

BRIGADE ENTERPRISES



Poised for growth, attractively valued

■ Quality South India developer with focus on Bengaluru

Brigade Enterprises (Brigade) is a South India based developer with presence across cities like Bengaluru, Mysore and Chennai with a land bank of ~27 msf (~20 msf economic interest), ex-ongoing projects. The developer is set to deliver ~15 msf projects by March 2011 (~5.67 msf till FY08) with the company's flagship projects at Bengaluru—*Gateway* and *Metropolis*—of ~8msf nearing completion.

■ ~3msf of Gateway/Metropolis rental assets valued at INR 142/share

~3 msf of the company's *Gateway*/*Metropolis* projects' rental/hospitality assets are nearing completion. Improved leasing visibility coupled with the ~1.1 msf *Gateway* Office bagging 'World Trade Centre' status are key positives. We value *Gateway* rental/hospitality assets at ~INR 13.6 bn and *Metropolis* rental assets at INR 2.4 bn on cap rates of 11% with 15% rental escalation every three years.

■ Upcoming launches to drive growth, valued at INR 73/share

After focusing on ~9 msf of projects across Bengaluru/Mysore in FY09-10, Brigade plans to launch ~8 msf residential projects across South India over the next 12 months, primarily in Bengaluru. The success of the launches will be key with revival in buyer sentiment along with increased hiring/salary hikes. We value Brigade's interest at ~INR 8.2 bn in launches of ~17msf in FY11-17E (its share ~12 msf).

■ Asset monetisation/space sale to allay funding concerns

Asset monetisation of ~INR 2.3 bn in FY11E and ~INR 1.5 bn in FY12E through Columbia Asia Hospital sales of ~INR 1.23 bn, North Star Office strata sales of ~INR 2.4 bn, and ~INR 150 mn from *Metropolis Arcade Mall* will keep debt levels in check. We expect Brigade's net D/E to dip from 0.7x in FY10 to 0.5x in FY12E.

■ Outlook and valuations: Poised for growth; initiate coverage with 'BUY'

We have valued Brigade on DCF basis for forthcoming residential/commercial launches of ~17 msf (its share at ~12 msf) at INR 8.2 bn, capital value of rental/hospitality assets at INR 17.5 bn, with residual land valued at INR 2.6 bn. Adjusting for FY11 net debt, the stock is valued at INR 187/share, indicating an upside of ~29% from the current level. Hence, we initiate coverage on the stock with 'BUY' recommendation and rate it 'Sector Performer'.

September 22, 2010

Reuters : BRIG.BO Bloomberg: BRGD IN

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

Note:
Please refer last page of the report for rating explanation

MARKET DATA

CMP	:	INR 145
52-week range (INR)	:	187 / 106
Share in issue (mn)	:	112.3
M cap (INR bn/USD mn)	:	16.3 / 357.7
Avg. Daily Vol. BSE ('000)	:	365.0

SHARE HOLDING PATTERN (%)

Promoters*	:	57.5
MFs, FIs & Banks	:	2.8
FIIIs	:	4.7
Others	:	35.0
* Promoters pledged shares (% of share in issue)	:	Nil

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Real Estate Index
1 month	8.3	(1.5)	(9.8)
3 months	12.3	8.9	(5.4)
12 months	19.3	19.5	0.2

Adhidev Chattopadhyay
+91 22 6623 3358
adhidev.chattopadhyay@edelcap.com

Aashiesh Agarwal, CFA
+91 22 4063 5491
aashiesh.agarwal@edelcap.com

Financials

Year to March	FY09	FY10	FY11E	FY12E
Revenue	3,908	3,824	5,812	6,084
Rev. growth (%)	(20.1)	(2.2)	52.0	4.7
EBITDA (INR mn)	561	677	2,145	2,234
Net profit (INR mn)	382	466	1,246	1,318
Shares outstanding (mn)	112	112	112	112
Diluted EPS (INR)	3.4	4.1	11.1	11.7
EPS growth (%)	(66.8)	21.9	167.5	5.8
Diluted PE (x)	42.5	34.9	13.0	12.3
EV/ EBITDA (x)	37.4	34.7	11.0	10.0
ROE (%)	4.1	4.7	11.6	10.2
ROCE (%)	3.5	2.8	10.5	10.4

Investment Rationale

67% land bank is concentrated in Bengaluru

■ Quality South India developer with focus on Bengaluru

Brigade is a South India based developer with operations concentrated primarily in Bengaluru along with other cities like Hyderabad, Mysore, Chennai, and Kochi. The developer currently has a land bank, of ~27.3 msf of saleable area (excluding ongoing projects, of which Brigade's economic interest is ~20 msf including ~15 msf residential and ~5 msf of commercial/retail projects with two-thirds of the land bank being concentrated in Bengaluru.

Chart 1: Segment-wise land bank details

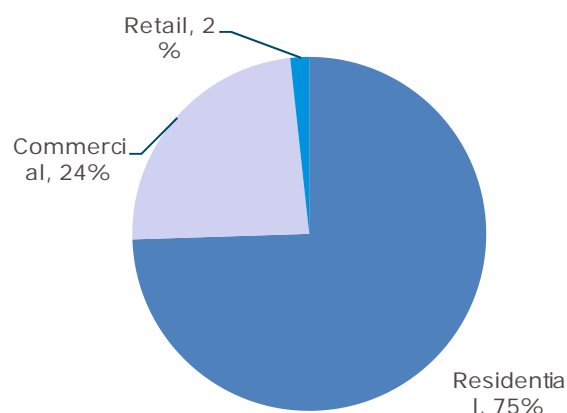
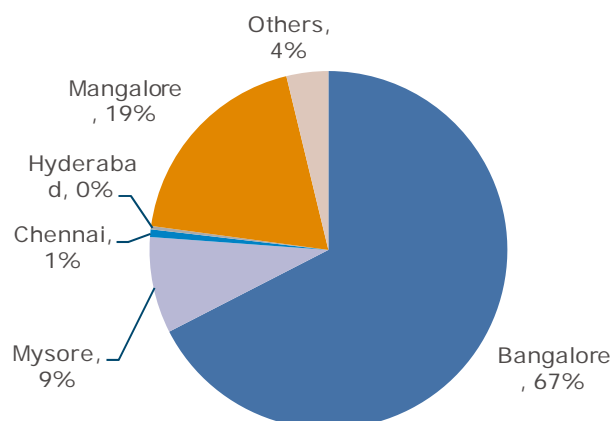


Chart 2: City-wise land bank details



Source: Company, Edelweiss research; based on Brigade's economic interest in saleable area across projects

■ Excellent execution record with over 15 msf cumulative deliveries by FY11E

Till FY08, Brigade has completed 67 properties with 5.67 msf of saleable area in South India and the company currently has ongoing projects of ~9 msf nearing completion, primarily at its flagship projects in Bengaluru—*Gateway* and *Metropolis*—located at Malleswaram and Whitefield, respectively. Of the ~9 msf, ~3 msf consists of rental assets at *Gateway/Metropolis* to be completed in FY11; the balance ~6 msf residential projects will also be completed by March 2011. In terms of cash flow, the company had estimated net receivables of INR 3.6 bn from ongoing residential projects as of March 2010 with balance costs of ~INR 3bn to be incurred on completion of rental assets.

Strong execution track record with ~15msf of cumulative deliveries by FY11E

Table 1: Ongoing residential projects cash flow analysis (as of March 2010)

Project	Saleable area (msf)	Total units	Unsold units as of 31.03.10	Total sales value (INR mn)	Amt. recvd. as of 31.03.10	Balance receivable (INR mn)	Balance costs (INR mn)
Ongoing Residential Projects:							
Metropolis	2.5	1,618	219	5,154	4,012	1,142	423
Gateway	2.2	1,255	187	8,718	6,490	2,228	493
Other ongoing residential	1.2	727	305	4,530	2,288	2,242	1,073
Total	5.91	3,600	711	18,402	12,790	5,612	1,989

Source: Company, Edelweiss Research

Table 2: Ongoing commercial/rental/hospitality projects (as of March 2010)

Project	Area (msf)	Total cost (INR mn)	Amount spent upto 31.03.10 (INR mn)	Balance costs (INR mn) (INR mn)
North Star, Gateway	1.1	2,790	2,104	686
Orion Mall, Gateway	0.8	2,480	1,728	752
MLCP - Gateway	-	1,110	689	421
Gateway - Hotel	0.3	2,000	970	1,030
Summit I & II, Metropolis	0.8	1,483	1,372	111
Arcade, Metropolis	0.1	150	107	43
MLCP - Metropolis	-	156	100	56
Total	3.0	10,169	7,070	3,099

Source: Company, Edelweiss research; North Star has received 'World Trade Centre' status in Q2FY11

■ Brigade's Gateway/Metropolis rental assets valued at INR 142/share

Brigade had launched two flagship integrated enclave projects in Bengaluru—*Brigade Gateway* at Malleshwaram in 2006 and *Brigade Metropolis* at Whitefield in 2005 (refer annexure for project details). The two projects combined have ~3 msf of rental assets nearing completion. With revival in commercial/retail leasing activity in Bengaluru, the developer is set to reap benefits of having a completed portfolio of rental assets.

Gateway rentals assets valued at INR 121/share: With the *North Star* Office building at Malleshwaram bagging 'World Trade Centre' status, we expect leasing activity to pick up at *Gateway* and also have a positive spillover effect on the 230 room *Sheraton Hotel* located in the same property, whose soft launch is expected in December 2010. We value *Gateway* rental assets at FY11E GAV of INR 13.6 bn.

Table 3: Gateway—Rental assets valuation summary

Asset	Area (msf)	Assumed Rentals (INR/sf/month)	FY 11 GAV (INR mn)	Current Status
North Star Office*	1.10	65	5,640	Completion by Oct 2010 with Brigade looking to sell ~0.3msf through strata sales in FY11-12 and negotiations on for leasing of ~0.4msf. Recently received 'World Trade Centre' status
Orion Mall	0.80	80	5,991	Completion expected by Nov 2010 with ~50% leased and additional 15% in LoI stage. Been handed over to anchor tenants like PVR, Star Bazaar for fit-outs.
Sheraton hotel - 230 keys	0.30	ARR of INR 9,000	1,960	Soft launch expected by Dec 2010
Columbia Asia bed hospital	0.14	54	-	Hospital sold in Q2FY11 for INR 1.23bn
Total	2.34		13,590	

Source: Company, Edelweiss research

Note: *North Star GAV excludes proceeds from office strata sales of 0.1 msf

Metropolis rental assets valued at INR 21/share: Apart from the *North Star* 'WTC' office, Brigade has an additional 0.8 msf of commercial office space across two office buildings at its *Metropolis* project in Whitefield titled *Summit I* and *II* (Capgemini has signed up as a tenant at ~INR 28/sf/month for 30% of the leasable area). Along with an additional 0.04 msf of retail space (adjusting for space sale of 40,000 sf) at the project, we value *Metropolis* rental assets at FY11E GAV of INR 2.4 bn.

Gateway/Metropolis
rental/hospitality assets
worth ~INR 16bn at bottom
of cycle rentals

Table 4: Metropolis—Rental assets valuation summary

Asset	Area (msf)	Assumed Rentals (INR/sf/month)	FY 11 GAV (INR mn)	Current Status
Summit I & II Office	0.80	28	2,212	~30% leased to Capgemini at INR 28psf/month with rentals to begin from Q3FY11
Arcade Shopping Mall	0.08	35	140	Sold 50% for INR 160mn. To commence operations by Mar 2011
Total	0.88		2,352	

Source: Company, Edelweiss research

Note: * Arcade Mall GAV excludes proceeds from space sale of 40,000 sf

Upcoming launches valued at
~INR 8.2bn

■ Upcoming launches to drive growth, valued at INR 73/share

After focusing on ongoing residential projects of ~6 msf across South India in FY09-10, Brigade is planning launch of ~8 msf of residential projects over the next 12 months, primarily in Bengaluru. As part of its strategy to cater to various income groups, the company has launched affordable housing projects under the *Brigade Value Homes* banner with total planned ~8-10 msf of projects, which we expect to be launched over FY10-13E. Additionally, the developer is gearing up for new project launches in Devanahalli (villas) and Kanakpura (value housing).

Table 5: Key residential launches in FY11-12

Project	Location	Area	Details
Brigade Value Homes	Bengaluru	10 msf gross saleable area (not adjusted for Brigade's economic interest)	Launched ~2,500 homes in Phase I across 4 locations in Bangalore in the INR 1-2.6 mn bracket which have been fully sold with construction expected to commence in FY12
Brigade Orchards - Devanahalli	Bengaluru	3.8msf - Brigade's economic interest	Phased development. Initial plans to launch ~0.5-0.6msf of villas at INR 3,500-4000/sf with further phases to be developed post receipt of approval of master plan
Brigade Meadows - Kanakpura	Bengaluru	3.4msf - Brigade's economic interest	Phased development of G+3 structures at INR 2,000-2,500/sf

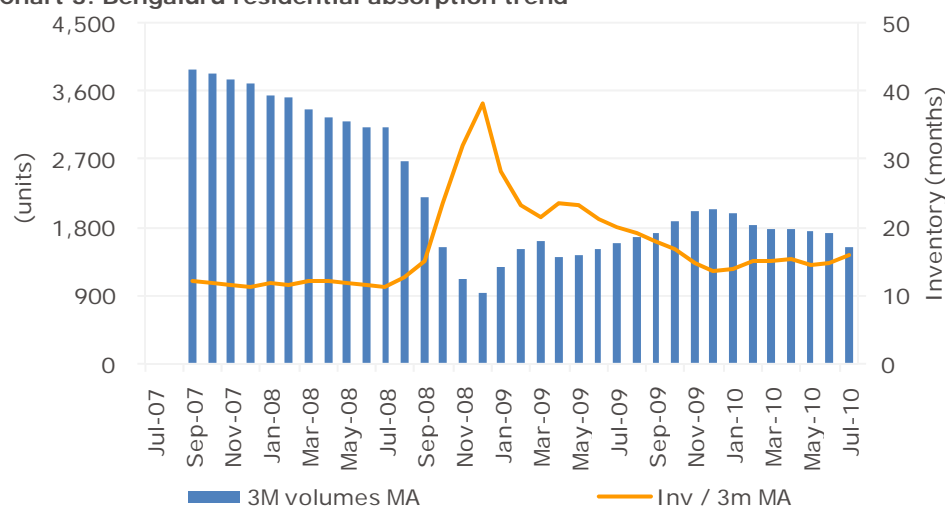
Source: Company, Edelweiss research

Declining inventory levels in Bengaluru with robust demand are key positives:

Bengaluru inventory levels have steadily declined as absorption has outpaced launches for 15 months which is a reflection of improved home buyer sentiment with the IT/ITES sector effecting wage hikes of up to 15% coupled with increased hiring. Further, with property prices across South India seeing a moderate price rise of ~5-15% from 2009 levels, we believe that Brigade is well-placed to monetize its land bank.

Chart 3: Bengaluru residential absorption trend

Declining inventories along with robust demand in Bengaluru are key positives

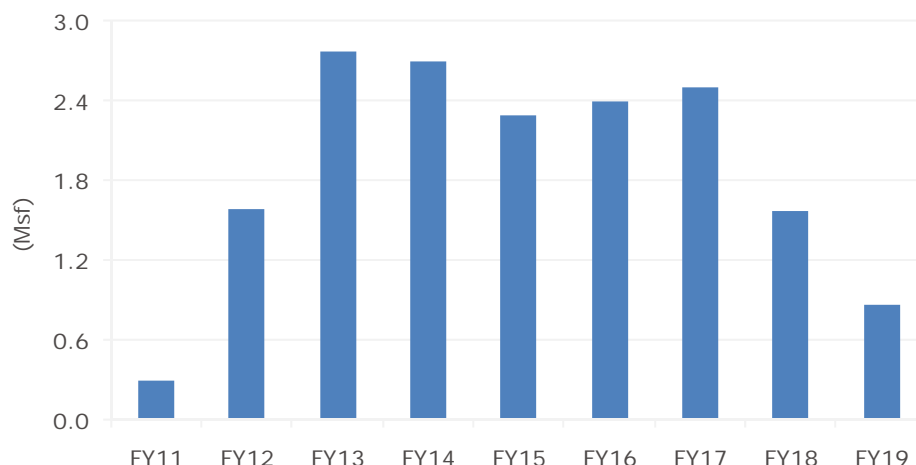


Source: PE Analytics, Edelweiss research

Upcoming launches valued at INR 8.2 bn: Brigade currently has a ~27 msf land bank excluding hotel projects with its economic interest at ~20 msf. Of this, we value ~17 msf launches over FY11-17E (Brigade's economic interest in them at ~12 msf) at INR 8.2 bn. We expect these projects to be executed over FY11-19E and we have assumed yearly selling price and cost escalation of 5% and expect these projects to be completed by FY19E.

Chart 4: Sales schedule (gross saleable area)

Sales to peak in FY13-14 on the back of new project launches



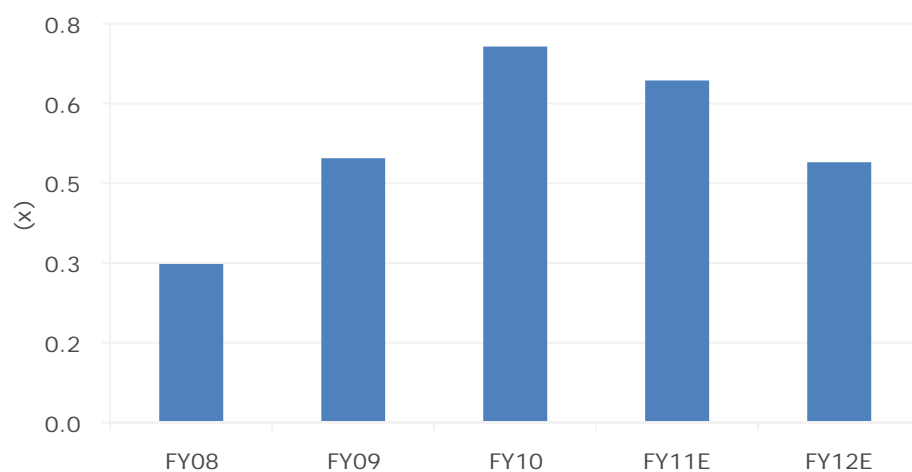
Source: Edelweiss research

■ Asset monetisation/space sales to allay funding concerns

Although high pre-sales in residential projects cushioned Brigade from the downturn in the domestic real estate market in 2008-09, the company's debt has continued to mount. This has been largely due to ~INR 10 bn incurred for construction of *Gateway/Metropolis* rental/hospitality assets. However, with leasing activity picking up and balance costs of ~INR 3.1 bn as of March 2010 to be incurred on these assets, we expect the company's net debt/equity to dip from 0.7x in FY10 to 0.5x in FY12E. This will be on account of asset monetization/office strata sales of ~INR 2.3 bn in FY11E and ~INR 1.5 bn in FY12E through Columbia Asia Hospital sales of ~INR 1.23 bn, *North Star* 'WTC' office strata sales of ~INR 2.4 bn, and ~INR 160 mn from *Metropolis Arcade Mall*.

Chart 5: Net debt/equity ratio to reduce to 0.5x in FY12E

Net debt/equity ratio to reduce to 0.5x in FY12E



Source: Company, Edelweiss research

Valuation

We have valued Brigade on DCF basis for forthcoming residential/commercial launches of ~17 msf (Brigade's share at ~12 msf), capital value of rental/hospitality assets (adjusted for balance costs), balance receivables from ongoing projects, and valuation of its residual land bank.

We estimate ongoing/forthcoming launches to generate ~INR 21.2 bn and value Brigade's economic interest in them on FY11E GAV at INR 8.2 bn. In arriving at these estimates we have assumed WACC of 13%, yearly selling price and cost escalation of 5% and expect these projects to be completed by FY19E.

Brigade is valued at ~INR 21 bn

We have valued the *Gateway/Metropolis* commercial/retail/hospitality assets at ~INR 15.9 bn on FY11E GAV. We have assumed cap rate of 11% for these projects with 15% escalation in rentals after every 36 months.

Including balance receivables from ongoing projects, other hotel projects, and residual value of land bank of ~10 msf (Brigade's economic interest at ~8 msf) and net debt (FY11E), Brigade is valued at INR 21.0 bn or INR 187 per share on FY11E NAV, indicating a 29% upside from the current level. The residential segment is 34% of the GAV while the commercial/retail segment is 53% with balance GAV from hospitality segment. The stock trades at 23% discount to NAV and ~1.4x FY11E P/B. Hence, we initiate coverage on the stock with a 'BUY' recommendation and rate it 'Sector Performer' on relative return basis.

Table 6: Valuation summary

Projects	FY11 GAV INR mn Brigade's share	INR/share Value
~17msf of upcoming launches (Brigade share at ~12msf)	8,194	73
Land bank valuation of ~10msf of other land (Brigade share at ~8msf)	2,625	23
Commercial/retail assets:		
North Star WTC Office at Gateway, Bengaluru	5,640	50
Orion Mall at Gateway, Bengaluru	5,991	53
Summit Office at Metropolis, Bengaluru	2,212	20
Arcade Mall at Metropolis, Bengaluru	140	1
Total commercial/retail assets GAV	13,983	125
Hospitality assets:		
Sheraton Gateway hotel	1,960	17
Other hospitality assets	1,536	14
Total hospitality GAV	3,496	31
Brigade's GAV	28,298	252
Less: FY11 Net Debt	7,332	65
NAV	20,966	187

Source: Edelweiss research

Chart 6: Segment-wise GAV

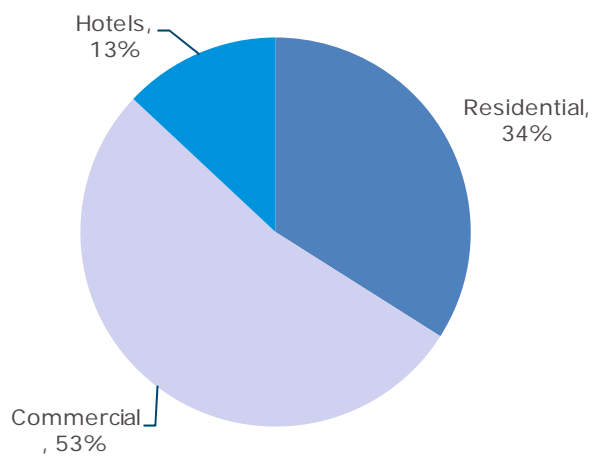
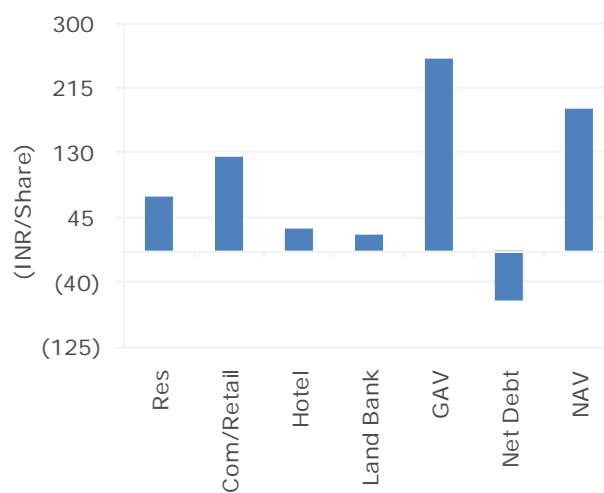


Chart 7: NAV Break-up



Source: Edelweiss research

Key Risks

- **Slower-than-expected recovery in commercial/retail leasing**

A major part of Brigade's valuation emanates from *Gateway* and *Metropolis* commercial/retail assets. As the commercial/retail space in Bengaluru is still encountering oversupply problem, leasing activity may be slower than expected.

- **Visibility of cash flow dependent on large residential launches in FY11-12**

With Brigade's flagship *Gateway/Metropolis* projects in Bengaluru nearing completion, the company is planning to launch ~8 msf of new projects in FY11-12E. As these are its first major project launches after a gap of over three years, robust sales off take in these projects is essential for visibility of cash flows.

- **Land acquisition risk**

The company's current ~20 msf land bank is significantly lower than its peers in South India. Inability to replenish the land bank can negatively impact the company in a rising land prices scenario.

Company Description

Brigade is an established real estate developer in South India with focus on development of residential, commercial, retail, and hospitality projects. Since inception, its business is concentrated within Bengaluru and nearby areas such as Mysore. The company has an in-house, fully integrated property development team comprising engineers and architects who oversee the development of properties from inception to completion.

The developer's ongoing projects are divided into residential projects of ~6 msf which are complete/nearing completion and commercial/retail/hospitality projects of ~3 msf at its flagship *Gateway* and *Metropolis* projects located in Bengaluru at Malleswaram and Whitefield, respectively. Apart from the ongoing projects, the company has delivered ~5.7 msf of residential and commercial projects till FY08 in South India and has an additional planned development of ~27 msf in South India, in which Brigade's economic interest is ~20 msf.

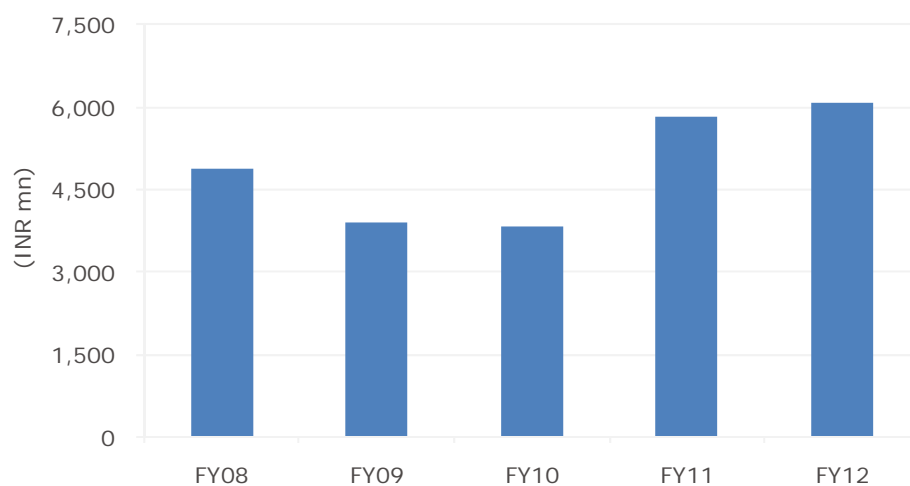
Financial Outlook

Revenues to grow to INR 6.1 bn in FY12E

■ 26% revenue CAGR likely during FY10-12E

We expect Brigade's revenue to catapult from INR 3.8 bn in FY10 to INR 6.1 bn in FY12E. We expect revenues to be driven predominantly by monetisation of Columbia Asia Hospital and strata sales at *North Star Office* and new project launches in Bengaluru through a combination of *Brigade Value Homes* (four locations in Bengaluru), *Brigade Orchards* (Devanahalli), and *Brigade Meadows* (Kanakpura).

Chart 8: Robust revenue growth in revenues

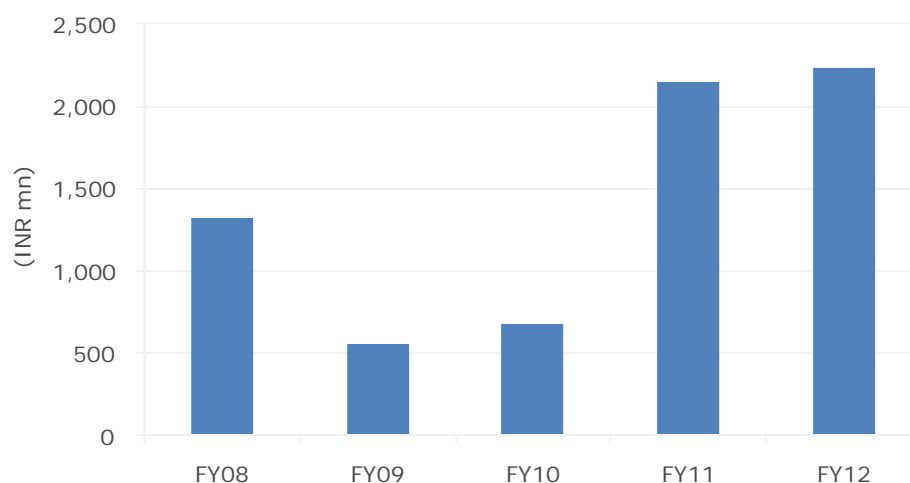


Source: Company, Edelweiss research

■ EBITDA margins set to expand

We expect the company's EBITDA margins to expand from 18% in FY10 to 37% in FY12E, led largely by revenue recognition of higher value (in psf terms) office strata sales and hospitality revenues along with rental income from *Gateway/Metropolis* assets. Consequently, we expect the EBITDA to jump from INR 0.7 bn in FY10 to INR 2.2 bn in FY12E.

Chart 9: EBITDA to jump from INR 0.7 bn in FY10 to INR 2.2 bn in FY12E



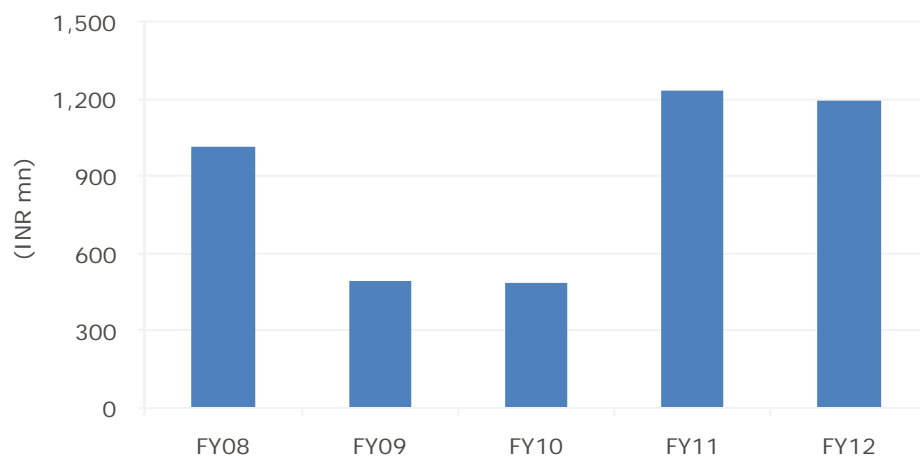
EBITDA margins will expand led by sale of higher margin commercial/retail assets

Source: Company, Edelweiss research

- **Post-tax, profit likely to post 57% CAGR on account of margin expansion**

Led by higher EBITDA margin and a stronger top line growth, we expect Brigade's post-tax adjusted profit to rise sharply at 57% CAGR over the next two years. Accordingly, we expect post-tax adjusted profits to rise from INR 0.5 bn in FY10 to INR 1.2 bn in FY12E.

Chart 10: Post-tax adjusted profit to soar



Source: Company, Edelweiss research

Annexure 1: *Brigade Gateway* at Malleswaram (Bengaluru)

Launched in 2006, Brigade's *Gateway* project is one of the two ongoing lifestyle enclaves the company is developing and is located in the Malleswaram-Rajajinagar area close to Bengaluru's CBD of MG Road. During the property boom in Bengaluru in 2006 and 2007, the company was able to sell off majority of the apartments in the project. Brigade has been able to achieve decent realizations from the property with average realizations of INR 3,600/sf for 85% of the apartments till FY08 with current prices in the range of ~INR 5,500-6,000/sf.

■ Project highlights

- 40-acre project with 1,255 apartments and an artificial lake.
- Project includes 30-storey North office tower of ~1.1 msf.
- Orion Mall and multiplex: 0.8 msf mall across five levels with PVR multiplex.
- *Sheraton Bengaluru Hotel*: 5 star, 230 key hotel.
- Columbia Asia Hospital: 200 bed, multi-specialty hospital leased to Seattle-based Columbia Asia Hospitals.
- Brigade School & Galaxy Club.

Fig. 1: Gateway residential



Fig. 2: North Star 'WTC' office



Source: Company, Edelweiss research

Fig. 3: Orion Mall



Fig. 4: Sheraton Hotel



Source: Company, Edelweiss research

Annexure 2: *Brigade Metropolis* at Whitefield (Bengaluru)

Launched in 2005, *Brigade Metropolis* is a lifestyle enclave in Bengaluru's Whitefield area consisting of a residential component, a commercial office, and a shopping arcade.

■ Project highlights

- 40-acre project with 1,618 apartments.
- Project includes Summit I & II software facility of ~0.8 msf in two blocks with a helipad and inter-connected sky bridges.
- *Arcade Mall* spread over 80,000 sf.
- Landscaped theme gardens.
- Club with sports, recreation and health facilities.

Fig. 5: Metropolis residential



Fig. 6: Summit office



Source: Company, Edelweiss research

Fig. 7: Arcade Mall



Fig. 8: Metropolis residential



Source: Company, Edelweiss research

Financial Statements (Consolidated)

Income statement					(INR mn)
Year to March	FY08	FY09	FY10	FY11E	FY12E
Income from operations	4,889	3,908	3,824	5,812	6,084
Direct costs	2,913	2,792	2,496	2,999	3,089
Employee costs	340	215	236	262	274
Other expenses	320	340	416	407	487
Total operating expenses	3,573	3,347	3,148	3,667	3,850
EBITDA	1,316	561	677	2,145	2,234
Depreciation and amortisation	101	151	206	191	216
EBIT	1,215	410	471	1,954	2,019
Interest expenses	37	31	90	141	134
Other income	182	178	89	50	55
Profit before tax	1,360	557	470	1,863	1,939
Provision for tax	344	174	4	618	621
Core profit	1,016	382	466	1,246	1,318
Extraordinary items	(1)	110	16	0	0
Profit after tax	1,015	492	482	1,246	1,318
Minority Interest	0	0	0	11	125
Share from associates	5	2	4	0	0
Adjusted net profit	1,020	494	486	1,235	1,193
Equity shares outstanding (mn)	99	112	112	112	112
EPS (INR) basic	10.3	3.4	4.1	11.1	11.7
Diluted shares (mn)	99	112	112	112	112
EPS (INR) fully diluted	10.3	3.4	4.1	11.1	11.7
Dividend per share	2.3	1.2	1.2	1.1	1.1
Dividend payout (%)	22.0	27.3	27.7	10.0	10.0

Common size metrics- as % of net revenues

Year to March	FY08	FY09	FY10	FY11E	FY12E
Operating expenses	73.1	85.6	82.3	63.1	63.3
Depreciation	2.1	3.9	5.4	3.3	3.5
Interest expenditure	0.8	0.8	2.4	2.4	2.2
EBITDA margins	26.9	14.4	17.7	36.9	36.7
Net profit margins	20.8	9.8	12.2	21.4	21.7

Growth metrics (%)

Year to March	FY08	FY09	FY10	FY11E	FY12E
Revenues	22.5	(20.1)	(2.2)	52.0	4.7
EBITDA	25.5	(57.4)	20.6	216.9	4.2
PBT	29.3	(59.1)	(15.6)	296.4	4.1
Net profit	42.4	(62.4)	21.9	167.5	5.8
EPS	35.5	(66.8)	21.9	167.5	5.8

Balance sheet					(INR mn)
As on 31st March	FY08	FY09	FY10	FY11E	FY12E
Equity share capital	1,123	1,123	1,123	1,123	1,123
Reserves & surplus	8,141	8,848	9,166	10,257	11,311
Shareholders funds	9,264	9,971	10,289	11,380	12,433
Secured loans	2,975	4,286	6,547	6,847	5,847
Unsecured loans	0	1,119	1,119	1,119	1,119
Borrowings	2,975	5,405	7,666	7,966	6,966
Minority interest	0	0	0	11	135
Sources of funds	12,239	15,376	17,955	19,356	19,535
Gross block	1,236	1,865	2,358	1,908	2,158
Depreciation	308	451	619	810	1,026
Net block	928	1,414	1,739	1,098	1,133
Capital work in progress	4,060	6,774	9,109	11,052	10,979
Total fixed assets	4,988	8,189	10,849	12,151	12,112
Investments	4,058	222	28	28	28
Inventories	3,023	6,040	6,296	5,614	5,970
Sundry debtors	29	45	81	111	117
Cash and equivalents	188	443	403	634	867
Loans and advances	3,679	4,006	3,915	3,557	3,318
Total current assets	6,920	10,535	10,695	9,917	10,272
Sundry creditors and others	3,454	3,511	3,314	2,548	2,667
Provisions	608	344	509	398	417
Total CL & provisions	4,062	3,855	3,823	2,946	3,084
Net current assets	2,858	6,680	6,872	6,971	7,189
Net Deferred tax	15	15	13	13	13
Misc expenditure	319	269	194	194	194
Uses of funds	12,239	15,376	17,955	19,356	19,535
Book value per share (INR)	94	89	92	101	111

Cash flow statement					(INR mn)
Year to March	FY08	FY09	FY10	FY11E	FY12E
Net profit	1,016	382	466	1,246	1,318
Add: Depreciation	101	151	206	191	216
Add: Others	353	866	755	708	700
Gross cash flow	1,470	1,399	1,427	2,145	2,234
Less: Changes in W. C.	(2,802)	(3,417)	(364)	(486)	(606)
Operating cash flow	(1,332)	(2,018)	1,063	1,659	1,629
Less: Capex	(2,048)	(3,345)	(2,800)	(1,493)	(177)
Free cash flow	(3,380)	(5,364)	(1,737)	166	1,452

Cash flow metrics					
Year to March	FY08	FY09	FY10	FY11E	FY12E
Operating cash flow	(1,332)	(2,018)	1,063	1,659	1,629
Financing cash flow	7,293	1,843	1,461	15	(1,274)
Investing cash flow	(5,997)	430	(2,564)	(1,443)	(122)
Net cash flow	(36)	255	(40)	231	233
Capex	2,048	3,345	2,800	1,493	177
Dividend paid	0	186	112	103	99

Ratios

Year to March	FY08	FY09	FY10	FY11E	FY12E
ROAE (%)	19.6	4.1	4.7	11.6	10.2
ROACE (%)	20.2	3.5	2.8	10.5	10.4
Debtors (days)	8	3	6	6	7
Current ratio	1.7	2.7	2.8	3.4	3.3
Debt/Equity	0.3	0.5	0.7	0.7	0.6
Inventory (days)	331	592	902	725	684
Payable (days)	415	455	499	357	308
Cash conversion cycle (days)	(77)	141	409	374	383
Debt/EBITDA	2.3	9.6	11.3	3.7	3.1
Adjusted debt/Equity	0.3	0.5	0.7	0.7	0.6

Operating ratios (x)

Year to March	FY08	FY09	FY10	FY11E	FY12E
Total asset turnover	0.4	0.3	0.2	0.3	0.3
Fixed assets turnover	5.6	3.3	2.4	4.1	5.5
Equity turnover	0.9	0.4	0.4	0.5	0.5

Du pont analysis

Year to March	FY08	FY09	FY10	FY11E	FY12E
NP margin (%)	20.9	9.8	12.3	21.3	19.6
Total assets turnover	0.6	0.3	0.2	0.3	0.3
Leverage multiplier	1.5	1.5	1.7	1.8	1.7
ROAE (%)	19.6	4.1	4.7	11.6	10.2

Valuation parameters

Year to March	FY08	FY09	FY10	FY11E	FY12E
Diluted EPS (INR)	10.3	3.4	4.1	11.1	11.7
Y-o-Y growth (%)	35.5	(66.8)	21.9	167.5	5.8
CEPS (INR)	10.0	4.8	6.0	12.7	12.6
Diluted P/E (x)	14.1	42.5	34.9	13.0	12.3
Price/BV(x)	1.5	1.6	1.6	1.4	1.3
EV/Sales (x)	2.7	5.4	6.1	4.1	3.7
EV/EBITDA (x)	9.9	37.4	34.7	11.0	10.0
Diluted shares O/S	99.0	112.3	112.3	112.3	112.3
Basic EPS	10.3	3.4	4.1	11.1	11.7
Basic PE (x)	14.1	42.5	34.9	13.0	12.3
Dividend yield (%)	1.6	0.8	0.8	0.8	0.7

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Anant Raj Industries	BUY	SO	M	Mahindra Lifespace Developers	HOLD	SU	M
Orbit corporation	BUY	SP	L	Unitech	BUY	SP	M
Sobha Developers	HOLD	SU	L				
DLF	BUY	SP	L				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

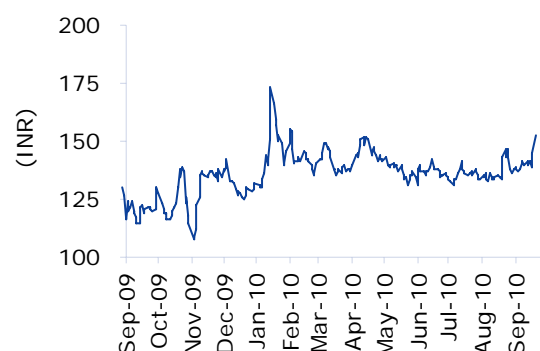
Edelweiss Securities Limited, 14th Floor, Express Towers, Nariman Point, Mumbai – 400 021,
Board: (91-22) 2286 4400, Email: research@edelcap.com

Vikas Khemani	Head Institutional Equities	vikas.khemani@edelcap.com	+91 22 2286 4206
Nischal Maheshwari	Head Research	nischal.maheshwari@edelcap.com	+91 22 6623 3411

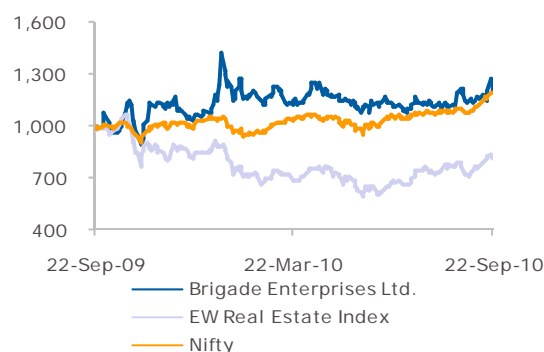
Coverage group(s) of stocks by primary analyst(s): Real Estate:

Anant Raj Industries, DLF, Mahindra Lifespace Developers, Orbit Corporation, Sobha Developers and Unitech

Brigade Enterprises



EW Indices



Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	116	45	12	176

* 3 stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	110	53	13

Recent Research

Date	Company	Title	Price (INR)	Recos
08-Sep-10	Real Estate	Residential volumes steady; commercial/retail steadily improving; <i>Sector Update</i>		
14-Aug-10	Unitech	Commercial sale boosts EBITDA margins; <i>Result Update</i>	88	Buy
09-Aug-10	Anant Raj Industries	Residential sales drive revenues; <i>Result Update</i>	127	Buy

Access the entire repository of Edelweiss Research on www.edelresearch.com

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss, its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, group companies, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates/ group companies to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst holding in the stock: no.

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved