

Brigade Enterprises

Estimate change



TP change



Rating change



Bloomberg	BRGD IN
Equity Shares (m)	230
M.Cap.(INRb)/(USDb)	119.2 / 1.5
52-Week Range (INR)	585 / 385
1, 6, 12 Rel. Per (%)	-2/10/1
12M Avg Val (INR M)	202

Financials & Valuations (INR b)

Y/E Mar	FY22	FY23E	FY24E
Sales	30.0	37.2	41.4
EBITDA	7.7	9.8	12.4
EBITDA (%)	25.6	26.4	30.0
PAT	1.7	3.5	4.9
EPS (INR)	8.5	17.1	24.0
EPS Gr. (%)	-	101	41
BV/Sh. (INR)	142	160	183

Ratios

Net D/E	1.3	1.2	0.9
RoE (%)	6.6	11.3	14.1
RoCE (%)	25.3	7.1	9.1
Payout (%)	26.4	5.5	4.2

Valuations

P/E (x)	61	30	22
P/BV (x)	3.6	3.2	2.8
EV/EBITDA (x)	18.9	14.7	11.2
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	43.8	43.9	44.0
DII	25.3	24.7	25.0
FII	13.4	13.3	13.1
Others	17.5	18.2	18.0

CMP: INR517

TP: INR720 (+39%)

Buy

Performance in line; gearing up for a healthy 2HFY23

Steady residential performance; net debt declines further

- Brigade Enterprises (BEL) reported a steady quarter of bookings as its pre-sales remained flat QoQ at INR8b (in line) but declined 4% YoY. Sales volumes decreased 9% YoY/4% QoQ to 1.2msf while realizations improved 5% YoY (flat QoQ) to INR6,680/sqft.
- The company launched 1.5msf of area across four projects in Bengaluru. It raised its near-term residential launch pipeline to ~13msf (from ~9msf in 1QFY23) of which 6msf is expected to be launched over the next six months, setting itself up for a strong 2HFY23.
- Collections were the highest ever at INR14b, up 52% YoY/17% QoQ, leading to operating cash flow surplus of INR3.6b (flat QoQ). Net debt declined INR1.5b to INR15b at BEL's share.
- Revenue grew 17% YoY to INR8.8b and was in line. EBITDA rose 13% YoY to INR2.2b with an operating margin of 25%, down 100bp YoY and QoQ. Adjusted for INR180m of exceptional gain, PAT was at INR0.7b.

Gradual progress on leasing; Hospitality outshines pre-Covid run-rate

- BEL leased 0.25msf of space in 2QFY23 across assets. Brigade Tech Garden and WTC Chennai reported leasing of 0.1msf and 0.04msf, respectively. Rental revenue grew 37% YoY/9% QoQ to INR1.9b and generated an EBITDA of INR1.4b with an operating margin of 73% (+200bp YoY/-600bp QoQ).
- Hospitality revenue more than doubled YoY but was flat QoQ at INR0.9b as the 300bp decline in occupancy was offset by 5% QoQ increase in ARR. Both ARR and occupancy were better than FY20 run-rate. EBITDA was flat QoQ at INR0.3b generating a margin of 31% in 2Q (v/s 32% in 1QFY23).

Highlights from the management commentary

- Residential launches:** BEL has a strong launch pipeline of 15msf (11msf in Residential, 2msf in Plotted and 2msf in Commercial) for the next four quarters. It is targeting to launch plotted development projects in 3QFY23 and additional 4msf will be launched in 4Q. These projects have a cumulative GDV of INR35-40b. Beyond the existing pipeline too, BEL has strong visibility on future projects and intends to grow the segment at 15-20%.
- Commercial leasing:** While there is a visible slowdown in the leasing market, the company has 1msf+ in pipeline and it continues to target full occupancy by Mar'23. Its ongoing office asset, Twin Towers, will be completed by 4QFY24E.
- Mortgage rates:** 60-70% of BEL's customers avail mortgage loan while buying house. Demand remains strong despite rising rates. Management highlighted that current rates are in line with historical levels.

Valuation and view

- Management indicated a strong launch pipeline for 2H and reiterated its full-year pre-sales guidance of INR35-40b. Hence, we retain our FY23-24 pre-sales and cash flow estimates. We raise our FY23/24E PAT by 13/16% to attribute higher loss to minority shareholders of BEL's commercial assets.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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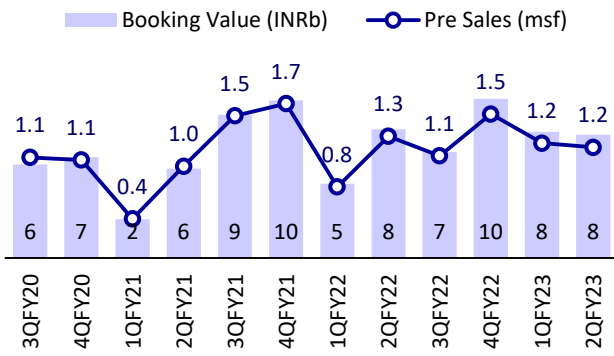
- Management reiterated its intent to fully lease out its commercial assets by FY23, leading to 19% YoY increase in rental income in FY24E. Further, BEL is expected to generate INR44b of cash flows over FY23-25, which will be utilized to strengthen future project pipeline leading to growth visibility.
- We reiterate our **BUY** rating on the stock with an unchanged **TP** of **INR720**, implying an upside potential of **39%**.

Quarterly Performance (INR m)

Y/E March	FY22				FY23				FY22	FY23E	FY23	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross Sales	3,828	7,527	9,210	9,423	9,025	8,792	9,372	9,995	29,988	37,184	8,557	3%
YoY Change (%)	88.3	142.2	42.9	19.1	135.8	16.8	1.8	6.1	53.8	24.0	13.7	
Total Expenditure	2,715	5,603	6,635	7,371	6,698	6,628	6,886	7,156	22,324	27,368	6,243	
EBITDA	1,113	1,924	2,575	2,052	2,327	2,165	2,486	2,839	7,663	9,816	2,314	-6%
Margins (%)	29.1	25.6	28.0	21.8	25.8	24.6	26.5	28.4	25.6	26.4	27.0	-242bps
Depreciation	845	881	871	908	751	780	798	801	3,505	3,130	950	
Interest	1,132	1,128	1,082	1,094	1,061	1,096	1,063	1,032	4,436	4,253	952	
Other Income	87	234	122	224	178	330	173	187	667	867	185	
PBT before EO expense	-777	149	744	274	693	618	798	1,192	389	3,301	597	
Extra-Ord expense	209	158	0	200	-97	-183	0	0	567	-280	0	
PBT	-986	-9	744	74	790	801	798	1,192	-177	3,581	597	
Tax	-117	135	287	192	184	283	201	232	497	901	150	
Rate (%)	11.9	-1,504.4	38.6	257.7	23.3	35.4	25.2	19.5	-280.4	25.2	25.2	
MI & Profit/Loss of Asso. Cos.	-468	-265	-312	-442	-271	-258	-250	-246	-1,487	-1,025	-80	
Reported PAT	-401	120	768	325	877	776	847	1,205	812	3,705	526	
Adj PAT	-216	376	768	647	802	658	830	1,205	1,575	3,495	526	25%
YoY Change (%)	-58.9	-320.2	372.6	-2.1	-470.8	74.8	8.3	86.2	883.2	121.9	-80.1	
Margins (%)	-5.7	5.0	8.3	6.9	8.9	7.5	8.9	12.1	5.3	9.4	6.2	
E: MOFSL Estimates												
Operational Performance												
Pre Sales (msf)	0.77	1.31	1.10	1.55	1.24	1.19	1.43	1.64	4.7	5.5	1	-6%
Booking Value (INR b)	5	8	7	10	8	8	9	10	30	35	8	-1%
Avg rate/sf (INR)	6,275	6,336	6,218	6,640	6,680	6,680	6,300	5,992	6,409	6,356	6,300	

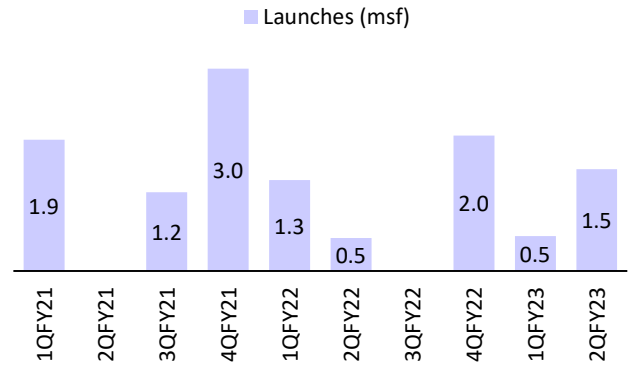
Key exhibits

Exhibit 1: New bookings remained flat sequentially and decreased 9% YoY



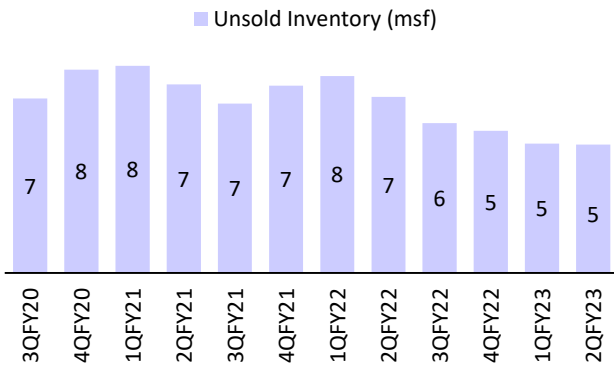
Source: Company, MOFSL

Exhibit 2: BEL launched 2msf in 1HFY23 and pipeline remains strong for 2H



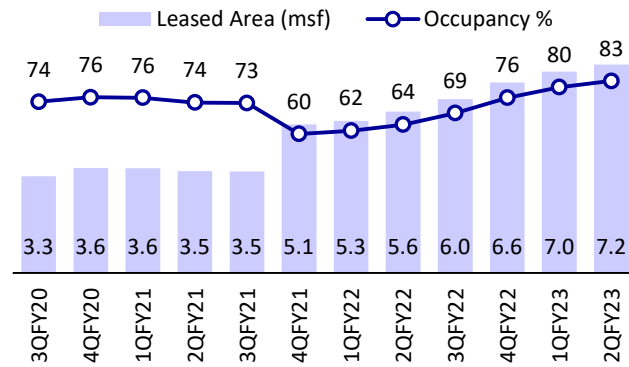
Source: Company, MOFSL

Exhibit 3: Company witnessed consistent drop in unsold inventory



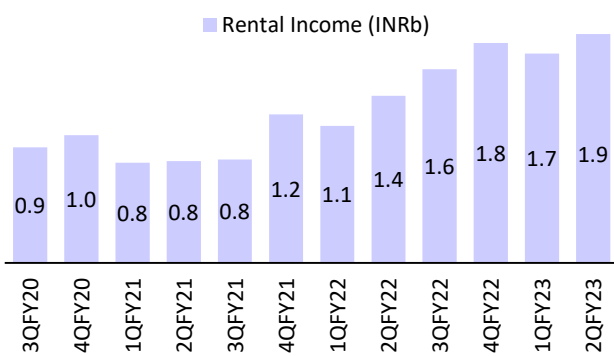
Source: MOFSL, Company

Exhibit 4: BEL is targeting to reach 100% occupancy in office portfolio by FY23-end



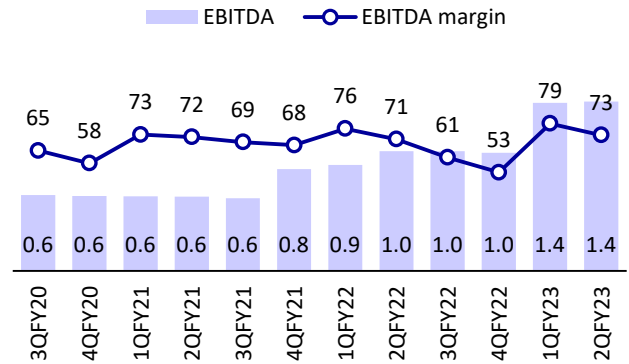
Source: MOFSL, Company

Exhibit 5: Rental income increased 37% YoY driven by increased occupancy



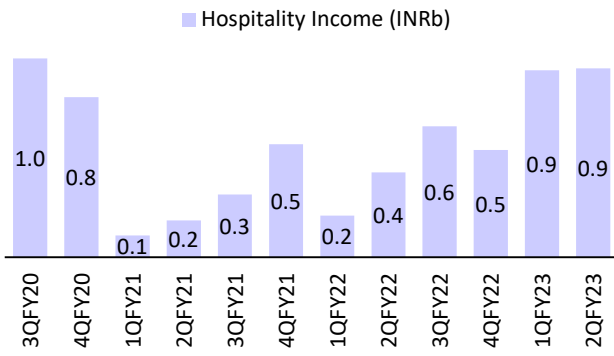
Source: Company, MOFSL

Exhibit 6: EBITDA came in at INR1.4b with 73% margin



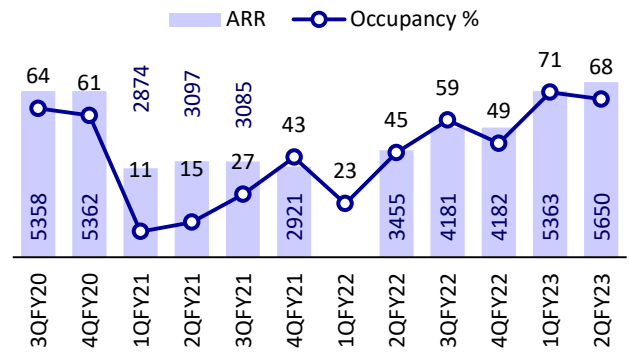
Source: Company, MOFSL

Exhibit 7: Hotel portfolio witnessed sustained revival...



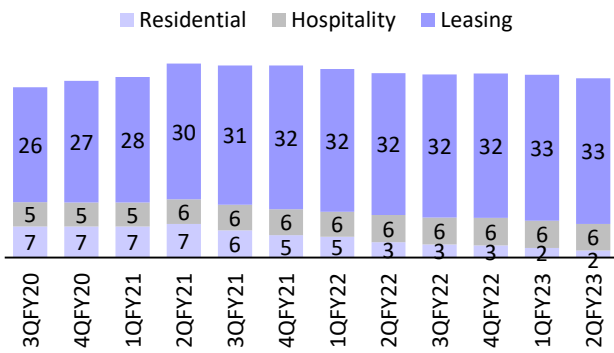
Source: MOFSL, Company

Exhibit 8: ...with ARR breaching pre-Covid level



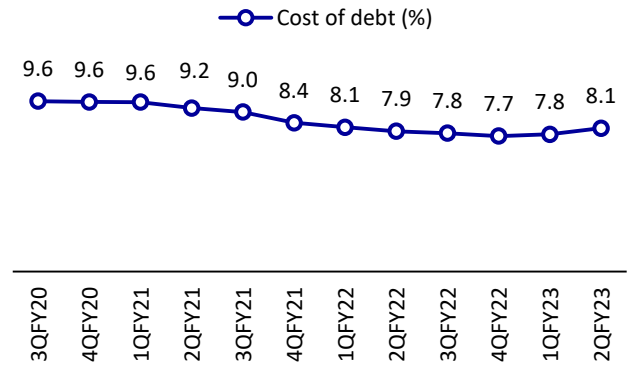
Source: MOFSL, Company

Exhibit 9: Residential debt is now marginal while debt on office assets remains steady



Source: MOFSL, Company

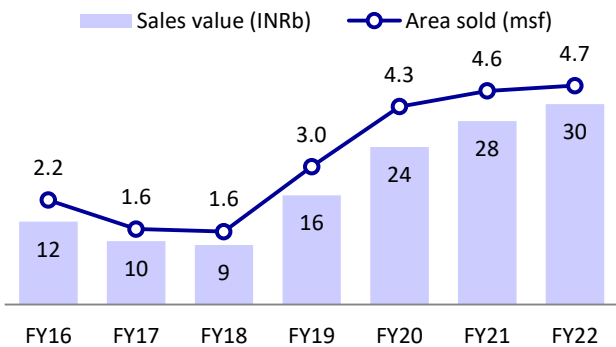
Exhibit 10: Cost of debt stood at 8%



Source: MOFSL, Company

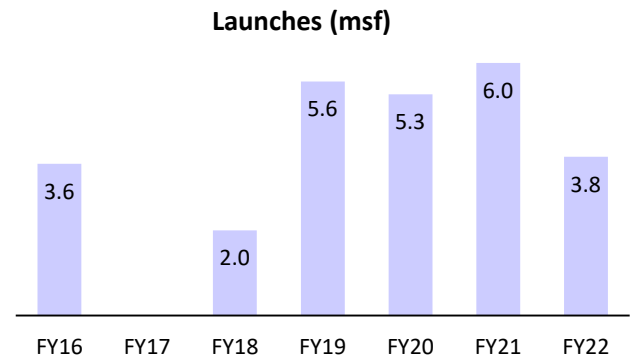
Story in charts

Exhibit 11: BRGD scales up its Residential business and clocks the highest ever sales of 4.7msf in FY22



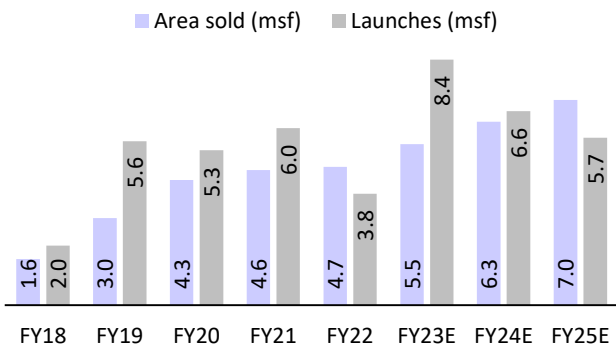
Source: Company, MOFSL

Exhibit 12: Pre-sales rose at 32% CAGR over FY18-22, led by an acceleration in launches



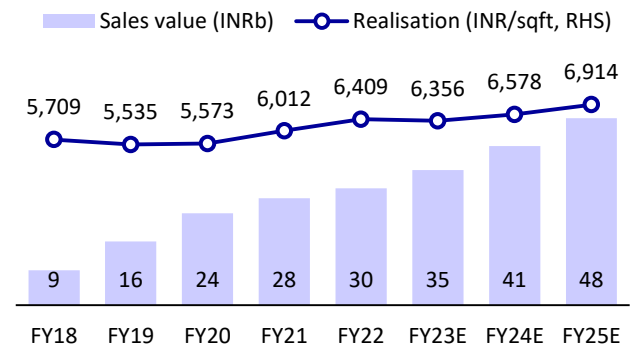
Source: Company, MOFSL

Exhibit 13: Expect volume CAGR of 14% over FY22-25E



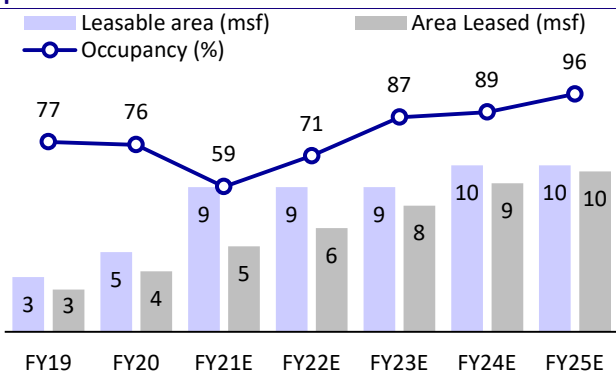
Source: MOFSL, Company

Exhibit 14: Expect bookings to touch INR48b by FY25E



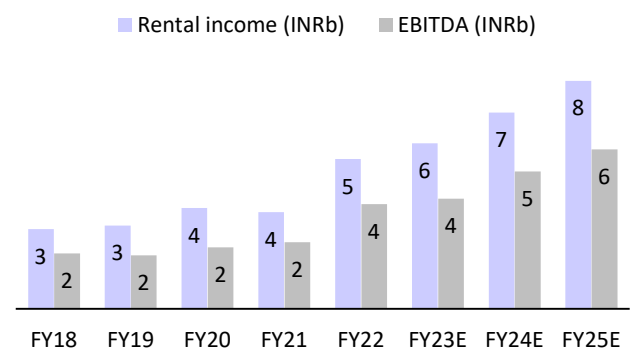
Source: MOFSL, Company

Exhibit 15: Expect occupancy in Annuity assets to gradually improve---



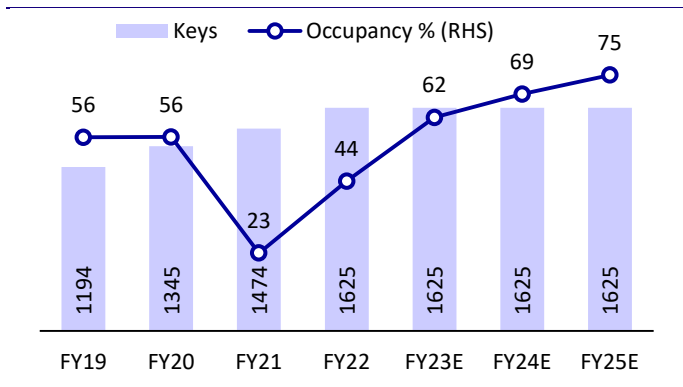
Source: Company, MOFSL

Exhibit 16: ...and Rental income to register 15% CAGR over same period



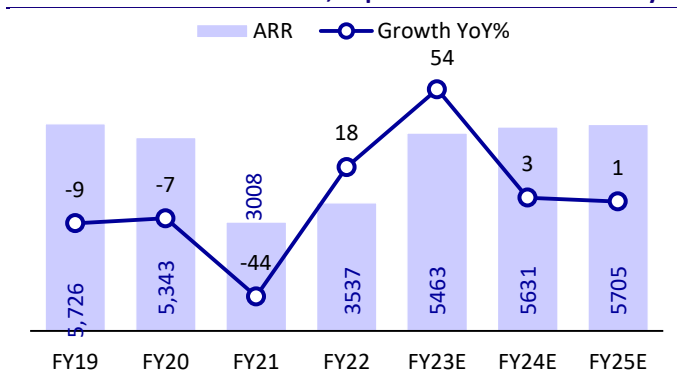
Source: Company, MOFSL

Exhibit 17: The Hospitality portfolio witnesses a more than fourfold rise since FY17



Source: Company, MOFSL

Exhibit 18: Post the rebound, expect ARR to remain steady



Source: Company, MOFSL

Exhibit 19: Earnings change

(INR b)	Old		New		Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	37.2	42.1	37	41	0%	-2%
EBITDA	10	13	10	12	-3%	-4%
Adj. PAT	3	4	3	5	16%	13%
Pre-sales	35	41	35	41	0%	0%
Collections (PEPL share)	31	38	31	38	0%	1%

Source: MOFSL, Company

Other key con-call Takeaways

Sales mix and pricing:

- New launches contributed 50% to pre-sales and in terms of regional mix, non-Bengaluru markets contributed 20% to new bookings which should increase as launches pickup
- Consolidation has allowed large developers to take healthy price hikes and BEL continue to take hikes periodically while maintain cost under control

Land payments

- Company currently has outstanding land payments of INR10b of which INR6-7b will be paid over next few months. There is no requirement to take additional debt given the cash on books. Payment for mount road (Chennai) will be paid by December 2022.

Hospitality

- Driven by opening up international travel company has witnessed sustained revival in its portfolio and the ARR's have breached pre-Covid levels. Once stabilized, the hotel portfolio can generate ~INR1.7-1.8b EBITDA
- Management will resume the conversations towards monetizing the portfolio

Valuation and view

- We value BRGD based on our DCF approach where:
 - Its Residential business is valued using DCF of expected cash flows over the next four years using WACC of 11.3% and terminal value using a perpetual growth rate of 3%;
 - Its operational Commercial assets are valued at an 8.5% cap rate on a FY23E EBITDA basis and ongoing and upcoming projects using DCF; and
 - Its Hospitality business is valued at 15x EV/EBITDA on a FY23E basis.

Based on the above approach, we arrive at a GAV of INR184b. Netting off FY23E net debt of INR18b, we derive a NAV of INR166b, or INR720 per share, indicating a potential upside of 39%.

Exhibit 20: Our SoTP-based approach denotes 39% upside for BEL based on CMP; maintain Buy rating

Segment	Valuation metric	Value (INR b)	Per share	As a percentage of NAV
Residential	❖ DCF of three-year cash flow at a WACC of 11.3% and terminal value assuming cash flow sustain in FY22-24	98	426	59%
Commercial	❖ Based on the cap rate of 8.5% for Office and Retail assets on FY24E EBITDA	60	259	36%
Hotel	❖ FY23E EV/EBITDA of 15x	26	115	16%
Gross asset value		184	800	111%
Net debt (BRGD's share)		(18)	(80)	-11%
Net asset value		166	720	100%
No. of shares		230.3		
Target price		720		
CMP		517		
Upside		39%		

Source: MOFSL

Financials and Valuation

Consolidated Profit & Loss

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	29,728	26,322	19,500	29,988	37,184	41,396	46,475
Change (%)	56.7	-11.5	-25.9	53.8	24.0	11.3	12.3
Total Expenditure	21,831	19,689	14,780	22,325	27,368	28,967	31,527
% of Sales	73.4	74.8	75.8	74.4	73.6	70.0	67.8
EBITDA	7,897	6,632	4,719	7,663	9,816	12,429	14,948
Margin (%)	26.6	25.2	24.2	25.6	26.4	30.0	32.2
Depreciation	1,400	1,920	2,369	3,505	3,130	3,412	3,903
EBIT	6,497	4,712	2,350	4,158	6,686	9,017	11,044
Int. and Finance Charges	2,785	3,403	3,468	4,436	4,253	4,143	3,923
Other Income	563	494	604	667	867	954	1,002
PBT bef. EO Exp.	4,274	1,803	-514	389	3,301	5,829	8,123
EO Items	0	-205	-763	-567	280	0	0
PBT after EO Exp.	4,274	1,598	-1,277	-177	3,581	5,829	8,123
Total Tax	1,455	474	-287	497	901	1,467	2,045
Tax Rate (%)	34.0	29.6	22.5	-280.3	25.2	25.2	25.2
Minority Interest	420	-150	-475	-1,448	-1,025	-551	-361
Reported PAT	2,399	1,274	-515	774	3,705	4,912	6,440
Adjusted PAT	2,399	1,418	77	1,739	3,495	4,912	6,440
Change (%)	72.3	-40.9	-94.6	2,165.4	100.9	40.5	31.1
Margin (%)	8.1	5.4	0.4	5.8	9.4	11.9	13.9

Consolidated Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	1,362	2,044	2,109	2,303	2,303	2,303	2,303
Total Reserves	20,332	20,768	21,368	26,797	30,297	35,005	41,445
Net Worth	21,694	22,811	23,477	29,099	32,600	37,308	43,748
Minority Interest	1,884	1,659	1,156	-323	-1,348	-1,899	-2,260
Total Loans	36,440	44,218	43,897	48,327	48,327	45,827	43,327
Deferred Tax Liabilities	0	0	-2,155	-2,642	-2,642	-2,642	-2,642
Capital Employed	60,018	68,688	66,374	74,461	76,937	78,594	82,172
Gross Block	27,742	36,874	59,464	61,822	63,387	73,093	83,045
Less: Accum. Deprn.	5,019	6,939	9,308	12,814	15,944	19,356	23,259
Net Fixed Assets	22,724	29,935	50,156	49,008	47,443	53,737	59,786
Goodwill on Consolidation	43	43	43	43	43	43	43
Capital WIP	20,097	20,975	4,949	5,407	7,520	1,639	-6,362
Total Investments	977	721	890	5,086	5,086	5,086	5,086
Curr. Assets, Loans&Adv.	64,158	70,935	79,942	88,825	99,355	1,09,334	1,18,735
Inventory	48,161	52,094	59,020	62,228	68,765	73,719	78,944
Account Receivables	4,208	4,306	5,272	5,042	6,112	6,805	7,640
Cash and Bank Balance	2,222	3,049	5,594	9,448	9,465	12,097	13,388
Loans and Advances	9,567	11,486	10,056	12,108	15,013	16,714	18,764
Curr. Liability & Prov.	47,980	53,921	69,606	73,908	82,511	91,246	95,116
Account Payables	6,081	5,005	5,770	6,491	7,957	10,317	11,229
Other Current Liabilities	41,803	48,811	63,747	67,333	74,368	80,722	83,655
Provisions	97	105	89	83	186	207	232
Net Current Assets	16,178	17,014	10,336	14,917	16,845	18,089	23,619
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	60,018	68,688	66,374	74,462	76,937	78,594	82,173

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)							
EPS	11.7	6.9	0.4	8.5	17.1	24.0	31.5
Cash EPS	18.6	16.3	12.0	25.7	32.4	40.7	50.6
BV/Share	106.1	111.6	114.9	142.4	159.5	182.5	214.0
DPS	1.3	1.0	0.0	1.0	1.0	1.0	0.0
Payout (%)	13.7	19.3	0.0	26.4	5.5	4.2	0.0
Valuation (x)							
P/E	44.2	74.8	1,381.5	61.0	30.2	21.5	16.4
Cash P/E	27.9	31.8	43.4	20.2	15.9	12.7	10.2
P/BV	4.9	4.7	4.5	3.6	3.2	2.8	2.4
EV/Sales	4.7	5.6	7.4	4.8	3.9	3.4	2.9
EV/EBITDA	17.8	22.2	30.6	18.9	14.7	11.2	9.1
Dividend Yield (%)	0.3	0.2	0.0	0.2	0.2	0.2	0.0
FCF per share	-6.5	-13.1	16.4	40.3	17.6	41.7	32.8
Return Ratios (%)							
RoE	10.8	6.4	0.3	6.6	11.3	14.1	15.9
RoCE	8.1	5.9	3.4	25.3	7.1	9.1	10.6
RoIC	12.1	8.2	3.7	28.9	9.1	11.8	12.7
Working Capital Ratios							
Fixed Asset Turnover (x)	1.1	0.7	0.3	0.5	0.6	0.6	0.6
Asset Turnover (x)	0.5	0.4	0.3	0.4	0.5	0.5	0.6
Inventory (Days)	591	722	1,105	757	675	650	620
Debtor (Days)	52	60	99	61	60	60	60
Creditor (Days)	75	69	108	79	78	91	88
Leverage Ratio (x)							
Current Ratio	1.3	1.3	1.1	1.2	1.2	1.2	1.2
Interest Cover Ratio	2.3	1.4	0.7	0.9	1.6	2.2	2.8
Net Debt/Equity	1.6	1.8	1.6	1.3	1.2	0.9	0.7

Consolidated Cash flow

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	4,274	1,614	-1,251	-150	3,581	5,829	8,123
Depreciation	1,400	1,920	2,369	3,505	3,130	3,412	3,903
Interest & Finance Charges	2,583	3,403	3,468	4,436	4,253	4,143	3,923
Direct Taxes Paid	-1,117	-642	-536	-1,039	-901	-1,467	-2,045
(Inc)/Dec in WC	-2,363	-1,643	3,814	4,047	-1,910	1,388	-4,240
CF from Operations	4,777	4,652	7,864	10,799	8,153	13,304	9,665
Others	-105	-4	165	-478	-867	-954	-1,002
CF from Operating incl EO	4,672	4,649	8,029	10,321	7,285	12,350	8,663
(Inc)/Dec in FA	-6,005	-7,328	-4,670	-2,084	-3,678	-3,825	-1,952
Free Cash Flow	-1,333	-2,679	3,359	8,237	3,607	8,525	6,711
(Pur)/Sale of Investments	1,601	237	-342	-4,036	0	0	0
Others	40	-75	-2,473	-3,594	867	954	1,002
CF from Investments	-4,364	-7,166	-7,484	-9,714	-2,811	-2,871	-950
Issue of Shares	5	320	883	5,028	0	0	0
Inc/(Dec) in Debt	3,925	7,406	3,032	-831	0	-2,500	-2,500
Interest Paid	-3,154	-3,859	-3,943	-3,511	-4,253	-4,143	-3,923
Dividend Paid	-328	-575	0	-276	-204	-204	0
Others	-1	52	2,029	-78	0	0	0
CF from Fin. Activity	448	3,344	2,000	333	-4,457	-6,847	-6,423
Inc/Dec of Cash	756	827	2,545	940	18	2,632	1,290
Opening Balance	1,466	2,222	3,049	2,804	3,745	3,762	6,394
Closing Balance	2,222	3,049	5,594	3,745	3,762	6,394	7,685

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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