

Brigade Enterprises

Estimate change	↓
TP change	↑
Rating change	↔

CMP: INR1069

TP: INR1,250 (+17%)

Buy

Strong performance across all segments

Achieves the highest ever bookings and realization

- Brigade Enterprise (BEL) reported bookings of INR15.2b, up 51% YoY/22% QoQ (6% above estimate). For 9MFY24, pre-sales jumped 44% YoY to INR37.7b (90% of FY23 pre-sales). Growth was driven by strong sustenance sales, as new launches contributed 50% to the overall pre-sales value in 3QFY24 and 44% in 9MFY24.
- The company launched 2.7msf of area across four new phases/projects. Sales volume stood at 1.7msf, up 11% YoY; BEL reported the best ever realization of INR9,000/sft, up 37% YoY/20% QoQ in 3QFY24.
- The company recorded collections of INR13.9b, up 5% YoY. However, higher land owner payments and overheads led to a 24% decline in OCF to INR2.7b. Gross debt increased INR2b QoQ to INR43b, and BEL's share of net debt stood at INR21b (v/s INR16b in 2QFY24).
- **P&L performance:** Revenue jumped 43% YoY to INR11.7b (15% above our estimate), driven by ~60% rise in residential revenue. EBITDA stood at INR2.6b, up 26% YoY. EBITDA margin came in at 22.3%, down 300bp YoY. Adj. PAT doubled to INR0.7b, up 29% YoY; margin stood at 6%.

Planning for a significant expansion in the annuity segment

- Occupancy in the annuity portfolio increased to 95%, with leasing of 0.5msf of space (including 0.16msf of hard option) at BTG, Bengaluru. With this BTG, Bengaluru is 97% leased out.
- Leasing revenue grew 24% YoY/7% QoQ to INR2.5b, while EBITDA stood at INR1.8b, up 29% YoY/5% QoQ. Margin stood at 74%.
- The hospitality occupancy remained flat QoQ at 73%, while ARR increased 7% YoY to INR6,500. Revenue rose 22% YoY/7% QoQ to INR1.2b, while EBITDA doubled YoY to INR0.4b.
- The company now plans to expand its portfolio by 5.2msf across office and retail projects, with a cumulative rental potential of INR5b. It also intends to add 1,000 keys to its hotel portfolio across four new properties, and construction is expected to commence in 2HFY25.

Highlights from the management commentary

- **New launches:** BEL is gearing up to launch ~2.6msf of projects in 4QFY24 with a GDV potential of INR20b across its existing projects in Bengaluru. The Mount Road project in Chennai is expected to be launched in 1QFY25. Overall, the company has rolling 12 months residential launch pipeline of 11msf with a GDV of INR100b.
- **Annuity portfolio:** The expansion plan unveiled across the office, retail and hospitality segments will require a capex outlay of INR30b. Management is evaluating various options to fund the capex and believes that it can raise INR10b as LRDs against the existing portfolio.

Bloomberg	BRGD IN
Equity Shares (m)	230
M.Cap.(INRb)/(USDb)	246.9 / 3
52-Week Range (INR)	1108 / 446
1, 6, 12 Rel. Per (%)	13/70/94
12M Avg Val (INR M)	226

Financials & Valuations (INR b)

Y/E Mar	FY24E	FY25E	FY26E
Sales	42.5	49.7	49.8
EBITDA	10.2	15.5	17.2
EBITDA (%)	23.9	31.1	34.5
PAT	3.0	7.5	8.5
EPS (INR)	14.7	36.9	41.5
EPS Gr. (%)	21.4	151.4	12.4
BV/Sh. (INR)	171.4	206.4	247.9

Ratios

Net D/E	1.0	0.7	0.4
RoE (%)	8.9	19.5	18.4
RoCE (%)	7.3	12.4	12.8
Payout (%)	13.6	5.4	4.8

Valuations

P/E (x)	73	29	26
P/BV (x)	6.2	5.2	4.3
EV/EBITDA (x)	24.9	15.9	13.8
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	43.8	43.8	43.8
DII	25.0	25.4	24.6
FII	13.7	13.4	14.2
Others	17.5	17.1	17.4

Pritesh Sheth - Research Analyst (Pritesh.Sheth@MotilalOswal.com)

Sourabh Gilda - Research Analyst (Sourabh.Gilda@motilalosal.com)

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

- **Retail malls:** Footfall in malls increased 8% YoY on the back of strong festive spending. Categories such as athleisure, jewelry, spa, and salon witnessed a substantial 25% YoY growth in consumption. F&B grew 10% YoY despite the decline witnessed in the multiplex category.
- **Margin** was hit by higher costs in the mixed-use project that was delivered. Management expects the EBITDA margin to normalize to 25% going ahead.

Valuation and view

- BEL reported better-than-expected bookings and a strong launch pipeline for 4Q. We expect bookings to exceed its 20-25% growth guidance.
- The company continues to provide strong visibility until FY26, given the progress made on BD over the last few years. We remain watchful of the project additions in its focused markets for further growth visibility.
- We incorporate the higher realization achieved in the residential segment along with the improved performance of the hospitality business to arrive at our increased TP of INR1,250. **Reiterate BUY.**

Quarterly Performance

Y/E March	FY23				FY24E				FY23	FY24E	FY24 Var (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				3Q
Gross Sales	9,025	8,792	8,203	8,428	6,540	13,666	11,738	10,509	34,448	42,453	10,201	15%
YoY Change (%)	135.8	16.8	-10.9	-10.6	-27.5	55.4	43.1	24.7	14.9	23.2	24.4	
Total Expenditure	6,698	6,628	6,124	6,406	4,792	10,418	9,117	7,969	25,856	32,296	7,528	
EBITDA	2,327	2,165	2,079	2,022	1,748	3,248	2,620	2,541	8,592	10,157	2,673	-2%
Margins (%)	25.8	24.6	25.3	24.0	26.7	23.8	22.3	24.2	24.9	23.9	26.2	-388bp
Depreciation	751	780	781	834	681	757	821	839	3,146	3,098	757	
Interest	1,061	1,096	1,184	1,000	1,081	1,100	1,349	1,336	4,342	4,866	1,134	
Other Income	178	330	383	295	315	413	344	292	1,186	1,364	341	
PBT before EO expense	693	618	497	483	300	1,803	795	659	2,291	3,557	1,123	
Extra-Ord expense	-97	-183	0	-170	0	0	0	0	-450	0	0	
PBT	790	801	497	653	300	1,803	795	659	2,741	3,557	1,123	
Tax	184	283	70	21	82	679	237	142	558	1,138	283	
Rate (%)	23.3	35.4	14.1	3.1	27.1	37.6	29.8	21.5	20.4	32.0	25.2	
MI & Profit/Loss of Asso. Cos.	-271	-258	-142	-62	-166	-210	-177	-30	-733	-583	-128	
Reported PAT	877	776	569	694	385	1,335	735	547	2,916	3,002	968	-24%
Adj PAT	802	658	569	530	385	1,335	735	547	2,515	3,002	968	-24%
YoY Change (%)	-470.8	74.8	-25.9	-18.2	-52.0	103.0	29.2	3.3	59.7	19.4	70.1	
Margins (%)	8.9	7.5	6.9	6.3	5.9	9.8	6.3	5.2	7.3	7.1	9.5	

E: MOSL Estimates

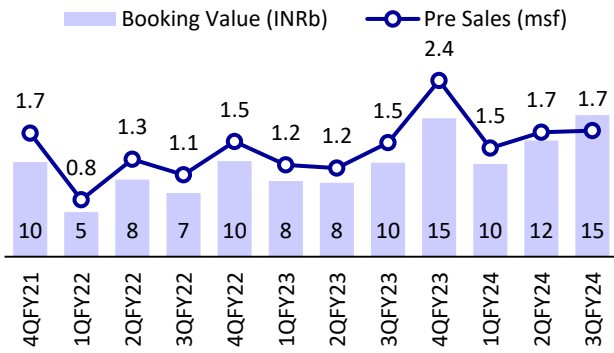
Operational Performance

Pre Sales (msf)	1.2	1.2	1.5	2.4	1.5	1.7	1.7	2.7	6.3	7.6	2.1	-21%
Booking Value (INRb)	8.1	7.9	10.1	14.9	10.0	12.5	15.2	17.8	41	56	14	6%
Avg rate/sf (INR)	6,680	6,680	6,586	6,286	6,822	7,466	8,994	6,509	6858	7338	6718	34%

E: MOFSL Estimates

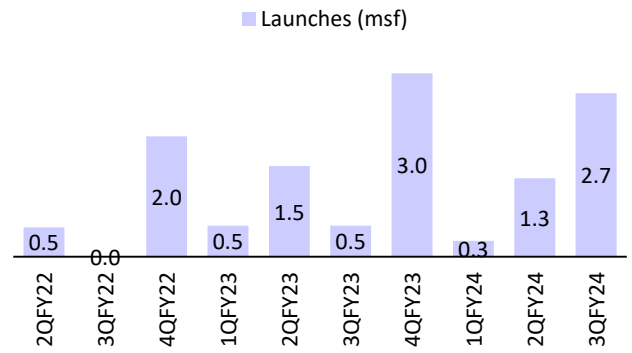
Key exhibits

Exhibit 1: New bookings increased 51% YoY...



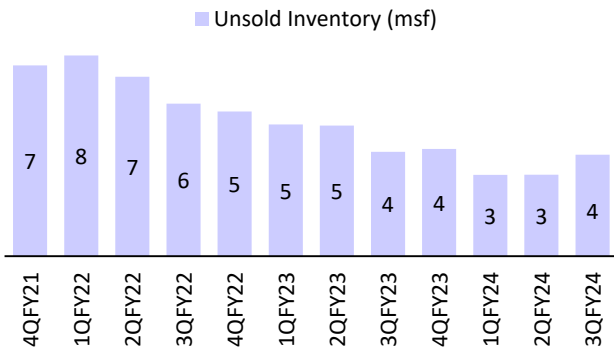
Source: Company, MOFSL

Exhibit 2: ...aided by higher new launches



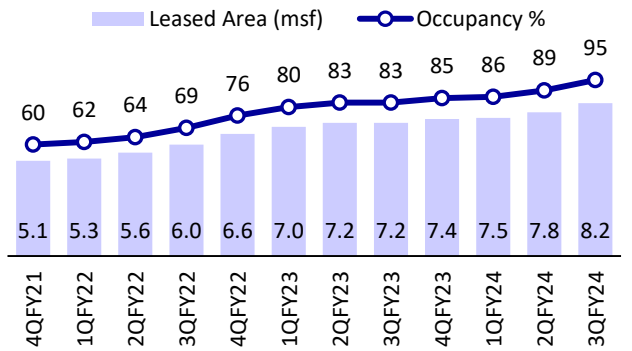
Source: Company, MOFSL

Exhibit 3: Inventory increased marginally due to higher launches



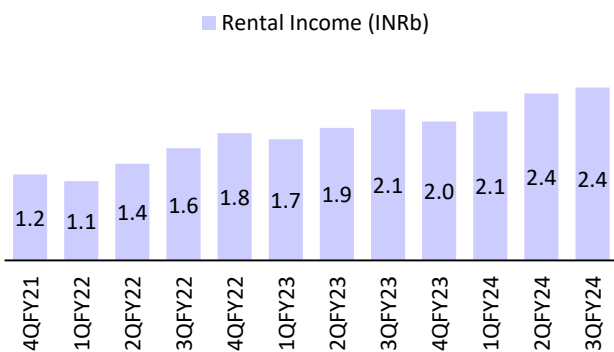
Source: MOFSL, Company

Exhibit 4: BEL is targeting to reach 100% occupancy in the office portfolio by FY24



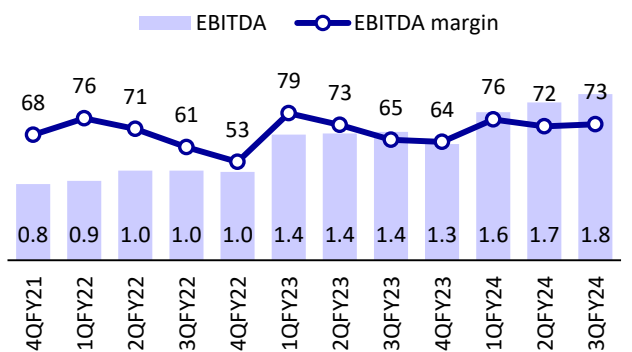
Source: MOFSL, Company

Exhibit 5: Rental income remained steady at INR2.4b



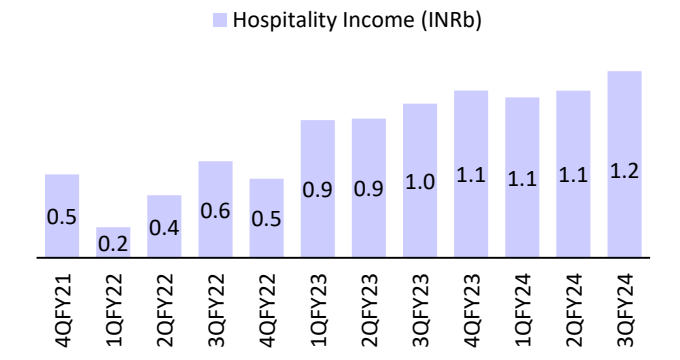
Source: Company, MOFSL

Exhibit 6: EBITDA came in at INR1.8b with 73% margin



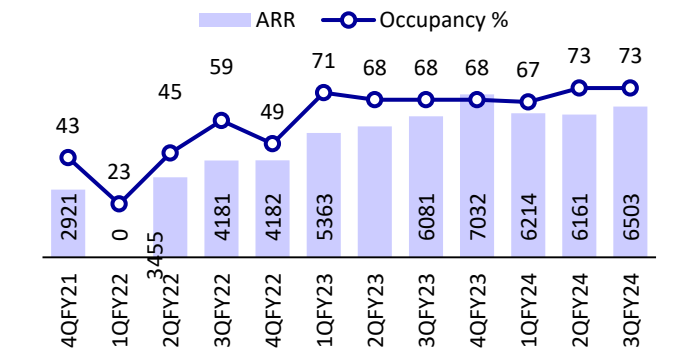
Source: Company, MOFSL

Exhibit 7: Hotel portfolio is benefitting from sustained momentum...



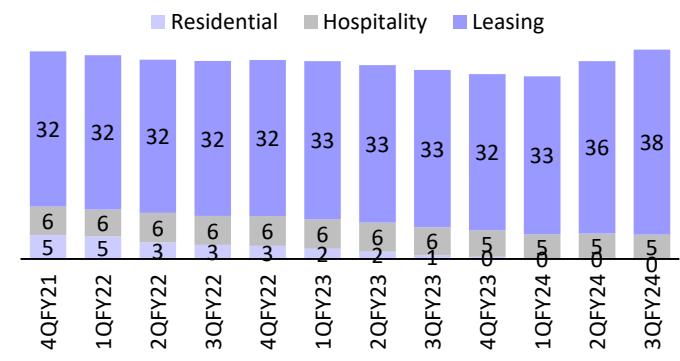
Source: MOFSL, Company

Exhibit 8: ...with consistent growth in ARR



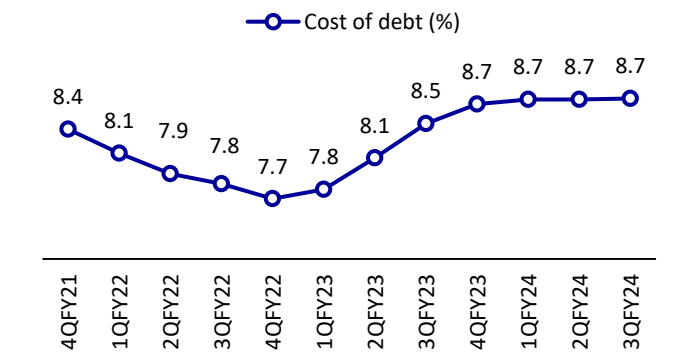
Source: MOFSL, Company

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



Source: MOFSL, Company

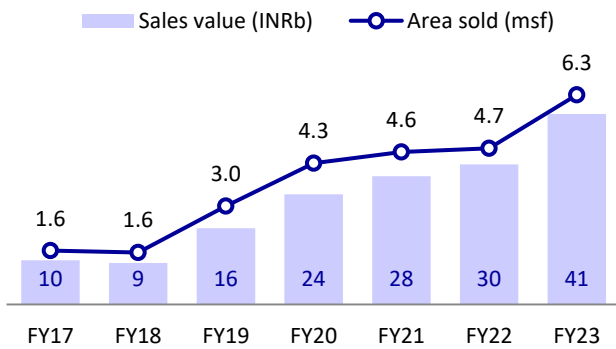
Exhibit 10: Cost of debt stood at 8.7%



Source: MOFSL, Company

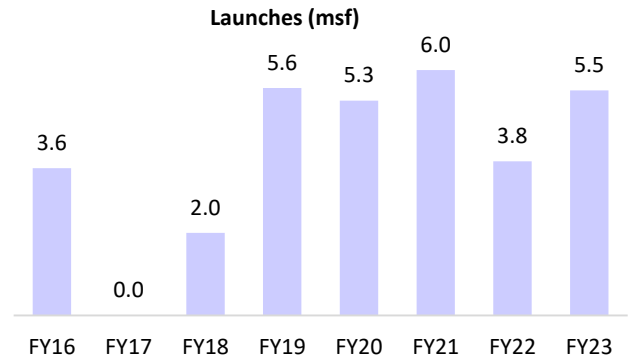
Story in charts

Exhibit 11: Scales up its Residential business and clocked the highest ever sales of 6.3msf in FY23



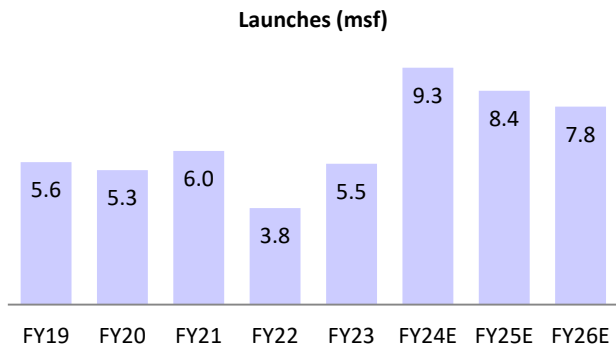
Source: Company, MOFSL

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



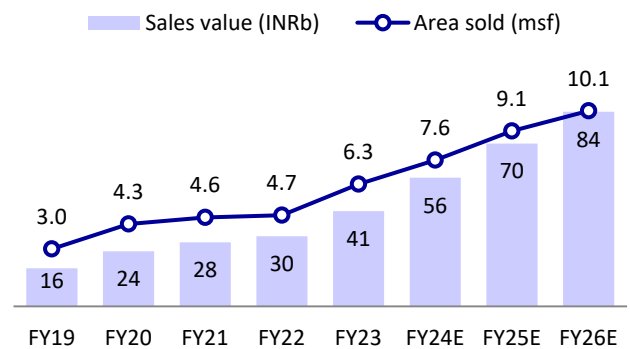
Source: Company, MOFSL

Exhibit 13: New launches to increase to 8msf+



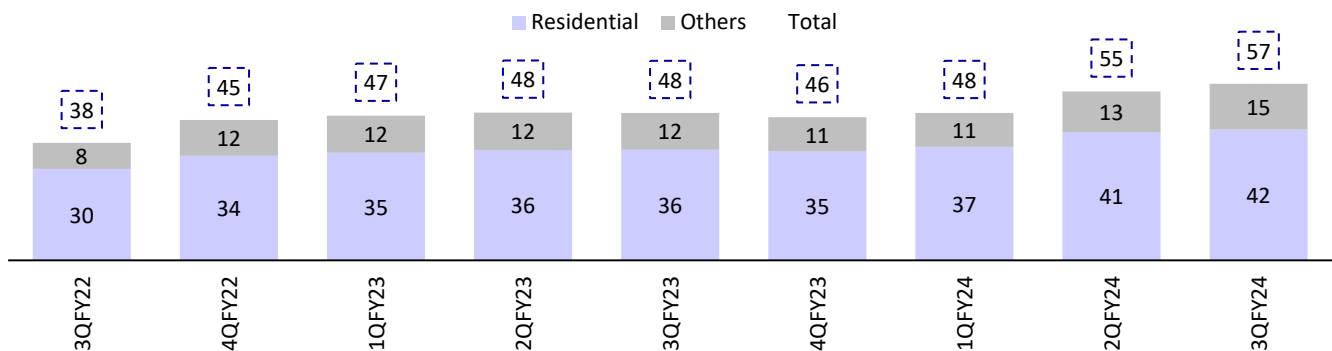
Source: Company, MOFSL

Exhibit 14: Expect bookings to touch INR84b by FY26...



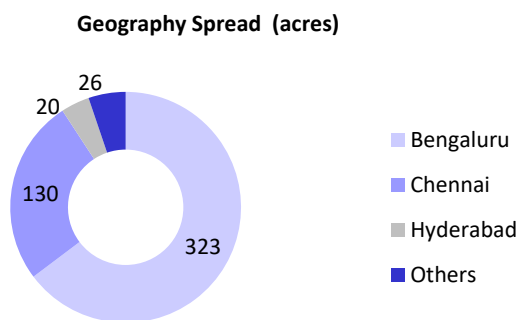
Source: Company, MOFSL

Exhibit 15:aided by significant addition of new projects



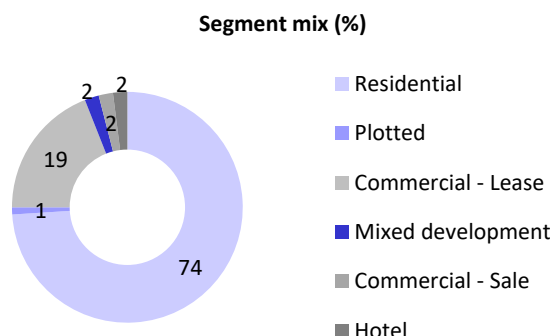
Source: Company, MOSL

Exhibit 16: Major share of land bank is located in Bengaluru and Chennai...



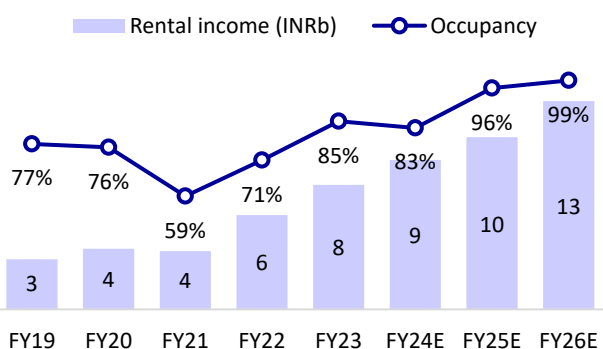
Source: Company, MOFSL

Exhibit 17: ...and ~75% of it is meant for residential development



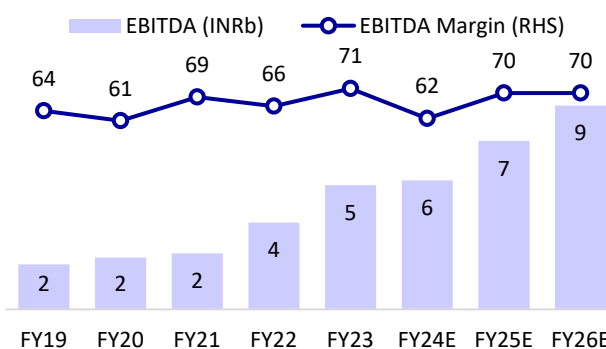
Source: Company, MOFSL

Exhibit 18: Expect occupancy in Annuity assets to gradually improve



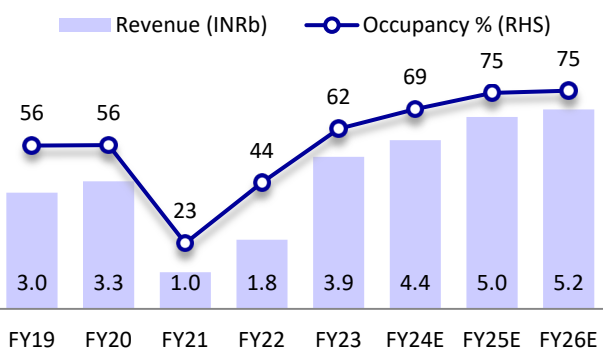
Source: MOFSL, Company

Exhibit 19: Expect BEL's commercial portfolio to report INR9b EBITDA



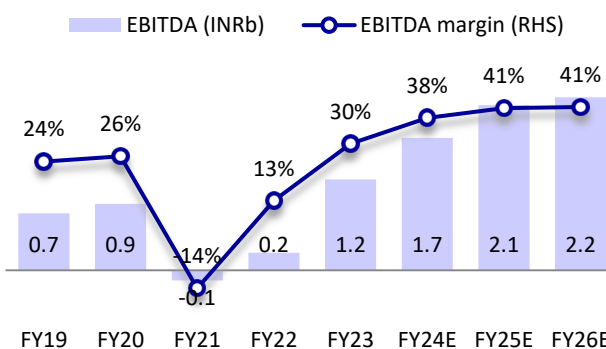
Source: MOFSL, Company

Exhibit 20: The Hospitality portfolio witnessed a sharp rise in occupancy over the last two years



Source: Company, MOFSL

Exhibit 21: It can report an EBITDA of INR1.8b by FY26E



Source: Company, MOFSL

Exhibit 22: Our earnings revisions

(INR b)	Old		New		Change	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	41	49	42	50	4%	1%
EBITDA	10	15	10	15	-2%	3%
Adj. PAT	4	7	3	8	-15%	4%
Pre-sales	56	70	56	70	0%	0%
Collections	40	53	40	53	0%	0%

Source: MOFSL, Company

Valuation and view

- **We value BEL 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 Mar'25 basis and ongoing and upcoming projects using DCF; and
 - Its Hospitality business is valued at 15x EV/EBITDA on a FY24E basis.
- Based on the above approach, we arrive at a GAV of INR303b. Netting-off FY24E net debt of INR15b, we derive at a NAV of INR190b, or INR1,250 per share, indicating a potential upside of 17%.

Exhibit 23: Our SoTP-based approach denotes 17% 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 FY23-25	189	823	66%
Commercial	❖ Based on the cap rate of 8.5% for Office and Retail assets on Mar'25E EBITDA	80	347	28%
Hotel	❖ FY24E EV/EBITDA of 15x	34	146	12%
Gross asset value		303	1,316	105%
Net debt (BRGD's share)		(15)	(67)	-5%
Net asset value		287	1,249	100%
No. of shares		230		
Target price		1250		
CMP		1069		
Upside		17%		

Source: MOFSL

Financials and Valuation

Consolidated Profit & Loss

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Income from Operations	26,322	19,500	29,988	34,446	42,453	49,668	49,758
Change (%)	-11.5	-25.9	53.8	14.9	23.2	17.0	0.2
Total Expenditure	19,689	14,780	22,325	25,856	32,296	34,199	32,599
% of Sales	74.8	75.8	74.4	75.1	76.1	68.9	65.5
EBITDA	6,632	4,719	7,663	8,590	10,157	15,470	17,159
Margin (%)	25.2	24.2	25.6	24.9	23.9	31.1	34.5
Depreciation	1,920	2,369	3,505	3,146	3,098	3,542	3,997
EBIT	4,712	2,350	4,158	5,444	7,059	11,928	13,162
Int. and Finance Charges	3,403	3,468	4,436	4,342	4,866	3,756	3,531
Other Income	494	604	667	1,186	1,364	1,432	1,504
PBT bef. EO Exp.	1,803	-514	389	2,289	3,557	9,603	11,134
EO Items	-205	-763	-567	450	0	0	0
PBT after EO Exp.	1,598	-1,277	-177	2,739	3,557	9,603	11,134
Total Tax	474	-287	497	558	1,138	2,417	2,803
Tax Rate (%)	29.6	22.5	-280.3	20.4	32.0	25.2	25.2
Minority Interest	-150	-475	-1,448	-651	-583	-361	-150
Reported PAT	1,274	-515	774	2,832	3,002	7,547	8,482
Adjusted PAT	1,418	77	1,739	2,474	3,002	7,547	8,482
Change (%)	-40.9	-94.6	2,165.4	42.2	21.4	151.4	12.4
Margin (%)	5.4	0.4	5.8	7.2	7.1	15.2	17.0

Consolidated Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	2,044	2,109	2,303	2,303	2,303	2,303	2,303
Total Reserves	20,768	21,368	26,797	30,143	32,736	39,874	47,948
Net Worth	22,811	23,477	29,099	32,445	35,039	42,177	50,250
Minority Interest	1,659	1,156	-323	-1,013	-1,596	-1,957	-2,107
Total Loans	44,218	43,897	48,327	45,488	42,988	40,488	37,988
Deferred Tax Liabilities	0	-2,155	-2,642	-3,317	-3,317	-3,317	-3,317
Capital Employed	68,688	66,374	74,461	73,604	73,114	77,391	82,814
Gross Block	36,874	59,464	61,822	62,567	72,116	81,887	91,886
Less: Accum. Deprn.	6,939	9,308	12,814	15,960	19,057	22,599	26,596
Net Fixed Assets	29,935	50,156	49,008	46,608	53,059	59,288	65,290
Goodwill on Consolidation	43	43	43	203	203	203	203
Capital WIP	20,975	4,949	5,407	7,405	1,655	-5,863	-13,863
Total Investments	721	890	5,086	617	617	617	617
Curr. Assets, Loans&Adv.	70,935	79,942	88,825	1,05,500	1,09,954	1,24,978	1,31,991
Inventory	52,094	59,020	62,228	73,273	77,345	84,368	84,521
Account Receivables	4,306	5,272	5,042	4,616	6,979	8,165	8,179
Cash and Bank Balance	3,049	5,594	9,448	14,781	8,490	12,391	19,201
Loans and Advances	11,486	10,056	12,108	12,830	17,140	20,054	20,090
Curr. Liability & Prov.	53,921	69,606	73,908	86,729	92,375	1,01,832	1,01,424
Account Payables	5,005	5,770	6,491	7,347	11,503	12,180	11,611
Other Current Liabilities	48,811	63,747	67,333	79,278	80,660	89,403	89,565
Provisions	105	89	83	105	212	248	249
Net Current Assets	17,014	10,336	14,917	18,770	17,579	23,146	30,567
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	68,688	66,374	74,462	73,603	73,113	77,391	82,814

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	6.9	0.4	8.5	12.1	14.7	36.9	41.5
Cash EPS	16.3	12.0	25.7	27.5	29.8	54.3	61.1
BV/Share	111.6	114.9	142.4	158.8	171.4	206.4	245.9
DPS	1.0	0.0	1.0	3.0	2.0	2.0	2.0
Payout (%)	19.3	0.0	26.4	21.6	13.6	5.4	4.8
Valuation (x)							
P/E	100.7	1,860.6	82.1	57.8	72.8	28.9	25.8
Cash P/E	42.8	58.4	27.2	25.4	35.8	19.7	17.5
P/BV	6.3	6.1	4.9	4.4	6.2	5.2	4.3
EV/Sales	7.0	9.3	6.1	5.0	6.0	5.0	4.8
EV/EBITDA	27.7	38.4	23.7	20.2	24.9	15.9	13.8
Dividend Yield (%)	0.1	0.0	0.1	0.4	0.2	0.2	0.2
FCF per share	-13.1	16.4	40.3	29.9	0.6	44.7	57.5
Return Ratios (%)							
RoE	6.4	0.3	6.6	8.0	8.9	19.5	18.4
RoCE	5.9	3.4	25.3	6.8	7.3	12.4	12.8
RoIC	8.2	3.7	28.9	8.2	8.5	13.5	13.4
Working Capital Ratios							
Fixed Asset Turnover (x)	0.7	0.3	0.5	0.6	0.6	0.6	0.5
Asset Turnover (x)	0.4	0.3	0.4	0.5	0.6	0.6	0.6
Inventory (Days)	722	1,105	757	776	665	620	620
Debtor (Days)	60	99	61	49	60	60	60
Creditor (Days)	69	108	79	78	99	90	85
Leverage Ratio (x)							
Current Ratio	1.3	1.1	1.2	1.2	1.2	1.2	1.3
Interest Cover Ratio	1.4	0.7	0.9	1.3	1.5	3.2	3.7
Net Debt/Equity	1.8	1.6	1.3	0.9	1.0	0.7	0.4

Consolidated Cash flow

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	1,614	-1,251	-150	2,780	3,557	9,603	11,134
Depreciation	1,920	2,369	3,505	3,146	3,098	3,542	3,997
Interest & Finance Charges	3,403	3,468	4,436	4,342	4,866	3,756	3,531
Direct Taxes Paid	-642	-536	-1,039	-558	-1,138	-2,417	-2,803
(Inc)/Dec in WC	-1,643	3,814	4,047	1,480	-5,100	-1,666	-611
CF from Operations	4,652	7,864	10,799	11,189	5,283	12,819	15,249
Others	-4	165	-478	-1,186	-1,364	-1,432	-1,504
CF from Operating incl EO	4,649	8,029	10,321	10,003	3,919	11,387	13,745
(Inc)/Dec in FA	-7,328	-4,670	-2,084	-3,887	-3,799	-2,253	-1,998
Free Cash Flow	-2,679	3,359	8,237	6,116	120	9,134	11,747
(Pur)/Sale of Investments	237	-342	-4,036	4,469	0	0	0
Others	-75	-2,473	-3,594	1,186	1,364	1,432	1,504
CF from Investments	-7,166	-7,484	-9,714	1,768	-2,435	-821	-495
Issue of Shares	320	883	5,028	0	0	0	0
Inc/(Dec) in Debt	7,406	3,032	-831	-2,839	-2,500	-2,500	-2,500
Interest Paid	-3,859	-3,943	-3,511	-4,342	-4,866	-3,756	-3,531
Dividend Paid	-575	0	-276	-613	-409	-409	-409
Others	52	2,029	-78	0	0	0	0
CF from Fin. Activity	3,344	2,000	333	-7,793	-7,775	-6,665	-6,440
Inc/Dec of Cash	827	2,545	940	3,978	-6,291	3,901	6,810
Opening Balance	2,222	3,049	2,804	3,745	7,723	1,432	5,333
Closing Balance	3,049	5,594	3,745	7,723	1,432	5,333	12,143

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NOTES

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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