

# Brigade Enterprises

Estimate change	↔
TP change	↑
Rating change	↔

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



Bloomberg	BRGD IN
Equity Shares (m)	244
M.Cap.(INRb)/(USDb)	267.6 / 3.2
52-Week Range (INR)	1453 / 705
1, 6, 12 Rel. Per (%)	-8/3/35
12M Avg Val (INR M)	570

## Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	49.0	49.7	49.8
EBITDA	11.9	15.8	17.5
EBITDA (%)	24.4	31.8	35.2
PAT	4.5	7.7	9.0
EPS (INR)	22.1	37.8	44.1
EPS Gr. (%)	82.6	71.0	16.6
BV/Sh. (INR)	178.6	287.7	329.8

## Ratios

Net D/E	1.0	0.2	0.0
RoE (%)	13.1	16.2	14.3
RoCE (%)	8.9	10.9	10.8
Payout (%)	9.1	5.3	4.5

## Valuations

P/E (x)	50	29	25
P/BV (x)	6.1	3.8	3.3
EV/EBITDA (x)	21.7	14.9	12.9
Div Yield (%)	0.2	0.2	0.2

## Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	41.4	43.7	43.8
DII	24.0	22.9	25.4
FII	18.5	16.2	13.4
Others	16.1	17.3	17.4

**CMP: INR1,094**      **TP: INR1,540 (+41%)**      **Buy**

## Strong residential show, steady annuity performance

### Chennai and Hyderabad to accelerate growth

- BRGD reported bookings of INR18.2b in 2QFY25, up 46% YoY (9% below estimate), driven by 45% YoY growth in realization. Volume was flat YoY 1.7msf.
- Aided by the launch of a premium project in Bengaluru, BRGD recorded its highest-ever quarterly realization of INR10,840/sf, up 45% YoY.
- The company intends to launch 3msf/2.5msf/2msf in Chennai/Hyderabad/Bangalore in the next three quarters with potential GDV of INR30b/INR24b/INR20b.
- With scale-up in Chennai and Hyderabad, we expect BRGD to deliver 32% CAGR in pre-sales over FY24-26E to INR105b.
- P&L performance:** Revenue declined 22% YoY to INR10.8b (12% below estimate). EBITDA stood at INR2.9b, down 10% YoY, with a margin of 27% (up 346bp YoY). Adj. PAT declined 11% YoY to INR1.2b, clocking a margin of 11%.
- For 1HFY25, the company achieved revenue of INR21.5b, up 6% YoY (43% of FY25E). EBITDA came in at INR5.8b (up 17% YoY), with a margin of 27%. (37% of FY25E), and Adj. PAT was up 18%YoY at INR2b.
- Gross debt stood at INR46.4b, while net debt was INR8.6b. The net debt-to-equity ratio was 0.15x by the end of 2Q. The cost of debt was 8.75%.

### Annuity business reports healthy growth

- Leasing revenue grew 26% YoY to INR3b, and the hotel business reported a revenue of INR1.3b, up 13% YoY.
- Over the last four quarters, the company has made good progress in the commercial portfolio's occupancy, which rose to 97% by 2QFY25 from 86% in 1QFY24. BRGD currently has ~2.3msf of office and retail assets under-construction and aims to launch 1.5msf of commercial projects soon.

### Highlights from the management commentary

- New launches:** During 1HFY25, launches contributed 47-50% to total pre-sales. The company intends to launch projects worth GDV of INR74b (~7.5msf) over the next three quarters. It plans to launch 10.5msf of projects in FY26 with potential GDV of INR100-120b, subject to necessary approvals.
- Leasing portfolio growth:** In Brigade Twin towers, one tower of 0.55msf is slated for strata sales, and the company plans to retain all the other under-construction assets under the leasing model. BRGD has commenced construction of Brigade Tech Boulevard, Chennai (0.8msf), and Brigade Padmini Tech Valley Block B (0.7msf). Over the next nine months, BRGD will commence construction for 1.5msf of assets across Bengaluru, Kochi, and the GIFT City.
- Hospitality:** The company has filed a draft paper with the regulator, proposing a sheet of requisite approvals to list its hospitality arm as a wholly owned subsidiary, named Brigade Hotel Ventures Ltd.

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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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**Valuation and view**

- BRGD reported a steady quarter, guided by strong demand for its recently launched projects across its core markets. However, it has a strong pipeline of ~13msf, which should enable it to sustain the growth traction going ahead.
- The management intends to keep assessing growth opportunities in the residential segment and expects to spend higher on business development over the next two years. This will provide growth visibility in the residential segment and lead to further re-rating. **We reiterate our BUY rating with a TP of INR1,540, implying 41% potential upside.**

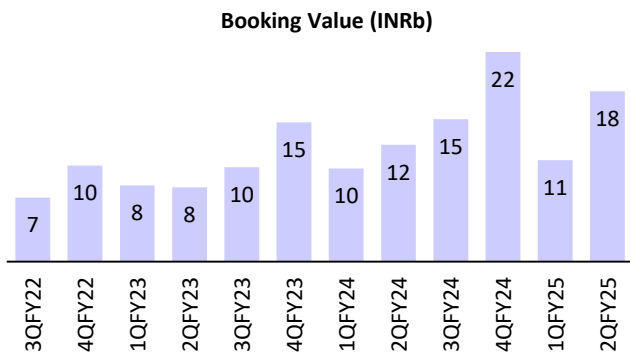
**Quarterly Performance**

Y/E March	FY24				FY25E				FY24	FY25E	FY25E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
<b>Gross Sales</b>	<b>6,540</b>	<b>13,666</b>	<b>11,738</b>	<b>17,024</b>	<b>10,777</b>	<b>10,722</b>	<b>12,914</b>	<b>15,256</b>	<b>48,967</b>	<b>49,668</b>	<b>12,169</b>	-12%
YoY Change (%)	-27.5	55.4	43.1	102.0	64.8	-21.5	10.0	-10.4	42.1	1.4	-11.0	
Total Expenditure	4,792	10,418	9,117	12,696	7,851	7,802	8,781	9,452	37,023	33,887	8,394	
<b>EBITDA</b>	<b>1,748</b>	<b>3,248</b>	<b>2,620</b>	<b>4,327</b>	<b>2,926</b>	<b>2,919</b>	<b>4,132</b>	<b>5,804</b>	<b>11,944</b>	<b>15,782</b>	<b>3,775</b>	-23%
Margins (%)	26.7	23.8	22.3	25.4	27.1	27.2	32.0	38.0	24.4	31.8	31.0	-379bps
Depreciation	681	757	821	762	679	689	724	919	3,021	3,011	747	
Interest	1,081	1,100	1,349	1,380	1,519	1,226	1,104	841	4,910	4,690	1,216	
Other Income	315	413	344	603	357	660	361	380	1,674	1,758	434	
<b>PBT before EO expense</b>	<b>300</b>	<b>1,803</b>	<b>795</b>	<b>2,788</b>	<b>1,084</b>	<b>1,664</b>	<b>2,666</b>	<b>4,424</b>	<b>5,687</b>	<b>9,839</b>	<b>2,246</b>	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>300</b>	<b>1,803</b>	<b>795</b>	<b>2,788</b>	<b>1,084</b>	<b>1,664</b>	<b>2,666</b>	<b>4,424</b>	<b>5,687</b>	<b>9,839</b>	<b>2,246</b>	
Tax	82	679	237	680	279	513	671	1,013	1,676	2,476	565	
Rate (%)	27.1	37.6	29.8	24.4	25.7	30.8	25.2	22.9	29.5	19.0	25.2	
MI & P/L of Asso. Cos.	-166	-210	-177	48	-32	-39	-94	-196	-506	-361	-88	
<b>Reported PAT</b>	<b>385</b>	<b>1,335</b>	<b>735</b>	<b>2,061</b>	<b>837</b>	<b>1,190</b>	<b>2,089</b>	<b>3,607</b>	<b>4,516</b>	<b>7,723</b>	<b>1,769</b>	-33%
<b>Adj PAT</b>	<b>385</b>	<b>1,335</b>	<b>735</b>	<b>2,061</b>	<b>837</b>	<b>1,190</b>	<b>2,089</b>	<b>3,607</b>	<b>4,516</b>	<b>7,723</b>	<b>1,769</b>	-33%
YoY Change (%)	-52.0	103.0	29.2	289.1	117.3	-10.9	184.3	75.0	79.6	71.0	32.5	
Margins (%)	5.9	9.8	6.3	12.1	7.8	11.1	16.2	23.6	9.2	15.5	14.5	
<b>Operational Performance</b>												
Pre Sales (msf)	1.5	1.7	1.7	2.7	1.2	1.7	2.4	3.8	7.5	9.1	1.8	-8%
Booking Value (INRb)	10.0	12.5	15.2	22.4	10.9	18.2	22.0	34.3	60.1	85.3	20	-9%
Avg rate/sf (INR)	6,822	7,466	8,994	8,246	9,442	10,838	9,000	8,928	7966	9364	11000	-1%

E: MOFSL Estimates

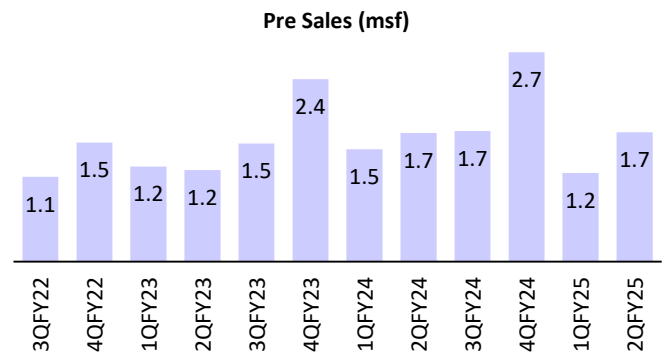
**Key exhibits**

**Exhibit 1: New bookings increased 46% YoY**



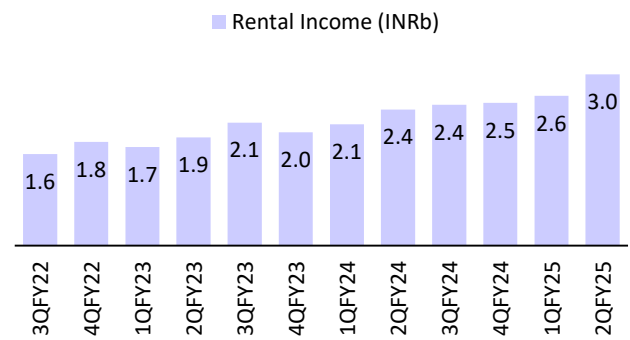
Source: Company, MOFSL

**Exhibit 2: Volume was flat YoY but up 46% QoQ**



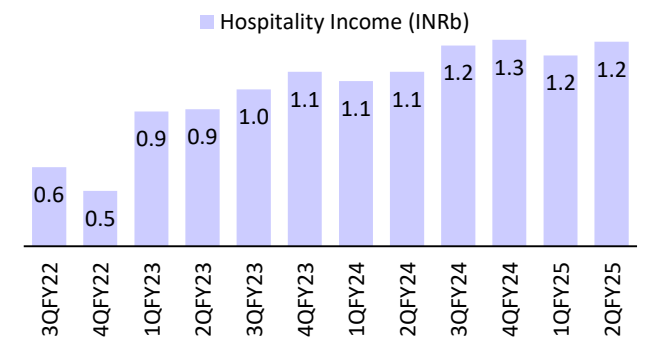
Source: Company, MOFSL

**Exhibit 3: Rental income increased 26% YoY to INR3b**



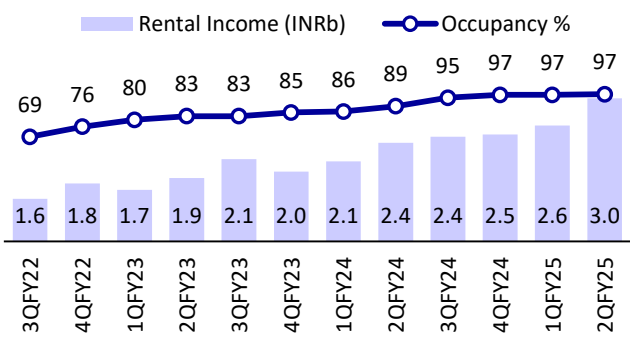
Source: Company, MOFSL

**Exhibit 4: Hotel portfolio benefits from stable momentum**



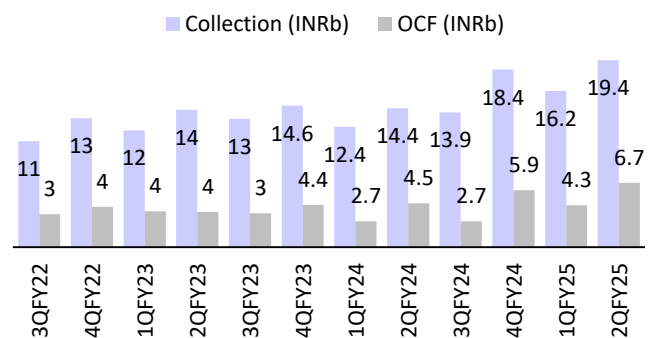
Source: Company, MOFSL

**Exhibit 5: Occupancy steady at 97% but rentals up 26% YoY**



Source: MOFSL, Company

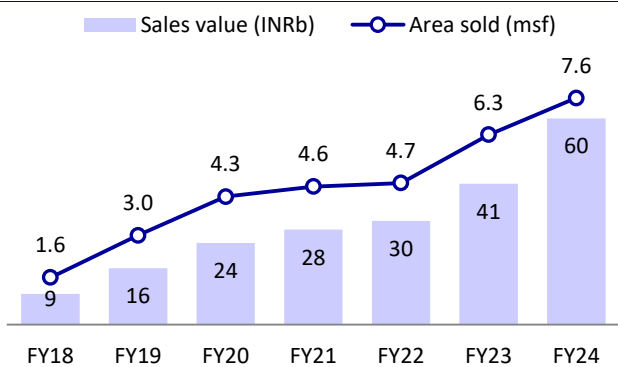
**Exhibit 6: Strong collection resulting in OCF of INR6.7b**



Source: MOFSL, Company

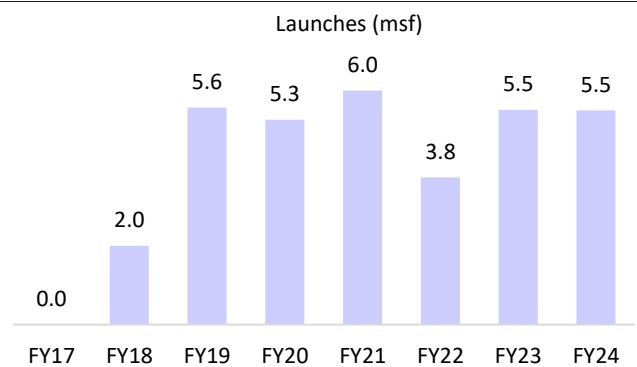
**Story in charts**

**Exhibit 7: Scaled up the residential business and clocked the highest ever sales of 7.6msf in FY24**



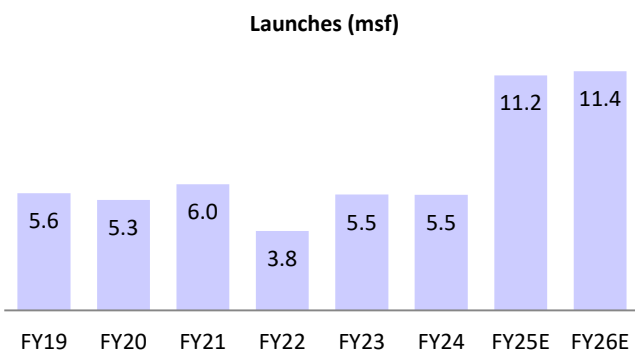
Source: Company, MOFSL

**Exhibit 8: Pre-sales reported 21% CAGR over FY19-24, led by an acceleration in launches**



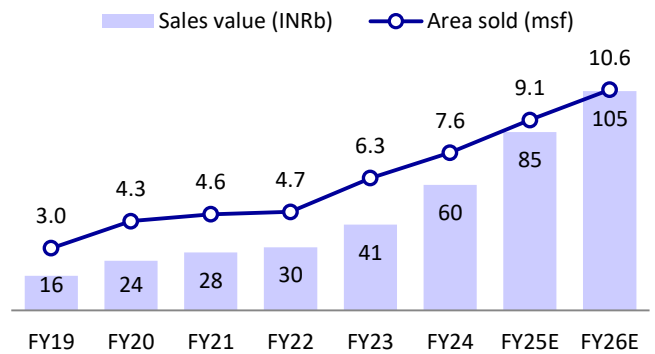
Source: Company, MOFSL

**Exhibit 1: New launches to increase to 10msf+**



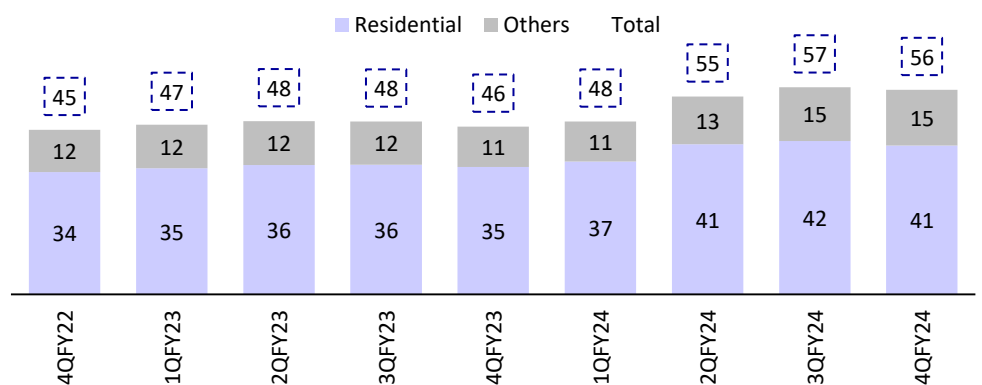
Source: Company, MOFSL

**Exhibit 2: Expect bookings to touch INR105b by FY26...**



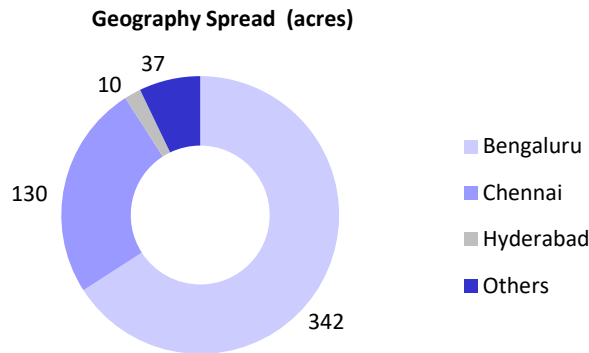
Source: Company, MOFSL

**Exhibit 3: ....aided by a large project pipeline**



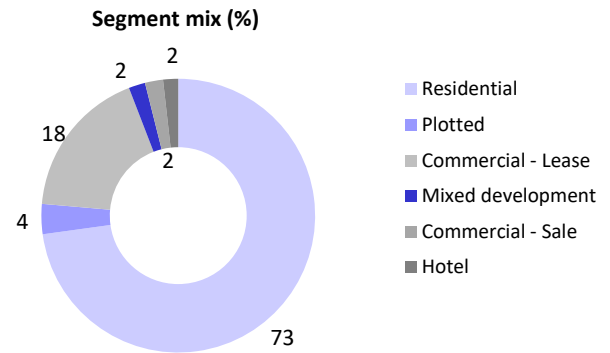
Source: Company, MOFSL

**Exhibit 4: Major share of land bank is located in Bengaluru and Chennai...**



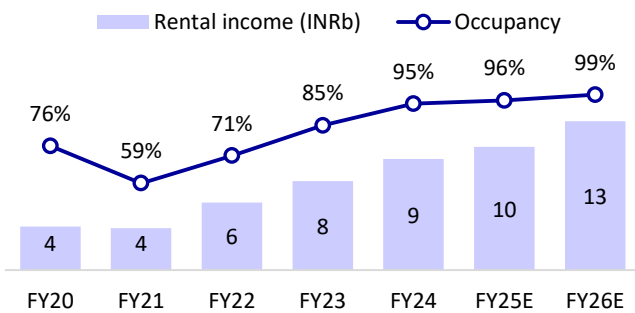
Source: Company, MOFSL

**Exhibit 5: ...and ~75% of land bank is meant for residential development**



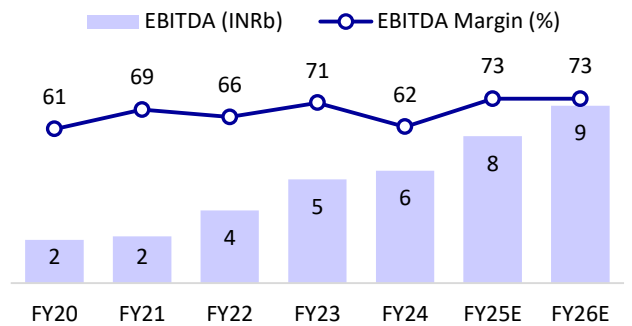
Source: Company, MOFSL

**Exhibit 6: Expect occupancy in annuity assets to gradually improve**



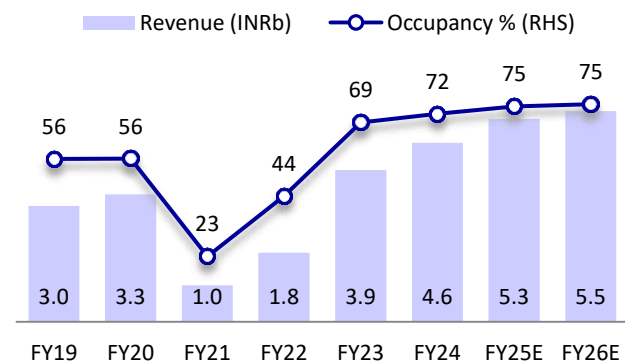
Source: MOFSL, Company

**Exhibit 7: Expect commercial portfolio to report INR9b in EBITDA**



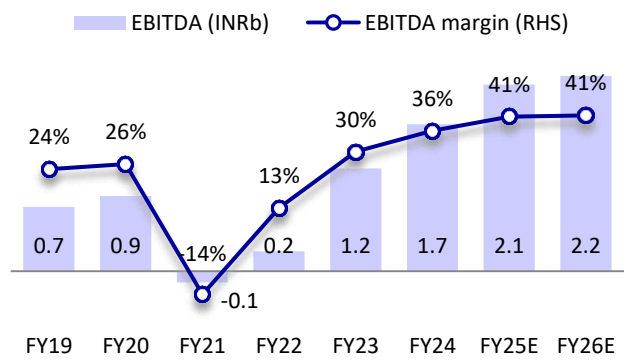
Source: MOFSL, Company

**Exhibit 8: The Hospitality portfolio witnessed a jump in occupancy over the last two years**



Source: Company, MOFSL

**Exhibit 9: It should report EBITDA of INR1.8b by FY26E**



Source: Company, MOFSL

**Exhibit 10: Our earnings revisions**

(INR b)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	50	50	50	50	0%	0%
EBITDA	16	18	16	18	0%	0%
Adj. PAT	8	9	8	9	0%	0%
Pre-sales	85	105	85	105	0%	0%
Collections	56	78	56	78	0%	0%

Source: MOFSL, Company

## 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 5%;
  - Its operational commercial assets are valued at an 8.5% cap rate on a Mar'26E basis and ongoing and upcoming projects using DCF; and
  - Its Hospitality business is valued at 15x EV/EBITDA on a FY26E basis.
- Based on the above approach, we arrive at a GAV of INR393b. Netting-off FY25E net debt of INR17b, we derive NAV of INR376b, or INR1,540 per share, indicating a potential upside of 41%.

### Exhibit 11: Our SoTP-based approach denotes 41% upside potential for BRGD; reiterate BUY

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 FY24-26	277	1,133	74%
Commercial	❖ Based on the cap rate of 8.5% for Office and Retail assets on Mar'25E EBITDA	83	339	22%
Hotel	❖ FY24E EV/EBITDA of 15x	34	138	9%
<b>Gross asset value</b>		<b>393</b>	<b>1,609</b>	<b>105%</b>
<b>Net debt (BEL's share)</b>		<b>(17)</b>	<b>(71)</b>	<b>-5%</b>
<b>Net asset value</b>		<b>376</b>	<b>1,538</b>	<b>100%</b>
No. of shares		244		
<b>Target price</b>		<b>1540</b>		
CMP		1094		
<b>Upside</b>		<b>41%</b>		

Source: MOFSL

## Financials and Valuation

### Consolidated Profit & Loss

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>19,500</b>	<b>29,988</b>	<b>34,446</b>	<b>48,967</b>	<b>49,668</b>	<b>49,758</b>	<b>61,148</b>
Change (%)	-25.9	53.8	14.9	42.2	1.4	0.2	22.9
<b>Total Expenditure</b>	<b>14,780</b>	<b>22,325</b>	<b>25,856</b>	<b>37,023</b>	<b>33,887</b>	<b>32,222</b>	<b>38,725</b>
% of Sales	75.8	74.4	75.1	75.6	68.2	64.8	63.3
<b>EBITDA</b>	<b>4,719</b>	<b>7,663</b>	<b>8,590</b>	<b>11,944</b>	<b>15,782</b>	<b>17,536</b>	<b>22,423</b>
Margin (%)	24.2	25.6	24.9	24.4	31.8	35.2	36.7
Depreciation	2,369	3,505	3,146	3,021	3,011	3,081	3,153
<b>EBIT</b>	<b>2,350</b>	<b>4,158</b>	<b>5,444</b>	<b>8,923</b>	<b>12,771</b>	<b>14,455</b>	<b>19,270</b>
Int. and Finance Charges	3,468	4,436	4,342	4,910	4,690	4,465	4,240
Other Income	604	667	1,186	1,675	1,758	1,846	1,939
<b>PBT bef. EO Exp.</b>	<b>-514</b>	<b>389</b>	<b>2,289</b>	<b>5,687</b>	<b>9,839</b>	<b>11,836</b>	<b>16,968</b>
EO Items	-763	-567	450	0	0	0	0
<b>PBT after EO Exp.</b>	<b>-1,277</b>	<b>-177</b>	<b>2,739</b>	<b>5,687</b>	<b>9,839</b>	<b>11,836</b>	<b>16,968</b>
Total Tax	-287	497	558	1,676	2,476	2,979	4,271
Tax Rate (%)	22.5	-280.3	20.4	29.5	25.2	25.2	25.2
Minority Interest	-475	-1,448	-651	-506	-361	-150	-191
<b>Reported PAT</b>	<b>-515</b>	<b>774</b>	<b>2,832</b>	<b>4,516</b>	<b>7,723</b>	<b>9,007</b>	<b>12,888</b>
<b>Adjusted PAT</b>	<b>77</b>	<b>1,739</b>	<b>2,474</b>	<b>4,516</b>	<b>7,723</b>	<b>9,007</b>	<b>12,888</b>
Change (%)	-94.6	2,165.4	42.2	82.6	71.0	16.6	43.1
Margin (%)	0.4	5.8	7.2	9.2	15.5	18.1	21.1

### Consolidated Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	2,109	2,303	2,303	2,311	2,442	2,442	2,442
Total Reserves	21,368	26,797	30,143	34,181	56,365	64,963	77,852
<b>Net Worth</b>	<b>23,477</b>	<b>29,099</b>	<b>32,445</b>	<b>36,492</b>	<b>58,808</b>	<b>67,406</b>	<b>80,294</b>
Minority Interest	1,156	-323	-1,013	-914	-1,275	-1,426	-1,617
Total Loans	43,897	48,327	45,488	53,366	50,866	48,366	45,866
Deferred Tax Liabilities	-2,155	-2,642	-3,317	266	266	266	266
<b>Capital Employed</b>	<b>66,374</b>	<b>74,461</b>	<b>73,604</b>	<b>89,210</b>	<b>1,08,664</b>	<b>1,14,612</b>	<b>1,24,810</b>
Gross Block	59,464	61,822	62,567	64,710	66,215	67,756	69,333
Less: Accum. Deprn.	9,308	12,814	15,960	18,980	21,992	25,073	28,226
<b>Net Fixed Assets</b>	<b>50,156</b>	<b>49,008</b>	<b>46,608</b>	<b>45,729</b>	<b>44,224</b>	<b>42,683</b>	<b>41,107</b>
Goodwill on Consolidation	43	43	203	203	203	203	203
Capital WIP	4,949	5,407	7,405	12,315	21,456	29,456	13,456
<b>Total Investments</b>	<b>890</b>	<b>5,086</b>	<b>617</b>	<b>497</b>	<b>497</b>	<b>497</b>	<b>497</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>79,942</b>	<b>88,825</b>	<b>1,05,500</b>	<b>1,20,118</b>	<b>1,52,005</b>	<b>1,59,063</b>	<b>1,93,711</b>
Inventory	59,020	62,228	73,273	77,359	84,368	84,521	1,03,867
Account Receivables	5,272	5,042	4,616	4,997	8,165	8,179	10,052
Cash and Bank Balance	5,594	9,448	14,781	17,373	39,418	46,272	55,103
Loans and Advances	10,056	12,108	12,830	20,389	20,054	20,090	24,689
<b>Curr. Liability &amp; Prov.</b>	<b>69,606</b>	<b>73,908</b>	<b>86,729</b>	<b>89,652</b>	<b>1,01,721</b>	<b>1,01,290</b>	<b>1,24,164</b>
Account Payables	5,770	6,491	7,347	7,601	12,069	11,476	13,792
Other Current Liabilities	63,747	67,333	79,278	81,818	89,403	89,565	1,10,066
Provisions	89	83	105	234	248	249	306
<b>Net Current Assets</b>	<b>10,336</b>	<b>14,917</b>	<b>18,770</b>	<b>30,465</b>	<b>50,284</b>	<b>57,773</b>	<b>69,547</b>
<b>Appl. of Funds</b>	<b>66,374</b>	<b>74,462</b>	<b>73,603</b>	<b>89,210</b>	<b>1,08,664</b>	<b>1,14,612</b>	<b>1,24,809</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>0.4</b>	<b>8.5</b>	<b>12.1</b>	<b>22.1</b>	<b>37.8</b>	<b>44.1</b>	<b>63.1</b>
Cash EPS	12.0	25.7	27.5	36.9	52.5	59.1	78.5
BV/Share	114.9	142.4	158.8	178.6	287.7	329.8	392.9
DPS	0.0	1.0	3.0	2.0	2.0	2.0	0.0
Payout (%)	0.0	26.4	21.6	9.1	5.3	4.5	0.0
<b>Valuation (x)</b>							
P/E	2,913.2	128.6	90.4	49.5	29.0	24.8	17.4
Cash P/E	91.4	42.6	39.8	29.7	20.8	18.5	13.9
P/BV	9.5	7.7	6.9	6.1	3.8	3.3	2.8
EV/Sales	13.4	8.8	7.4	5.3	4.7	4.5	3.5
EV/EBITDA	55.5	34.3	29.6	21.7	14.9	12.9	9.6
Dividend Yield (%)	0.0	0.1	0.3	0.2	0.2	0.2	0.0
FCF per share	16.4	40.3	29.9	-11.5	63.0	60.6	66.7
<b>Return Ratios (%)</b>							
RoE	0.3	6.6	8.0	13.1	16.2	14.3	17.5
RoCE	3.4	25.3	6.8	8.9	10.9	10.8	13.1
RoIC	3.7	28.9	8.2	11.5	18.0	25.2	30.6
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	0.3	0.5	0.6	0.8	0.8	0.7	0.9
Asset Turnover (x)	0.3	0.4	0.5	0.5	0.5	0.4	0.5
Inventory (Days)	1,105	757	776	577	620	620	620
Debtor (Days)	99	61	49	37	60	60	60
Creditor (Days)	108	79	78	57	89	84	82
<b>Leverage Ratio (x)</b>							
Current Ratio	1.1	1.2	1.2	1.3	1.5	1.6	1.6
Interest Cover Ratio	0.7	0.9	1.3	1.8	2.7	3.2	4.5
Net Debt/Equity	1.6	1.3	0.9	1.0	0.2	0.0	-0.1

### Consolidated Cash flow

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	-1,251	-150	2,780	5,687	9,839	11,836	16,968
Depreciation	2,369	3,505	3,146	3,021	3,011	3,081	3,153
Interest & Finance Charges	3,468	4,436	4,342	4,910	4,690	4,465	4,240
Direct Taxes Paid	-536	-1,039	-558	-1,676	-2,476	-2,979	-4,271
(Inc)/Dec in WC	3,814	4,047	1,480	-9,103	2,227	-634	-2,943
<b>CF from Operations</b>	<b>7,864</b>	<b>10,799</b>	<b>11,189</b>	<b>2,839</b>	<b>17,290</b>	<b>15,769</b>	<b>17,147</b>
Others	165	-478	-1,186	-1,675	-1,758	-1,846	-1,939
<b>CF from Operating incl EO</b>	<b>8,029</b>	<b>10,321</b>	<b>10,003</b>	<b>1,164</b>	<b>15,532</b>	<b>13,923</b>	<b>15,209</b>
(Inc)/Dec in FA	-4,670	-2,084	-3,887	-3,506	-2,647	-1,541	-1,577
<b>Free Cash Flow</b>	<b>3,359</b>	<b>8,237</b>	<b>6,116</b>	<b>-2,342</b>	<b>12,886</b>	<b>12,382</b>	<b>13,632</b>
(Pur)/Sale of Investments	-342	-4,036	4,469	120	0	0	0
Others	-2,473	-3,594	1,186	1,675	1,758	1,846	1,939
<b>CF from Investments</b>	<b>-7,484</b>	<b>-9,714</b>	<b>1,768</b>	<b>-1,711</b>	<b>-888</b>	<b>306</b>	<b>362</b>
Issue of Shares	883	5,028	0	8	15,001	0	0
Inc/(Dec) in Debt	3,032	-831	-2,839	7,878	-2,500	-2,500	-2,500
Interest Paid	-3,943	-3,511	-4,342	-4,910	-4,690	-4,465	-4,240
Dividend Paid	0	-276	-613	-409	-409	-409	0
Others	2,029	-78	0	0	0	0	0
<b>CF from Fin. Activity</b>	<b>2,000</b>	<b>333</b>	<b>-7,793</b>	<b>2,568</b>	<b>7,402</b>	<b>-7,374</b>	<b>-6,740</b>
<b>Inc/Dec of Cash</b>	<b>2,545</b>	<b>940</b>	<b>3,978</b>	<b>2,020</b>	<b>22,045</b>	<b>6,854</b>	<b>8,830</b>
Opening Balance	3,049	2,804	3,745	7,723	9,743	31,789	38,643
<b>Closing Balance</b>	<b>5,594</b>	<b>3,745</b>	<b>7,723</b>	<b>9,743</b>	<b>31,789</b>	<b>38,643</b>	<b>47,473</b>

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Explanation of Investment Rating	
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