23rd June 2023
Real Estate Day Report

Participating companies

Tarc Ltd	
CMP in INR	68
Mcap in INR Mn	19.310
Ashiana Housing	
CMP in INR	181
Mcap in INR Mn	18,571
Purvankara	
CMP in INR	83
Mcap in INR Mn	19,740
Marathon Nextgen	
CMP in INR	289
Mcap in INR Mn	13,419
Keystone Realtors	
CMP in INR	544
Mcap in INR Mn	65.250
Brigade Enterprises	
CMP in INR	585
Mcap in INR Mn	135,000

Real Estate sector overview

Demand The interest cost has peaked and has increased over the last few quarters, but it did not dampen the demand as the demand in the premium segment is stronger as compared to the value segment and mid-segment. There is strong demand in the housing sector and inventory is fast moving, if we take the example of Hyderabad, even for INR 4cr flat the demand is strong.

Changing preferences Consumer preferences have been shifting from basic housing to premium housing, with additional specifications like marble flooring, automatization, battery backup, etc. The customer is more interested in projects where there are in-house amenities and doesn't mind paying a little extra.

Big players continue to gain market share The big players with strong brand recall have the advantage of pricing power along with robust demand, whereas small players don't have pricing power as the demand is muted for their projects. The real estate sector is very fragmented but now it's getting consolidated and bigger players running the majority of the show. Consolidation will lead to an increase in market share for big players from 6% in FY17 to 17% by FY22.

The trend of urbanization is here to stay. There is higher absorption compared to what the market is launching. The investment rationale has changed, 61% of the investor wants to invest in the real estate segment. IT companies doing good, with good salary hikes, it has made housing affordable for many.

Metros are coming up in tier 1 and tier 2 cities making the distances shorter and life better, so the shift from smaller towns to cities has increased and will show an increasing trend in times to come. Cities like Mumbai, Hyderabad, Bengaluru and Pune are in the sweet spot. Cities like Chandigarh witnessed a 60% hike in realizations in the last 3 years, the launch cycle continues to be robust.

Land parcels Few years down the lane, the developer used to sell land parcels as non-core assets, but now developers develop land parcels as they find this option more lucrative. The trend of developing the land and then selling has picked up along with a pick up in land acquisitions amongst the big players.

Rentals are showing increasing trends, there has been an increase in rentals by 25-30% as compared to pre covid levels as offices have opened up, and people have started going to offices and need residential spaces near offices, thereby increasing the demand for leasing properties.

Source: Arihant Research

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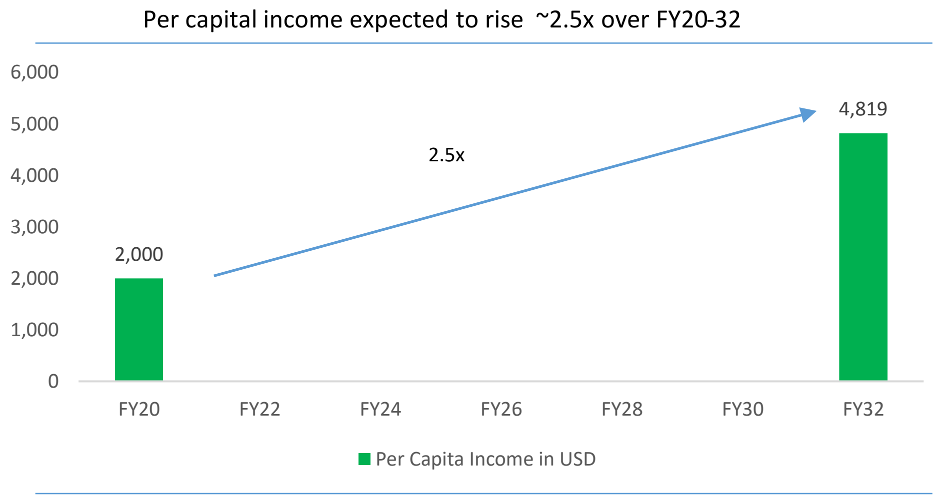
The **residential real estate** market in India had astounding progress in 2022, setting new sales records of 68% year on year, further demonstrating the industry's prominence as one of India's fastest-growing industries. In **residential**, new launches in 2022 in the top 7 cities jumped 42% over 2021. It was also the highest number of launches in a year since demonetization.

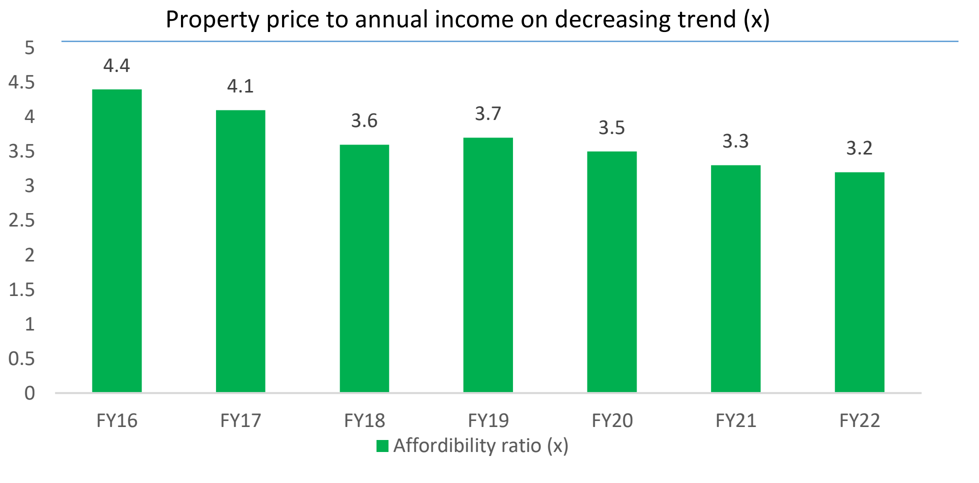
Despite better quarterly leasing, **commercial real estate** in leading Indian cities is struggling. The majority of open positions are in SEZ regions, where it may be difficult to find candidates before the regulatory adjustment is implemented.

Outlook Real estate is going through a major upside driven by increased disposable income, safe investment options, need for bigger spaces and better amenities and specs. The change in interest rate has hardly impacted the housing demand as there is strong demand for premium housing along with midrange and value housing. There is growing awareness of home ownership and realizing the potential of owning a house. This trend is expected to continue along with upper-end high-ticket-size sales happening faster.

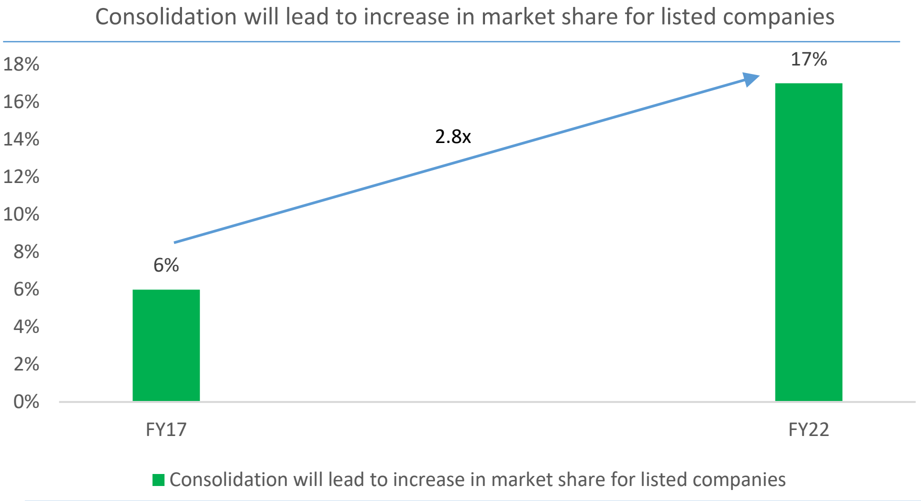
Industry tailwinds explained through charts



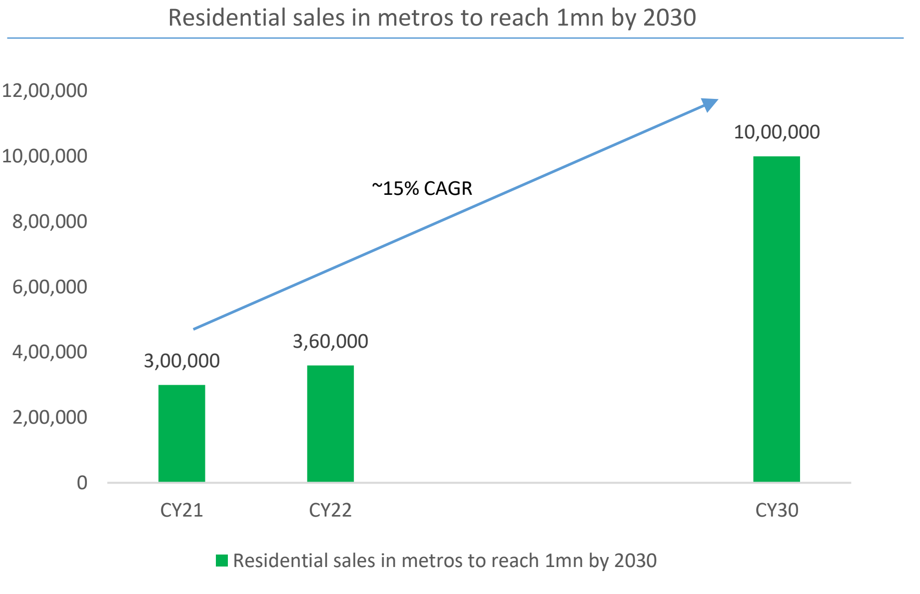
Source: Industry data, Arihant Research



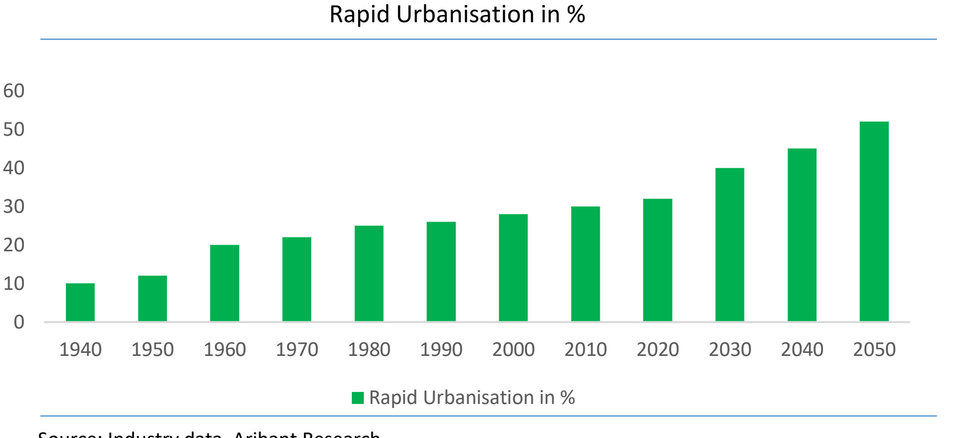
Source: Industry data, Arihant Research



Source: Industry data, Arihant Research



Source: Industry data, Arihant Research



Source: Industry data, Arihant Research

Real Estate Day KTAs of Participating Companies

Tarc Ltd

Monetization The company plans to monetize noncore assets and there are compensation to be received from the Government to the tune of INR 500cr in total and INR 175cr to be received in FY24.

Pipeline The company has a strong pipeline of projects having a GDV of ~INR 5500cr which includes Tarc Tripurandra, Patel road residences and Tarc 63A residences.

Tarc Tripurandra is a premium luxury project with a sales potential of INR 900cr and a saleable area of 4.8 lakhsft. The booking of already INR 450+cr is done. The company experienced sharp price hikes and the project value of INR 650 increased to INR. The project was launched in Oct 2022.

Tarc Patel Road Residences is a high-rise ultra-luxury project with a sales potential of INR 3800cr and a saleable area of 18 lakhs, offers 500+ apartments. The project will be launched in FY23-FY27.

Tarc 63A Residences is an experience center with a sales potential of INR 800cr and a saleable area of 6.5 lakhsft. The project will be launched in FY23-FY25. The average realization for this project is estimated to be INR 18000/sft

Tarc maceo premium residential is completed and is 100% sold out, the company witnessed high price appreciation, last units sold at INR 6,500/sft.

The company has 80% of the land bank in Delhi rest is in Gurgaon, the company has legacy land banks, so the land cost is low.

Growth drivers The company is experiencing good traction in Delhi and NCR region with an increase in realizations. The real estate is going through a consolidation phase and the branded ones are to be benefitted. Due to increasing disposable income, the luxury segment is gaining significant traction.

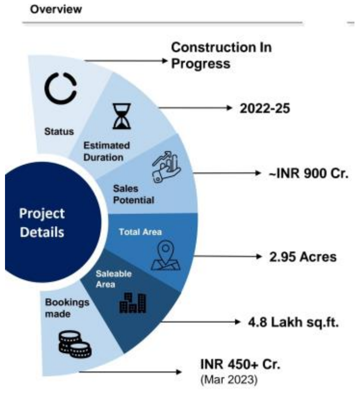
Strong cash flows During FY23 the company experienced a sharp price rise of 45% in Tarc Maceo project and the velocity of sales is also good. The collections of INR 250cr along with compensation amount of INR 70cr received from the Government for land acquisition. The company has debt reduction plans for FY24.

NCD The company has made a payment of RS. 87.95 crores on June t, 2023, out of which Rs.56.90 crores has been towards partial redemption of unlisted NCDs. With the pre-payment made in the last financial year 7022-23, the Company has fulfilled the payment obligation of Rs. 100 crores much before the due date of June 30, 2A23.

Outlook Tarc has become a known luxury brand in Delhi and NCR region with development and sales of ~3.5 msft of luxury residential projects and commands an average price of ~INR 20,000/sft. TARC is gaining momentum in its launches, and is building its brand through increased engagement on the customer end. The company has legacy land parcels which are at a low cost and help achieving superior margins going forward. The company is targeting to achieve INR 1500cr of sales in FY24 and INR 2500cr in FY25. At CMP of INR 68, the stock is trading at PE multiple of 95x to its TTM earnings.

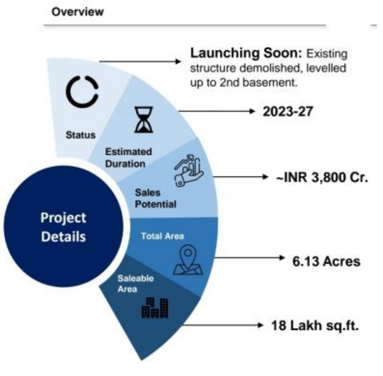
Source: Company filings, Arihant Research

Tarc Tripundra



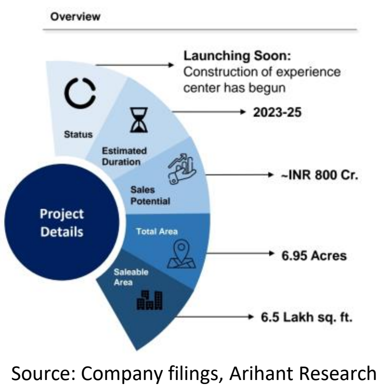
Source: Company filings, Arihant Research

Tarc Patel



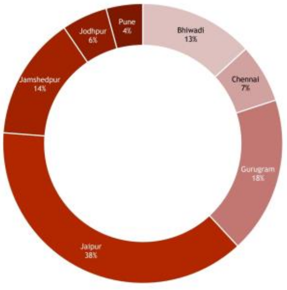
Source: Company filings, Arihant Research

Tarc 63 A Residences



Source: Company filings, Arihant Research

Geographical Presence



Source: Company filings, Arihant Research

Ashaina Housing Ltd

The company wants to increase its share of senior citizens living in the total portfolio. The company has forayed into Chennai markets also recently and has received good traction

Guidance The company has guided for 30% gross margins and ~INR 1500 pre-sales for FY24. The company has also guided PAT margins of 13-15% with 15% ROE expected on a blended basis.

Margins were muted due to depressed sales volume, and higher operating costs vs sale price.

Launches Under premium homes Ashiana Ekansh and Ashiana Prakriti were launched in Jaipur, Tarang phase 48 in Bhiwadi. For senior living Shubham in Chennai was launched

Q4FY23 Presales recorded at INR 435cr area constructed was 8.59 lakh sft, EAC was 5.08lakh sqft; pre-tax op cash flow was INR 116.94cr. The area booked was 8.59lakh sqft down by 4.85 YoY. EAC was 5.08 Lakh Sq Ft in Q4 FY23 vs 3.42 lakhs Sq ft in Q3 FY2.

13 projects to the tune of ~ 29.46 lakhs square feet were launched in FY23 out of these 5 were new and 8 were ongoing. The company has already constructed 51% of the total saleable area of 62.09 lakh sqft.

Land acquisitions: The company has hinted towards 2 active negotiations which are going on in Jaipur and another place along with Gurgaon, with plans to add 20 lakh sqft going forward. Two new land parcels were acquired in Jaipur in FY23 – Ashiana Nitara in Village Bhankrota with an approximate saleable area of 6.5 lakh sqft and 'The Amaltas by Ashiana' in Jagatpura with approximate saleable area of 4.00 lakh sqft. Land available is ~56.18 lakh sqft of the saleable area which includes Bhiwadi, Kolkata and Gurugram.

Realizations The company's blended realization is INR 4000-6000/sqft, whereas in Jodhpur realisations are lower than INR 4000/sqft and Bhiwadi at ~ INR 4500/sqft. For humara project phase 2 the company did bookings at INR 7000 sqft as compared to phase 1 which was at INR 6100 sqft. In plotted development, there has been a price rise witnessed.

The company is yet to receive INR 1072cr from the total area booked till now which will add to FY24 collections.

Outlook The company mentioned that Gurgaon will play a key role going forward along with the senior living segment. Gurgaon lacks supply, which may fetch good prices in the medium term. The company has 94.29 lakh sqft of the saleable area from future projects and 3.15 lakh sqft from completed projects which shows a strong future pipeline. At CMP of INR 180, the stock is trading at PE multiple of 68x to its TTM earnings.

Source: Company filings, Arihant Research

Puravankara Ltd

Source: Company filings, Arihant Research

Future outlook The company expects a 9-12% price rise in FY24. The cash flows are based on current prices and the expected price hikes are not factored in. The company has hinted towards INR 150cr of rental income by FY25. The company is bullish on Mumbai markets as they feel the realizations are much better than any other markets. Cashflow Visibility of INR 6,550 cr in the next 3-5 years and balance receivables of ~INR2,967 crore from sold units, covers ~ 62% of the balance cost to complete the Inventory open for sale.

Growth drivers The total absorption increased by 10% YoY in Q4FY23; The inventory overhang has dropped from 15 months to currently 12 months as of March 2023; Tier-1 cities have seen an average price increase of 5-15% on an annual basis. Delhi NCR lead it with a 20% increase on YoY; Net occupancy was up by 104%; Vacancy % dropped from 17.2% to 16.6% and is further expected to drop in CY.

The company has reported the **highest ever sales** in FY23 and Q4FY23 driven by good demand in residential and office spaces, with net occupancy up by 104% on YoY basis. Bangalore, Hyderabad & Delhi NCR contribute to 55% of net occupancy share which is triggered by IT & IT SEZ

Source: Company filings, Arihant Research

Realizations up by 19% YoY at INR 8321/sqft driven by good demand, tier-1 cities have seen an average price increase of 5-15% on an annual basis. Delhi NCR leads it with 20% increase on a YoY basis

The company **launched** 9 projects across 3 cities totalling up to 6.04 msft, Bangalore and Chennai accounted for the maximum area launched.

Starworth In this vertical the company has 18+ Msft Completed & 8+ Msft Ongoing. The company has an *order book* of more than INR 1600cr in starworth for Residential, Commercial, Infrastructure & Industrial Projects.

Ongoing projects in Purvankara residential is ~13.75msft which includes Bengaluru, Chennai, Hyderabad, Kochi, West India; Puravankara-Commercia is 2.85 msft; Provident its 9.31msft and in Purva land its about 2.25msft

Launch Pipeline in Purvankara residential area is ~3.45msft which includes Bengaluru, Chennai, Hyderabad, Kochi, West India; Puravankara-Commercia the area to be launched is 0.40 msft; Provident is 7.97msft and in Purva land its about 4.39msft of the area to be launched.

Source: Company filings, Arihant Research

Regional contribution FY23 Bangaluru 65%, Kochi 16%, Chennai 7%, Coimbatore 2% and others 10%

Price segment wise contribution FY23 INR 0.5-1cr (45%), INR 1-1.5cr (18%), above 2cr (18%), INR 1.5-2cr (10%) and INR0-0.5cr (9%)

Outlook The company achieved the highest annual and quarterly sales for FY23 and commenced construction of one more commercial project Purva Aerococity of 2msft. The total estimated surplus available in value terms is about INR 6,550cr over the next 3-5 years. The company is riding high on industry tailwinds which are expected to continue further along with a strong pipeline, leading to a healthy topline in the short to medium term. The stock is trading at PE multiple of 27x to its TTM EPS of INR 3.01 on CMP basis.

Source: Company filings, Arihant Research

Monte Neopark

Source: Company filings, Arihant Research

Marathon Nextgen Realty Ltd

The company wants to monetize the leased-out property in the near future and targets to keep debt in the range of 0.5-0.1x debt to equity

Strong **marketing setup** The company has a strong marketing setup and manages all marketing activities in-house.

Marathon wants to mitigate the risk to the lowest levels by **focusing** equally on affordable housing to luxury housing.

The company believes that instead of leasing out the properties, it's better to **monetize** those properties for better returns. About 1.6 lakhs is the total ready and unsold inventory, out of that close to 35,000 sft is leased

FY23 The revenues increased by 134% YoY at INR 717cr driven by record pre-sales numbers and EBITDA stood at INR 293cr grew by 128% Yoy and margins at 38.6%

Future plans The company is looking to acquire new redevelopment projects in the South Mumbai, Lower Parel and Worli or South Mumbai area. The company has huge land parcels at the group level which they plan to transfer to the listed entity from time to time and deploy for development.

Monte South

Source: Company filings, Arihant Research

Debt profile The company is actively working on reducing debts, the debt for FY23 stood at INR 838cr as against INR 1190cr in FY22.

Ongoing projects There are ongoing projects in Byculla, Bhandup and Panvel which aggregate to 61,24,716 sqft of total saleable area and estimated revenue of INR 3,302cr. The key ongoing projects include Monte South, Neo park, Nexzone, Futurex and Millenium.

Upcoming Projects include Monte south phase 3 residential and commercial, Marathon nexzone phase 3 residential and commercial and Neopark phase 3 4and 5 with a total saleable area of 31,50,000 sqft with a sale value of ~INR 4,660cr.

Land Bank: The company has a huge land bank of 100+acres in Panvel, 100+ acres in Thane, 100+ acres in Bhandup and 50+ acres in Dombivali which can be leveraged in a joint venture or joint development agreement with listed company MNRL at an opportune time. Group's policy is to develop most of the new projects through the listed company MNRL.

Demand witnessing strong demand across both residential and commercial space, and accordingly, the company has planned various launches over the coming years where a healthy response is expected.

Futurex

Source: Company filings, Arihant Research

Margins The company works on a minimum EBITDA margin of 15%, so all the cost put together plus 15% margins forms the sale value. Futurex project the EBITDA is between 45% to 50% while the next affordable housing Township project is somewhere between 20% and 25%; For Very high volume, but low investment Neo projects, Neo housing, the EBITDA is between 15% and 20%.

Outlook: We are expecting strong cash flows in the coming years driven by the company's plans to monetize the leased properties and robust pipeline of unsold inventory. The company has a rich pipeline of a sales value of INR 7,662cr plus land banks which the company is in the process of taking up as and when JVs or JDA opportunities come up, showing the strong growth prospects of the company in coming years. The company is confident of maintaining margins and the company is also actively looking for redevelopment projects where the margins need not be compromised. At CMP of INR 289, the stock is trading at PE multiple of 12.5x to its TTM earnings.

Keystone Realtors Ltd

TOWNSHIPS
1. Global City, Virar (W) (Affordable)
2. Urbania, Thane (W)* (Mid and Mass)

RESIDENTIAL PROJECTS
3. Crown, Prabhadevi* (Super Premium/Premium)
4. Bella, Bhandup (W)* (Mid and Mass)
5. Paramount, Khar (W) (Aspirational)
6. Erika, Bandra (E) (Mid and Mass)
7. Parishram, Bandra (W) (Super Premium/Premium)
8. Summit, Borivali (E) (Mid and Mass)
9. Yazarina III, Dadar Parsi Colony (Aspirational)
10. Ashiana, Juhu (Super Premium/Premium)
11. Sagar Darshan, Bandra (E) (Aspirational)

COMMERCIAL
12. Central Park, Andheri (E)
13. Eaze Zone, Goregaon (W)

Ongoing projects

Source: Company filings, Arihant Research

Masters in redevelopment projects. The company has recently done 2 historical deals, one of INR 69cr per unit and the other of INR 49cr per unit

Ongoing projects The company has 13 ongoing projects which include all the segments, has 4.94 msft as total saleable area, unsold inventory of 1.30 msft, sold and yet to be received is INR 21.56 bn and unsold inventory in value terms is INR 25.73 bn

Completed projects The company has 13 ongoing projects which include all the segments, has 6.17m sft as total saleable area, unsold inventory of 0.01 msft, sold and yet to be received is INR 8.18 bn and unsold inventory in value terms is INR 8.18 bn.

Forthcoming projects include super-premium, aspirational, mid-mass and affordable. The total saleable area is going to be 27.86 msft with an estimated GDV of INR 351bn.

The company has experienced **good velocity and price hikes** in the super-premium segment with an increase in the area sold by 73% YoY and 19% increase in prices, the realization for super-premium is ~INR 34,205/sqft. The collections grew most in the affordable segment with an increase by 160% YoY.

New launches The company has planned new launches which are expected to happen in FY23, it includes projects like Global city avenue L, LA Family Tower c, Ashiana, and Sagar Darshan.

Debt Profile The company has low Net debt to equity ratio of 0.01x, the debt in FY222 stood at INR 5210mn which was reduced to INR 189mn.

Redevelopment projects The company has 5 projects coming up, out of these 4 are redevelopment projects. The company has mastered the art of redevelopment work to the extent that any deal which happens in this segment is first referred to Rustomjee. The company has rehoused 1400 families through earlier redevelopment projects and will be rehousing 600 families through upcoming projects.

TOWNSHIPS
1. Global City, Virar (W) (Affordable)
2. Urbania, Thane (W)* (Mid and mass)

RESIDENTIAL PROJECTS
3. Garden Estate, Thane (W) (Mid and mass)
4. Charkop, Kandivali (W) (Mid and mass)*
5. Ozone (Phase II), Goregaon (W) (Affordable)
6. Dombivli (Affordable)
7. Dnyaneshwar Nagar, Sewri (Mid and Mass)
8. Ambedkar Nagar, Khar (W) (Aspirational)
9. Jyotirling, Goregaon (E)* (Mid and Mass)
10. MIG 64-Gandhinagar, Bandra (E) (Aspirational)
11. Cliff Tower, Bandra (W) (Super Premium / Premium)
12. Bandstand, Bandra (W) (Super Premium / Premium)

COMMERCIAL
13. Urbania Commercial
14. OB12 + 13, Bandra (E)

Forthcoming projects

Source: Company filings, Arihant Research

OCF The company was able to generate healthy OCF during FY23 and going forward wishes to achieve 80-85% collection of total pre-sales value.

Focus areas The company wants to focus on the affordable segment and redevelopment projects.

Outlook The company has strong brand recall value in Mumbai and MMR region and works on the asset-light business model. They try to get sizeable projects which can work out INR 1150cr kinds of topline or even smaller 4-5 projects in the same area are also preferred. The company has guided for 25% YoY of presales growth in FY24 along with maintaining 80-85% collections of total presales which will lead to strong OCF. At CMP of INR 544, the stock is trading at PE multiple of 35x to its TTM earnings.

Source: Company filings, Arihant Research

Brigade Enterprises Ltd

Source: Company filings, Arihant Research

Margins The company has closed many affordable housing this year which led to shrinkage in margins and there was a drop of 8-10cr of revenue in lease rentals also which will get corrected in FY24 and we can see better margins.

Debt was reduced by 83% during FY22 from the previous year and stood at INR46 cr as on March 2023. The net Debt equity ratio stood at 0.55 as on March '23 at the consolidated level led by higher collections and repayment.

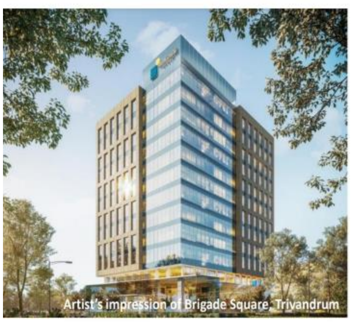
Gift City The project was fully leased but there were some approval issues so some space came back to the company.

Real Estate

Pipeline: The company has a robust pipeline of 7.54 Mn sft with key projects in Bengaluru & Chennai along with a pipeline of ongoing projects of ~17.70 mnsqft

Highest presales of INR 41085mn in FY23 up by 36% YoY; Average realization increased by 7% YoY during FY23 in the residential segment at INR 6,806/sqft

Total real estate ongoing projects in the area are 19.70 mnsqft and the company's share is 14.04 mnsqf



Source: Company filings, Arihant Research

Lease Rentals

Rentals for Quarter 4 Brigade Tech Gardens (BPPL) is INR40 crores and WTCC (PREPL)in Chennai is INR36 crores.

The company leased 1.2 Mn sft during FY23 with growth in the retail segment;

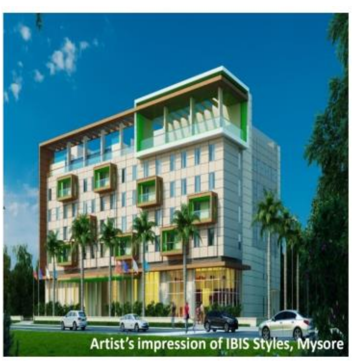
The office vertical witnessed a 43% increase in revenue from INR 450 cr in FY22 to INR 654 cr in FY23 and a 108% increase in the lease area from 0.6 msft in FY22 to 1.25 msft in FY23 led by improved occupancy rates.

Hospitality

Hotels have been performing well in terms of ARR and occupancy apart from two hotels, that is, the Grand Mercure Gujarat in Gift City and the Four Points by Sheraton Kochi.

Revenues at INR 3973mn up by 120% YoY in FY23 and Q4FY23 revenue were at INR 1,117 Mn, up by 102% over YoY; EBITDA increased by 417% to INR 1,175 Mn during FY23 from INR 227 Mn in FY22

ARR up by 69% YoY at INR 6022 for FY23. In FY23 occupancy stood at 69% vs 44% in FY22. Total hospitality ongoing projects in the area are 0.11 mnsqft



Source: Company filings, Arihant Research

Brigade Square Trivandrum has just started and will take 2 more years for the launch, the rentals expected are ~INR55 per sqft

Land Bank The company has a total land bank of 448 acres, company has paid INR 12,608cr and INR 7020cr is outstanding to be paid.

Outlook: Brigade targets to grow at a revenue CAGR of 20% over the coming 5 years. The company has a robust pipeline of 7.5 mnsft which translates into revenues of INR 6000cr and the share of Brigade would be ~INR 5,200cr in the real estate segment, in leasing 1.5 mnsft to be launched. The margins will improve led by high realisation from new projects. At CMP of INR 570, the stock is trading at PE multiple of 65x to its TTM earnings.

Source: Company filings, Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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