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Strong growth across segments...

In Q4FY21, we expect strong revenue growth for construction companies driven by a benign base and pick-up in execution. For real estate companies, key highlight will be continued robust residential sales volumes growth led by factors such as pent up demand, benign interest rates and measures such as a cut in stamp duty in Maharashtra.

Residential sales volumes traction to remain healthy...

We anticipate residential sales will maintain their strong momentum in Q4FY21 led by pent up demand, benign interest rates, launches and measures such as a cut in stamp duty in Maharashtra. We bake in ~34%, ~2.6x YoY growth in sales volumes of Brigade, Oberoi Realty, respectively. On the leasing front, new leasing activity is likely to remain on the back burner with continued work from home scenario. The hospitality and retail segment is likely to show a marked improvement in Q4, albeit the second wave of Covid-19 implies weakness may persist in the subsequent quarter.

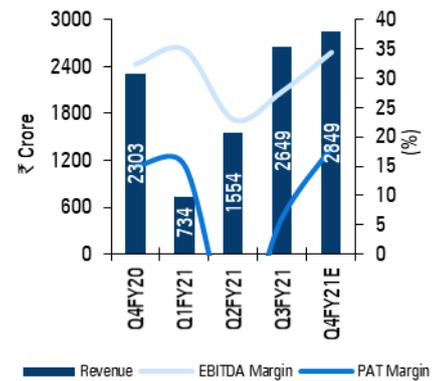
For Kajaria, we expect sales volumes to witness strong growth YoY (albeit muted QoQ) on a benign base, driven by robust demand. We expect revenues to grow ~29% YoY to ₹ 842 crore with tiles volume growth of ~24% YoY. Given the operating leverage, we expect EBITDA margins to expand 570 bps YoY to 20%. Overall, we expect the bottomline to grow ~116% YoY to ₹ 107.1 crore.

Infrastructure: Healthy inflows; robust revenue growth

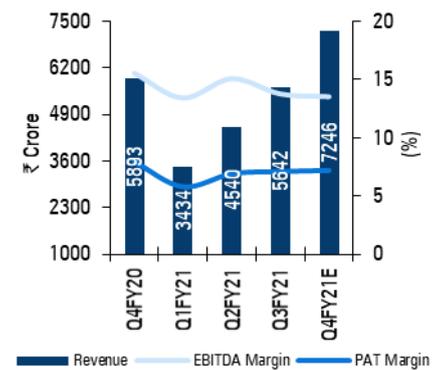
Healthy order inflows took place across the construction universe. KNR announced four orders (two HAM, two EPC road projects) with inflows worth ~₹ 5668 crore in Q4. HG Infra secured four projects (three HAM, one project of pond ash transportation from NTPC) totalling ₹ 2,564 crore. PNC has announced rural water supply for six districts of UP worth ₹ 2475 crore during the quarter. NCC received order inflows worth ₹ 1730 crore during the quarter. Ashoka Buildcon, on the other hand, won EPC package of 150 MW solar PV project in Rajasthan worth ₹ 502 crore, during the quarter.

On the execution front, we expect construction companies to witness robust growth. On an overall basis, we expect our road & construction universe to post revenue growth by 23% YoY to ₹ 7246 crore. PNC, NCC and HG Infra are likely to outperform with topline growth of ~35%, ~26% and ~24% YoY, respectively. The reported EBITDA margin of our universe is expected to contract 200 bps YoY to 13.5% as base quarter had some one-offs. Overall, we expect our universe PAT to grow 11.5% YoY to ₹ 523.1 crore largely driven by a robust topline performance.

Topline & Profitability (Real Estate Universe)



Topline & Profitability (Infra Universe)



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Exhibit 1: Estimates for Q4FY21E: (Real Estate & Building Material) (₹ crore)

Company	Revenue			EBITDA			PAT		
	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ
Oberoi Realty	941.7	78.5	13.7	433.2	16.9	13.3	311.0	8.5	23.9
The Phoenix Mills	393.1	-23.2	16.4	215.1	5.3	35.5	76.1	63.1	16.4
Brigade Enterprises	672.0	21.7	4.2	164.8	22.0	11.0	27.6	931.3	LP
Kajaria Ceramics	841.8	29.1	0.4	168.4	80.3	-7.4	107.1	116.1	-9.9
Total	2,848.7	27.0	7.5	981.5	22.2	12.6	521.9	35.3	24.5

Source: Company, ICICI Direct Research

Exhibit 2: Company Specific Views (Real Estate)

Company	Remarks
Oberoi Realty	We expect sales volumes to continue their sharp growth trajectory led by stamp duty cut and demand uptick. We bake in sales volumes growth of ~2.6x YoY at ~4.6 lakh sq feet on a benign base. On the financial front, it is likely to witness a sharp growth in revenue on account of depressed base and strong revenue recognition in residential segment. We expect topline to grow 53% YoY to ₹ 941.7 crore. Overall, we expect ORL net income to grow 23.9% YoY at ₹ 311 crore. Key Monitorable: Commentary on sales volumes, progress on new launches such as Thane & Exquisite-III in Goregaon
The Phoenix Mills	We expect Phoenix Mills' (Phoenix) revenues to de-grow 1.5% YoY to ₹ 393.1 crore largely dragged by hospitality segment while retail is expected to show continued improvement. Residential sales are likely to continue robust trajectory. At the PAT level, we expect ₹ 76.1 crore, up ~63% YoY, given the costs rationalisation. Key Monitorable: Outlook on business ahead amid second wave and lockdowns
Brigade Enterprises	We expect BEL's sales volumes to grow ~34% YoY to 14.1 lakh sq ft, driven by demand uptick and new launches. On the financial front, we expect the topline to grow 5.7% YoY to ₹ 672 crore, led by higher robust revenue recognition in residential segment (up 18.9% YoY) and offset by relatively weak hospitality and mall portfolio performance, Overall, at the PAT level, we expect ₹ 27.6 crore, up ~9x YoY on depressed base. Key Monitorable: Sales volume and outlook ahead
Kajaria Ceramics	We anticipate Kajaria's sales volumes will continue its strong growth trajectory led by continued traction in tier 2/3 towns and benign base. We expect revenues to grow ~29% YoY to ₹ 842 crore with tiles volume growth of ~24% YoY. Given the operating leverage, we expect EBITDA margins to expand 570 bps YoY to 20%. Overall, we expect the bottomline to grow ~116% YoY to ₹ 107.1 crore. Key Monitorables: Management commentary on demand outlook and commentary on gas pricing

Source: Company, ICICI Direct Research

Exhibit 3: Real Estate Coverage Universe

Sector / Company	CMP		M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)			
	₹	TP(₹)		Rating	₹ Cr	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E
Oberoi Realty (OBAREA)	595	635	Buy	21,640	17.8	27.7	30.2	33.4	21.5	19.7	18.6	12.0	11.1	2.1	1.9	1.8	6.9	10.0	10.1
The Phoenix Mills (PHOMIL)	749	950	Buy	12,877	1.2	22.2	27.1	624.3	33.7	27.6	35.3	16.4	13.8	2.6	2.5	2.3	8.8	0.3	7.7
Brigade Enterprises (BRIENT)	266	320	Buy	5,613	-2.3	9.8	12.1	NM	27.2	22.0	17.9	7.8	6.5	2.4	2.3	2.3	NM	8.4	9.8
Kajaria Ceramics (KAJCER)	959	950	Buy	15,260	18.6	27.2	32.8	51.6	35.3	29.2	25.1	17.9	15.1	6.9	6.2	5.5	16.2	21.2	22.7

Source: Company, Bloomberg, ICICI Direct Research

Exhibit 4: Estimates for Q4FY21E: (Roads & Construction) (₹ crore)

Company	Revenue			EBITDA			PAT		
	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ	Q4FY21E	YoY	QoQ
Ashoka Buildcon	1,405.3	12.0	43.3	168.6	-26.3	59.8	123.8	-24.6	44.7
PNC Infratech	1,562.7	35.0	18.2	211.6	35.3	18.5	122.8	61.4	19.0
HG Infra	772.8	24.1	5.2	120.0	18.3	1.6	60.1	17.3	-8.3
NCC	2,748.3	26.0	43.3	328.3	17.0	37.2	134.1	21.5	90.7
KNR Construction	756.7	12.0	10.3	151.7	12.1	12.1	82.3	22.5	6.1
Total	7,245.9	23.0	28.4	980.2	8.6	26.2	523.1	11.5	30.1

Source: Company, ICICI Direct Research

Exhibit 5: Exhibit 2: Company Specific Views (Roads & Construction)

Company	Remarks
Ashoka Buildcon	We expect ABL to report topline growth of 12% YoY at ₹ 1405.3 crore, driven by improved execution. EBITDA margins are expected to decline sharply by 620 bps YoY to 12%, as the base quarter had certain provision writebacks. We expect PAT to decline 24.6% YoY to ₹ 123.8 crore due to lower EBITDA. Key Monitorable: Management commentary on execution ahead, impact of state-wise lockdown on key projects and status on monetisation of Ashoka Concessions
HG Infra	Revenue during Q4 FY21 is likely to grow 24.1% YoY to ₹ 772.8 crore, driven by expected pick-up in execution backed by a) its comfortable order book position of ₹ 5,971 crore, and b) receipt of appointed date in most of the projects, and c) normalisation in labour availabilities and raw material supply chain. Operating margin is likely to remain at an elevated level of ~15.5% with better project mix. At the net level, we expect robust operating performance coupled with benign depreciation and interest cost to translate into 17.3% YoY bottomline growth. Key monitorable: Order inflows guidance, impact of state-wise lockdown on key projects and guidance on recoveries from state government and private projects
NCC Ltd	We expect topline to grow 26% YoY to ₹ 2748 crore, on a depressed base (~36% decline in Q4FY20). EBITDA margin is expected at 11.9%, (down 100 bps YoY), impacted by commodity price rise. The reported PAT is expected to grow 21.5% YoY to ₹ 134.1 crore. Key Monitorable: Management commentary on order inflows, impact of state-wise lockdown on key projects, status on Andhra Pradesh orders, receivables and net debt
PNC Infratech	With executive order book increasing led by financial closure of HAM projects during the quarter, we expect reported topline growth of 35% YoY to ₹ 1562.7 crore. EBITDA margins are expected at 13.5%, flattish YoY. PAT is expected to grow ~61.4% YoY to ₹ 122.8 crore given the strong operating performance and lower interest/depreciation expenses. Key Monitorable: Management commentary on order inflows, impact of state-wise lockdown on key projects, progress on HAM projects
KNR Constructions	We expect revenues to grow 12% YoY to ₹ 756.7 crore, as execution has remained stable and further boosted by improved labour availability since Q3. EBITDA margin is expected to contract 170 bps YoY to 20%, given higher base owing to irrigation revenues. Overall, we expect bottomline to grow 22.5% YoY to ₹ 54.2 crore, given healthy operating performance. Key Monitorable: Status on HAM projects execution, impact of state-wise lockdown on key projects, recovery of Telangana irrigation receivables

Source: Company, ICICI Direct Research

Exhibit 6: Road Coverage Universe

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
	₹	TP(₹)	Rating		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
KNR Constructions (KNRCON)	212	270	Buy	5,957	9.2	10.8	13.9	23.0	19.6	15.2	12.6	10.9	8.6	3.3	2.9	2.4	13.8	14.0	15.3
PNC Infratech (PNCINF)	255	300	Buy	6,548	14.2	17.8	20.1	18.0	14.3	12.7	9.3	7.2	6.1	2.2	1.9	1.6	12.6	13.7	13.4
Ashoka Buildcon (ASHBUI)	97	110	Hold	2,722	5.4	9.4	10.2	18.0	10.3	9.5	5.9	5.2	4.7	3.5	2.4	1.8	26.9	31.7	25.8
NCC (NAGCON)	80	110	Buy	4,857	4.6	8.3	10.2	17.3	9.6	7.8	7.9	5.9	5.2	1.0	1.0	0.9	5.3	8.7	9.9
HG Infra (HGINF)	285	380	Buy	1,854	26.6	33.2	38.6	10.7	8.6	7.4	6.0	5.0	4.2	1.9	1.6	1.3	17.5	18.0	17.4

Source: Company, ICICI Direct Research, Reuters

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