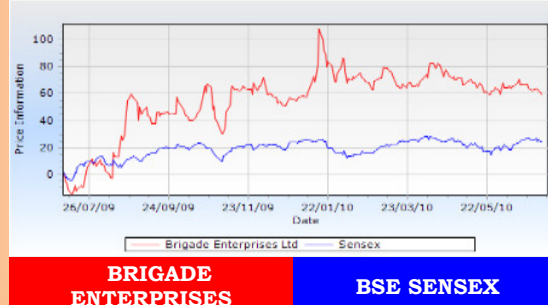


July 5th, 2010

C.M.P:
Rs.131.65

Target Price:
Rs.158.00

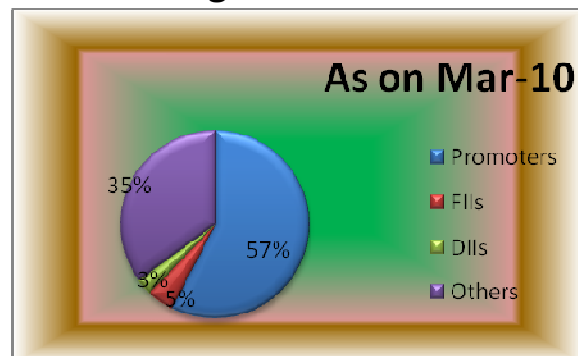
1 Year Comparative Graph



Stock Data

Sector	Realty
Face Value(Rs)	Rs.10.00
52 wk. High/Low (Rs.)	Rs.187.00/67.50
Volume (2 wk. Avg.)	13375
BSE Code	532929
Market Cap(Rs in Mn)	14777.98

Share Holding Pattern



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SYNOPSIS

- We initiated the coverage of Brigade Enterprises Ltd and set a target price of Rs.158.00 for medium to long term gains.
- Brigade Enterprises Limited (BEL) was originally set up as a partnership firm between M R Jaishankar and Gita Shankar in 1990. BEL was converted into a private company in 1995 and a public company in July 2007.
- Brigade Enterprises is a flagship company of Brigade Group which is one of South India's leading property developers.
- The company has completed 67 residential, commercial, retail and hospitality projects, covering over 6.74 million square feet of developable area.
- The company has authorised raising of additional capital upto Rs. 750 Crores by issue of equity based securities to various investors.
- Brigade Enterprises, one of the leading real estate developers has ventured in affordable homes through Brigade Value Homes with base prices ranging from Rs 10-26 lakh.
- Net Sales of the company is expected to grow at a CAGR of 11% over 2009 to 2012E respectively.

Financials (Rs in Mn)	FY09	FY10	FY11E	FY12E
Net Sales	3776.20	3552.62	4440.78	5106.89
EBIDTA	1167.65	733.95	953.68	1102.23
PAT	830.54	462.24	599.59	716.00
EPS	7.40	4.12	5.34	6.38
P/E	10.72	31.97	24.65	20.64



Firstcall Research

(KPO Division Of Firstobject Technologies Ltd.)

Peer Group Comparison

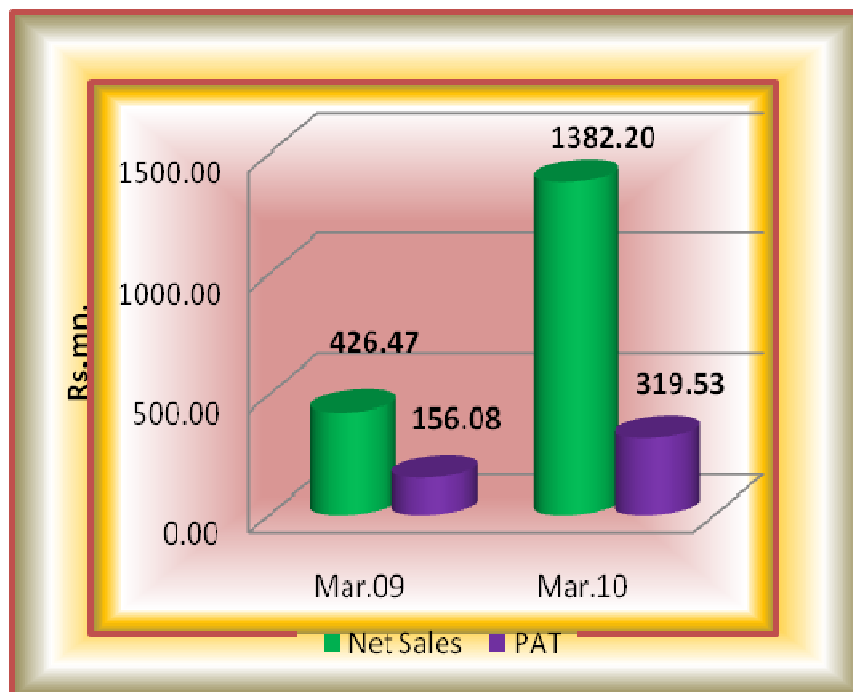
Name of the company	CMP(Rs.)	Market Cap.(Rs.Mn.)	EPS(Rs.)	P/E(x)	P/BV(x)	Dividend (%)
Brigade Enter	131.65	14777.98	4.12	31.97	1.44	12.00
DLF	280.85	47671.22	4.53	62.00	3.63	100.00
Ackruti City	470.00	3418.59	24.05	19.54	2.81	10.00
GODREJ PROP	622.00	4344.67	-	-	-	-

Investment Highlights

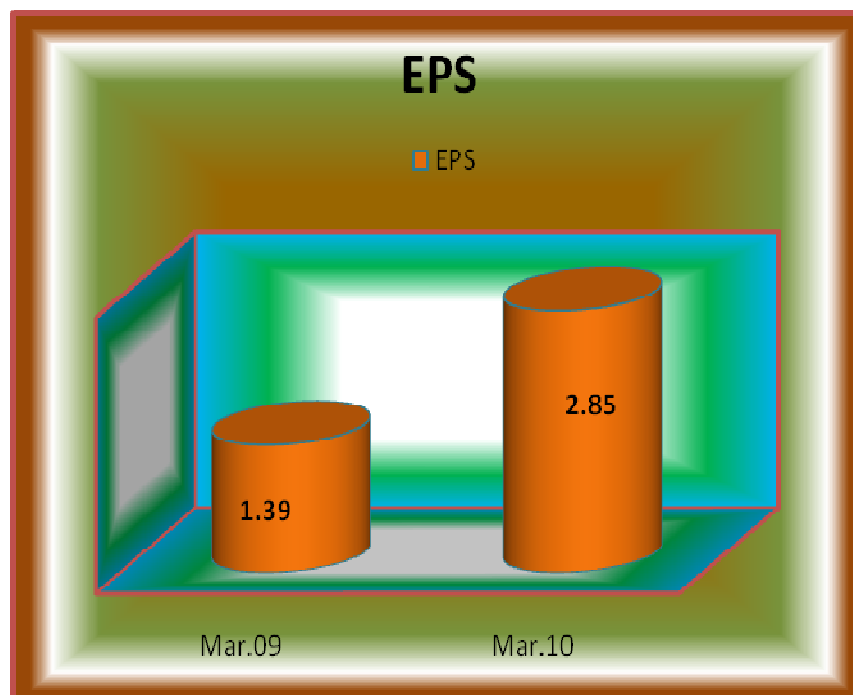
■ Q4 FY10 Results Update

Brigade Enterprises Ltd disclosed results for the quarter ended March 2010. Net sales for the quarter moved up 224% to Rs.1382.20 million as compared to Rs.426.47 million during the corresponding quarter last year. During the quarter, PAT is increased Rs.319.53 million as compared to Rs.156.08 million in previous year same quarter. The Basic EPS of the company stood at Rs.2.85 for the quarter ended March 2010.

Quarterly Results – Standalone (Rs in mn)			
As At	Mar-10	Mar-09	%Change
Net sales	1382.20	426.47	224%
PAT	319.53	156.08	105%
Basic EPS	2.85	1.39	105%



Basic EPS of the company stood at Rs.2.85



■ **Authorised raising of additional capital**

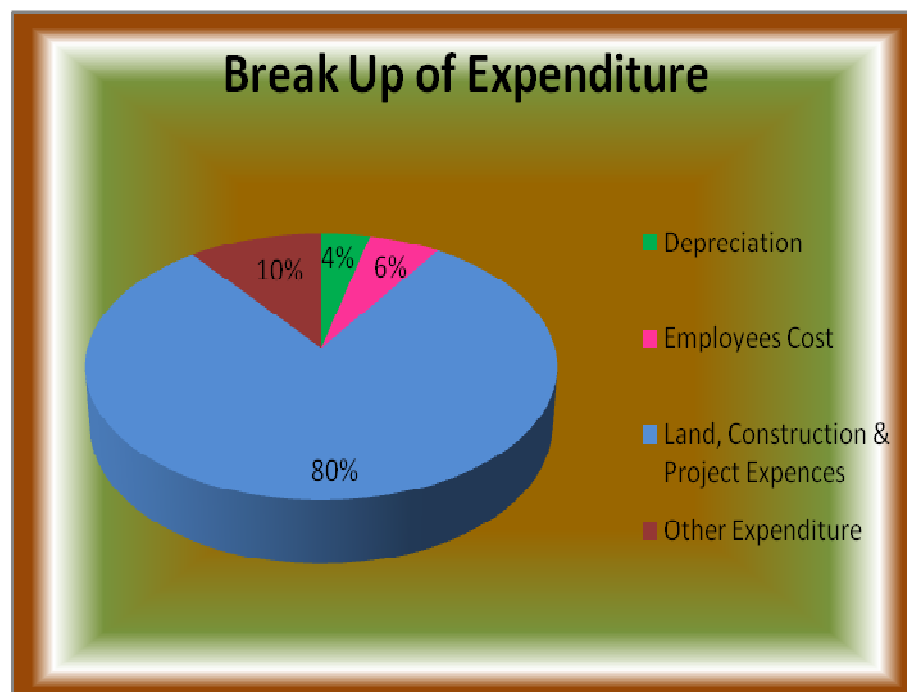
Brigade Enterprises Ltd has authorised raising of additional capital upto Rs. 750 Crores by issue of equity based securities to various investors by means of Public/Private Offerings / QIP Placement / Preferential issue or a combination thereof in one or more tranches subject to the approval of the Shareholders.

■ **Brigade Enterprises to launch Brigade Value Homes**

Brigade Enterprises, one of the leading real estate developers has ventured in affordable homes through Brigade Value Homes with base prices ranging from Rs 10-26 lakh. Brigade Value Homes, designed by renowned local and international architects are compact apartments offering quality living at an affordable price.

This latest endeavour by Brigade Group encompasses projects totalling about 10,000 units, at which a limited number are currently open for registration. These projects will be launched in the next 6-12 months.

■ **Break Up of Expenditure**



Company Profile

Brigade Enterprises Limited (BEL) was originally set up as a partnership firm between M R Jaishankar and Gita Shankar in 1990. BEL was converted into a private company in 1995 and a public company in July 2007. It develops residential, commercial and retail properties primarily in Bangalore and Mysore, and has also developed and is managing around 115 serviced apartments under the brand, Brigade Homestead. Since 1990 BEL has completed and delivered around 67 projects aggregating about 6.7 million square feet (sq ft) of space comprising residential (71% of the total developed area), commercial (IT parks/office buildings constituting 26% of the total developed area), and hospitality ventures (3%).

Apart from Brigade Investments, other firms—with different ownership structure/share holding patterns—were set up to handle different projects. New firms and subsidiaries included Brigade Investments & Projects Pvt. Ltd, Brigade Developers Pvt. Ltd, Brigade Constructions Pvt. Ltd and Brigade Enterprise Pvt. Ltd. The company is headquartered in Bangalore, with branch offices in several cities in South India and in Dubai. It has a uniquely diverse multi-domain portfolio that covers property development, property management services, hospitality and education. The Company projects extend across several major cities in South India: Chennai, Chikmagalur, Hyderabad, Kochi, Mangalore and Mysore.

Associated companies

- Tandem Allied Services Pvt. Ltd (2003) which is into facility management, home loans and insurance services.
- AEC Infotech Pvt. Ltd (2000) which is into construction management software and project management services.

Completed projects of the company

- Brigade Lakeview (BTM Layout).
- Brigade Odyssey (Convent Road).
- Brigade Gateway (Malleswaram-Rajajinagar).
- Brigade Metropolis (Mahadevapura, Whitefield Road).
- Brigade PalmSprings (J.P. Nagar).
- Brigade Courtyard (HMT Main Road).
- Summit @ Brigade Metropolis (Mahadevapura, Whitefield Road).
- Brigade TechPark (Whitefield, Next to ITPL).

Financials Results

12 Months Ended Profit & Loss Account (Standalone)

Value(Rs.in million)	FY09A	FY10A	FY11E	FY12E
	12m	12m	12m	12m
Description				
Net Sales	3776.20	3552.62	4440.78	5106.89
Other Income	167.38	73.29	109.94	131.92
Total Income	3943.58	3625.91	4550.71	5238.81
Expenditure	-2775.93	-2891.96	-3597.03	-4136.58
Operating Profit	1167.65	733.95	953.68	1102.23
Interest	-29.87	-88.75	-97.63	-105.44
Gross Profit	1137.78	645.20	856.06	996.80
Depreciation	-133.89	-179.10	-189.85	-201.24
Profit before Tax	1003.89	466.10	666.21	795.56

Tax	-173.35	-3.86	-66.62	-79.56
Profit after Tax	830.54	462.24	599.59	716.00
Equity Capital	1122.52	1122.52	1122.52	1122.52
Reserves	8984.31	9131.35	9730.94	10446.94
Face Value(Rs)	10.00	10.00	10.00	10.00
EPS	7.40	4.12	5.34	6.38

*A=Actual, *E=Estimated

Quarterly Ended Profit & Loss Account (Standalone)

Value(Rs.in million)	30-Sep-09	31-Dec-09	31-Mar-10	30-Jun-10
	3m(A)	3m(A)	3m(A)	3m(E)
Description				
Net Sales	840.14	653.06	1382.2	1423.67
Other Income	14.87	37.15	34.99	31.49
Total Income	855.01	690.21	1417.19	1455.16
Expenditure	-731.88	-571.70	-1039.64	-1188.76
Operating Profit	123.13	118.51	377.55	266.40
Interest	-19.46	-20.55	-26.77	-28.11
Gross Profit	103.67	97.96	350.78	238.29
Depreciation	-42.99	-47.20	-43.96	-46.16

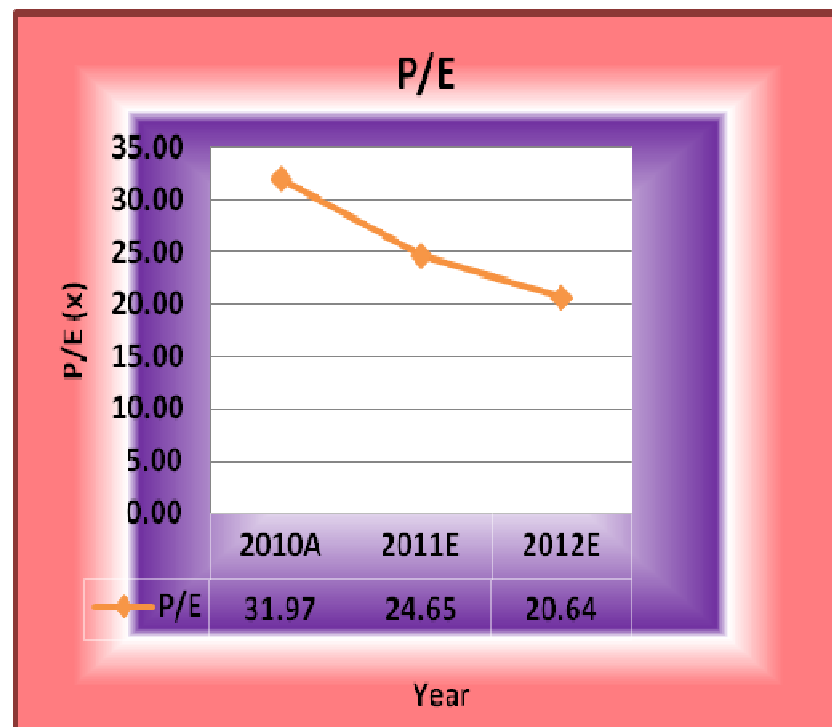
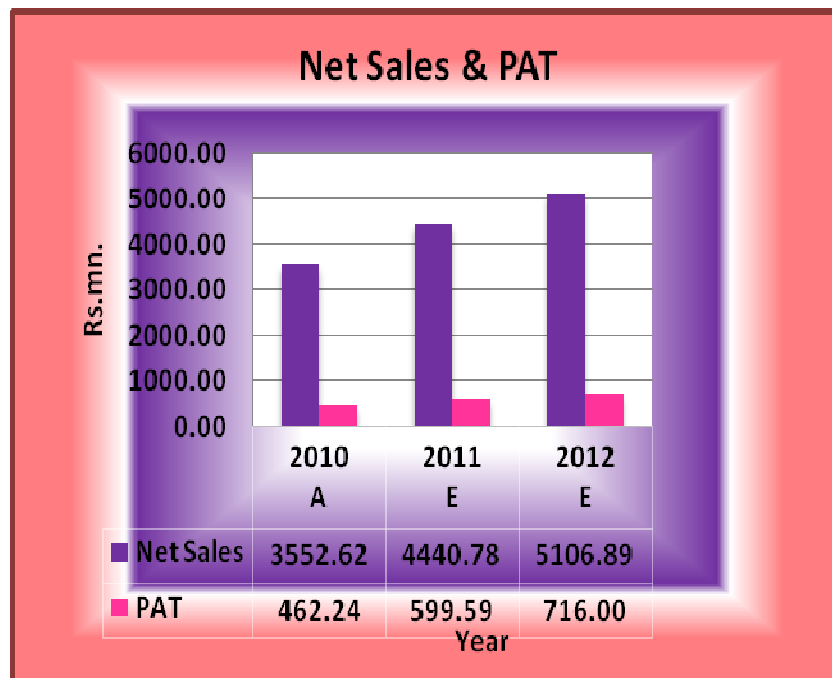
Profit before Tax	60.68	50.76	306.82	192.13
Tax	-15.86	8.51	12.71	-38.43
Profit after Tax	44.82	59.27	319.53	153.7
Equity Capital	1122.52	1122.52	1122.52	1122.52
Face Value	10.00	10.00	10.00	10.00
EPS	0.40	0.53	2.85	1.37

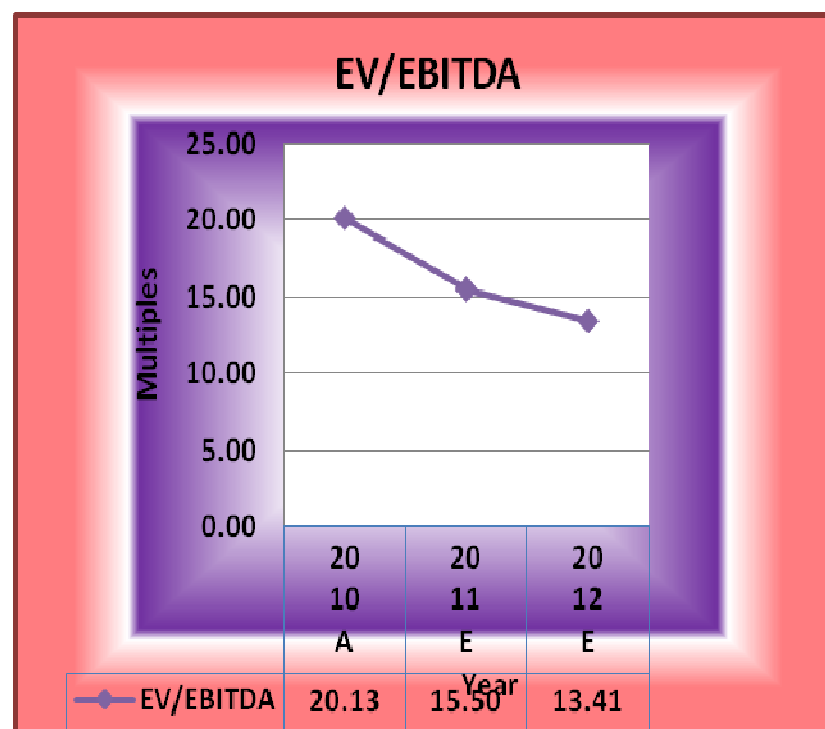
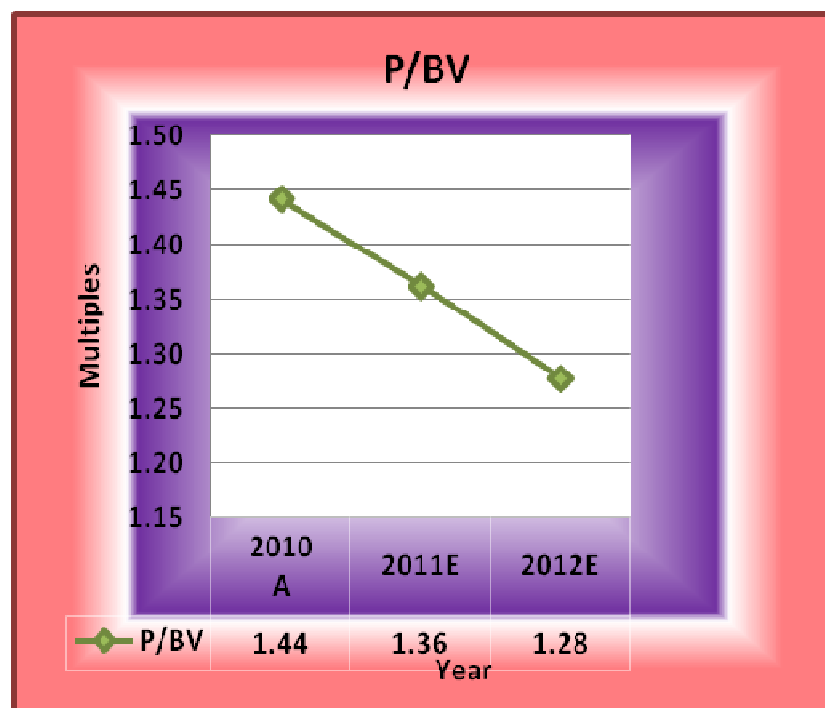
*A=Actual, *E=Estimated

Key Ratios

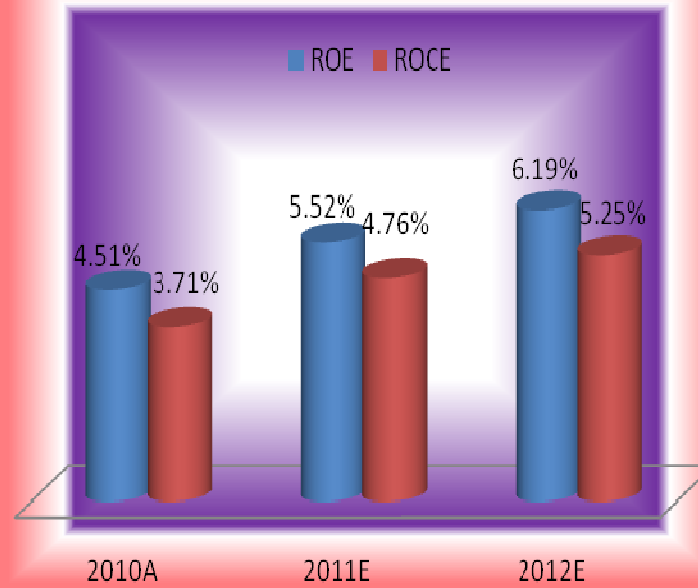
Particulars	FY09	FY10	FY11E	FY12E
EPS (Rs.)	7.40	4.12	5.34	6.38
EBITDA Margin (%)	30.92%	20.66%	21.48%	21.58%
PAT Margin (%)	21.99%	13.01%	13.50%	14.02%
P/E Ratio (x)	10.72	31.97	24.65	20.64
ROE (%)	8.22%	4.51%	5.52%	6.19%
ROCE (%)	7.18%	3.71%	4.76%	5.25%
EV/EBITDA (x)	7.62	20.13	15.5	13.41
Debt-Equity Ratio	0.42	0.46	0.48	0.48
Book Value (Rs.)	90.04	91.35	96.69	103.07
P/BV	0.88	1.44	1.36	1.28

Charts:

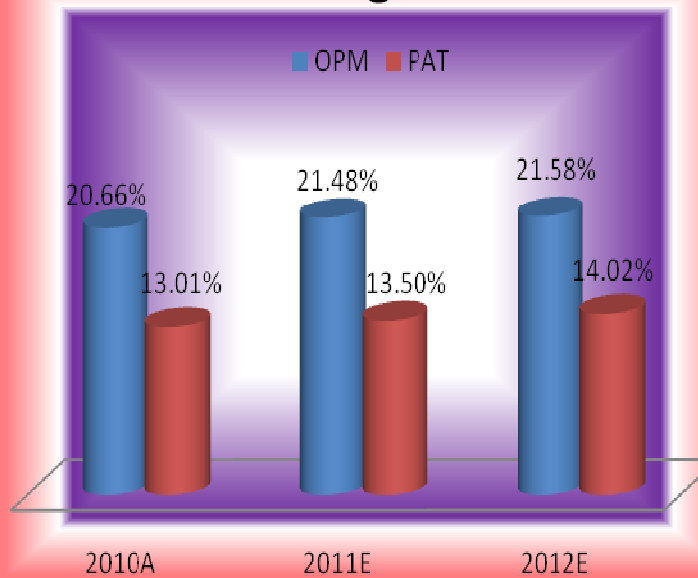




ROE & ROCE



Margins



Outlook and Conclusion

- At the current market price of Rs.131.65, the stock is trading at 24.65 x FY11E and 20.64 x FY12E respectively.
- Price to Book Value of the stock is expected to be at 1.36 x and 1.28 x respectively for FY11E and FY12E.
- Earning per share (EPS) of the company for the earnings for FY11E and FY12E is seen at Rs.5.34 and Rs.6.38 respectively.
- Net Sales of the company is expected to grow at a CAGR of 11% over 2009 to 2012E respectively.
- The company has completed 67 residential, commercial, retail and hospitality projects, covering over 6.74 million square feet of developable area.
- The company has authorised raising of additional capital upto Rs. 750 Crores by issue of equity based securities to various investors.
- Brigade Enterprises, one of the leading real estate developers has ventured in affordable homes through Brigade Value Homes with base prices ranging from Rs 10-26 lakh.
- On the basis of EV/EBITDA, the stock trades at 15.50 x for FY11E and 13.41 x for FY12E.
- We expect that the company will keep its growth story in the coming quarters also. We recommend **'BUY'** in this particular scrip with a target price of Rs.**158.00** for Medium to Long term investment.

Industry Overview

The Infrastructure sector is currently going through tough phase due to the global slow down. As the sector's dependency on other sectors are much more, any slow down in other sectors will affect the performance of this sector. Decline in the price of commodity and easing interest rates will help the companies to come out from the troubles created by the slowdown. But we expect that the effects of these factors will be seen only from the last quarter of the current fiscal. Slow execution of orders is the main concern for the companies in the sector. Even some companies in the sector are facing order cancellation also.

As a positive indication towards this, the country has witnessed a rapid increase in private investment in infrastructure over the last five years. The estimated investment in infrastructure has now been pegged at USD 500 billion by the end of the Eleventh

Five Year Plan. This is both a challenge and an opportunity for the Government as well as for the private sector

The General Index for the month of November grew by 2.4% as compared to the level in the month of November 2007. The cumulative growth for the period April-November 2008-09 stands at 3.9% over the corresponding period of the previous year.

Hit by the global financial meltdown, the key infrastructure sector industries showed poor performance during December, registering a dismal growth of 2.3 per cent, a trend which economists feel is likely to continue during the remaining part of the fiscal year. With steel and crude oil showing negative growth during the month, six infrastructure industries in December recorded the second-lowest growth during 2008-09, marginally up from 1.8 per cent in November. For the nine-month period of April-December, the growth of the infrastructure sector - crude oil, petroleum refinery products, coal, electricity, cement and finished steel -dropped to 3.5 per cent from 5.9 per cent in the same period of 2007-08.

However, now that the infrastructure sector is struggling with liquidity problem, high interest rates and financing constraints. On the positive side, the government's investment in infrastructure sectors can receive a boost from the fiscal stimulus announced as part of the package to boost economic growth. Despite strong estimated revenue growth of about 25-30 per cent in Q4, net profit growth in the construction sector will only be about 8-10 per cent. This is primarily on the back of higher cost of funds of about 13-14.5 per cent compared to 11-12 per cent earlier.

Meanwhile, there is enough visibility in the infrastructure sector given the order book of 3-3.5 times FY08 revenue. Also, as interest rates are on a downtrend and liquidity is improving, the funding and visibility of the projects could improve. Lastly, the lag effect of lower commodity prices should reduce the pressure on the margins in the coming quarters.

The Indian construction industry

Construction activity is an integral part of a country's infrastructure and industrial development. It includes hospitals, schools, townships, offices, houses and other buildings; urban infrastructure (including water supply, sewerage, drainage); highways, roads, ports, railways, airports; power systems; irrigation and agriculture systems; telecommunications etc. Covering as it does such a wide spectrum, construction becomes the basic input for socio-economic development. Besides, the construction industry generates substantial employment and provides a growth impetus to other sectors through backward and forward linkages. It is, essential therefore, that, this vital activity is nurtured for the healthy growth of the economy.

With the present emphasis on creating physical infrastructure, massive investment is planned during the eleventh Plan. The construction industry would play a crucial role in this regard and has to gear itself to meet the challenges. In order to meet the intended investment targets in time, the current capacity of the domestic construction industry would need considerable strengthening.

In India, construction is the second largest economic activity after agriculture. Investment in construction accounts for nearly 11 per cent of India's Gross Domestic Product (GDP) and nearly 50 per cent of its Gross

Fixed Capital Formation (GFCF) Fund injection into the sector could go up to US\$ 124.65 billion by FY2010. Construction accounts for nearly 65 per cent of the total investment in infrastructure and is expected to be the biggest beneficiary of the surge in infrastructure investment over the next five years.

The Indian construction industry recorded a consistent double-digit year-on-year growth (12%) during 2000-2005, and is expected to grow at 25-30% during 2005-2010. The key drivers of this growth are government investment in infrastructure creation and real estate demand in the residential and industrial sectors.

The industry is experiencing increasing polarization between large and small players. These players are increasing their market share through large-scale contracts, joint ventures, and foreign operations. Though an increasing number of small players are also entering the market, most of them do not have the resources to bid for big contracts.

The construction segment constitutes a significant part of infrastructure development in the economy. The following table shows the construction investments figures in the various areas of infrastructure development:

(Rs. in billion)

	FY02- FY06	FY07- FY11
Roads	1167	2306
Urban infrastructure	536	1150
Power	578	861
Irrigation	514	744
Railways	225	639
Others	193	429
Total	3,213	6129

Demand for construction has resulted in the following macro trends:

The increasing spend in the infrastructure sector has resulted in an increased order book for construction companies thereby easing the supply – demand competitive pressure.

Margins of construction companies were adversely impacted by increase in prices of inputs in the past especially steel, aggregate and now cement. Whilst commodity prices continue to exhibit volatility, price escalation clauses are being used to allow for some protection. Whilst partly mitigated, this remains an area of concern.

Construction companies are moving towards public-private partnership, raising funds from the market to finance these projects. Whilst some participants, especially the smaller ones, have adopted a fragmented approach to the market, bidding aggressively, the more established players who have financial strength, experience and access to technology and an appetite to undertake large contracts are adopting a selective approach in their order mix and client selection, leading up to risk management on margins. To accelerate and increase public private partnerships in infrastructure, two major initiatives have been taken by the GoI provision of viability gap funding and Establishment of India Infrastructure Finance Company Limited.

These initiatives are designed to implement public projects to make them financially feasible and involve either a one-time grant or a deferred grant of funds to aid in the respective project. The Indian construction industry is facing the challenges of outdated land and property ownership regulations, infrastructural bottlenecks, and a shortage of civil engineers.

The construction sector has major linkages with the building material industry since construction material accounts for sizeable share of the construction costs. These include cement, steel, bricks/tiles, sand/aggregates, fixtures/fittings, paints and chemicals, construction equipment, petro-products, timber, mineral products, aluminum, glass and plastics.

The Indian Real Estate Industry

Size

- Real Estate and Construction is a US\$50 billion (2008) industry in India
- Rapid growth in the industry in the past few years
- FDI it is expected that the sector would witness inflows to the tune of US\$ 8-10 billion by FY 2010
- High demand growth has led to prices doubling over 3 years in many cities.

Potential

- Several factors are expected to contribute to the rapid growth in Real Estate
- Large demand-supply gap in affordable housing, with demand being fuelled by tax incentives and a growing middle class with higher savings.
- Increasing demand for commercial and office space especially from the rapidly growing Retail, IT/ ITeS and Hospitality sectors.
- The recently announced JNNURM expected to provide further impetus

- Investment opportunities exist in almost every segment of the business
- Housing: About 20 million new units expected to be built in five years
- Office space for IT/ITeS: Five-fold increase in office space requirement over the next 3 year
- Commercial space for organized retailing: 200 million sq. ft. by 2010
- Hotels & Hospitality: Over 40,000 new rooms in the next 5 years.
- Investment opportunity of over US\$75 billion in the next five years.

Current scenario in Infrastructure sector (Road)

Delay in Project awards

Due to the economic slowdown, the all major infrastructure companies are facing liquidity problems. Though the Project viability, tight credit conditions, restrictions under clause 2.1.18 of RPF, etc impacts project bidding. During FY09, NHAI has invited tenders for 79 road projects (8,175kms) with an estimated cost of Rs879b on BOT basis, while just three projects (215 kms) have been awarded. The delays have been largely due to the restrictions in terms of number of bidders for submission of financial bids, tightening credit scenario, and execution challenges etc. In a significant relaxation, NHAI has stated that restrictions imposed by clause 2.1.18 will not be applicable for new offers made, in case the number of short listed bidders is less than 5.

RFP dates further revised for 37 projects

RFP submission dates for 37 projects have been extended further. The total 79 projects currently under tendering stage by NHAI, To improve viability, industry players have made representations to i) increase project cost which will lead to increased quantum of Viability Gap Funding (VGF) ii) increase VGF from 40% of project cost to 60% and iii) increase concession period to 20 years. Recently, NHAI has approved cost escalation of 20% for projects for which DPRs were prepared before 2007 and 10% for projects based on 2007 prices. Cabinet Committee of Economic Affairs has also approved increasing the concession period for specific projects to 20-30 years from current 12-20 years.

Some major Infrastructure companies are in race in terms of short listing

After bid withdrawals, some of consortiums shortlisted for submitting financial bids include: Reliance Infra (1,017 kms), L&T (851 kms), HCC (700 kms), GVK (382 kms), Madhucon (339 kms) and GMR Infra (314 kms). During Feb 08 till Nov 08, there have been no project awards. In Dec 08, NHAI awarded three road projects with cost of Rs21.5b (215 kms), part of NHDP Phase 3, under the New Model Concession Agreement, with revenue sharing.

Cost escalation for 60 projects under bidding stage

Cost escalation for 60 projects under bidding stage one of the important reasons for poor response in bid participation was limited viability of the projects on offer. Recently, NHAI has approved cost escalation at 20% for projects for which Detailed Project Reports (DPRs) were prepared before 2007 and 10% for projects based on 2007 prices. This will address the issue of funding gap in the projects, and will improve viability. These will be applicable to all the 60 projects, worth Rs650b currently in the tendering process. The higher actual cost of the project vs the bid document lead to a gap in the funding, as debt for the project would be on the approved project cost.

Only three projects awarded in Dec 08

During April – Nov 08, NHAI had invited tenders for 79 road projects (8,175kms) with an estimated cost of Rs879b on BOT basis. During Feb 08 till Nov 08, there have been no project awards. In Dec 08, NHAI awarded three road projects with cost of Rs21.5b (215 kms), part of NHDP Phase 3. These projects comprise of: 60 kms Gonde-Nashik-Pimpalgaon stretch costing Rs7.5b, 97 km MP-Maharashtra border Dhule project costing Rs6.8b, and 58 km Kishangarh-Beawar costing Rs7.2b. These projects have been awarded under the New Model Concession Agreement, with revenue sharing.

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