Retail Equity Research

Brigade Enterprises Ltd.

Real Estate

Accumulate

12Months Investment Period | Rating as per Small Cap

BSE CODE : 532929 | NSE CODE: BRIGADE

BLOOMBERG CODE: PEPL:IN | SENSEX : 57,654

CMP Rs. 465 TARGET Rs. 537 RETURN 15%

(Closing: 27-03-23)

Promising outlook...better results across the board

The Brigade Group is one of India's leading property developers, with over three and a half decades of expertise. The company has developed many landmark buildings and transformed the skylines of cities across South India. Since its inception, Brigade has completed 250+ buildings, amounting to over 76 million sq. ft. of developed space across a diverse real estate portfolio.

- **Pre-sales grew by 25% YoY to ~4 msf with a value of Rs. 2,619 cr (+31% YoY) for 9MFY23. We expect the momentum to continue, aided by a healthy pipeline.**
- **The average realization has grown at 6% CAGR for the last 3 years. The current realization is Rs. 6,599/sqft, but dropped 1.2% QoQ due to plotted development pre-sales. The realization is expected to impact the next few quarters.**
- **Robust leasing segment with 7.2msf (+19% YoY) of leased space. Active pipeline of ~1.4 msf. At full occupancy, the annual exit rental for current lease assets will be ~Rs. 800 cr.**
- **Hospitality revenue increased 61% YoY to Rs. 101 cr for Q3FY23. EBITDA increased to Rs. 21.1 cr (+17.9% YoY). In Q3 FY23, Average Revenue per Room (ARR) increased by 58% YoY, while occupancy increased by 14%.**
- **We have a positive view on Brigade on the back of a robust residential pipeline (9msf), Healthy cash flows, and the revived hospitality segment. But a rising mortgage rate for a longer period can be a headwind.**
- **Hence, we assign Accumulate rating to the stock with a target price of Rs. 537 based on SOTP valuation.**

Robust residential pipeline

Brigade clocked a pre-sale of Rs.2,618.5 cr in 9MFY23, up 31% YoY. Area sold increased to 3.96 msf from 3.16msf in 9MFY22, and collection increased to Rs. 2,833 cr. (+34% YoY) during the same period. The company has 17.8msf of ongoing and 9msf of upcoming projects, which are expected to drive the sales momentum and have the potential to generate free cash flow of ~Rs.3,000 cr. We expect a moderation in the sales volume and realization on account of increases in residential prices over the next few quarters.

Steady cashflow backed by increased annuity

The lease income is expected to reach Rs.1,100 cr. (Rs.560cr in 9MFY23) by FY25. The lease area under operation will increase from 7.18 to 10 msf over the same period. The major lease assets are located in Bengaluru and Chennai. The flagship projects, Brigade Tech Gardens (3 msf) and World Trade Center Chennai (2.01 msf), have begun operations, and the same is expected to be fully leased in the next few quarters. The ongoing project Brigade Twin Towers (1.3 msf) is expected to commence operation in FY25.

Hospitality...encouraging growth

Hospitality assets showed an impressive revival post COVID. The improvement in sales and margins. EBITDA increased by 252% to Rs. 78.8 cr during 9MFY23 from Rs. 22.4 cr in 9MFY22, but was down by 26% QoQ. ARR showcased a growth of 58% YoY (+8% QoQ) to Rs. 6,081. Occupancy remains flat at 68% QoQ (+14% YoY), compared to 59% in Q1FY20 (pre-COVID).

Valuation

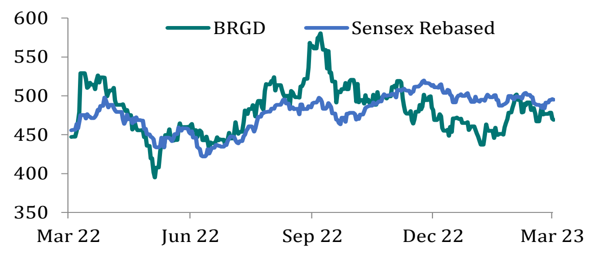
Given a healthy launch pipeline, recovery in hospitality assets, and strong operating cashflows, we have a positive outlook on the stock. But the increased interest rate may tamper with the customer's sentiment. Hence, we assign Accumulate rating to the stock with a target price of Rs. 537 based on SOTP valuation.

Company Data	
Market Cap (Rs.cr)	10,824
Enterprise Value (Rs.cr)	11,582
Outstanding Shares (Rs.cr)	23.1
Free Float	56.2%
Dividend Yield	0.3%
52 week high (Rs.)	585
52 week low (Rs.)	385
6m average volume (Rs.cr)	0.02
Beta	1.22
Face value (Rs.)	10

Shareholding (%)	Q1FY23	Q2FY23	Q3FY23
Promoters	43.8	43.8	43.8
FII's	13.3	13.4	14.2
MFs/Institution	23.5	25.2	24.5
Public	19.3	17.4	17.4
Total	100.0	100.0	100.0

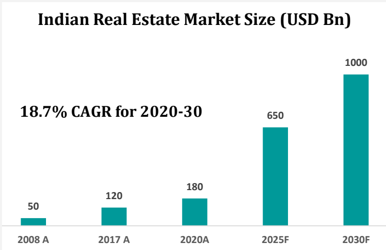
Price Performance	3 month	6 Month	1 Year
Absolute Return	0.10%	-16.4%	4.5%
Absolute Sensex	-3.1%	0.8%	10.2%
Relative Return	3.2%	-17.1%	-5.8%

***over or under performance to benchmark index**

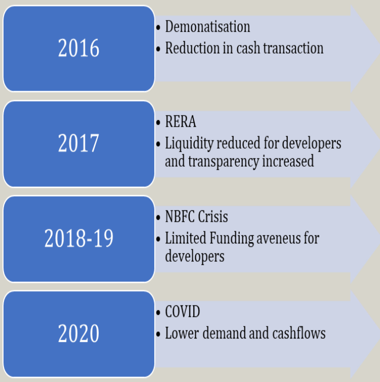


Y.E Mar (cr)	FY23E	FY24E	FY25E
Sales	3738	4313	4779
Growth (%)	24.7	15.4	10.8
EBITDA	1006	1175	1385
EBITDA Margin (%)	26.9	27.2	29.0
PAT Adjusted	254	350	510
Growth (%)	*207*	*38*	*46*
Adjusted EPS	11.3	15.5	22.6
Growth (%)	*207*	*38*	*46*
P/E	38.6	27.9	19.2
P/B	3.2	2.9	2.6
EV/EBITDA	13.2	11.4	9.5
ROE (%)	8.5	10.9	14.5
D/E	1.1	1.1	0.9

Yadhu Ramachandran
Research Analyst



Source: IBEF, Geojit Research



- ***The Share of top listed developers in the Indian residential market is expected to increase up to 29% in FY24, driven by a strong pipeline of projects.***

Indian Real Estate - Poised for Expansion...

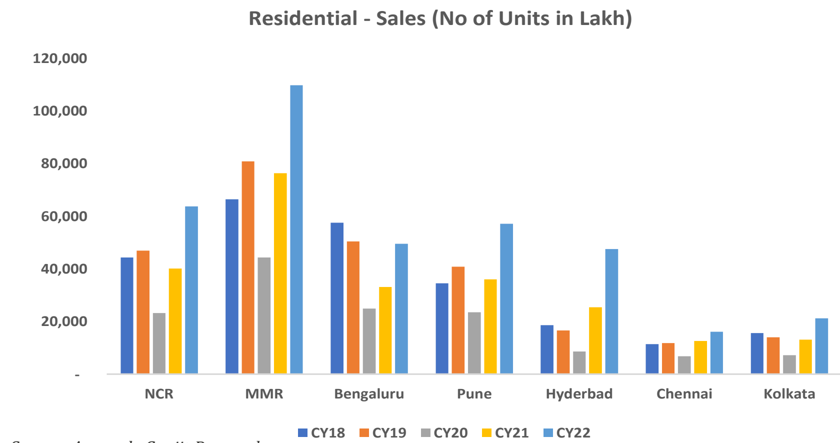
The second-highest employment generator in the country, the Indian Real Estate industry comprises four sub-sectors: housing, retail, hospitality, and commercial. Real estate sector in India is expected to reach US$ 1 trillion in market size by 2030. and will contribute 13% to the country's GDP by 2025 from the current level of 6-7%.

Multiple disruptions in the past 5-6 years.

Multiple disruptions in the real estate industry have occurred in the last 5-6 years, including RERA, the NBFC crisis, demonetization, and others, making it difficult for weaker players to sustain and help the organized developers to grow their market share.

Residential Segment : According to the Economic Times Housing Finance Summit, about three houses are built for every 1,000 people per year, compared to the required five houses per 1,000. The current shortage of housing in urban areas is estimated at ~10 million units. An additional 25 million units of affordable housing are required by 2030 to meet the growth in the country's urban population. Over 40% of India's population is expected to be concentrated in its major cities by this decade.

Indian real estate, which exhibited strong resilience during COVID-19, has sustained its growth in FY23. In the major housing markets, sales grew by ~50% owing to demand and rising income. This has been achieved despite the 5-7% increase in realisation attributed to the surge in input costs.

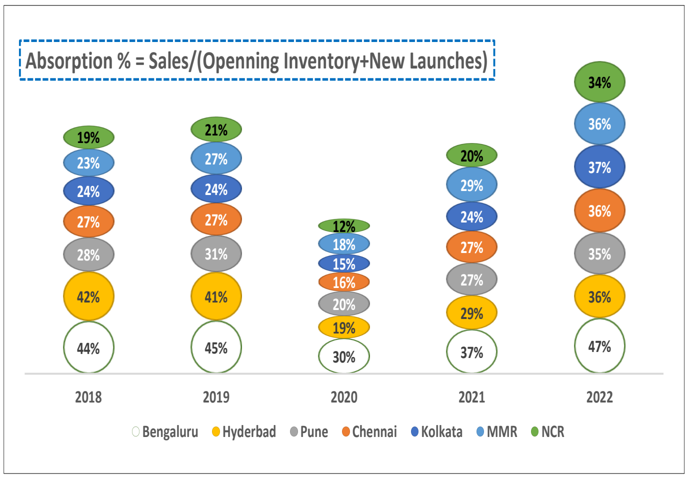


Source: Anarock, Geojit Research

- Post-pandemic, there has been a steady increase in sales in all major cities.
- Sales have surpassed pre-covid levels in all major cities on a calendar year basis.
- The MMR market clocked the highest sales of ~ 1,00,000 units (+44%) in 2022, followed by NCR at ~64,000 units (+59%).
- Hyderabad posted the highest growth of 87%, ~47,000 units, in CY 22 from ~25,000 in CY 21.

Increase in absorption rates

Absorption, as a percentage of opening inventory and launches, has increased across the cities. Absorption of total 7 cities increased from 29% in CY19 (pre-covid period) to 37% in CY22.

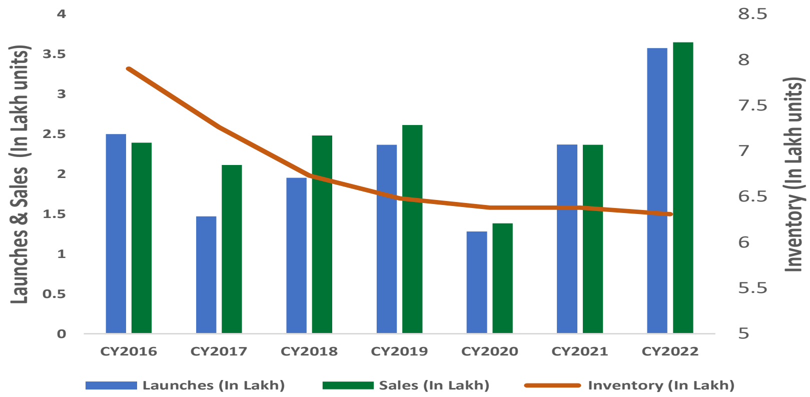


Source: Anarock, Geojit Research

- Bengaluru maintained its lead in terms of a higher absorption rate.
- With the exception of Hyderabad, all cities exceeded the pre-pandemic rate of absorption.

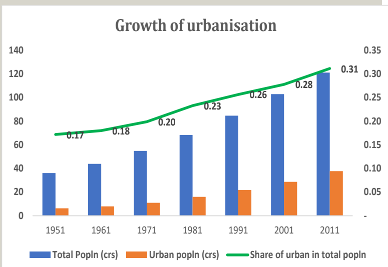
Significant reduction in Inventory overhang

Inventory overhang has been reduced drastically from 16 quarters in CY21 to ~8 quarters in CY22. Inventory overhang is inter linked as customers avoid purchasing incomplete apartments, putting pressure on builders' cash flow for project completion.



Source: Anarock, Geojit Research

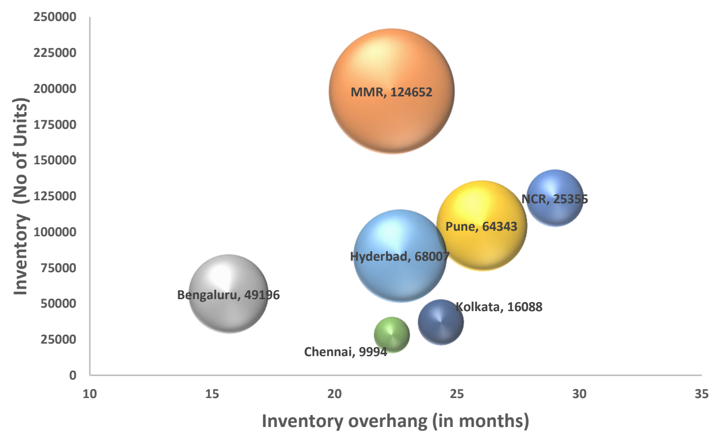
- Inventory levels have remained stable over the last two years as developers increased launches to meet higher demand.



Source: Knight Frank, Geojit Research

- ***The major portion of Indian Residential sector is still untapped by the organized segment***
- ***Change in regulation, customer preferences and developer balance sheet are driving sector consolidation***
- ***The growth of the urban population is twice as rapid as that of the total population.***
- ***With the recent sharp increase in the urbanisation, the cities are falling short in meeting the housing demand.***

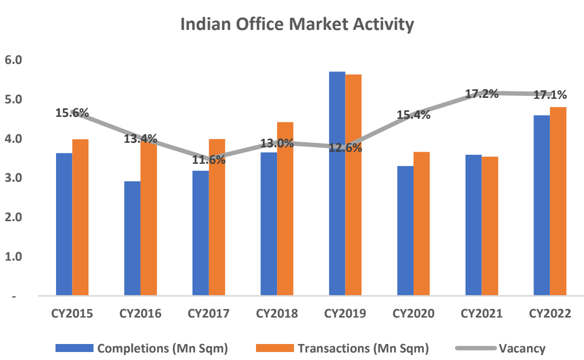
Launches, Inventory & Months of Inventory



Source: Anarock, Geojit Research

- MMR has the maximum inventories (~ 2,00,000 units) and launches (~1,25,000).
- The NCR region has the most inventory overhang(~30 months) and the second largest unsold units (~1,25,000 units).
- Bengaluru is the lowest in months to sell (~16 months).
- Inventory overhang fell by nearly 50% across cities, from 49 months in CY21 to 23 months in CY22, with the greatest improvement in the NCR, from 60 months to 30 months.

Commercial Segment *:* Office space is expected to see a surge in demand as a result of aggressive economic policies, expansion plans of companies, and the evolving new business eco system. For CY22, the Indian office market in the top eight cities had a net absorption of 4.8 million square meters, a three-year high.

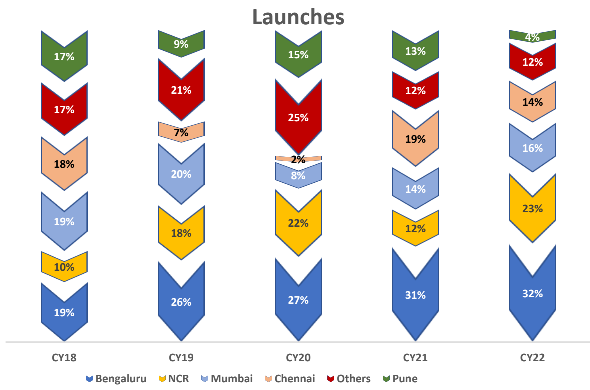


Source: Knight Frank, Geojit Research

- For CY22, completions and transactions grew by +27% and +34% YoY, respectively.
- 4QCY22 showed some downtrend in transaction volume (-23% YoY)

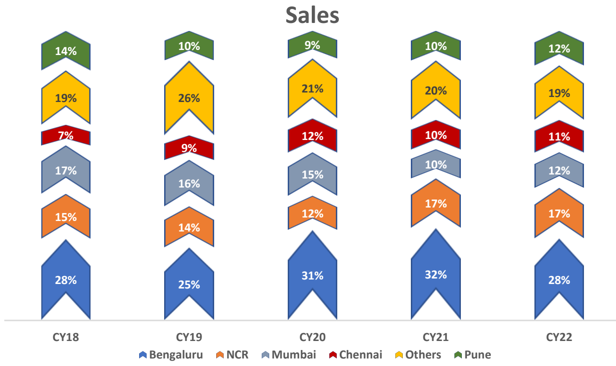
Launches and absorption have increased the most since the pandemic

The office market posted a strong 34% YoY transactions growth for the top 8 cities, totaling 51.1 msf. The share of southern cities (Bengaluru, Chennai, and Hyderabad) has remained dominant, accounting for 54% of launches and 53% of absorption.



Source: Knight Frank, Geojit Research

- In CY22, Bengaluru had the highest share of launches (32%) with 15.6 msf.
- NCR posted the maximum increase in market share followed by Mumbai.

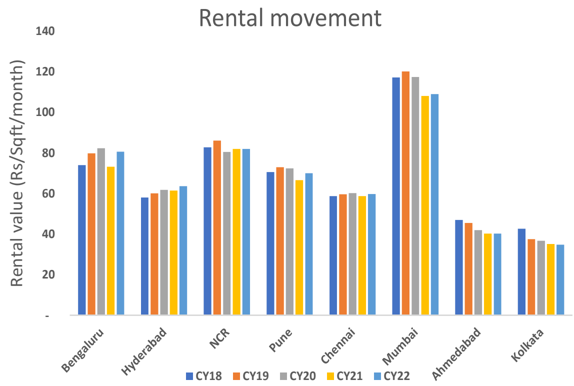


Source: Knight Frank, Geojit Research

- Bengaluru contributes the most to absorption with 28% (14.5 msf) followed by NCR (8.9 msf)
- Ahmedabad and Mumbai have the highest YoY absorption increases, at 82% & 66%, respectively.

Rental movement

In CY22, average rentals in the top eight cities remained flat at Rs. 70 sqft per month, compared to the previous year.

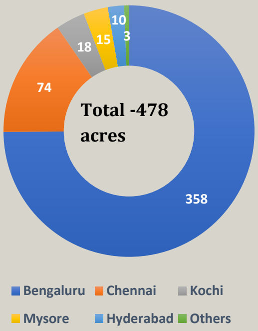


- Bengaluru is the only city that had a decent hike of ~10% in average rental prices compared to last year.
- Hyderabad and Pune had a marginal increase of 4-5%.
- Kolkata is showing a marginal reduction in rates over the past 4-5 years.

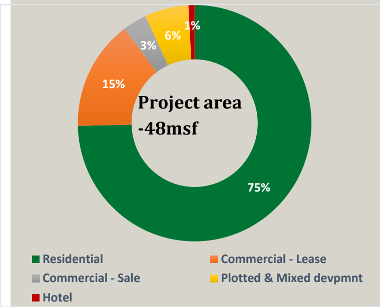
Company Overview

The Brigade Group is one of India's leading property developers with over three and a half decades of expertise. Since its inception in 1986, the company has created many landmark buildings and transformed the skylines of cities throughout South India, including Bengaluru, Mysuru, Mangaluru, Chikmagaluru, Hyderabad, Chennai, and Kochi, GIFT City, Gandhinagar, Gujurat, with developments spanning the residential (villas, penthouses, premium residences, luxury apartments, value homes, urban studios, independent living for seniors, and mixed-use lifestyle), commercial (corporate office blocks, built–to–suit facilities, technology parks and campuses and SEZs), hospitality (hotels, resorts and serviced accommodation) and retail (shopping malls) segments of the real estate industry. Brigade has built approximately 250 plus buildings since its establishment, comprising more than 76 million square feet of developed space across a varied real estate portfolio.

Brigade's Land bank as on 31-Dec-2022

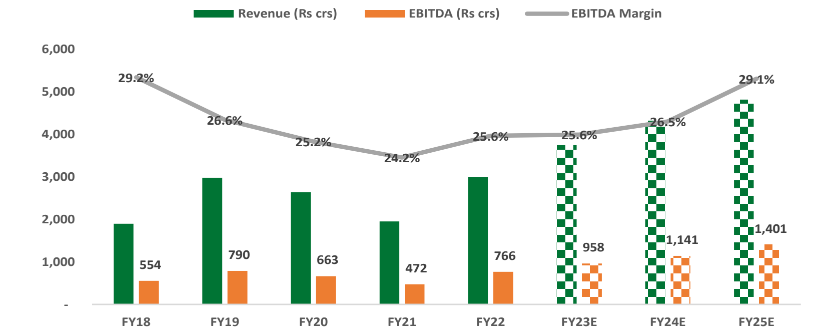


Total development potential of ~48 msf.



All metrics, healthy revenue

Real estate contributes around 70% of Brigade's consolidated revenue (residential & commercial sale) followed by lease rentals (~20%) and hospitality (~ 10%). The total income increased at 12% CAGR over the period FY18-22. We anticipate a 13% CAGR in income for FY23-25 as a result of increased sales bookings and realization, higher rental income from annuity assets, and a better average room rate from hospitality.

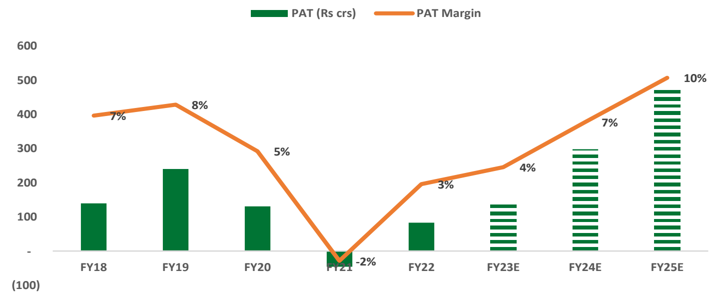


Source: Company, Geojit Research.

- Expecting 13% CAGR for FY23-25. Sales volume has increased beginning in FY19, and the revenue recognition of the same in P&L is expected to begin in FY23 as a result of Accounting Standard 115 (Ind AS115).
- EBITDA margins are expected to rise as a result of increased contributions from high-margin annuity assets and improved Average Room Rate (ARR) from hospitality.

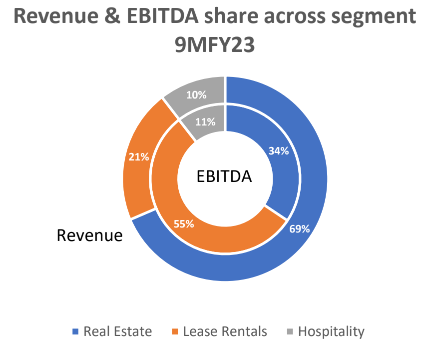
PAT to be doubled by FY25

We anticipate that PAT will increase from Rs. 222 cr in 9MFY23 to Rs. 510 cr in FY25, owing to increased sales volume and realization, increased leasing space, and higher Average Room Rent (ARR) from the hospitality portfolio.

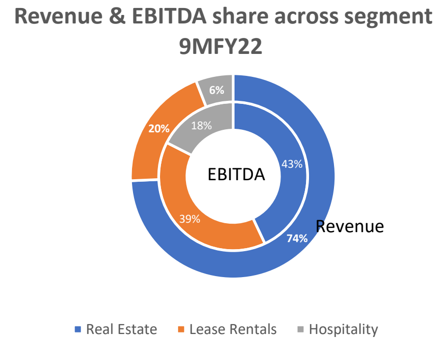


Source: Company, Geojit Research.

Improved sales mix... with higher margin segment



Source: Company, Geojit Research.



Source: Company, Geojit Research.

- Revenue contribution from hospitality improved from 6% to 10%
- With the resurgence of the economy, operating margins and Average Rate per Room (ARR) is expected to grow significantly.
- EBITDA share of Rental business increased from 39% to 55%
- The combined revenue and EBITDA share from rental and hospitality assets increased by 6% and 9%, respectively.

A strong pipeline

The real estate segment consists of residential apartments and commercial spaces for sale, which contribute around 70% of total income of Brigade. It has a pipeline of ongoing projects (17.8 msf) spread across Bengaluru, Chennai, and Mysuru, covering affordable housing, mid-sized projects, luxury apartments, and plotted developments. It has upcoming launches for around 9 msf with key projects in Bengaluru, Chennai, & Hyderabad.

Brigade Palmgrove, Mysuru
Residential community,
Area - 14 acres
No of Units - 50 villas & 48 apartments
Bedrooms –3,4

Real estate projects under development as of Dec-2022 — **Area in msf**

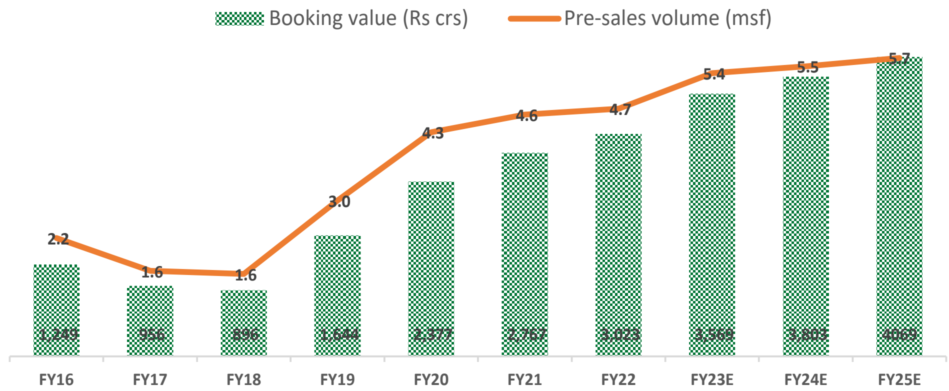
Projects	Area	Brigade Share	JV share
Real Estate projects for sale in BEL	7.19	4.62	2.57
Brigade Orchards *	1.22	0.61	0.61
Brigade Cornerstone Utopia*	5.04	3.36	1.68
Brigade Residences at WTC Chennai*	0.57	0.29	0.28
Brigade El Dorado*	3.77	3.77	0
Total	**17.79**	**12.65**	**5.14**

Source: Company, Geojit Research. * Special purpose vehicles

Brigade Komarla heights, Bengaluru
Residential community,
Bedrooms –2 &3

Pre-sales ... moderate growth for FY23-25

Over the years FY16–22, Brigade's sales bookings and volume have increased at a 16% and 13% CAGR, respectively. Average realisation increased at an annual rate of 8% during the last 3 years. We anticipate modest volume pick-up and lower realisation growth for FY23-25 on the back of a high base and rising mortgage rates. Hence forecasting a 7-8% YoY growth in sales. The company has 8msf of new launches lined up for FY23, and a luxury project at Mount Road is expected to launch by FY24.

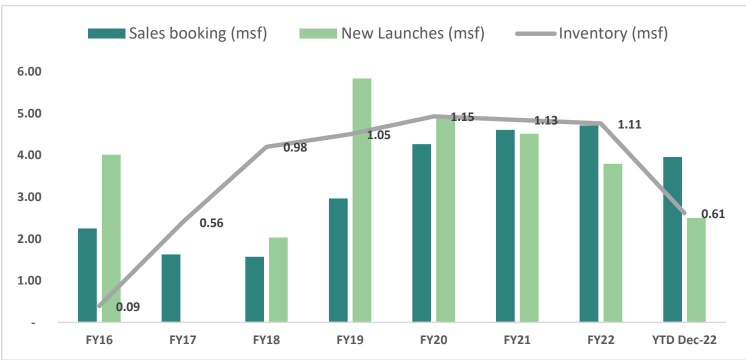


Source: Company, Geojit Research.

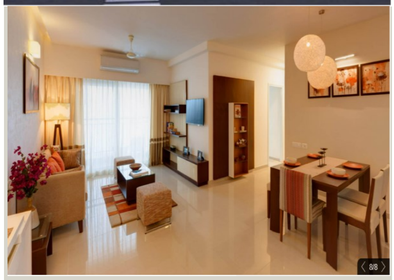
Brigade Meadows, Bengaluru
Area - 60 Acres
No of Units –412
Bedrooms - 1,2,3

- Pre-sales and volume grew at 16% & 13% CAGR , respectively, over FY16-22.
- We expect sales bookings to grow at a 7% CAGR for FY23-25 and realisations to improve at a 4% CAGR for FY23-25.

Absorption outpacing supply



Source: Company, Geojit Research.



Brigade Panorama, Bengaluru
Area - 11 Acres
No of Units –7 Towers of G+17 floors
Bedrooms - 2,3

- Launches have been outpaced by sales for the last 3 years.
- Reduction in unsold stock.

World Trade Center—Bengaluru
Leasable area - 0.62msf
Commercial—Lease

Brigade International Financial Center—GIFT City, AHmedabad
Leasable area - 0.62msf
Commercial—Lease

World Trade Center—Chennai
Leasable area - 2.01 msf
Commercial—Lease

Brigade Vantage, Chennai
Shopping center,F&B
Commercial—Lease

Positive free cash flows

Brigade sold 70% of ongoing and completed projects, and the remaining area is expected to sell within the next 12 months if the company is able to maintain its run rate for pre-sales at 5-6 msf per annum. The expected free cash flow from ongoing and completed projects is Rs. 2,000 cr. We expect a cumulative free cash flow of Rs. 3,000 cr from its on-going and upcoming projects.

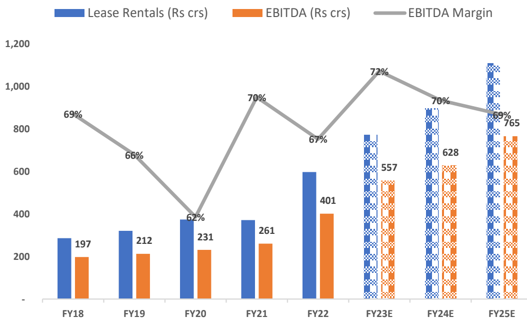
Steady rentals from annuity assets

Brigade has 8.68 msf (office + retail) of commercial assets under operation, which generate revenue by leasing units in those properties. As of December 2022, the company had leased out 7.18 million square feet and expects to lease the remaining area in the coming quarters. It will add another 1.3msf (Brigade Twin Tower) to the portfolio by FY25. We expects a 20% CAGR for lease income over FY23-25. The office spaces are in Bengaluru, Chennai, Kochi, and Ahmedabad, and the retail malls are in Bengaluru. The Brigade Tech Garden and WTC Chennai, two of its prominent buildings, have greater vacancy rates than the industry standard. But, we believe that the occupancy of the remaining space in these complexes will rise in the upcoming quarters.

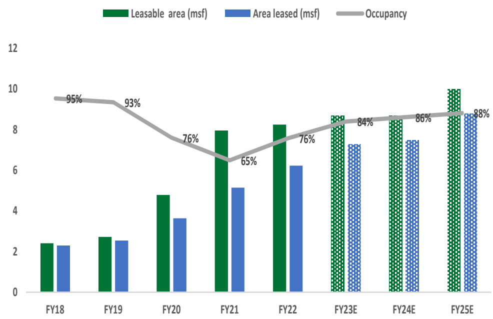
Brand World Trade Center will help in attracting tenants

Brigade is a licensed member of the World Trade Center Association (WTCA), headquartered in New York, USA. Brigade has completed WTC projects each in Bengaluru, Kochi, & Chennai. WTC provides various services to tenants, such as trade information & market research (to identify strong and growing markets), trade education services (through conferences, seminars, and workshops), and B2B meetings. With the WTC brand, tenants are assured of a certain standard of services, which makes it an attractive destination.

Rental income registered high growth with increased occupancy



Source: Company, Geojit Research.

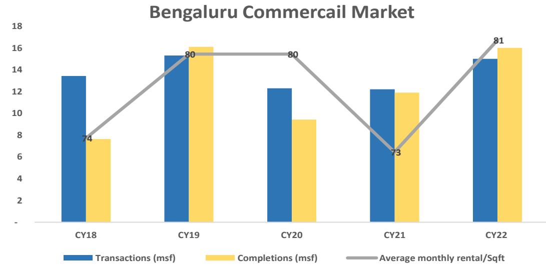


Source: Company, Geojit Research.

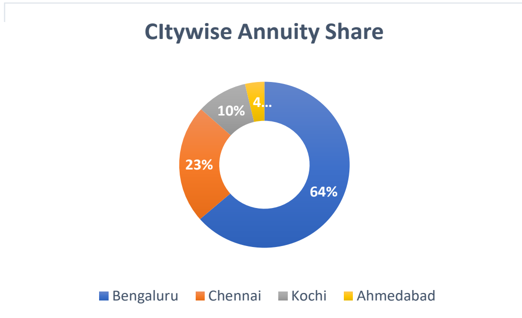
- 20% CAGR for lease rentals for FY18-22 due to the opening of Brigade Tech Garden (3msf) and WTC Chennai (2msf).
- Lease income is expected to cross Rs. 1,000 cr by FY25 owing to incremental rentals from Tech Gardens, WTC Chennai, & Brigade Twin Towers (1.3msf), which are opening in FY25.
- Starting in FY21, a steady increase in the area leased and occupancy is anticipated.

Concentrated annuity assets

Bengaluru continues to dominate Brigade's annuity assets, accounting for 64% of the area and 68% of the rental value. Average rentals in Bengaluru were down due to COVID-19. It has begun to return to pre-pandemic levels, and the demand has been exceeding supply for the past 2-3 years.



Source: Knight Frank, Geojit Research.



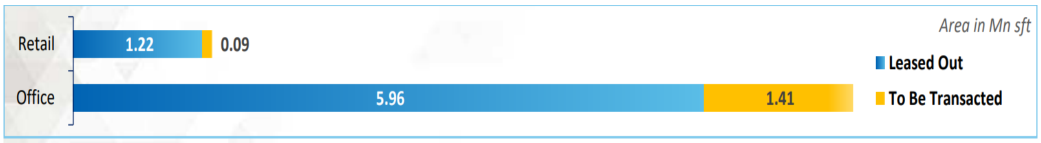
Source: Company, Geojit Research.

Brigade Tech Garden, Brookfield, Bengaluru
Commercial—Lease
Leasable area—3msf
SEZ Project

Deccan Heights, Yeshwanthpur, Bengaluru
Commercial—Sale
Development area - 0.43 msf

Regent Club, Bengaluru

Brigade lease assets status as on Dec-2022



Particulars	Leasable Area	Leased	To be transacted
Brigade Tech Gardens	3.00	2.18	0.82
WTC Chennai	2.01	1.57	0.44
WTC Bengaluru	0.62	0.62	-
Brigade Opus	0.30	0.27	0.03
Brigade Bhuwalka Icon	0.19	0.19	-
WTC Kochi	0.77	0.76	0.01
Brigade Financial Center, Gift City	0.27	0.19	0.08
Brigade Southfield	0.15	0.15	-
Orion Gateway	0.83	0.82	0.01
Orion Uptown	0.27	0.23	0.04
Orion Avenue (BEL Share)	0.15	0.11	0.04
Brigade Vantage, Chennai	0.06	0.06	-
Others	0.06	0.03	0.03
Total	**8.68**	**7.18**	**1.50**

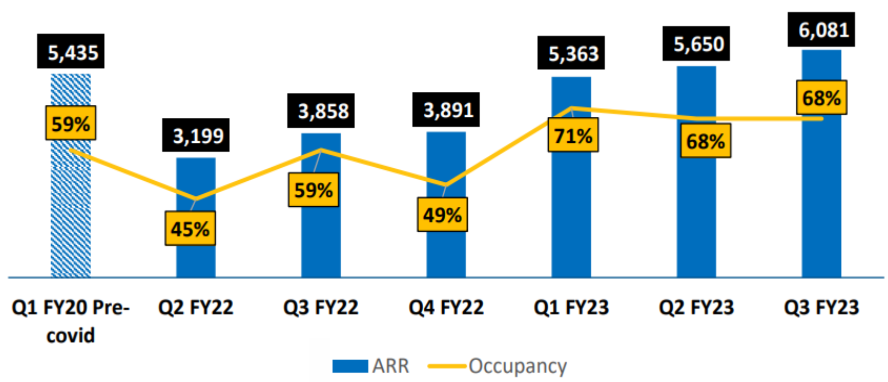
Source: Company data

- The average run rate for new leases over the last seven quarters has been 300,000 sqft.
- The majority of the vacant space is expected to be leased out in the next 3-4 quarters.

Hospitality to witness full-fledged recovery

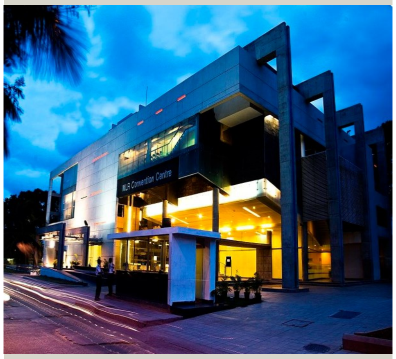
Brigade's hospitality portfolio consists ~1,400 keys spread across 10 hotels, clubs, and convention centres. The performance of the hospitality business was impacted due to the COVID-19 related lockdown in FY21 & 22. Following that, the sector shows an impressive revival, with improvements in both the top and bottom lines. There is a sharp recovery in Average Room Rent (ARR) and occupancy, aided by the increased corporate events, wedding functions, leisure travels, and group travel. Resumption of international flights and increased corporate movements also contribute to the sector's revival. Occupancy is 71% in Q1FY23 and 68% in Q2 & Q3FY23, compared to 59% in Q1FY20 (pre-covid). ARR also improved from pre-pandemic levels. Rs. 5,650 (Q2FY23) and Rs. 5,435 (Q1FY20).

Showing consistent improvement in performance



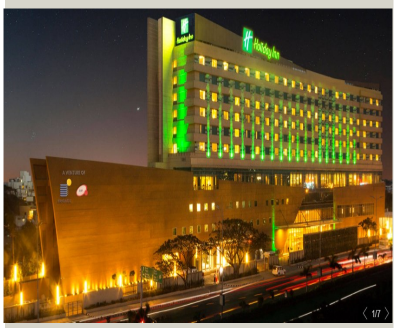
Source: Company data

- ARR has improved consistently since the rebound.
- Room rates have surpassed pre-Covid levels.
- 9MFY23 revenue more than doubled YoY to Rs. 282 cr, representing a 10% increase over the pre-covid period.
- We anticipate a 10% and 7% increase in ARR in fiscal years 24 and 25, respectively, and occupancies of 72% and 75%.



MLR Convention Centre, Bengaluru

Sheraton Grand, Brigade Gateway Bengaluru
Rooms –230



Holiday Inn, Chennai
Rooms - 202

Holiday Inn, Racecourse, Bengaluru
Rooms - 272

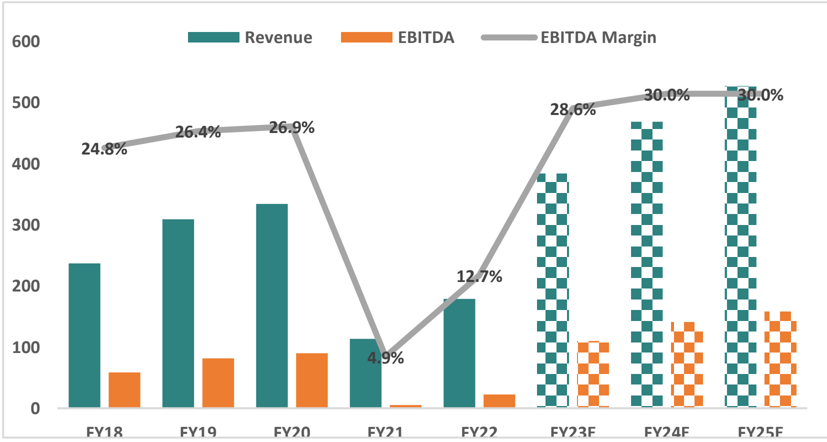
Brigade Hotel Assets

Hotel & Location	City	No. of Keys
Sheraton Grand, Brigade Gateway	Bengaluru	230
Grand mercure, Mysuru	Mysore	146
Grand mercure, Koramangala	Bengaluru	126
Holiday Inn, Chennai	Chennai	202
Holiday Inn, Bengaluru Race course	Bengaluru	272
Four Points by Sheraton, Infopark	Kochi	218
Grand mercure, GIFT city	Ahmedabad	151
Holiday Inn Express OMR	Bengaluru	129
Total		**1,474**

- IBIS Style, Mysore, with 158 keys, is under construction.
- Novotel Suites (part of Brigade Tech Garden), 112 keys, is under planning.
- Bengaluru has 4 hotels, which account for 47% of the total available rooms.
- The majority of the hotels are in prime locations, which will aid the company in achieving high occupancy and ARR.

Income to touch Rs. 500 cr by FY25

We expect hospitality revenue to reach Rs. 500 cr, up from Rs. 334 crs in FY20 (pre-covid), aided by higher Average Room Rent (ARR) and occupancy levels. EBITDA for the same period is expected to grow at a 36% CAGR to Rs. 158 cr from Rs.90 cr in FY20, aided by improved margin, a higher ARR, and revenue per available room (RevPAR).



Source: Company, Geojit Research.

- A revenue CAGR of 17% is expected over FY23-25.
- EBITDA to grow at a 18% CAGR for the next 2 years.

Key risks

- Slowdown of overall economy (Real estate is highly correlated with overall economic activities).
- Higher input costs may impact real estate margins.
- Delay in project cashflows will increase interest costs.
- Brigade's business is geographically concentrated in Bengaluru market.
- A delay in fund raising of capex and the monetization of lease assets will impact leverage.
- The central bank has already increased policy rates by 225 bps in the last 8 months; a further increase may have a negative impact on customer sentiment as their EMI burden will rise.

Valuation

We have estimated residential and commercial sales bookings of Rs. 3,568 cr in FY23, Rs. 3,803 cr in FY24 and Rs. 4,070 cr. in FY25, driven by the ongoing projects of 14 msf and the launch pipeline of 9 msf. The realization is expected to increase by 3% for FY23, 4% for FY24 and FY25. The launch of luxury projects such as Mount Road is expected to drive better realization.

We expect the rental income to clock a CAGR of 20% for FY23-25, to Rs. 1,108 cr, mainly led by the leasing of vacant space in Brigade Tech Garden and WTC Chennai. The current lease asset is 8.68 msf with an occupancy of 83%. Brigade Twin Tower will begin operation in fiscal year 25 and will bring the total lease assets to ~10 msf. We have considered a cap rate of 10.25% for lease assets.

The hospitality segment shows an overall improvement since the rebound. The ARR (Q3FY23:Rs. 6,081) is higher than the pre-covid levels (Q1FY20:Rs. 5,435), and the occupancy of 68% and EBITDA margin of 31% are higher by 900 bps and 430bps, respectively, in Q3FY23. We value hospitality portfolio at 18xFY25E EV/EBITDA.

The company has a comfortable debt/equity position for Brigade share and a sufficient liquidity balance. The real estate debt reduced to Rs. 77 crs from Rs.293 cr in Q3FY22. 70% of commercial debt is backed by rentals. The receipts from the sold units are expected to exceed the construction cost, reducing the need for external borrowing.

Segment	Value (Rs cr)	NAV per share
Real estate development	2,956	131
Rental assets (cap rate - 10.25%)	7,462	331
Hospitality portfolio (18 x FY24E EV/EBITDA)	2,751	122
Land bank net of outstanding land payments	771	34
Total Gross Asset Value	13,939	618
Less : FY25 Net Debt (BRGD's share)	1,839	82
FY25E NAV	**12,100**	**537**

Q3 Performance

Brigade reported pre-sales booking of Rs. 1,010 cr for Q3FY23, up by 48% YoY. The sales volume also increased by 40% YoY/29% QoQ, to 1.53 msf. The average realization has dropped sequentially by 1.2% to Rs. 6,599 on account of plotted development pre-sales, The realization is expected to be impacted for the next few quarters. Cash collection improved by 11.2% YoY to Rs. 936 cr. The company launched 0.5msf of new projects in this quarter, bringing the total launches in FY23 to 2.5msf. Brigade expects to launch another 2.5msf in Q4FY23.The revenue recorded in the P&L is Rs. 558.5 cr, down 20.6% YoY.

The rental income increased 19% YoY to Rs. 200 cr, owing primarily to increased lease assets. The total area under lease is 7.18msf. The annual exit rental for assets under existing lease will be Rs. 800 crores when occupied to capacity. The company has 1.5 msf of pipeline to lease, which will help to boost lease revenue further. EBITDA margin for the quarter was 69.4%, 1170bps up from Q3FY22, but down 280bps sequentially.

Hospitality segment reported revenue of Rs. 101 cr, up 61% YoY/10% QoQ. ARR increased by 7.6% QoQ and occupancy remained flat at 68%. EBITDA of Rs. 21.1 cr, an increase of 18% from Rs. 18 cr. in Q3FY22. EBITDA margin is down 1030 bps QoQ to 21% because of one-time expenses. Occupancy and ARR are expected to improve further on the back of more business travel and events.

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	**1,950**	**2,999**	**3,738**	**4,313**	**4,779**
% change	*-25.9*	*53.8*	*24.7*	*15.4*	*10.8*
EBITDA	**472**	**766**	**1006**	**1175**	**1385**
% change	*-28.8*	*62.4*	*31.3*	*16.8*	*17.9*
Depreciation	237	351	322	342	358
EBIT	222	429	801	916	1,113
Interest	347	444	463	449	433
Other Income	60	67	89	84	86
PBT	**-125**	**-15**	**338**	**467**	**680**
% change	*-177.5*	*-88.0*	*-2350.3*	*38.0*	*45.7*
Tax	-29	50	85	117	170
Tax Rate (%)	22.9	-330.6	25.0	25.0	25.0
Reported PAT	**-96**	**-65**	**254**	**350**	**510**
Adj.*	-50	-148	0	0	0
Adj. PAT	**-46**	**83**	**254**	**350**	**510**
% change	-135.5	-278.7	206.7	38.0	45.7
No. of shares (cr)	20.68	22.55	22.55	22.55	22.55
Adj EPS (Rs)	-2.2	3.7	11.3	15.5	22.6
% change	-135.0	-263.9	206.7	38.0	45.7
DPS (Rs)	1.0	1.2	2.8	3.9	5.7

BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23E	FY24E	FY25E
Cash	559	945	1115	866	652
Account Receivable	527	504	666	709	786
Inventories	5,902	6,223	6,964	7,917	8,510
Other Cur. Assets	422	849	968	1036	1110
Investments	483	631	632	690	755
Gross Fixed Assets	5,886	6,119	6419	6944	7019
Net Fixed Assets	4,997	4,885	4869	5054	4774
CWIP	495	541	635	603	664
Intangible Assets	23	20	34	32	29
Other Assets	412	560	556	591	607
Total Assets	**13,820**	**15,158**	**16,439**	**17,499**	**17,885**
Current Liabilities	6,136	7,131	8,392	9,283	9,691
Provisions	9	8	10	10	11
Debt Funds	4,933	4,833	4,616	4,489	4,034
Other Liabilities	279	308	354	386	436
Equity Capital	211	230	230	230	230
Reserves & Surplus	2,252	2,647	2838	3100	3483
Shareholder's Fund	2,463	2,878	3,068	3,331	3,713
Total Liabilities	**13,820**	**15,158**	**16,439**	**17,499**	**17,885**
BVPS	**119**	**128**	136	148	165

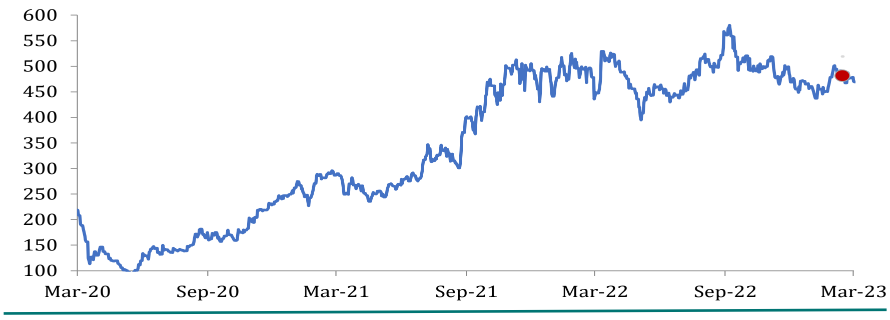
CASH FLOW

Y.E March	FY21A	FY22A	FY23E	FY24E	FY25E
Net inc. + Depn.	191	433	575	693	868
Non-cash adj.	363	396	463	449	433
Changes in W.C	381	404	239	-173	-334
C.F. Operation	**803**	**1,032**	**1277**	**969**	**967**
Capital exp.	-467	-208	-414	-493	-135
Change in inv.	-290	-784	3	-93	-80
Other invest.CF	9	21	0	0	0
C.F - Investment	**-748**	**-971**	**-411**	**-587**	**-216**
Issue of equity	88	503	0	0	0
Issue/repay debt	303	-83	-567	-95	-358
Dividends paid	0	-28	-63	-88	-128
Other finance.CF	-362	-359	-66	-448	-480
C.F - Finance	**30**	**33**	**-696**	**-631**	**-965**
Chg. in cash	84	94	170	-249	-214
Closing cash	280	374	544	296	82

RATIOS

Y.E March	FY21A	FY22A	FY23E	FY24E	FY25E
Profitab & Return					
EBITDA margin (%)	24.2	25.6	26.9	27.2	29.0
EBIT margin (%)	11.4	14.3	21.4	21.2	23.3
Net profit mgn.(%)	-2.38	2.76	6.79	8.12	10.68
ROE (%)	-1.9	3.1	8.5	10.9	14.5
ROCE (%)	4.0	13.1	13.0	14.8	17.9
W.C & Liquidity					
Receivables (days)	90	63	57	58	57
Inventory (days)	1926	1397	1215	1195	1242
Payables (days)	187	141	127	120	117
Current ratio (x)	1.0	1.1	1.1	1.0	1.1
Quick ratio (x)	0.2	0.3	0.3	0.3	0.2
Turnover &Leverage					
Gross asset T.O (x)	0.4	0.5	0.6	0.6	0.7
Total asset T.O (x)	0.1	0.2	0.2	0.3	0.3
Int. covge. ratio (x)	0.6	1.0	1.7	2.0	2.6
Adj. debt/equity (x)	1.6	1.1	1.1	1.1	0.9
Valuation					
EV/Sales (x)	6.8	4.6	3.6	3.1	2.8
EV/EBITDA (x)	28.3	17.8	13.2	11.4	9.5
P/E (x)	-193.8	118.2	38.6	27.9	19.2
P/BV (x)	3.6	3.4	3.2	2.9	2.6

PRICE HISTORY



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
28-03-2023	Accumulate	537

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	**Upside is above 10%**	**Upside is above 15%**	**Upside is above 20%**
Accumulate	**-**	**Upside is between 10%-15%**	**Upside is between 10%-20%**
Hold	**Upside is between 0% - 10%**	**Upside is between 0%-10%**	**Upside is between 0%-10%**
Reduce/sell	**Downside is more than 0%**	**Downside is more than 0%**	**Downside is more than 0%**
Not rated/Neutral			

Definition:
Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.
Accumulate: Partial buying or to accumulate as CMP dips in the future.
Hold: Hold the stock with the expected target mentioned in the note.
Reduce: Reduce your exposure to the stock due to limited upside.
Sell: Exit from the stock.
Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.
The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.
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