

CMP: ₹ 1247

Target: ₹ 1450 (16%)

Target Period: 12 months

BUY

November 28, 2024

## Well-placed for growth...

**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 ~30% over FY19-24 to ₹ 6013 crore

**Q2FY25 Performance:** The sales volume of 1.7 msf worth ₹ 1821 crore was up 0.5% and 45.8% YoY, respectively driven by strong offtake in Bengaluru launch. On financial front, topline at ₹ 1072 crore was down 21.5% YoY, owing to lower residential segment revenue recognition. PAT at ₹ 115 crore was up 2.3% YoY.

### Investment Rationale:

- Healthy launch pipeline to drive sales momentum:** The company is optimistic about the upcoming quarters, having launched Brigade Insignia in Bangalore which is worth ₹1100 crore and having sold 30-35% of the project already since its launch in H1. We note that 47%-50% of the sales have been contributed by new launches in H1FY25. BEL has a strong launch pipeline of ~ 10.5 msf over the next 4 quarters with gross development value of ₹10,000- ₹ 12,000 crore, which should drive sales volumes/value ahead. We expect overall sales value CAGR of ~16% over FY24-26E to ₹ 8072 crore, with underlying end user demand being robust.
- Leasing Portfolio remain on strong footing:** Brigade has an operational leasing portfolio of 8.7 msf of commercial & retail assets, with portfolio occupancy at 98%. The segment achieved leasing revenue of ₹297 crore (up 26% YoY) with leasing momentum led by segments such as IT, BFSI and flexi office spaces. The company, currently, has 2.5 million square feet of rental portfolio under construction for leasing. Retail sales growth was also positive, as per the company, as retail spaces continued to expand across malls owing to strong demand.
- Enjoys healthy balance sheet:** Brigade enjoys a debt free residential segment, while consolidated Net debt as on Q2 stood at ₹ 857 crore, with net debt/equity of 0.15x, largely aided by QIP proceeds. 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 ₹ 1450 on SoTP basis



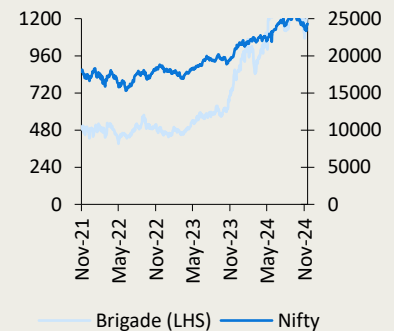
### Particulars

Particulars	(₹ crore)
Market Cap	30,455
Total Debt FY24	5,337
Cash FY24	1,737
EV	34,054
52 week H/L (₹)	1464/ 744
Equity capital	244.2
Face value (₹)	10.0

### Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoters	43.8	43.7	43.7	41.4
DII	25.0	23.8	22.9	24.0
FII	13.7	14.9	16.2	18.5
Other	17.5	17.6	17.3	16.1

### Price Chart



### Key risks

- Slowdown in residential real estate;
- Slower leasing traction

### Research Analyst

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### Key Financial Summary

(₹ crore)	FY21	FY22	FY23	FY24	5 yr CAGR (FY19-24)	FY25E	FY26E	2 yr CAGR (FY24-26E)
Net Sales	1950	2999	3445	4897	10.5%	5022	6760	17.5%
EBITDA	472	766	859	1194	8.6%	1355	1790	22.4%
EBITDA Margin(%)	24.2	25.6	24.9	24.4		27.0	26.5	
Net Profit	-46	83	291	452	13.5%	490	761	29.8%
EPS (₹)	-2.2	3.6	12.6	19.5		20.1	31.2	
P/E(x)	NM	346.9	98.7	63.8		62.2	40.0	
EV/EBITDA(x)	73.6	44.2	39.0	28.5		23.8	17.5	
RoE(%)	-2.0	2.8	9.0	12.4		9.3	14.0	
RoCE(%)	4.1	6.2	8.5	11.8		11.6	15.0	

Source: Company, ICICI Direct Research

## Call highlights and outlook

- Residential** – The real estate business reported stable performance with presales volumes at 1.68 million square feet valued at ₹1821 crore (up 46% YoY). Real estate collections during the quarter stood at ₹1454 crore (up 47% YoY) with average sales realisation at ₹10,832 per sqft (up 45% YoY). As per the company, demand in the real estate segment remained strong, driven by preference for properties offering larger space, enhanced amenities and premium finishes. The company is optimistic about the upcoming quarters, having launched Brigade Insignia in Bangalore which is worth ₹1100 crore and having sold 30-35% of the project already since its launch in H1, along with brigade Icon in Chennai with a revenue potential of ₹1800 crore, growing its presence in the luxury real estate segment.
- Leasing business** – In the leasing business, the company is almost leased out with 98% occupancy of its operating portfolio of 8.7 million square feet. The segment achieved leasing revenue of ₹297 crore (up 26% YoY). As per the company, leasing momentum remained strong as the projects continued to attract long term tenants led by IT, BFSI and flexi office spaces. The company currently has 2.5 million square feet of rental portfolio under construction for leasing. The management also mentioned that the demand across retail spaces remained encouraging with a mix of lifestyle, entertainment and dining brands continuing to expand across the malls. Retail sales growth was positive despite softer performance in the multiplex segment.
- New launches** – Brigade Insignia, the company's premium project was launched in Bangalore during Q2 FY25, 30-35% of the inventory has already been sold. We note that 47%-50% of the sales have been contributed by new launches in H1FY25. Projects like Cobalt, in brigade El-Dorado, Nebula in WTC Chennai along with Icon in Chennai, Beryl and Valencia in Bangalore are all witnessing good traction. The performance in the on-going and under-construction projects has been strong across the board.
- Pipeline** – The company has a total of 25 million square feet of on-going projects with a robust pipeline for FY25 with new developments totalling 16 million square feet. As for the launch pipeline for Q3, the company is looking to launch projects in Hyderabad of around 2 million square feet with an estimated GDV potential of ₹2400 crore, potential launch in Chennai of around 3 million square feet with a GDV potential of ₹3000 crore and couple of projects in Bangalore of around 2-2.5 million square feet with GDV potential of ₹2200 crore. With residential launches of around 10.5 million square feet over the next year, the total estimated GDV from upcoming launches is pegged at around ₹10,000- ₹12000 crore.
- Chennai in focus** – Brigade has been expanding its presence in Chennai over the last couple of years across all segments. The focus in Chennai however is on the mid segment with just couple of projects in the premium bracket like Brigade Icon. Considering that the company have a 12 million square feet of pipeline and upcoming launches for Chennai, it is optimistic on maintaining a top 3 market share in the city and confident on witnessing growth in the same.
- Delay in approvals** – The company is facing delays in securing approvals in Karnataka, which is impacting its launch schedule. It was hoping to launch over 2.6 million square feet in the previous quarter. Apart from Karnataka, it is facing challenges regarding the approvals in Hyderabad and Chennai as well. It indicated that while it is getting most of the approvals through, the final leg of getting the plant sanctioned along with the RERA approval is taking longer than anticipated. It also indicated that if the delays continue to persist, the launch pipeline for H2 FY25 could be impacted.

- **Guidance** – The company has maintained its 15-20% growth guidance for FY25. It also guided for embedded margins of existing projects to be upwards of 28%-29% going forward.
- **QIP** – The company had a successful QIP issue raising ~₹ 1500 crore, post which the company has a strong liquidity provision to meet with its expansion plans. The proceeds of the QIP are to be utilised towards adding projects in the real estate segment. Cities like Bangalore, Hyderabad and Chennai are of prime focus.
- **Hotel Entity Listing** - Brigade hotel ventures limited, a wholly owned subsidiary of the company has proposed an initial public offering of its equity shares, subject to receipt of requisite approvals. It has filed a draft red herring prospectus dated October 30, 2024, with SEBI and the relevant stock exchanges.
- **Debt and cash position** – The gross debt of the company stood at ₹4640 crore as of Q2 FY25. The cash and cash equivalents as of Q2 FY25 stood at ₹3784 crore which includes QIP funds of ₹1356 crore. The net debt outstanding stood at ₹857 crore with a net debt to equity ratio of 0.15x

**Exhibit 1: Valuation Table**

Project	Value	NAV Multiple	NAV/share	Remarks
Residential NAV	20100		823	
<b>Leasing Portfolio Total</b>	<b>10781</b>		<b>441</b>	
<b>Hospitality Portfolio</b>	<b>5334</b>		<b>218</b>	25x FY26E EV/EBITDA
<b>Total Gross Asset Valuation</b>	<b>36215</b>		<b>1483</b>	
Less: Net Debt (Brigade share)	78		3	We have considered Brigade effective net debt
Less: Land dues payable	800		33	
<b>Valuation</b>	<b>35337</b>		<b>1447</b>	
<b>Rounded off</b>	<b>35337</b>		<b>1450</b>	

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Net Sales	3,444.6	4,896.7	5,022.3	6,760.3
Other Income	118.6	167.5	175.8	184.6
<b>Total revenues</b>	<b>3,563.2</b>	<b>5,064.2</b>	<b>5,198.2</b>	<b>6,945.0</b>
Cost of Materials Sold	1,762.9	2,738.3	2,509.8	3,497.8
Employee Cost	268.3	317.7	349.4	384.4
Other Expenditure	554.5	646.4	808.4	1,088.2
<b>Total Operating Exp.</b>	<b>2,585.6</b>	<b>3,702.3</b>	<b>3,667.6</b>	<b>4,970.4</b>
EBITDA	859.0	1,194.4	1,354.7	1,790.0
Interest	434.2	491.0	470.1	489.1
Depreciation	314.6	302.1	343.6	395.1
PBT	273.9	568.7	716.8	1,090.4
<b>Tax</b>	<b>55.8</b>	<b>167.6</b>	<b>193.5</b>	<b>294.4</b>
<b>Profit before MI</b>	<b>218.1</b>	<b>401.0</b>	<b>523.3</b>	<b>796.0</b>
Minority Interests	(69.2)	(50.6)	33.5	46.9
<b>PAT</b>	<b>291.4</b>	<b>451.6</b>	<b>489.7</b>	<b>749.1</b>
<b>EPS (₹)</b>	<b>12.6</b>	<b>19.5</b>	<b>20.1</b>	<b>30.7</b>

Source: Company, ICICI Direct Research

### Exhibit 3: Cash flow statement ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
<b>Profit before Tax</b>	<b>274</b>	<b>569</b>	<b>717</b>	<b>1,107</b>
Depreciation	315	302	344	379
Interest paid	434	491	470	489
CF before wc changes	969	1,245	1,321	1,743
Net Increase in CA	(1,087)	(516)	92	(606)
Net Increase in CL	1,282	292	(20)	2,520
<b>Net CF from op. activities</b>	<b>1,060</b>	<b>539</b>	<b>1,272</b>	<b>3,041</b>
Purchase of Fixed Assets	(255)	(738)	(400)	(1,200)
(Purchase)/Sale of Inv.	447	12	-	-
<b>Net CF from inv. activities</b>	<b>172</b>	<b>(369)</b>	<b>(224)</b>	<b>(1,015)</b>
Equity Raised	-	-	1,500	-
Proceeds from Borrowing	(192)	693	(388)	200
Interest Paid	(434)	(491)	(470)	(489)
Dividend Paid	(73)	(113)	(343)	(533)
<b>Net CF from fin. activities</b>	<b>(699)</b>	<b>89</b>	<b>299</b>	<b>(822)</b>
Net Cash flow	533	259	1,347	1,203
Opening Cash	945	1,478	1,737	3,085
<b>Closing Cash</b>	<b>1,478</b>	<b>1,737</b>	<b>3,085</b>	<b>4,288</b>

Source: Company, ICICI Direct Research

### Exhibit 4: Balance Sheet ₹ crore

₹ crore	FY23	FY24	FY25E	FY26E
Equity Capital	231	231	244	244
Reserves & Surplus	2,913	3,327	4,961	5,189
Networth	3,245	3,649	5,263	5,444
Total Debt	4,549	5,337	4,949	5,149
Deferred Tax Liability	12	27	27	27
<b>Source of Funds</b>	<b>7,704</b>	<b>8,921</b>	<b>10,180</b>	<b>10,608</b>
Gross Block	1,394	1,437	1,487	987
Less: Accumulated Dep	512	536	581	611
Net Block	881	901	906	377
Capital WIP	740	1,232	582	1,282
<b>Total Fixed Assets</b>	<b>1,622</b>	<b>2,132</b>	<b>1,488</b>	<b>1,658</b>
Investments	62	50	50	50
Inventories	7,327	7,736	7,767	7,839
Trade Receivables	462	500	455	650
Loans & Advances	431	384	350	500
Cash & Bank Balances	1,478	1,737	3,085	4,288
Other Current Assets	368	484	441	630
Total Current Assets	####	11,657	12,840	14,967
Trade Payable	735	760	692	989
Provisions	11	23	23	23
Other Current Liabilities	6,806	7,168	7,307	9,135
Total Current Liabilities	7,551	7,951	8,022	10,147
<b>Net Current Assets</b>	<b>1,894</b>	<b>2,692</b>	<b>3,895</b>	<b>3,502</b>
<b>Application of Funds</b>	<b>7,704</b>	<b>8,921</b>	<b>10,180</b>	<b>10,608</b>

Source: Company, ICICI Direct Research

### Exhibit 5: Key ratios

	FY23	FY24	FY25E	FY26E
<b>Per Share Data</b>				
Reported EPS	12.6	19.5	20.1	31.2
Cash EPS	26.3	32.6	34.1	46.7
BVPS	140.6	157.9	215.5	222.9
<b>Operating Ratios</b>				
EBITDA / Net Sales	24.9	24.4	27.0	26.5
PAT / Net Sales	8.5	9.2	9.8	11.3
<b>Return Ratios</b>				
RoE	9.0	12.4	9.3	14.0
RoCE	8.5	11.8	11.6	15.0
<b>Valuation Ratios</b>				
EV / EBITDA	38.3	28.0	23.4	17.2
P/E	97.0	62.7	61.1	39.3
EV / Net Sales	9.6	6.8	6.3	4.5
Market Cap / Sales	8.7	6.1	6.0	4.4
Price to Book Value	8.7	7.8	5.7	5.5
<b>Turnover Ratios</b>				
Asset turnover	0.4	0.5	0.5	0.6
Gross Block Turnover	2.5	3.4	3.4	6.8
<b>Solvency Ratios</b>				
Net Debt / Equity	0.9	1.0	0.3	0.1
Current Ratio	1.0	1.0	1.0	0.8
Quick Ratio	0.1	0.2	0.1	0.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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