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Healthy growth likely...

We expect healthy revenue growth for construction companies on a YoY basis driven by improved execution, albeit order inflow trend is mixed. For real estate companies, sales volume is likely to witness strong growth by favourable macro drivers, demand and new launches (in some case). Going ahead, Omicron led restriction and likely launches in Q4 will be key monitorables for real estate companies.

Sales volumes to remain healthy; Omicron impact key ahead

We anticipate residential sales momentum will remain healthy driven by sustained demand, benign interest rates and new launch offtake. We bake in ~104%, ~8% YoY growth in sales volumes of Brigade, Oberoi Realty, respectively. On the leasing front, new commercial leasing activity is likely to recover with economic reopening, albeit Omicron led uncertainty in Q4 may postpone full recovery ahead. The hospitality and retail segment is likely to show a smart recovery amid festive fervour driving occupancy and consumption. However, Q4 outlook is clouded by restriction owing to Omicron.

For Kajaria, we expect tiles sales volumes to witness healthy growth of ~10% YoY. We expect overall revenues to grow ~18% YoY to ₹ 989.2 crore, also aided by 7% realisations growth on account of price hikes taken. We expect EBITDA margins of 17.5% down 418 bps YoY owing to higher gas prices. Overall, we expect the bottomline at ₹ 105.5 crore, (down 11.3% YoY).

Healthy execution; order inflows trend mixed...

Order inflows across the construction universe were mixed during the quarter. NCC received order inflows worth ~₹ 4507 crore during the quarter, across water, mining and building division. Ashoka Buildcon won orders worth ~₹ 1032 crore, during the quarter spread across road EPC and airports segment. HG Infra, secured two consecutive packages of a road project in Odisha worth ₹ 2,223 crore (EPC value) on a HAM basis. KNR Construction did not announce any order intake and PNC Infratech announced user fee collection contract of ~₹ 369 crore during Q3.

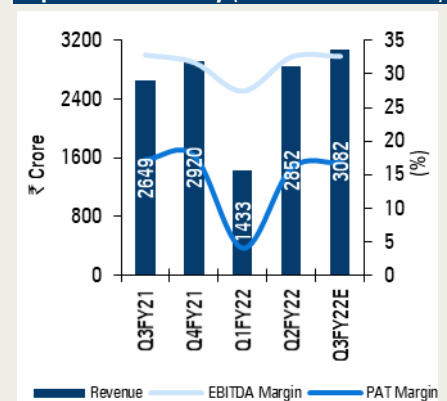
On the execution front, we expect construction companies to witness robust growth YoY led by execution pick up. On an overall basis, we expect our road & construction universe to post revenue growth by 16.5% YoY to ₹ 6574 crore. The reported EBITDA margin of our universe is expected to remain stable at 13.4%. Overall, we expect our universe PAT to grow 17.2% YoY to ₹ 471 crore driven by robust topline growth and lower interest costs.

Exhibit 1: Estimates for Q3FY22E: (Real Estate & Building Material) (₹ crore)

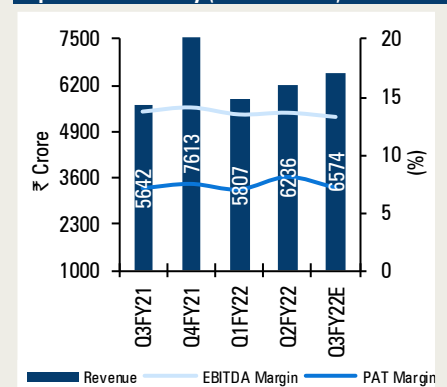
Company	Revenue		Change (%)		EBITDA		Change (%)		PAT		Change (%)	
	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ
Oberoi Realty	889.5	7.4	17.9	414.0	8.2	10.9	297.8	3.9	11.7			
The Phoenix Mills	433.0	28.2	16.6	216.5	36.3	16.2	78.0	19.2	31.1			
Brigade Enterprises	770.0	19.4	2.3	203.8	37.3	7.1	34.4	LP	185.7			
Kajaria Ceramics	989.2	18.0	1.6	173.2	-4.7	-4.1	105.5	-11.3	-9.2			
Total	3,081.7	16.3	8.1	1,007.5	15.6	8.3	515.6	13.4	13.5			

Source: Company, ICICI Direct Research

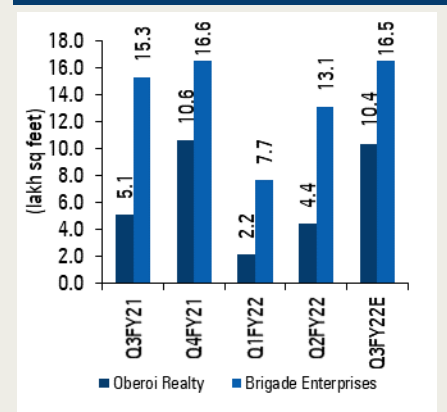
Topline & Profitability (Real Estate Universe)



Topline & Profitability (Infra Universe)



Real estate sales volume trend



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Exhibit 2: Company Specific Views (Real Estate & Building Materials)

Company	Remarks
Oberoi Realty	Oberoi Realty has clocked sales bookings of 1.04 million sq feet (msf), up ~136% QoQ and ~104% YoY worth ₹ 1965 crore, up 137% QoQ, 102% YoY. The sales volume/value is largely driven by launched Elysian Tower B in Goregaon in the last week of October 2021 and had already sold inventory 0.4 msf worth ₹ 787 crore within a week of the launch. On the financial front, we expect the topline to grow 7.4% YoY to ₹ 889.5 crore, driven by revenue recognition from near completed projects and healthy execution. Overall, we expect ORL net income to grow 4% YoY at ₹ 297.8 crore. Key Monitorable: Commentary on sales volumes, progress on new launches
The Phoenix Mills	Phoenix Mills in its Q3FY22 quarterly operational update said overall consumption at malls at ₹ 2057 crore was ~100% of Q3FY20 (pre-Covid), while like to like (excluding Phoenix Palassio) the consumption was at 89% of pre-Covid levels. The collections at ₹ 441 crore, was up 68% YoY. Thus we expect Phoenix Mills' (Phoenix) revenues to grow 28.2% YoY to ₹ 433 crore largely aided by improved consumption across malls and superior hospitality revenues. At PAT level, we expect ₹ 78 crore, up ~19% YoY. Key Monitorable: Commentary on impact of Omicron led restrictions and outlook on business ahead
Brigade Enterprises	We expect BEL's sales volumes to grow ~8% YoY to 16.5 lakh sq ft, driven by healthy residential demand in Bengaluru. On the financial front, we expect topline to grow 19.4% YoY to ₹ 770 crore, driven by higher revenue recognition in residential, along with recovery in hospitality and mall portfolio performance. Overall, at the PAT level, we expect ₹ 34.4 crore vs. loss in base quarter. Key Monitorable: Sales volume and outlook ahead
Kajaria Ceramics	We expect tiles sales volumes to witness healthy growth of ~10% YoY. We expect overall revenues to grow ~18% YoY to ₹ 989.2 crore, also aided by 7% YoY realisations growth on account of price hikes taken. We expect EBITDA margins of 17.5% down 418 bps YoY owing to higher gas prices. Overall, we expect the bottomline at ₹ 105.5 crore, (down ~11.3% YoY). Key Monitorables: Management commentary on demand outlook and commentary on gas pricing

Source: Company, ICICI Direct Research

Exhibit 3: Real Estate and Building Material Coverage Universe

Sector / Company	Rating	M Cap (₹ Cr)		EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E		
Oberoi Realty (OBAREA)	Hold	34,186	20.3	26.2	29.5	46.2	35.9	31.9	31.5	27.0	24.0	3.4	3.1	2.9	7.9	7.6	7.6	
The Phoenix Mills (PHOMIL)	Buy	16,377	3.1	13.3	29.7	311.1	71.6	32.1	38.0	26.0	16.0	3.6	3.4	3.1	1.1	4.5	9.3	
Brigade Enterprises (BRIENT)	Buy	10,488	-2.2	1.2	13.9	NM	379.8	32.8	27.0	17.5	10.0	4.0	3.5	3.3	NM	0.9	10.4	
Kajaria Ceramics (KAJECER)	Hold	21,603	19.4	25.5	33.6	70.0	53.2	40.4	34.0	27.0	22.5	9.5	8.5	7.5	16.5	19.5	22.7	

Source: Company, Bloomberg, ICICI Direct Research

Exhibit 4: Estimates for Q3FY22E: (Roads & Construction) (₹ crore)

Company	Revenue			EBITDA			PAT		
	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ	Q3FY22E	YoY	QoQ
Ashoka Buildcon	1,098.4	12.0	19.8	126.4	19.8	19.8	94.6	10.5	-1.0
PNC Infratech	1,586.9	20.0	-1.7	214.9	20.4	-3.0	125.6	21.8	-7.2
HG Infra	866.5	18.0	15.6	138.5	17.3	13.7	79.6	21.4	13.9
NCC	2,302.0	20.0	4.7	262.0	9.5	10.7	98.0	39.4	-6.0
KNR Construction	720.4	5.0	-4.7	136.6	1.0	-18.5	73.7	-5.1	-22.7
Total	6,574.2	16.5	5.4	878.4	13.1	3.0	471.4	17.2	-5.8

Source: Company, ICICI Direct Research

Exhibit 5: Company Specific Views (Roads & Construction)

Company	Remarks
Ashoka Buildcon	We expect ABL to report topline growth of 12% YoY at ₹ 1098.4 crore, aided by improved execution. EBITDA margins are expected to witness improvement by 70 bps YoY to 11.5%, driven by operating leverage. Consequently, we expect PAT growth of 10.5% YoY to ₹ 94.6 crore. We highlight that we have not incorporated losses of ~₹ 550 crore on ACL asset sale. Key Monitorable: Management commentary on execution ahead and progress on asset monetisation
HG Infra	Revenue during Q3FY22 is likely to grow ~18% YoY to ₹ 866.5 crore, driven by superior executable order book. Operating margin is likely to remain at an elevated level of ~16%. At net level, we expect robust operating performance to translate into ~21.8% YoY bottomline growth at ₹ 79.6 crore. Key monitorable: Management commentary on execution ahead and order inflow guidance
NCC Ltd	We expect topline to grow 20% YoY to ₹ 2302 crore, on a benign base (~9% decline in Q3FY21), with improved execution during the quarter. Margins are expected at 11.4%, down 110 bps YoY as base quarter had lower costs. Reported PAT is expected to grow ~39% YoY to ₹ 98 crore, driven by strong operating performance. Key Monitorable Management commentary on order inflows, execution ahead, status on Andhra Pradesh orders, receivables and net debt
PNC Infratech	We expect reported topline growth of 20% YoY to ₹ 1390.1 crore, driven by superior execution. EBITDA margins are expected to be stable at 13.5%. PAT is expected to grow by ~22% YoY to ₹ 125.6 crore. Key Monitorable: Management commentary on order inflows, execution ahead and progress on HAM projects
KNR Constructions	We expect revenues to witness modest growth of 5% YoY to ₹ 720.4 crore, as the company had relatively higher base with ~23% YoY growth in Q3FY21. EBITDA margin is expected to remain stable at 19%. Overall, we expect bottomline to decline 5% YoY to ₹ 73.7 crore as Q3 had one-off other income of ~₹ 12 crore. The company may also book some gains on partial receipt of money on HAM assets sale to Cube Highways, which we have not built in. Key Monitorable: Management commentary on order inflows, execution ahead and progress on HAM projects

Source: Company, ICICI Direct Research

Exhibit 6: Road Coverage Universe

Sector / Company	Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			P/B (x)			RoE (%)		
			FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
KNR Constructions (KNRCON)	Buy	8,857	8.7	11.6	15.8	36.2	27.2	19.9	14.5	13.0	10.6	4.1	3.5	3.0	13.1	14.9	17.0
PNC Infratech (PNCINF)	Buy	7,551	14.1	18.6	21.3	20.9	15.8	13.8	11.0	9.0	7.5	2.6	2.2	1.9	12.4	14.2	14.0
Ashoka Buildcon (ASHBUI)	Hold	2,888	9.8	9.4	11.0	10.5	10.9	9.4	5.5	5.4	5.0	3.0	2.2	1.6	44.6	29.8	16.1
NCC (NAGCON)	Buy	4,507	4.3	6.4	9.1	17.3	11.5	8.1	6.8	5.6	4.7	0.9	0.9	0.8	4.9	6.9	9.1
HG Infra (HGINF)	Buy	3,977	32.4	46.0	56.1	18.8	13.3	10.9	10.1	7.9	6.8	4.0	3.1	2.4	20.4	22.6	21.7

Source: Company, ICICI Direct Research, Reuters

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