

Brigade Enterprises

Launch momentum to pick up

Brigade Enterprises Ltd (BEL) reported presales of 1.5msf (+40%/+28% YoY/QoQ), valued at INR 10bn (+48%/+27% YoY/QoQ), beating our estimate of INR 9bn. For 9MFY23, presales stood at INR 26bn (+31% YoY). For FY23, the company expects to clock total presales of INR 40bn on the back of 2.5msf of new launches planned for Q4FY23. The average realisation dropped sequentially by 1.3% on account of 0.4msf of plotted development presales and, on account of new phase launches of the same project, the realisation will remain affected in Q4FY23 and Q1FY24. BEL has a total of 1.4msf of plotted development in its land bank. In terms of BD, it has added INR 17bn worth of GDV (INR 2bn commercial and INR 15bn residential, both in Bengaluru) and an additional 75-acre land earmarked for mixed-use in 9MFY23. The hospitality segment is doing well again with all metrics above pre-COVID levels; the monetisation plan is back and BEL is in the preliminary stages of discussions with investors. The leasing segment is robust with 1msf leased in 9MFY23 and 1.44msf of the active pipeline. The segment is expected to receive an impetus with the implementation of the DESH bill. At full occupancy, the annual exit rental will be INR 7.5-8bn. Given BEL's strong cash position of INR 19bn, a robust business development pipeline, and a healthy balance sheet, we remain constructive. We reiterate BUY, with an unchanged TP of INR 632/sh.

- Q3FY23 financial highlights:** revenue came in at INR 8.2bn (-11%/-7% YoY/QoQ, 8% miss); revenue from real estate at INR 5.2bn (-26/-15% YoY/QoQ), hospitality at INR 1bn (+60/+11% YoY/QoQ) and leasing at INR 2.1bn (+34%/+14% YoY/QoQ). EBITDA: INR 2.08bn (-19%/-4% YoY/QoQ, 6% miss). EBITDA margin: 25.3% (-261bps/+73bps YoY/QoQ, vs 24.6% est.). RPAT: INR 569mn (-27%/-27% YoY/QoQ). Exceptional item: INR 280mn, reversal of deferred tax asset recognised in Perungudi real estate for not availing the SEZ benefit. Consequently, APAT: INR 289mn (-63%/-55% YoY/QoQ, 52% miss).
- Robust launch pipeline:** For Q3FY23, sales volume was 1.5msf (+40%/+28% YoY/QoQ), valued at INR 10bn (+48%/+27% YoY/QoQ) at a realisation of INR 6,590/sqft (+5%/-1.3% YoY/QoQ). For 9MFY23, presales stood at INR 26bn (+31% YoY), with INR 40bn expected for the full-year FY23. During the quarter, BEL launched 0.44msf of the project (2.44msf in 9MFY23). It has a strong launch pipeline of 9.5msf for the residential portfolio and another 2msf for the commercial portfolio. For Q4FY23, 2.5msf of launches are planned almost all of which are new project launches across Bengaluru.
- Balance sheet comfortable:** Residential debt reduced sequentially to INR 770mn (vs. INR 1.5bn in Q2FY23) on the back of repayment and robust real estate collections of INR 8.8bn. The total collection was INR 13bn (+22%/+7% YoY/QoQ). The consolidated gross/net debt stood at INR 39/20bn (INR 40/22bn as of Sep-22). The net debt/equity stood at 0.53x (vs. 0.66x as of Sep-22). 73% of the total debt is in commercial business, which is backed by rentals. BEL has unsold inventory of INR 23.2bn and INR 72bn worth of forthcoming launches at current realisation. The projected net cash flow from sold/unsold units (excl. forthcoming launches) is INR 19.5bn.

Consolidated Financial Summary (INR mn)

YE March	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	FY22	FY23E	FY24E	FY25E
Net Sales	8,203	9,210	(10.9)	8,792	(6.7)	29,988	34,655	37,286	38,974
EBITDA	2,079	2,575	(19.3)	2,165	(3.9)	7,663	8,735	9,731	10,236
APAT	289	784	(63.2)	639	(54.8)	(1,157)	2,394	3,352	3,548
EPS (INR)	1.4	3.8	(63.2)	3.1	(54.8)	3.6	10.4	14.6	15.4
P/E (x)						137	48	34	32
EV/EBITDA (x)						20	18	16	15
RoE (%)						8.8	8.8	11.3	11.0

Source: Company, HSIE Research

BUY

CMP (as on 10 Feb 2023)	INR 494
Target Price	INR 632
NIFTY	17,857

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 632	INR 632	
EPS	FY23E	FY24E	FY25E
Change %	-	-	-

KEY STOCK DATA

Bloomberg code	BRGD IN
No. of Shares (mn)	231
MCap (INR bn) / (\$ mn)	114/1,377
6m avg traded value (INR mn)	118
52 Week high / low	INR 585/376

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(3.3)	(5.9)	(3.0)
Relative (%)	(3.4)	(9.1)	(6.0)

SHAREHOLDING PATTERN (%)

	Sep-22	Dec-22
Promoters	43.82	43.81
FIs & Local MFs	25.28	24.55
FPIs	13.44	14.24
Public & Others	17.46	17.40
Pledged Shares*	-	-

Source: BSE

*Pledged shares as % of total shares

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Disclosure:

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