

## Well placed for strong growth ahead...

**About the stock:** Brigade Enterprises (BEL) is one of the leading property developers in South India. Its offerings include Grade-A commercial property, affordable to ultra-premium housing in real estate business and operational marquee hotel assets in hospitality segment.

- Given the healthy end user demand, strong launches, it has reported a robust sales value CAGR of ~26% over FY19-23 to ₹ 4107 crore

**Q3FY24 Performance:** The sales volume (BEL share) of 1.7 msf worth ₹ 1400 crore was up 9.6% and 38.6% YoY, respectively driven by strong launches of 2.7 msf in Bengaluru. For 9MFY24, Sales value at ₹ 3292 crore was up 26% YoY. On financial front, topline at ₹ 1174 crore was up 43% YoY. PAT at ₹ 79.5 crore was 60% YoY.

### Investment Rationale

- Strong launch pipeline to drive sales momentum:** BEL has a strong launch pipeline of ~ 10.8 msf over the next 4 quarters with gross development value of over ₹ 10,000 crore, which should drive sales volumes/value ahead. Recently, it also entered into joint development agreement with PVP Ventures to develop a 2.5 million-square-foot, high-rise residential project in Chennai with a revenue potential of about ₹ 2,000 crore. This addition will further add to visibility. We expect overall sales value CAGR of ~18% CAGR over FY23-26 to ₹ 6800 crore, with underlying end user demand being robust.
- Pick up in leasing visible; Looking to expand Rental/Hotel Portfolio:** Brigade has an operational leasing portfolio of 8.7 msf of commercial & retail assets, of which 8.1 msf has been leased and portfolio occupancy is 95%. The company plans to expand its rental portfolio by ~5 msf across office/malls, with cumulative annual rental potential of ₹ 500 crore. Furthermore, it plans to add 1200 keys to its existing Hospitality portfolio of 8 operational hotels with ~1474 keys, by adding four new properties.
- Enjoys healthy balance sheet:** Brigade enjoys a debt free residential segment, while ~90% of its debt in leasing and hospitality segment is securitised. Net debt as on Q3 stood at ₹ 2139 crore (BEL share at ₹ 1474 crore), with net debt/equity of 0.7x. The strong balance sheet ensures faster scalability with lower risk of leverage, going ahead

### Rating and Target Price

- We like BEL given robust residential sales volumes traction as well as outlook and strong balance sheet. We expect sustained recovery/expansion in commercial leasing & hospitality to drive stable cashflows/growth momentum. We maintain BUY rating and value it at target price of ₹ 1100 on SoTP basis.



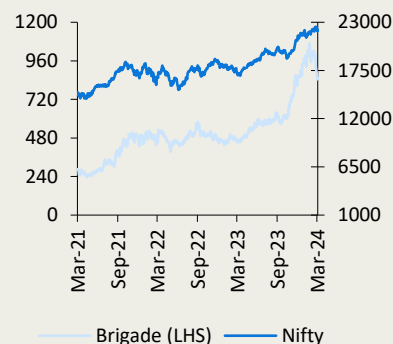
### Particulars

Particulars	(₹ crore)
Market Cap	20,057
Total Debt FY23	4,549
Cash FY23	1,478
EV	23,128
52 week H/L (₹)	1108/ 446
Equity capital	230.7
Face value (₹)	10.0

### Shareholding pattern

	M Mar-23	Jun-23	Sep-23	Dec-23
Promoters	43.8	43.8	43.8	43.8
DII	24.6	25.5	25.4	25.0
FII	4.3	3.7	3.4	3.7
Other	17.3	17.1	17.4	17.5

### Price Chart



### Key risks

- Any Slowdown in residential real estate;
- Slower leasing traction

### Research Analyst

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### Key Financial Summary

(₹ crore)	FY20	FY21	FY22	FY23	5 yr CAGR (FY18-23)	FY24E	FY25E	FY26E	3 yr CAGR (FY23-26E)
Net Sales	2632.2	1950.0	2998.8	3444.6	12.7%	4208.1	4803.2	6021.0	20.5%
EBITDA	663.2	471.9	766.3	859.0	9.2%	987.0	1339.7	1719.9	26.0%
EBITDA Margin(%)	25.2	24.2	25.6	24.9		23.5	27.9	28.6	
Net Profit	130.6	-46.3	82.8	291.4	35.9%	313.3	447.4	668.3	31.9%
EPS (₹)	6.2	-2.2	3.6	12.6		13.6	19.4	29.0	
P/E(x)	140.4	NM	241.8	68.8		64.0	44.8	30.0	
EV/EBITDA(x)	36.5	51.6	30.6	26.9		24.3	18.4	13.7	
RoE(%)	5.7	-2.0	2.8	9.0		8.8	12.3	17.6	
RoCE(%)	7.6	4.1	6.2	8.5		9.8	13.0	16.3	

## Q3FY24 Performance highlights and outlook

- Residential:** For Q3FY24, sales volume of 1.7 msf worth ₹ 1249 crore (BEL share), was up 40.5% and 57.1% YoY, respectively driven by strong launches of 3.3 msf in Bengaluru. More than half of the sales were from major project called Brigade Sanctuary (2 msf) in Bengaluru. The company indicated that pricing has trended upward (up 20% QoQ) driven by better product mix and a higher preference for branded players. For 9MFY24, Sales value at ₹ 3292 crore was up 26% YoY.
- Rental Assets Performance:** BEL achieved an incremental leasing of 0.49 msf (incl. hard option) during Q3FY24; mainly driven by Brigade Tech Gardens existing tenants (mainly GCCs). Occupancy rose to ~93% from ~87% QoQ. Including the hard option, occupancy stood at 95%. Revenues at ₹ 246.8 crore, was up 31.6% YoY.
- Residential business Development:** BEL has: i) planned launches of 10.8 msf (2.6 msf expected in Q4FY24) in the next four quarters, spread across Bengaluru, Chennai, and Hyderabad; ii) added a total developable area of ~7.7 msf in Q2FY24 and 2.5 msf (JD project) in Chennai in Q3FY24, which will enhance its future launch pipeline. The company aspires to grow at 20% CAGR over medium to long term.
- Land Bank:** BEL has a land Bank of 499 acres as of Q3FY24 with a development potential of 57 msf (BEL share of 44.4 msf). Of the same Residential (including plotted and mixed development) has project area of 44 msf (BEL share 33.1 msf). Annuity (commercial/hospitality) form 11.8 msf (BEL share of 10.7 msf) development potential.
- Rental Assets expansion:** Of its land bank of 11.8mn sq. ft. (commercial/hospitality: 10.8/1 msf) that has been kept for annuity and hospitality assets, it plans to launch 6.2 msf (BRGD's share: 5 msf) in the near future. The assets will be constructed over a period of five years and entail a capex of ~₹ 3000 crore
- Hospitality Expansion:** Hospitality clocked revenue of ₹ 122.7 crore, up 8% QoQ. BEL is planning to expand its hospitality portfolio of 1,474 keys by another ~1,200 keys. Four hotels are planned - Chennai beachfront resort, two Fairfield hotels at Brigade Valencia and near Bengaluru Airport, respectively and Marriott at WTC Chennai.
- Debt:** Brigade enjoys a debt free residential segment, while ~90% of its debt in leasing and hospitality segment is securitised. Net debt as on Q3 stood at ₹ 2139 crore (BEL share at ₹ 1474 crore), with net debt/equity of 0.7x. The strong balance sheet ensures faster scalability with lower risk of leverage, going ahead

### Exhibit 1: SoTP Valuation

Project	Value	NAV Multiple	NAV/share	Remarks
<b>Residential Total</b>	<b>15791</b>	<b>1.0</b>	<b>684</b>	We have considered completed, ongoing and steady launch pipeline over next 6-7 years and terminal growth of 5% thereafter
<b>Leasing Portfolio Total</b>	<b>8827</b>	<b>1.0</b>	<b>383</b>	
<b>Hospitality Portfolio</b>	<b>4092</b>	<b>1.0</b>	<b>177</b>	25x FY26E EV/EBITDA
<b>Total Gross Asset Valuation</b>	<b>28710</b>		<b>1244</b>	
Less: Net Debt (Brigade share)	2139		93	We have considered Brigade effective net debt
Less: Land dues payable	1194		52	
<b>Target Valuation</b>	<b>25376</b>		<b>1100</b>	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
₹ crore	FY23	FY24E	FY25E	FY26E
Net Sales	3,444.6	4,208.1	4,803.2	6,021.0
Other Income	118.6	142.3	149.4	156.9
<b>Total revenues</b>	<b>3,563.2</b>	<b>4,350.4</b>	<b>4,952.7</b>	<b>6,178.0</b>
Cost of Materials Sold	1,762.9	2,248.6	2,365.7	2,974.9
Employee Cost	268.3	295.1	324.6	357.1
Other Expenditure	554.5	677.4	773.2	969.2
<b>Total Operating Exp.</b>	<b>2,585.6</b>	<b>3,221.1</b>	<b>3,463.5</b>	<b>4,301.2</b>
EBITDA	859.0	987.0	1,339.7	1,719.9
Interest	434.2	474.9	470.1	489.1
Depreciation	314.6	312.3	367.1	415.5
PBT	273.9	342.2	652.0	972.2
<b>Tax</b>	<b>55.8</b>	<b>102.6</b>	<b>176.0</b>	<b>262.5</b>
<b>Profit before MI</b>	<b>218.1</b>	<b>239.5</b>	<b>475.9</b>	<b>709.7</b>
Minority Interests	(69.2)	(69.2)	33.5	46.9
<b>PAT</b>	<b>291.4</b>	<b>313.3</b>	<b>447.4</b>	<b>668.3</b>
<b>EPS (₹)</b>	<b>12.6</b>	<b>13.6</b>	<b>19.4</b>	<b>29.0</b>

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
	₹ crore			
₹ crore	FY23	FY24E	FY25E	FY26E
Equity Capital	231	231	231	231
Reserves & Surplus	2,913	3,148	3,282	3,483
Networth	3,245	3,549	3,650	3,803
Total Debt	4,549	4,749	4,949	5,149
Deferred Tax Liability	12	12	12	12
<b>Source of Funds</b>	<b>7,704</b>	<b>8,139</b>	<b>8,474</b>	<b>8,874</b>
Gross Block	1,450	1,550	1,600	1,650
Less: Accumulated Dep	569	677	786	898
Net Block	881	873	814	752
Capital WIP	740	940	290	(360)
<b>Total Fixed Assets</b>	<b>1,622</b>	<b>1,813</b>	<b>1,105</b>	<b>392</b>
Investments	62	62	62	62
Inventories	7,327	9,340	9,361	9,407
Trade Receivables	462	517	597	773
Loans & Advances	431	483	557	722
Cash & Bank Balances	1,478	747	264	1,581
Other Current Assets	368	413	476	617
Total Current Assets	####	12,061	11,901	13,937
Trade Payable	735	823	949	1,230
Provisions	11	11	11	11
Other Current Liabilities	6,806	7,628	6,848	7,760
Total Current Liabilities	7,551	8,462	7,808	9,000
<b>Net Current Assets</b>	<b>1,894</b>	<b>2,342</b>	<b>2,643</b>	<b>3,059</b>
<b>Application of Funds</b>	<b>7,704</b>	<b>8,139</b>	<b>8,474</b>	<b>8,874</b>

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
₹ crore	FY23	FY24E	FY25E	FY26E
<b>Profit before Tax</b>	<b>274</b>	<b>342</b>	<b>652</b>	<b>972</b>
Depreciation	315	312	367	415
Interest paid	434	475	470	489
CF before wc changes	969	1,052	1,311	1,678
Net Increase in CA	(1,087)	(2,165)	(237)	(527)
Net Increase in CL	1,282	1,047	(462)	1,620
<b>Net CF from op. activities</b>	<b>1,060</b>	<b>(230)</b>	<b>351</b>	<b>2,318</b>
Purchase of Fixed Assets	(273)	(300)	(400)	(400)
(Purchase)/Sale of Inv.	447	-	-	-
<b>Net CF from inv. activities</b>	<b>172</b>	<b>(149)</b>	<b>(251)</b>	<b>(243)</b>
Equity Raised	-	-	-	-
Proceeds from Borrowing	(192)	200	200	200
Interest Paid	(434)	(475)	(470)	(489)
Dividend Paid	(73)	(78)	(313)	(468)
<b>Net CF from fin. activities</b>	<b>(699)</b>	<b>(353)</b>	<b>(583)</b>	<b>(757)</b>
Net Cash flow	533	(731)	(483)	1,318
Opening Cash	945	1,478	747	264
<b>Closing Cash</b>	<b>1,478</b>	<b>747</b>	<b>264</b>	<b>1,581</b>

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
	FY23	FY24E	FY25E	FY26E
<b>Per Share Data</b>				
Reported EPS	12.6	13.6	19.4	29.0
Cash EPS	26.3	27.1	35.3	47.0
BVPS	140.6	153.8	158.2	164.8
<b>Operating Ratios</b>				
EBITDA / Net Sales	24.9	23.5	27.9	28.6
PAT / Net Sales	8.5	7.4	9.3	11.1
<b>Return Ratios</b>				
RoE	9.0	8.8	12.3	17.6
RoCE	8.5	9.8	13.0	16.3
<b>Valuation Ratios</b>				
EV / EBITDA	26.9	24.3	18.4	13.7
P/E	68.8	64.0	44.8	30.0
EV / Net Sales	6.7	5.7	5.1	3.9
Market Cap / Sales	5.8	4.8	4.2	3.3
Price to Book Value	6.2	5.7	5.5	5.3
<b>Turnover Ratios</b>				
Asset turnover	0.4	0.5	0.6	0.7
Gross Block Turnover	2.4	2.7	3.0	3.6
<b>Solvency Ratios</b>				
Net Debt / Equity	0.9	1.1	1.3	0.9
Current Ratio	1.0	1.1	1.2	1.1
Quick Ratio	0.1	0.1	0.2	0.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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