Brigade Enterprises (BRIENT)

CMP: ₹ 595  Target: ₹ 745 (25%)  Target Period: 6-12 months

July 31, 2023

Strong launch pipeline to drive sales momentum 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, the company has reported a robust sales (resi & commercial) value CAGR of ~26% over FY19-23 to ₹ 4107 crore.

**Investment Rationale**

- **Strong launch pipeline to drive sales momentum:** FY23 residential sales volume was ~6.1 million sq ft (msf) worth ₹ 3907 crore, up ~31% and 32.4%, respectively. With strong launch pipeline of 7.9 msf over the next 4 quarters coupled with ~3 msf unsold inventory in ongoing projects, BEL is poised to witness continued traction in residential sales momentum. Furthermore, strong business development (3 land purchase with developable potential of 5.5 msf and sales potential of ₹ 6500 crore across Chennai/Hyderabad in last 1 year) will keep the medium-term sales trajectory healthy. We bake in overall sales value CAGR of ~15.5% CAGR over FY23-25 to ₹ 5479 crore, with underlying end user demand being robust along with strong launch trajectory.

- **Pick up in leasing – a key monitorable; Hospitality portfolio on a strong footing:** Brigade has an operational leasing portfolio of 8.7 msf of commercial & retail assets, of which 7.45 msf has been leased. The vacancies are largely from SEZ space, owing to delay SEZ denotification policy. The company has an active leasing pipeline of 1.7 msf and aims to fully lease the remaining space by FY24 end. This will boost the overall leasing segment revenues. Furthermore, Hospitality portfolio (8 operational hotels with ~1500 keys) have also turned a corner and are poised to be beneficiary of major events including cricket world cup. We bake in a healthy ~14% EBITDA CAGR over FY23-25 to ₹ 153 crore.

- **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 Q1 stood at ₹ 1202 crore (BEL share at ₹ 1374 crore), with net debt/equity of 0.5x. 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 (led by strong end user demand & new launches) and strong balance sheet. Furthermore, we expect sustained recovery in commercial leasing/hospitality to drive overall traction in stable cashflows/growth momentum.

- We maintain **BUY** on the company. We value BEL at SoTP basis at target price as ₹ 745/share

- This is our high conviction Midcap Idea

**Key Financial Summary**

<table>
<thead>
<tr>
<th>₹ crore</th>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>5 yr CAGR (FY18-23)</th>
<th>FY23/E</th>
<th>FY23E</th>
<th>2 yr CAGR (FY23-25E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2632.2</td>
<td>1950.0</td>
<td>2998.8</td>
<td>3444.6</td>
<td>12.7%</td>
<td>4008.1</td>
<td>4803.2</td>
<td>18.1%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>663.2</td>
<td>471.9</td>
<td>766.3</td>
<td>859.0</td>
<td>9.2%</td>
<td>1083.2</td>
<td>1358.4</td>
<td>25.8%</td>
</tr>
<tr>
<td>EBITDA Margin(%)</td>
<td>25.2</td>
<td>24.2</td>
<td>25.6</td>
<td>24.9</td>
<td>31.4</td>
<td>27.0</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>Net Profit</td>
<td>130.6</td>
<td>-46.3</td>
<td>82.8</td>
<td>291.4</td>
<td>35.9%</td>
<td>314.4</td>
<td>440.7</td>
<td>23.0%</td>
</tr>
<tr>
<td>EPS (₹)</td>
<td>6.2</td>
<td>-2.2</td>
<td>3.6</td>
<td>12.6</td>
<td>13.6</td>
<td>19.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P/E(x)</td>
<td>96.1</td>
<td>NM</td>
<td>165.5</td>
<td>47.1</td>
<td>43.7</td>
<td>31.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EV/EBITDA(x)</td>
<td>26.9</td>
<td>38.2</td>
<td>22.3</td>
<td>19.5</td>
<td>16.8</td>
<td>14.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoE(%)</td>
<td>5.7</td>
<td>-2.0</td>
<td>2.8</td>
<td>9.0</td>
<td>9.0</td>
<td>12.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoCE(%)</td>
<td>7.6</td>
<td>4.1</td>
<td>6.2</td>
<td>8.5</td>
<td>10.7</td>
<td>12.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company, ICICI Direct Research

**Particulars**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (₹ crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Capitalization</td>
<td>13,728</td>
</tr>
<tr>
<td>Total Debt FY23</td>
<td>4,549</td>
</tr>
<tr>
<td>Cash FY23</td>
<td>1,478</td>
</tr>
<tr>
<td>EV</td>
<td>16,799</td>
</tr>
<tr>
<td>52 week H/L (%)</td>
<td>61%</td>
</tr>
<tr>
<td>Equity capital</td>
<td>230.7</td>
</tr>
<tr>
<td>Face value (%)</td>
<td>10.0</td>
</tr>
</tbody>
</table>

**Price Chart**

- **Recent event & key risks:**
  - Reported a strong 22.4% YoY growth in sales value in Q1
  - **Key risk:** (i) Slowdown in residential real estate; (ii) Slower leasing traction

**Research Analyst**

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

**Shareholding pattern**

<table>
<thead>
<tr>
<th>Shareholding</th>
<th>Sep-22</th>
<th>Dec-22</th>
<th>Mar-23</th>
<th>Jun-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoters</td>
<td>43.8</td>
<td>43.8</td>
<td>43.8</td>
<td>43.8</td>
</tr>
<tr>
<td>DII</td>
<td>24.6</td>
<td>24.6</td>
<td>24.6</td>
<td>25.5</td>
</tr>
<tr>
<td>FIIs</td>
<td>13.4</td>
<td>14.2</td>
<td>14.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Other</td>
<td>18.1</td>
<td>17.4</td>
<td>17.3</td>
<td>17.1</td>
</tr>
</tbody>
</table>
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Hold: -5% to 15%;
Reduce: -15% to -5%;
Sell: <-15%

Pankaj Pandey  Head – Research   pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com
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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal
Contact number: 022-40701100 Email Address: complianceoffice@icicisecurities.com
For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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