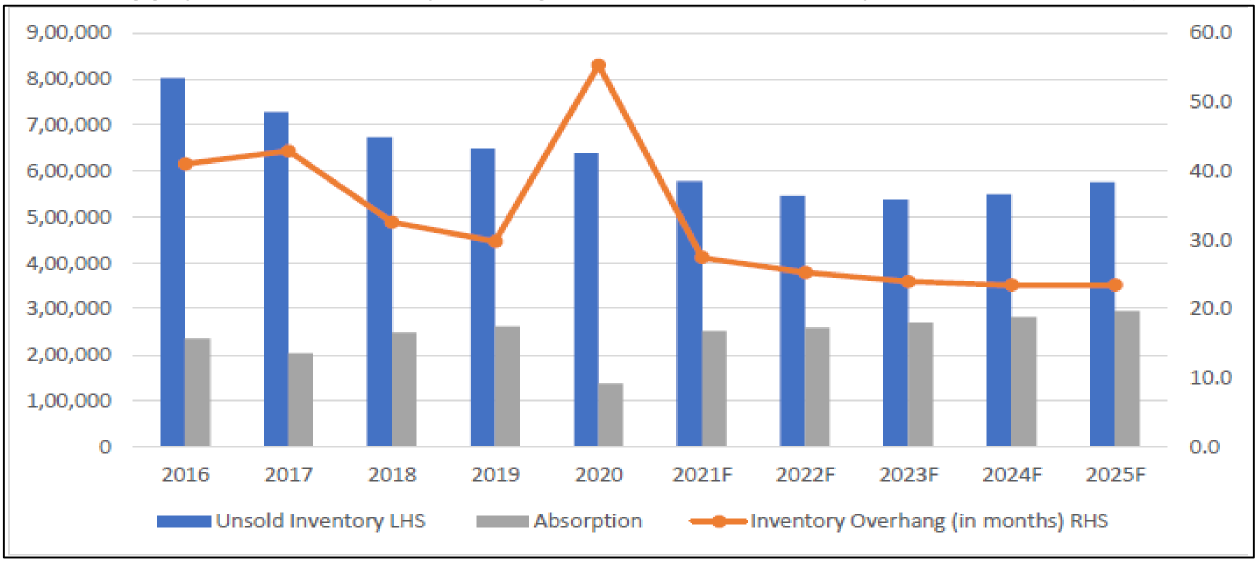
The following graph sets forth supply, absorption and unsold inventory trends in the Top Seven Indian Markets (in units):



Note: The unsold inventory is the net unsold inventory and does not include stalled projects.

With slight increase in unsold inventory and significant increase in absorption, Anarock expects a continuous decrease in the inventory overhang over the next five years.

The following graph sets forth inventory overhang trend and forecast in the Top Seven Indian Markets (in months):



Note: Inventory overhang of a city is the number of months required to absorb the unsold inventory of that city based on the absorption trend.

With steady demand growth and disciplined supply in the backdrop of market consolidation in favour of tier-1 developers, growth of sale price of residential units in the Top Seven Indian Markets is expected to be positive over the next five years.

Sales in the Top Seven Indian Markets

In the last six years, the Top Seven Indian Markets witnessed cumulative sales of Rs. 11,881 billion of organized residential developments. With maximum share of absorption and highest capital pricing in the Top Seven Indian Markets, the MMR contributed approximately 32% to 46% in the overall sales value in the last six years. Assuming a similar gross profit margin across different markets, the MMR is likely to have the highest gross profit pool among the Top Seven Indian Markets. In 2019, Lodha group accounted for the highest share (3.47%) in terms of sales value across the Top Seven Indian Markets, followed by Godrej Properties (2.6%) and Prestige Group (2.16%). During Fiscal 2020, Lodha group accounted for highest sales value, collections and revenue from operations among real estate developers in India. With increasing buyers' preference towards branded developers and consolidation among developers post implementation of the regulatory reforms, the market share of tier-2 developers is likely to decrease and the same is likely to be acquired by branded players.

Top Developers in India

Indian residential real estate market is dominated by a few pan-India and branded players and multiple local players. The top five developers in terms of highest cumulative sales from Fiscal 2014 to 2020 are Lodha group, Godrej Properties Limited, Prestige Estates Projects Limited, Sobha Limited and DLF Limited. While Prestige Estates Projects Limited primarily operates in South India, Lodha group has majority of its projects in West India. DLF Limited, Godrej Properties Limited and Sobha Limited have a pan-India presence. With approximately Rs. 500 billion of cumulative sales and 57 million square feet of area delivered over Fiscals 2014 to 2020, Lodha group is one of the largest real estate developers in India by residential sales and area delivered.

Impact of COVID-19 on the Indian Residential Real Estate Market

Signs of revival in the backdrop of economic recovery and demand

Like other sectors, Q4 2020 witnessed signs of revival in the real estate sector with key asset classes including residential, warehousing and office spaces showing signs of recovery. The residential segment was quick to pick momentum in the last two quarters of 2020 in the backdrop of growing homeownership sentiment, which was accentuated by the exigencies of the COVID-19 pandemic. This pent-up demand was further accelerated by ongoing discounts and offers, low home loan interest rates, and limited period of stamp duty cuts in states such as Maharashtra. On account of rising sales, developers released new supply into the market leading to a 2% year-on-year jump in supply in Q4 2020 against the same period in 2019.

Demand re-configuration

With respect to office spaces, social distancing and hygiene norms are expected to increase per capita office allocations even though a segment of employees continue to work from home. During the last decade, per capita office space allocation has reduced from 100 to 125 square feet to 75 to 100 square feet in January 2020. Additionally, there is an increase in demand for township projects in the residential sector. Since work from home has become a new normal for certain industries, homebuyers are preferring spacious and flexible homes in a self-sustained environment at affordable prices in peripheral areas of the tier-1 cities and at developed locations in tier-2 cities.

Preference towards large, branded players with a proven track record

The COVID-19 pandemic has changed buyer preferences towards risk free investments. Developers with the ability to complete projects on time and with the least execution risk are preferred even if the property is relatively high priced. On account of the liquidity crunch being faced by smaller developers as well as a shift in buyers' preference towards large, branded developers, consolidation is likely to take place in the real estate sector. Financially strong and organised players are expected to have a majority of the market share in the coming years.

Policy Level Support by the Government

Both, the Central as well as State Governments have been instrumental and supportive to ensure that the real estate sector emerges stronger post the COVID-19 pandemic. Following are some of the key actions taken by the Government:

Reduction in stamp duty

In order to revive demand in the real estate sector, the Government of Maharashtra reduced the stamp duty of properties from 5% to 2% from September 1, 2020 to December 31, 2020 and to 3% from January 1, 2021 to March 31, 2021. The stamp duty cut boosted sales in Mumbai with property registrations increasing threefold in December 2020 as compared to December 2019.

Loan moratorium

Loan moratorium was permitted for a period of six months without affecting the credit profile of the borrower, which provided some relief to individual as well as corporate borrowers who were under constraint due to the economic crises on account of the COVID-19 pandemic.

Reduction in home loan interest rates

In order to infuse liquidity into the market, the RBI reduced the repo rate by 140 basis points from February 2020 to October 2020, which resulted in reduction in the home loan interest rates. Increase in household income coupled with steady ticket prices have resulted in an increase in affordability of residential units. While the home loan interest rate is falling, the rental yield from residential properties is increasing gradually, with an exception in 2020. Hence, the difference between home loan interest rate and rental yield is at decadal low making home buying more attractive than renting. The net cost of home ownership over rental yield, adjusted for tax incentives on home loans, has reduced to less than 2% for some buyers, which is amongst the lowest in the last two decades. With reduction in home loan rates coupled with other policy level interventions by the Government, real estate has emerged as one of the favoured investment options in the country. As per consumer surveys conducted by Anarock in 2018 and 2019, real estate was the most preferred asset class among other investments. From H2 2018 to H2 2019, there has been a gradual increase in preference of buyers towards real estate as an investment option. Fixed deposits, which were considered a safe and preferred investment option a few years ago are gradually losing their preference on account of reducing interest rates as well as the reducing difference between home loan interest rates and rental yield. Fixed deposit interest rates have reduced considerably from 8% to 10% per annum until a few years ago to 5% to 7% per annum in Fiscal 2021.

Key Emerging Trends in the Indian Residential Real Estate Market

Preference for Branded Developers

Homebuyers now prefer to buy units in projects launched by branded developers since such developers focus on delivering quality units within committed timelines, thereby improving buyer's confidence. As per Anarock, majority of customers have become risk averse, which is driving demand for branded developers with low execution risk, even though their projects are priced at a premium.

Branded Developers Command Premium in Terms of Pricing and Sales

Branded developers typically command a premium in the range of 10% to 20% over micro-market average capital price, on account of better amenities, quality and brand trust among the buyers. The following chart provides select examples of the micro-markets where branded developers are present along with the tier-2 developers and have been operating in a higher price band as compared to the micro-market average:

Consolidation of Developers

The Indian real estate sector has witnessed consolidation in the past few years. With the implementation of RERA, the financially weak developers were not able to adhere to compliance norms and were, therefore, either going out of business or consolidating with larger players. The liquidity crisis further worsened the situation for such developers, which resulted in an increase in share of new launches by branded developers. According to Anarock, the share of new launches by tier-1 developers increased from approximately 41% in 2015 to approximately 56% in 2018, which further increased in 2019 on account of the liquidity crises.

Need for Large and Functional Homes

With continued work from home and online schooling, people now prefer larger homes even if they need to move to the peripheries to meet their budgetary requirements. There is high demand for 2.5 BHK and 3.5 BHK configurations so that the extra space can be converted into a makeshift workspace. Changing consumer preferences have forced developers to introduce new home layouts. There is a requirement for functional and flexible homes that can accommodate working areas as work from home is the temporary new normal.

Luxury Projects Garnering Interest Among Buyers

Buyers of luxury projects have not been impacted much by the COVID-19 pandemic. With ample time in hand to identify and shortlist the house of their choice coupled with good deals being offered by developers, luxury projects are garnering interest among the buyers.

Demand for Ready-To-Move-In Units

Homebuyers are looking to purchase units that are readily available, which has resulted in huge demand for ready-to-move-in units. As per an Anarock survey conducted in May 2020, 34% buyers (as opposed to 12% in the last survey in H1 2019) preferred ready homes over under-construction ones as the construction activity was completely halted across the country, inevitably leading to project delays by several months.

Logistics and Industrial Park Market in India

India has been one of the fastest growing economies in the world over the past few years. India's growth has been primarily driven by large consumer base, growing IT and ITeS and manufacturing sectors and growth of start-ups. Industry and manufacturing sectors have been key contributors to the Indian economy and accounted for 27.5% and 15.1% of the GDP share, respectively, in Fiscal 2020. The Gross Value Added ("GVA"), at basic current prices, from the manufacturing sector in India grew at a CAGR of 5% from Fiscals 2016 to 2020. On account of COVID-19 and the resultant lockdown, the logistics and industrial sector had started witnessing some traction, however, increased activity in the manufacturing sector and growing ecommerce industry assisted in uplifting the sector.

India's logistics ranking, as per Logistics Performance Index by World Bank, has improved over the past few years from 54th in 2014 to 44th in 2018, on account of improved physical infrastructure and enhanced connectivity via rail, road and sea. With an average logistics cost of 14% of GDP, India fares well as compared to China (15%) and the European Union (13%). Several policy reforms undertaken by the Government aim to further reduce the country's logistics cost to 9% to 10%.

Office Real Estate Market in India

The office real estate market in India has witnessed significant growth over the past few years, until the COVID-19 pandemic hit the overall business in 2020. In 2019, net absorption and net supply in the Top Seven Indian Markets was approximately 40 million square feet and 45 million square feet, respectively. While during the first half of 2020, occupiers were cautious in making any lease commitments with respect to their future office space plans, the second half of 2020 witnessed increased activity with the gradual opening up of the economy. Absorption is estimated to decline by approximately 40% to 45% in 2020 from 2019. While the pandemic had led to several trends in office spaces such as technology enabled designs, focus on safety standards, remote working in the short term, the office real estate market in India is expected to bounce back in the long term on account of strong market fundamentals, sustained growth of the IT and ITeS sector, emergence of other sectors as office occupiers and increasing organized investment environment.

Key Concerns:

- MDL has a substantial amount of debt, which could affect its ability to obtain future financing or pursue its growth strategy.

- MDL may not be able to successfully identify and acquire suitable land or development rights, which may affect its business and growth prospects.

- MDL has not entered into any definitive agreements to use a portion of the proceeds of the Issue and may invest or spend the proceeds of the Issue in ways with which may not agree.

- The extent to which the Coronavirus disease (COVID-19) may affect business and operations in the future is uncertain and cannot be predicted.

- MDL's financing agreements impose certain restrictions on its operations, and its failure to comply with operational and financial covenants may adversely affect the reputation, business and financial condition.

- MDL may be subject to third-party indemnification, liability claims or invocation of guarantees, which may adversely affect the business, cash flows, results of operations and reputation.

- Unsold inventory in MDL's projects if not sold in a timely manner adversely affects the business, results of operations and financial condition.

- MDL is subject to certain risks with respect to its investments in the United Kingdom.

- MDL's real estate development activities are geographically concentrated in and around the Mumbai Metropolitan Region (the "MMR"). Consequently, it is exposed to risks from economic, regulatory and other changes as well as natural disasters in the MMR, which in turn may have an adverse effect on its business, results of operations, cash flows and financial condition.

- Some or all of MDL's ongoing and planned projects may not be completed by its expected completion dates or at all. Such delays may adversely affect the business, results of operations and financial condition.

- Significant increases in prices of, or shortages of, or delay or disruption in supply of labour and key building materials could affect its estimated construction cost and timelines resulting in cost overruns or less profit.

- MDL has entered into and may enter into development agreements in the future, which do not convey any interest in the immovable property to it and only the development right will be transferred to the Company.

- While acquiring land parcels or other properties, MDL may not be aware of legal uncertainties and defects, which may have an adverse impact on its ability to develop and market projects on such lands.

- MDL has not obtained independent title reports or search reports for a large part of the land comprising its land reserves, and it do not have and may not obtain title insurance guaranteeing title or land development rights.

- MDL rely on independent contractors to execute its projects and any failure on their part to perform their obligations could adversely affect its business, results of operations and cash flows.

- Changing laws, rules and regulations and legal uncertainties, including the withdrawal of certain benefits or adverse application of tax laws, may adversely affect MDL's business, prospects and results of operations.

- MDL's residential business is subject to the RERA and any non-compliance of the provisions of RERA or the applicable state specific legislations may have an adverse effect on its business, results of operations and financial condition.

- Business and results of operations could be adversely affected by the incidence and rate of property taxes and stamp duties.

- Compliance with, and changes in, environmental, health and safety and labor laws and regulations could adversely affect the development of MDL's projects and its financial condition.

- Any failure to protect or enforce MDL's rights to own or use trademarks and brand names and identities could have an adverse effect on its business and competitive position.

- Some of MDL's projects are in the preliminary stages of planning and require it to obtain approvals or permits, and It is required to fulfill certain conditions precedent in respect of some of them.

- Increase in competition in the Indian real estate sector, especially in the MMR real estate market may adversely affect MDL's profitability.

- MDL may not be able to manage its strategy of expansion effectively or it may change in the future.

- It is difficult to compare MDL's performance between periods, as its revenues and expenses fluctuate significantly from period to period.

- MDL may suffer uninsured losses or experience losses exceeding its insurance limits. Consequently, it may have to make payments to cover its uninsured losses, which could have an adverse effect on its financial condition.

- Success depends in large part upon MDL's qualified personnel, including its senior management, directors and key personnel and its ability to attract and retain them when necessary.

- Business is capital intensive and is significantly dependent on the availability of real estate financing in India. Difficult conditions in the global capital markets and the global economy generally may adversely affect MDL's business and results of operations and may cause it to experience limited availability of funds.

- Several of MDL's financing agreements provide for borrowings at floating or variable rates. An increase in interest rates could increase its borrowing costs under such facilities and adversely affect its business, results of operations and financial condition.

- Depends significantly on MDL's residential development business, the success of which is dependent on its ability to anticipate and respond to consumer requirements.

- A significant portion of MDL's working capital needs are funded by presales. Any cancellation of sales or change in the laws or regulations governing the use of presales may affect its working capital and financial position.

- MDL enter into certain related party transactions in the ordinary course of its business and it cannot be assured that such transactions will not have an adverse effect on its results of operation and financial condition.

- Fluctuations in the value of U.S. dollar may have an adverse effect on MDL's results of operations.

- MDL's operations and its workforce are exposed to various natural disasters, hazards and risks that could result in material liabilities, increased expenses and diminished revenues.

- MDL has referred to the data derived from the industry report commissioned from Anarock Property Consultants Private Limited.

- Business is substantially affected by prevailing economic, political and other prevailing conditions in India.

- Land is subject to compulsory acquisition by the government and compensation in lieu of such acquisition may be inadequate.

- Restrictions on foreign direct investments ("FDI") and external commercial borrowings in the real estate sector may hamper MDL's ability to raise additional capital. Further, foreign investors are subject to certain restrictions on transfer of shares.

- MDL may be affected by competition law in India and any adverse application or interpretation of the Competition Act could in turn adversely affect its business.

Balance Sheet

(Rs in million)

Particulars	9MFY21	FY20	FY19	FY18
Assets				
Non-current assets	**68443.6**	**72048.4**	**32135.7**	**37887.2**
Property, plant and equipment	11363.7	11850.6	12827.4	12853.0
Capital Work in Progress	62.9	62.9	62.9	59.2
Investment Property	2813.7	2881.6	1933.3	1990.4
Goodwill	5466.8	5466.8	6610.6	7481.5
Other Intangible Assets	5.0	10.2	16.9	23.7
Investments accounted for using the Equity Method	584.9	583.2	139.6	139.6
Financial Assets				
Investments	2171.9	2042.5	1215.8	1215.8
Loans	37021.1	42560.1	1945.2	454.6
Other Financial Assets	1888.9	1317.2	559.9	510.8
Deferred Tax Assets (Net)	4084.1	935.9	3206.2	11032.7
Non - Current Tax Assets (net)	2228.3	3635.4	2978.0	1499.7
Other Non-Current Assets	752.4	702.1	640.0	626.4
Current Assets	**337502.6**	**334877.1**	**466503.7**	**440225.6**
Inventories	292001.1	290314.4	415124.1	391634.5
Financial assets				
Investments	12983.5	12903.7	12694.2	12485.8
Loans	4138.4	4166.6	4802.1	5632.2
Trade Receivables	6501.7	7942.9	4843.2	7339.8
Cash and Cash Equivalents	2050.5	1185.4	3525.3	2552.2
Bank Balances other than Cash and Cash Equivalents	902.9	684.1	3050.2	2672.3
Other financial assets	6807.3	6163.6	7505.3	5172.2
Other Current Assets	12117.2	11516.4	14959.4	12736.6
Total Assets	**405946.2**	**406925.6**	**498639.4**	**478112.8**
Equity & Liabilities				
Equity	**42868.9**	**45523.2**	**38409.9**	**22190.4**
Equity share capital	3958.8	3958.8	3958.8	3958.8

Other equity	38910.1	41564.4	34451.2	18231.6
Non-Controlling Interests	5252.6	5191.6	5348.0	358.9
Non-Current Liabilities	**29226.1**	**25579.3**	**7593.4**	**27580.3**
Financial liabilities				
Borrowings	24886.0	21338.6	5135.1	24935.1
Trade Payables				
Due to Micro and Small Enterprises	721.4	183.0	175.4	148.8
Due to Others	1023.3	2047.7	1881.7	2175.7
Other Financial Liabilities	1464.3	863.7	138.8	73.0
Provisions	175.4	176.7	262.0	247.7
Other Non-Current Liabilities	955.4	969.0	0.0	0.0
Deferred Tax Liabilities (Net)	0.3	0.5	0.4	0.0
Current Liabilities	**328598.6**	**330631.5**	**447288.1**	**427983.2**
Financial liabilities				
Borrowings	161449.0	162803.1	228488.3	201069.2
Trade Payables				
Due to Micro and Small Enterprises	3122.8	476.6	703.6	672.4
Due to Others	15899.7	20020.5	19870.7	18573.1
Other financial liabilities	24930.9	23618.0	44396.4	25323.0
Provisions	53.7	62.5	92.0	92.3
Current tax liabilities	712.1	183.7	8.4	884.3
Other current liabilities	122430.5	123467.2	153728.7	181369.0
Provisions				
Total Equity & Liabilities	**405946.2**	**406925.6**	**498639.4**	**478112.8**

Profit & Loss

(Rs in million)

Particulars	9MFY21	FY20	FY19	FY18
Revenue from Operations	29150.1	124425.9	119069.8	135271.9
Other Income	2454.7	1183.9	718.9	1993.8
Total Income	**31604.9**	**125609.9**	**119788.7**	**137265.7**
Total Expenditure	**32188.2**	**115602.3**	**94899.8**	**110170.4**
Cost of Projects	20523.7	95499.8	73779.6	89084.5
Employee Benefits Expense	2014.7	3904.5	3899.0	4930.0
Finance Costs	8109.6	7315.2	5555.9	3815.9
Depreciation, Amortisation and Impairment Expense	564.2	3063.9	1944.5	3979.2
Other expenses	976.0	5819.0	9720.9	8360.8
PBIDT	**-583.4**	**10007.5**	**24888.8**	**27095.3**
Exceptional Items	-4627.5	56.2	0.0	0.0
Share of Profit / (Loss) of Associates	-2.5	-0.5	0.0	0.0
PBT	**-5213.4**	**10063.3**	**24888.8**	**27095.3**
Tax (incl. DT & FBT)	**2570.4**	**-2615.0**	**-8449.1**	**-9201.4**
Current Tax	-577.9	-338.9	-906.9	-4993.9
Deferred Tax	3148.3	-2276.1	-7542.1	-4207.5
PAT	**-2643.0**	**7448.4**	**16439.8**	**17893.9**
EPS (Rs.)	-6.7	18.8	41.5	45.2
Equity	3959	3959	3959	3959
Face Value	10	10	10	10
PATM (%)	-9.1	6.0	13.8	13.2

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