

## Brigade Enterprises

### Pick-up in leasing a key trigger

BRGD reported operationally strong quarter as pre-sales volume (0.99msf, -1% YoY) recovered to pre-COVID level. Sales value grew to Rs 5.8bn (+9% YoY), as realization grew by 10%. While leasing activity remained tepid, rental collection from existing portfolio continued to be healthy at 99% in 2QFY21. Footfalls at retail malls have improved to 30-35%. Four of the eight hospitality assets achieved gross operating breakeven at the end of October. Collections came in at Rs 5.4bn (vs 3.8bn in 1QFY21). Consolidated net debt increased to Rs 29.9bn (BRGD's share) from Rs 28.7bn at Jun 20-end. Despite mid-term challenges in hospitality and retail business, we roll forward our NAV to Dec-21, maintain BUY with an increased target price of Rs 225/sh (vs Rs 213/sh earlier). Lease tie-ups in BTG Bengaluru will lead to further rerating.

- Revenue misses estimates:** BRGD reported revenue at Rs 3.1bn, a decline of 58% YoY and a miss of 26% on our estimates, as revenue from residential and hospitality business fell by 62% and 78% YoY respectively. However, revenue from lease rental segment declined less severely on steady collections from the commercial portfolio. EBITDA declined by 54% YoY. Consequently, BRGD posted a loss of Rs 171mn against our estimated loss of Rs 131mn. With improving labour availability, increasing occupancy in hotels and rising footfalls at malls, we expect revenue to recover in 2HFY21.
- Residential sales at pre-COVID level; commercial rent collection at ~99%:** BRGD registered pre-sales of 0.99msf (1msf in 2QFY20) as booking activity picked up. The company expects sales momentum to continue, as witnessed in Oct-20. Buyers continue to prefer completed and larger homes. However, the proportion of NRI buyers reduced compared to the previous quarter. Rent collections from office space remained healthy at 99% in the quarter. However, new leasing remained tepid at 0.04msf as tenants deferred decision. Basis management commentary, ~1.4msf of commercial space in BTG is at advance stage of closure and is expected to be closed by FY21-end.
- Balance sheet remains stable with strong liquidity:** Consolidated net debt increased at Rs 38.3bn (vs Rs 36.2bn on Jun-20), of which Rs 21bn is LRD/GOP securitised debt. With Rs 5.1bn of cash, net D/E stood at 1.27x. Collections improved to Rs 5.4bn during the quarter from Rs 3.8bn in 1QFY21 as collections from residential segment increased to Rs 4bn (vs Rs 2.8bn in 1QFY21). The company generated positive operating cash flow of Rs 1bn during 1HFY21. Outlay towards land acquisition stood at Rs 1.7bn, as Brigade bought a land parcel for Utopia Phase-2. BRGD expects rents from BTG Bengaluru and WTC Chennai to commence by Mar 21-end, which would improve the cash flow of the company.

#### Consolidated Quarterly/Annual Financial summary

YE March (Rs mn)	2QFY21	2QFY20	YoY (%)	1QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	3,108	7,353	(57.7)	2,033	52.8	26,322	19,813	29,248	33,433
EBITDA	874	1,902	(54.1)	474	84.3	6,633	5,416	9,629	10,989
APAT	(171)	374	NA	(527)	NA	1,511	(249)	1,352	1,697
Diluted EPS (Rs)	(0.8)	1.8	NA	(2.6)	NA	6.4	(1.2)	6.6	8.3
P/E (x)						31	(161)	30	24
EV / EBITDA (x)						12	16	9	8
RoE (%)						5.8	(1.1)	6.1	7.3

Source: Company, HSIE Research

## BUY

CMP (as on 12 Nov 2020)	Rs 194
Target Price	Rs 225
NIFTY	12,691

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 213	Rs 225
EPS %	FY21E	FY22E
	-	-

#### KEY STOCK DATA

Bloomberg code	BRGD IN
No. of Shares (mn)	206
MCap (Rs bn) / (\$ mn)	40/537
6m avg traded value (Rs mn)	55
52 Week high / low	Rs 255/91

#### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.7	89.2	(10.5)
Relative (%)	19.7	51.0	(18.0)

#### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	46.82	47.33
FIs & Local MFs	18.49	20.55
FPIs	11.95	11.36
Public & Others	22.74	20.76
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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