

Shubh Nivesh



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 | 2012 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 to arrive at target price as | 745/share**
- This is our high conviction Midcap Idea**



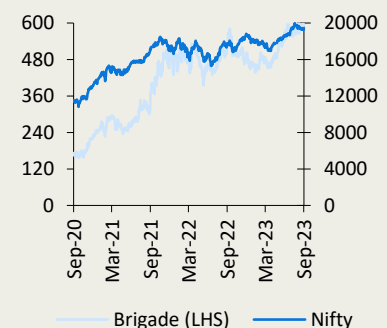
Particulars

Particulars	Amount (crore)
Market Capitalization	13,728
Total Debt FY23	4,549
Cash FY23	1,478
EV	16,799
52 week H/L ()	611/ 431
Equity capital	230.7
Face value ()	10.0

Shareholding pattern

	Sep-22	Dec-22	Mar-23	Jun-23
Promoters	43.8	43.8	43.8	43.8
DII	24.6	24.6	24.6	25.5
FII	13.4	14.2	14.3	13.7
Other	18.1	17.4	17.3	17.1

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

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Key Financial Summary

(crore)	FY20	FY21	FY22	FY23	5 yr CAGR (FY18-23)	FY24E	FY25E	2 yr CAGR (FY23-25E)
Net Sales	2632.2	1950.0	2998.8	3444.6	12.7%	4008.1	4803.2	18.1%
EBITDA	663.2	471.9	766.3	859.0	9.2%	1083.2	1358.4	25.8%
EBITDA Margin(%)	25.2	24.2	25.6	24.9		27.0	28.3	
Net Profit	130.6	-46.3	82.8	291.4	35.9%	314.4	440.7	23.0%
EPS ()	6.2	-2.2	3.6	12.6		13.6	19.1	
P/E(x)	96.1	NM	165.5	47.1		43.7	31.2	
EV/EBITDA(x)	26.9	38.2	22.3	19.5		16.8	14.1	
RoE(%)	5.7	-2.0	2.8	9.0		9.0	12.3	
RoCE(%)	7.6	4.1	6.2	8.5		10.7	12.9	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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