

Brigade Enterprises

Estimate change



TP change



Rating change



Bloomberg	BRGD IN
Equity Shares (m)	230
M.Cap.(INRb)/(USDb)	124 / 1.5
52-Week Range (INR)	585 / 426
1, 6, 12 Rel. Per (%)	6/13/6
12M Avg Val (INR M)	107

Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Sales	34.4	41.6	47.0
EBITDA	8.6	12.5	14.9
EBITDA (%)	24.9	30.2	31.7
PAT	2.5	5.4	6.7
EPS (INR)	12.1	26.4	33.0
EPS Gr. (%)	42.2	117.7	25.3
BV/Sh. (INR)	158.8	184.1	217.1

Ratios

Net D/E	0.9	0.8	0.6
RoE (%)	8.0	15.4	16.6
RoCE (%)	6.8	9.8	11.2
Payout (%)	21.6	7.6	6.1

Valuations

P/E (x)	44	20	16
P/BV (x)	3.4	2.9	2.5
EV/EBITDA (x)	16.3	11.1	9.1
Div Yield (%)	0.6	0.4	0.4

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	43.8	43.8	43.9
DII	24.6	24.6	23.9
FII	14.3	14.2	13.6
Others	17.3	17.4	18.6

CMP: INR538

TP: INR720 (+34%)

Buy

Scale up in launches to drive residential growth

Ends the year on a high, with record quarterly bookings

- Brigade Enterprise (BEL) achieved its highest-ever quarter of bookings with pre-sales of INR14.9b, up 47%/45% YoY/QoQ and was 26% above our estimate. For FY23, pre-sales jumped 36% YoY to INR41b, which was higher than its guidance of 20-25% growth.
- In volume terms, bookings increased 53% YoY to 2.4msf, but blended realizations were down 5% on both a YoY/QoQ basis, due to increased contribution from plotted development projects. Excluding plotted development, realizations increased 7% YoY to INR6,806/sqft in FY23.
- Growth in sales was driven by 3msf of launches during the quarter. In FY23, the company launched 5.5msf of projects and is planning to launch 7.5msf of residential projects in FY24. As a result of increased scale of launches, we expect the company to report a healthy growth in FY24 with bookings projected to reach INR49b, up 19% YoY.
- Collections were also at their highest at INR14.6b, up 10% YoY/QoQ, which led to record OCF of INR4.4b. The company repaid INR0.8b of debt, but the payout of INR4.8b of land dues from its existing cash balance led to an increase in net debt by INR1.8b to INR14.7b at BEL share.
- Revenues declined 11% YoY to INR 8.4b (11% below estimate) due to lower-than-expected recognition in the residential segment. However, EBITDA was flat at INR2b, clocking an EBITDA margin of 24%, up 300bp YoY. Adjusted PAT stood at INR0.5b, down 18% YoY and 44% below estimate.

Continued progress on leasing; strong momentum intact in Hospitality

- Occupancy for the commercial portfolio increased by 200bp QoQ as the company leased out 0.21msf of vacant space across assets. Leasing revenue was down 6% QoQ to INR1.9b. EBITDA stood at INR1.3b at a margin of 67%.
- The hospitality segment continued its strong momentum with stable occupancy of 68%, while ARR increased by 16% QoQ to ~INR7,000. Revenue increased by 11% YoY to INR1.1b, while EBITDA stood at INR0.4b, registering a margin of 35%.

Highlights from the management commentary

- **Residential launches:** Citing strong sales momentum, the company is planning to launch 7.5msf of residential projects in FY24 with a revenue potential of INR60b. Bulk of these launches are expected in 2H and the launch at TVS land, Chennai will contribute 25% of the launch value. While the company abstained from giving annual pre-sales guidance, it aims to register a CAGR of 20% over the next five years and is building the organizational capability on similar lines. **Commercial leasing:** With tenants increasingly rationalizing the number of desks per employee, there has been a decrease in demand for large office spaces. That said, the management plans to lease out the vacant space within the next two-three quarters. The company is actively promoting the advantages of space in SEZ to tenants and is working closely with them to facilitate the necessary formalities.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- With better-than-expected pre-sales performance and a healthy launch pipeline for 4QFY23, we raise our FY24E/FY25E pre-sales by 17%/16% to INR49b/INR57b.
- As the company scales up its launch pipeline to 7.5msf in FY24 from 5.5msf in FY23, it will continue to deliver healthy growth on pre-sales. The company added INR50b of new land in FY24 and we expect the traction on land acquisition to continue. At INR44b of implied value for its residential segment, we believe not much growth in BD is built into the valuation.
- **We reiterate our BUY rating on the stock with an unchanged TP of INR720, implying an upside potential of 34%.**

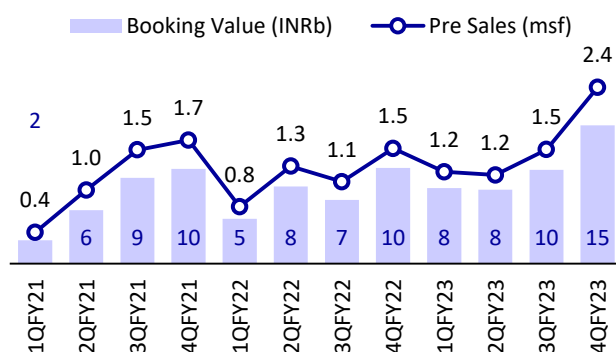
Quarterly Performance

Y/E March	FY22				FY23				FY22	FY23	FY23 4Q	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Gross Sales	3,828	7,527	9,210	9,423	9,025	8,792	8,203	8,428	29,988	34,448	9,494	-11%
YoY Change (%)	88.3	142.2	42.9	19.1	135.8	16.8	-10.9	-10.6	53.8	14.9	0.8	
Total Expenditure	2,715	5,603	6,635	7,371	6,698	6,628	6,124	6,406	22,324	25,856	6,937	
EBITDA	1,113	1,924	2,575	2,052	2,327	2,165	2,079	2,022	7,663	8,592	2,557	-21%
Margins (%)	29.1	25.6	28.0	21.8	25.8	24.6	25.3	24.0	25.6	24.9	26.9	-294bps
Depreciation	845	881	871	908	751	780	781	834	3,505	3,146	818	
Interest	1,132	1,128	1,082	1,094	1,061	1,096	1,184	1,000	4,436	4,342	1,008	
Other Income	87	234	122	224	178	330	383	295	667	1,186	295	
PBT before EO expense	-777	149	744	274	693	618	497	483	389	2,291	1,026	
Extra-Ord expense	209	158	0	200	-97	-183	0	-170	567	-450	0	
PBT	-986	-9	744	74	790	801	497	653	-177	2,741	1,026	
Tax	-117	135	287	192	184	283	70	21	497	558	250	
Rate (%)	11.9	-1,504.4	38.6	257.7	23.3	35.4	14.1	3.1	-280.4	20.4	24.4	
MI & Profit/Loss of Asso. Cos.	-468	-265	-312	-442	-271	-258	-142	-62	-1,487	-733	-171	
Reported PAT	-401	120	768	325	877	776	569	694	812	2,916	947	
Adj PAT	-216	376	768	647	802	658	569	530	1,575	2,559	947	-44%
YoY Change (%)	-58.9	-320.2	372.6	-2.1	-470.8	74.8	-25.9	-18.2	883.2	62.4	49.5	
Margins (%)	-5.7	5.0	8.3	6.9	8.9	7.5	6.9	6.3	5.3	7.4	10.2	
Operational Performance												
Pre Sales (msf)	0.8	1.3	1.1	1.5	1.2	1.2	1.5	2.4	4.7	6.3	1.9	22%
Booking Value (INRb)	5	8	7	10	8.1	7.9	10.1	14.9	30	41	12	26%
Avg rate/sf (INR)	6,275	6,336	6,218	6,640	6,680	6,680	6,586	6,286	6409	6492	6068	4%

E: MOFSL Estimates

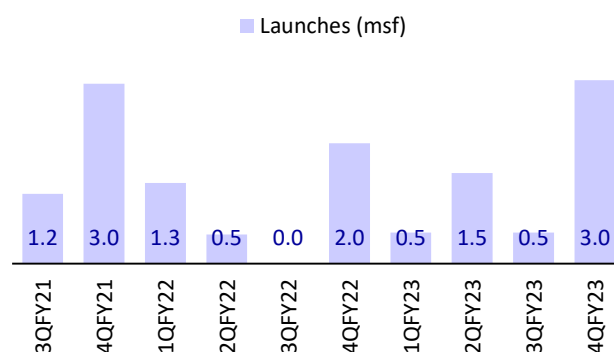
Key exhibits

Exhibit 1: New bookings increased 45% YoY...



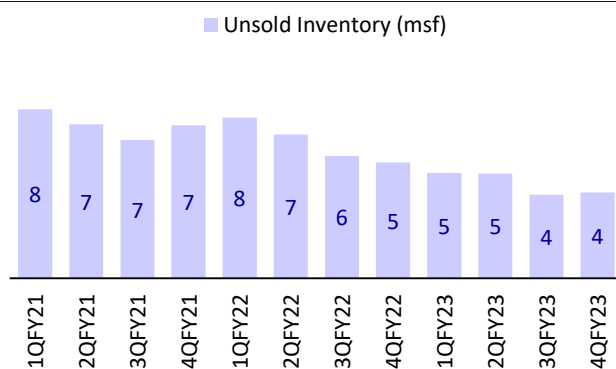
Source: Company, MOFSL

Exhibit 2: ...on the back of a significant jump in new launches



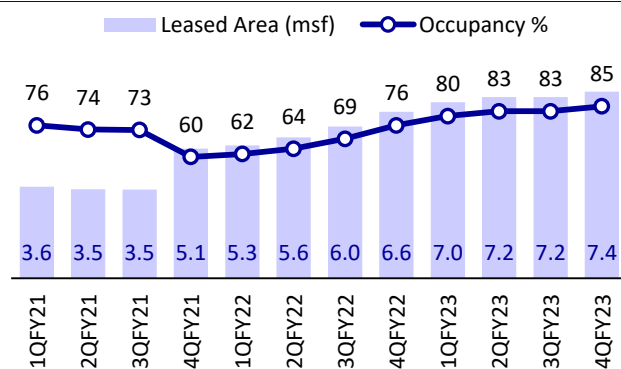
Source: Company, MOFSL

Exhibit 3: Company witnessed consistent drop in unsold inventory



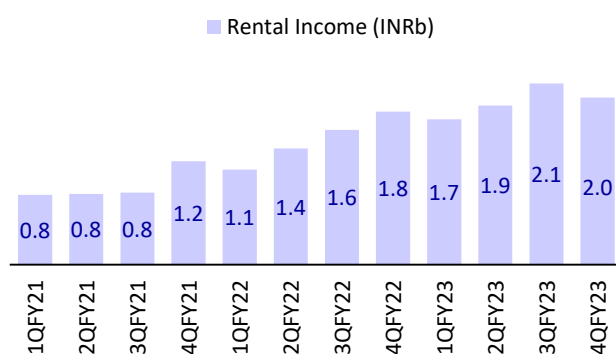
Source: MOFSL, Company

Exhibit 4: BEL is targeting to reach 100% occupancy in office portfolio by 1HFY24



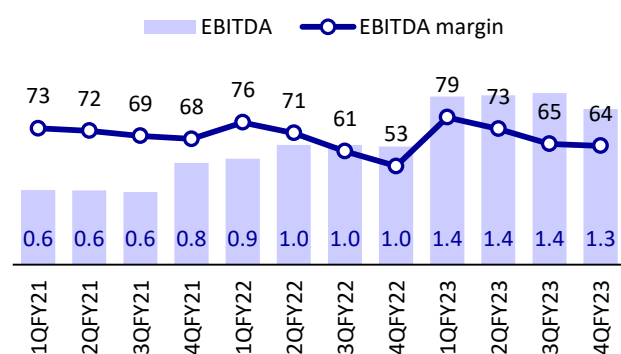
Source: MOFSL, Company

Exhibit 5: Rental income remained steady at INR2b

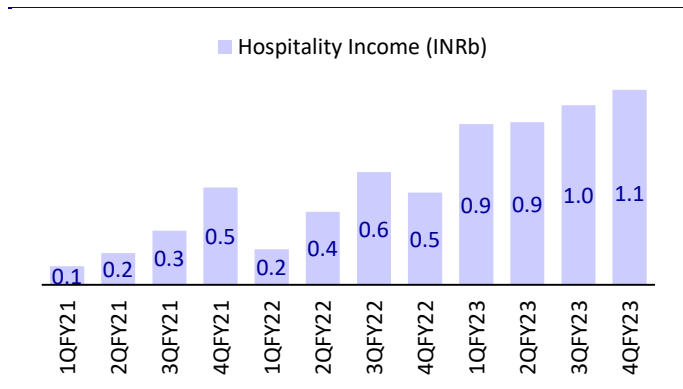


Source: Company, MOFSL

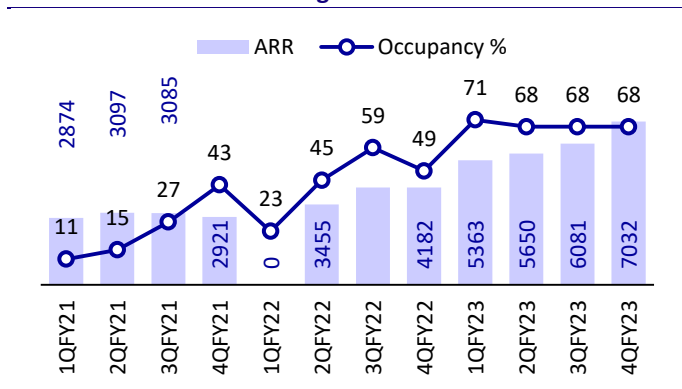
Exhibit 6: EBITDA came in at INR1.3b with 64% margin



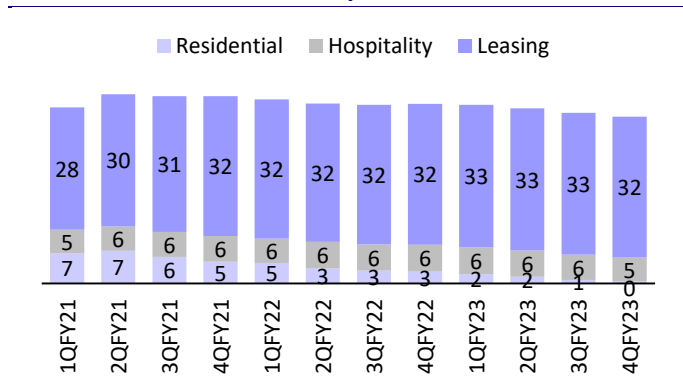
Source: Company, MOFSL

Exhibit 7: Hotel portfolio benefiting from sustained momentum...

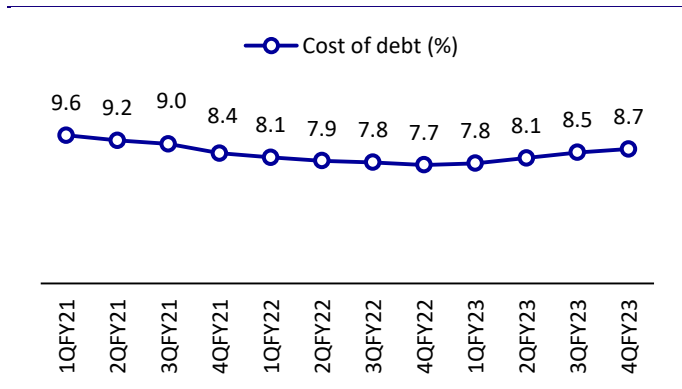
Source: MOFSL, Company

Exhibit 8: ...with consistent growth in ARR

Source: MOFSL, Company

Exhibit 9: Residential segment is now debt free, while debt on office assets remains steady

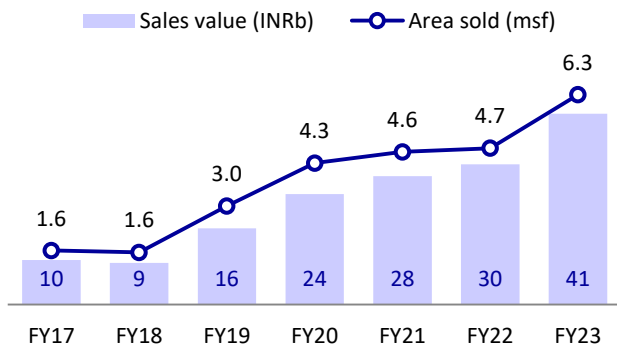
Source: MOFSL, Company

Exhibit 10: Cost of debt stood at 8.7%

Source: MOFSL, Company

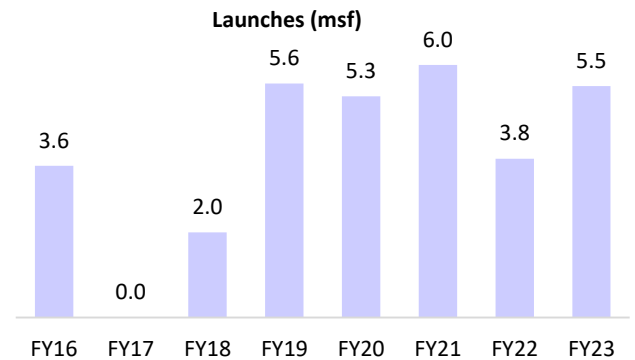
Story in charts

Exhibit 11: BRGD scales up its Residential business and clocks the highest ever sales of 6.3msf in FY23



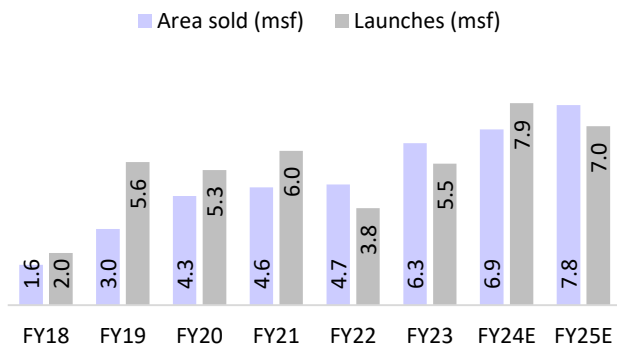
Source: Company, MOFSL

Exhibit 12: Pre-sales rose at 32% CAGR over FY18-23, led by an acceleration in launches



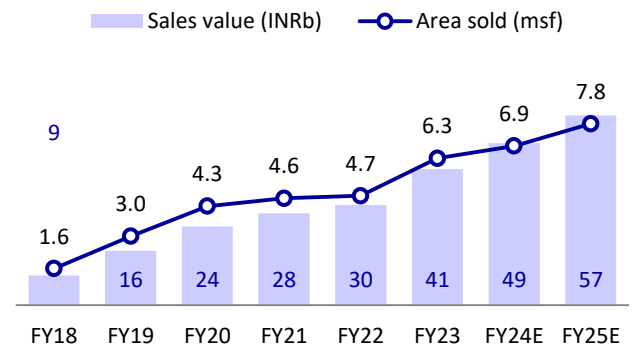
Source: Company, MOFSL

Exhibit 13: Expect volume CAGR of 11% over FY23-25



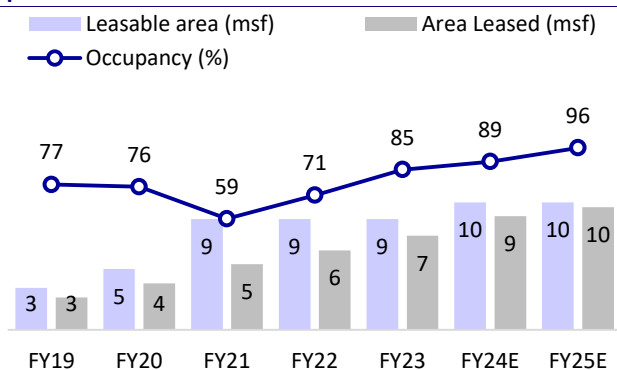
Source: MOFSL, Company

Exhibit 14: Expect bookings to touch INR57b by FY25



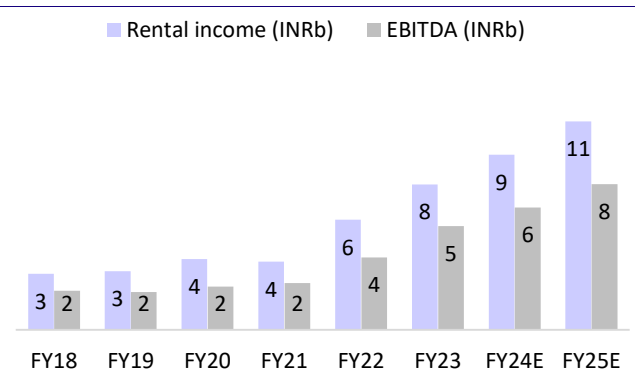
Source: MOFSL, Company

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

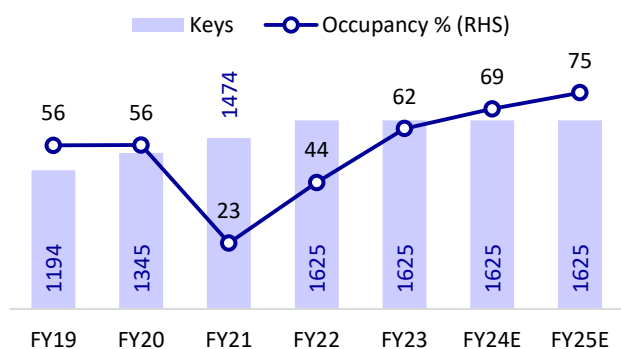


Source: Company, MOFSL

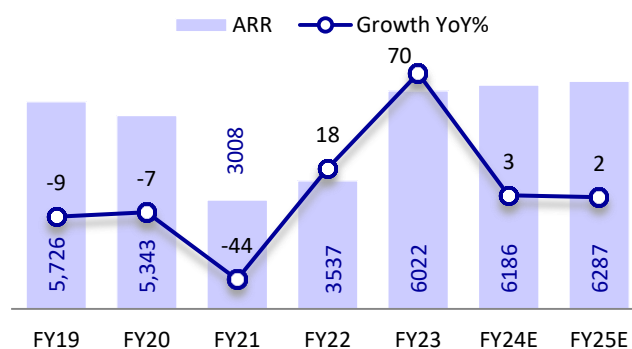
Exhibit 16: ...and Rental income to register 20% CAGR over FY23-25



Source: Company, MOFSL

Exhibit 17: The Hospitality portfolio witnesses a sharp rise in occupancy over the last two years

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	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	42	47	42	47	0%	1%
EBITDA	13	15	13	15	0%	-2%
Adj. PAT	5	7	5	7	8%	3%
Pre-sales	42	49	49	57	17%	16%
Collections	40	47	43	52	7%	9%

Source: MOFSL, Company



Other key con-call Takeaways

Residential:

- 1msf of plotted development projects launched during the year were fully sold out. New launches contributed 60% of sales in 4QFY23 and 40% for FY23.
- **Market mix** – Bengaluru contributed 82% to FY23 pre-sales, Chennai contribution was at 10%, Mysore plotted project contributed 4%, the remaining was from Hyderabad.
- **Launch mix** – Most of the projects were launched in East and North Bangalore markets. The company has also launched two projects in South Bengaluru, which also did well
- **Business development** - BEL added 8.7msf of new land during the year with a total revenue potential of INR50b. The company continues to be aggressive on pursuing land opportunities in its core markets.

Commercial

- Concerns of recession in Europe and the US have led to delay in decision making.
- Physical occupancy has increased and is in the range of 45-65% across the office parks.
- The company's non-SEZ assets are fully leased out and vacant spaces remain in all three SEZs, i.e., Brigade Tech Garden, WTC Chennai, and GIFT City.
- The company is working actively with existing and new tenants to convert their demand from non-SEZ to SEZ space.
- **Asset under development – Twin towers** will be delivered on Mar'24 and the company is witnessing good traction through RFPs. It will attract rentals of over INR75/sf. **Brigade Padmini Tech Park** is a 1.2msf development, of which, the first phase of 0.28msf will be delivered on Sep'23. Two more towers of 0.73msf

and 0.35msf are currently under excavation. The management expects rentals of INR65-70/sf. Brigade Square, Trivandrum will take two years to complete and rentals are expected to be INR55/sqft.

Retail

- The portfolio reported a 106% YoY increase in footfalls and the average rentals for large malls have increased by 13% YoY.

Hospitality

- Expect the hospitality segment to do well due to mega events such as G20 summit and World Cup, which will ensure that occupancy in the top cities remain healthy.
- All hotels except GIFT City and Kochi are doing well, and hence, expect some bit of efficiency to kick in further.

Cash flows

- Collections breakup - Residential - INR9830m, Commercial sale - 380m, Commercial lease – 1610m, Retail – 530m, Hotel- 1450m, PMS – 740m

Valuation and view

- **We value BRGD based on our DCF approach:**
 - Its Residential business is valued using the DCF method, considering expected cash flows over the next four years, a WACC of 11.3%, and a terminal value using a perpetual growth rate of 3%;
 - Its operational Commercial assets are valued at an 8.5% cap rate on a FY23 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 at a NAV of INR166b, or INR720 per share, indicating a potential upside of 34%.

Exhibit 20: Our SoTP-based approach denotes 34% upside potential for BEL; reiterate 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	88	382	53%
Commercial	❖ Based on the cap rate of 8.5% for Office and Retail assets on FY24E EBITDA	66	285	40%
Hotel	❖ FY23E EV/EBITDA of 15x	26	113	16%
Gross asset value		180	780	108%
Net debt (BRGD's share)		(14)	(61)	-8%
Net asset value		166	720	100%
No. of shares		230.3		
Target price		720		
CMP		538		
Upside		34%		

Source: MOFSL

Financials and Valuation

Consolidated Profit & Loss

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total Income from Operations	29,728	26,322	19,500	29,988	34,446	41,569	46,957
Change (%)	56.7	-11.5	-25.9	53.8	14.9	20.7	13.0
Total Expenditure	21,831	19,689	14,780	22,325	25,856	29,020	32,084
% of Sales	73.4	74.8	75.8	74.4	75.1	69.8	68.3
EBITDA	7,897	6,632	4,719	7,663	8,590	12,548	14,873
Margin (%)	26.6	25.2	24.2	25.6	24.9	30.2	31.7
Depreciation	1,400	1,920	2,369	3,505	3,146	3,370	3,861
EBIT	6,497	4,712	2,350	4,158	5,444	9,178	11,012
Int. and Finance Charges	2,785	3,403	3,468	4,436	4,342	3,981	3,756
Other Income	563	494	604	667	1,186	1,222	1,283
PBT bef. EO Exp.	4,274	1,803	-514	389	2,289	6,418	8,538
EO Items	0	-205	-763	-567	450	0	0
PBT after EO Exp.	4,274	1,598	-1,277	-177	2,739	6,418	8,538
Total Tax	1,455	474	-287	497	558	1,615	2,149
Tax Rate (%)	34.0	29.6	22.5	-280.3	20.4	25.2	25.2
Minority Interest	420	-150	-475	-1,448	-651	-583	-361
Reported PAT	2,399	1,274	-515	774	2,832	5,386	6,750
Adjusted PAT	2,399	1,418	77	1,739	2,474	5,386	6,750
Change (%)	72.3	-40.9	-94.6	2,165.4	42.2	117.7	25.3
Margin (%)	8.1	5.4	0.4	5.8	7.2	13.0	14.4

Consolidated Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	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	30,143	35,120	41,461
Net Worth	21,694	22,811	23,477	29,099	32,445	37,422	43,763
Minority Interest	1,884	1,659	1,156	-323	-1,013	-1,596	-1,957
Total Loans	36,440	44,218	43,897	48,327	45,488	42,988	40,488
Deferred Tax Liabilities	0	0	-2,155	-2,642	-3,317	-3,317	-3,317
Capital Employed	60,018	68,688	66,374	74,461	73,604	75,497	78,978
Gross Block	27,742	36,874	59,464	61,822	62,567	72,253	82,183
Less: Accum. Deprn.	5,019	6,939	9,308	12,814	15,960	19,330	23,191
Net Fixed Assets	22,724	29,935	50,156	49,008	46,608	52,923	58,992
Goodwill on Consolidation	43	43	43	43	203	203	203
Capital WIP	20,097	20,975	4,949	5,407	7,405	2,137	-5,863
Total Investments	977	721	890	5,086	617	617	617
Curr. Assets, Loans&Adv.	64,158	70,935	79,942	88,825	1,05,500	1,11,220	1,21,212
Inventory	48,161	52,094	59,020	62,228	73,273	74,026	79,762
Account Receivables	4,208	4,306	5,272	5,042	4,616	6,833	7,719
Cash and Bank Balance	2,222	3,049	5,594	9,448	14,781	13,577	14,772
Loans and Advances	9,567	11,486	10,056	12,108	12,830	16,784	18,959
Curr. Liability & Prov.	47,980	53,921	69,606	73,908	86,729	91,603	96,184
Account Payables	6,081	5,005	5,770	6,491	7,347	10,336	11,427
Other Current Liabilities	41,803	48,811	63,747	67,333	79,278	81,059	84,522
Provisions	97	105	89	83	105	208	235
Net Current Assets	16,178	17,014	10,336	14,917	18,770	19,617	25,028
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	60,018	68,688	66,374	74,462	73,603	75,497	78,977

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	11.7	6.9	0.4	8.5	12.1	26.4	33.0
Cash EPS	18.6	16.3	12.0	25.7	27.5	42.8	51.9
BV/Share	106.1	111.6	114.9	142.4	158.8	183.1	214.1
DPS	1.3	1.0	0.0	1.0	1.0	2.0	2.0
Payout (%)	13.7	19.3	0.0	26.4	7.2	7.6	6.1
Valuation (x)							
P/E	44.2	74.8	1,381.5	61.0	44.6	20.3	16.2
Cash P/E	27.9	31.8	43.4	20.2	19.6	12.5	10.3
P/BV	4.9	4.7	4.5	3.6	3.4	2.9	2.5
EV/Sales	4.7	5.6	7.4	4.8	4.1	3.3	2.9
EV/EBITDA	17.8	22.2	30.6	18.9	16.4	11.1	9.1
Dividend Yield (%)	0.3	0.2	0.0	0.2	0.2	0.4	0.4
FCF per share	-6.5	-13.1	16.4	40.3	33.9	21.8	32.2
Return Ratios (%)							
RoE	10.8	6.4	0.3	6.6	8.0	15.4	16.6
RoCE	8.1	5.9	3.4	25.3	6.8	9.8	11.2
RoIC	12.1	8.2	3.7	28.9	8.2	12.5	12.8
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	0.6	0.6
Inventory (Days)	591	722	1,105	757	776	650	620
Debtor (Days)	52	60	99	61	49	60	60
Creditor (Days)	75	69	108	79	78	91	89
Leverage Ratio (x)							
Current Ratio	1.3	1.3	1.1	1.2	1.2	1.2	1.3
Interest Cover Ratio	2.3	1.4	0.7	0.9	1.3	2.3	2.9
Net Debt/Equity	1.6	1.8	1.6	1.3	0.9	0.8	0.6

Consolidated Cash flow

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	4,274	1,614	-1,251	-150	2,780	6,418	8,538
Depreciation	1,400	1,920	2,369	3,505	3,146	3,370	3,861
Interest & Finance Charges	2,583	3,403	3,468	4,436	4,342	3,981	3,756
Direct Taxes Paid	-1,117	-642	-536	-1,039	-558	-1,615	-2,149
(Inc)/Dec in WC	-2,363	-1,643	3,814	4,047	1,480	-2,051	-4,216
CF from Operations	4,777	4,652	7,864	10,799	11,189	10,104	9,791
Others	-105	-4	165	-478	-1,186	-1,222	-1,283
CF from Operating incl EO	4,672	4,649	8,029	10,321	10,003	8,882	8,508
(Inc)/Dec in FA	-6,005	-7,328	-4,670	-2,084	-3,073	-4,417	-1,930
Free Cash Flow	-1,333	-2,679	3,359	8,237	6,930	4,465	6,578
(Pur)/Sale of Investments	1,601	237	-342	-4,036	4,469	0	0
Others	40	-75	-2,473	-3,594	1,186	1,222	1,283
CF from Investments	-4,364	-7,166	-7,484	-9,714	2,582	-3,196	-648
Issue of Shares	5	320	883	5,028	0	0	0
Inc/(Dec) in Debt	3,925	7,406	3,032	-831	-2,839	-2,500	-2,500
Interest Paid	-3,154	-3,859	-3,943	-3,511	-4,342	-3,981	-3,756
Dividend Paid	-328	-575	0	-276	-204	-409	-409
Others	-1	52	2,029	-78	0	0	0
CF from Fin. Activity	448	3,344	2,000	333	-7,384	-6,890	-6,665
Inc/Dec of Cash	756	827	2,545	940	5,201	-1,204	1,195
Opening Balance	1,466	2,222	3,049	2,804	3,745	7,723	6,519
Closing Balance	2,222	3,049	5,594	3,745	8,946	6,519	7,714

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NOTES

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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