INSTITUTIONAL RESEARCH

Brigade Enterprises

Muted performance

BRGD reported 1QFY21 pre-sales volume/value at 0.42mn sqft/Rs 2.5bn, registering decline of 63%/58% YoY. While leasing activity was conspicuous by its absence, rental collection from existing portfolio remained healthy at 98% in 1QFY21. The company has given 50% waiver on MG during the lockdown for the retailers who have reopened at the mall. BRGD has started operations at hospitality assets and hopes to achieve gross operating breakeven by 2QFY21. Collection of Rs 3.8bn led to positive operating cashflow of Rs 820mn. Net debt also remained stable at Rs 29bn (Rs 28bn at FY20-end, BRGD's share). Despite midterm challenges in hospitality and retail business, we maintain BUY with target price of Rs 213/sh as BRGD has strong liquidity. Lease tie-up in BTG Bengaluru will lead to further re-rating.

- **Revenue misses estimates:** Revenue (Rs 2bn) for the quarter declined by 71%/68% YoY/QoQ as revenue from residential and hospitality business declined by 78% and 86% YoY respectively. Despite reducing overhead expenses by 54%, EBITDA declined by 74%/65% YoY/QoQ. Consequently, BRGD posted a loss of Rs 527mn against our estimated loss of Rs 501mn. Labour availability has improved from 30%, post ease of restriction, to 50% currently. Management expects it to normalize by 3QFY21, which would help book better revenue from the residential segment.
- **Residential sales at 0.4mn sqft; commercial rent collection at +98%:** BRGD registered pre-sales of 0.4mn sqft (~40% of 1QFY20) as booking activity picked up from 15% in April to 65% in June. The company expects sales to improve further as it has strengthened its digital channels. Management also highlighted three trends which, we believe, will continue in the medium term: (1) preference for completed homes, (2) higher interest from NRI buyers and, (3) demand for larger space. Despite the lockdown, rent collection from office space remained healthy at +98% in the quarter. However, new leasing was mostly absent. BRGD launched two new projects, one each in residential (0.62mn sqft) and office (1.3mn sqft).
- **Balance sheet remains stable with strong liquidity:** Collection of Rs 3.8bn during the quarter was largely from residential (Rs 2.8bn) and office (Rs 0.8bn) segments. Consolidated net debt stood at Rs 36.2bn (vs Rs 35.2bn on Mar'20), of which Rs 19bn is LRD/GOP securitized debt. With rents from BTG Bengaluru and WTC Chennai commencing by Jan-21, BRGD has headroom to raise additional Rs 22bn in LRD. With Rs 4.6bn of cash, net D/E stood at 1.23x. BRGD has opted for loan moratorium for its hospitality and retail assets (Rs 12bn), which are facing significant headwinds.

Quarterly/Annual Financial summary

Year Ending March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	2,033	7,087	*(71.3)*	6,359	*(68.0)*	29,727	26,322	19,813	29,248
EBITDA	474	1,823	*(74.0)*	1,352	*(64.9)*	7,897	6,633	5,416	9,629
APAT	(527)	412	*NA*	27	*NA*	2,399	1,511	(249)	1,352
Diluted EPS (Rs)	(2.6)	2.0	*NA*	0.1	*NA*	11.7	6.4	(1)	6.6
P/E (x)						12.5	23.0	(121)	22.2
EV / EBITDA (x)						8.3	10.6	14	8.0
RoE (%)						10.7	5.8	(1)	6.1

Source: Company, HSIE Research, Standalone financials

BUY

CMP *(as on 13 Aug 2020)*	Rs 147
Target Price	Rs 213
NIFTY	11,300

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 213	Rs 213
EPS %	FY21E	FY22E
	-	-

KEY STOCK DATA	
Bloomberg code	BRGD IN
No. of Shares (mn)	204
MCap (Rs bn) / ($ mn)	30/405
6m avg traded value (Rs mn)	49
52 Week high / low	Rs 255/91

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	46.7	(35.4)	(16.1)
Relative (%)	27.0	(27.8)	(19.8)

SHAREHOLDING PATTERN (%)	Mar-20	June-20
Promoters	46.82	46.82
FIs & Local MFs	17.17	18.49
FPIs	11.85	11.95
Public & Others	24.16	22.74
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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