

Residential back in action.

- Presales at Rs14.9bn increased 47% QoQ and 45% YoY with sales volume increasing 55% QoQ and 53% YoY. Notably new launches during the Q accounted for 60% of the presales.
- Core FCFE increased 29% QoQ and 4% YoY to Rs3.5bn aided by robust collections of Rs14.6bn (+10% YoY and QoQ). The surplus cash is utilized in retiring pending land liabilities amounting to Rs4.8bn. As of FY23, land liabilities stand at Rs7bn; equating to two quarters of surplus CF.
- Leasing activity of 0.2msf is holding steady QoQ; taking FY23 leasing to 1.2msf. Active pipeline of >1msf intact in the office portfolio. The retail portfolio witnessed 78% YoY increase in retail sales consumption in FY23 while footfalls in malls jumped 106% YoY.
- Maintain Reduce with a revised TP of Rs590 (vs. Rs560). Price revision is on account of incorporating new project additions (FY23 BD amounting to Rs50bn in GDV) and scaling our presales higher by 2-5% for FY24-FY25. Over the med-term, we see Brigade delivering stable residential market share in its core market Bengaluru and achieving modest rental growth. However, unfavorable positioning on land reserves relative to peers remains a drag on FCF. Key upside risks to earnings and TP include higher sales velocity in new launches, margin accretive land acquisition, visibility on new segments (warehousing / industrial), higher FSI for existing & upcoming commercial projects and geographic diversification with scale.

Residential business regaining momentum on attractive product offerings but cost of new BD is a key monitorable.

Brigade residential presales volume stood at 2.3msf amounting to a booking value of Rs14.6bn (+47% YoY; +56% QoQ). Average realization declined 5% YoY and QoQ owing to plotted sales in the mix. The developer has reduced its rolling four quarter launch pipeline to 7.5msf (GDV: Rs60bn) vs. 12msf. Notably new launches accounted for 60% of presales during the Q while 40% for the full year. Residential EBITDA margin print came-in at 12% for the Q and consistently remaining under 20% for the past 12 quarters. Hence cost of new BD activity remains a key monitorable.

CMP	Rs 539
Target / Upside	Rs 590 / 9%
NIFTY	18,321
Scrip Details	
Equity / FV	Rs 2,307mn / Rs 10
Market Cap	Rs 124bn
	USD 1.5bn
52-week High/Low	Rs 585 / 426
Avg. Volume (no)	145,967
Bloom Code	BRGD IN
Price Performance	
	1M 3M 12M
Absolute (%)	8 15 22
Rel to NIFTY (%)	3 11 9

Shareholding Pattern

	Sep'22	Dec'22	Mar'23
Promoters	43.9	43.9	43.9
MF/Banks/FIs	24.6	24.6	22.0
FIs	13.4	13.4	14.0
Public / Others	18.0	18.0	20.0

Valuation (x)

	FY24E	FY25E	FY26E
P/E	47.3	34.3	29.3
EV/EBITDA	13.6	11.4	9.4
ROE (%)	7.9	10.0	10.7
RoACE (%)	9.4	10.5	10.9

Estimates (Rs bn)

	FY24E	FY25E	FY26E
Revenue	43.4	47.2	48.6
EBITDA	10.9	12.4	13.2
PAT	2.6	3.6	4.2
EPS (Rs.)	11.4	15.7	18.4

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Q4FY23 Result (Rs Mn)

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
Presales	14,885	10,279	44.8	10,097	47.4
Collections	14,632	13,335	9.7	13,283	10.2
Revenue	8,426	9,423	(10.6)	8,203	2.7
EBITDA	1,186	1,144	3.7	1,298	(8.6)
PAT	631	(117)	NA	427	47.8
OCF	4,356	4,149	5.0	3,499	24.5
ND / E (%)	143.0	70.5	102.8	52.8	170.8

Exhibit 1: Consolidated Actual V/s DART estimates (Rs mn)

Particulars (Rs Mn)	Actual	Estimate	%/ bps variance	Comments
Presales	14,885	8,400	77.2	
Revenue	8,426	12,422	(32.2)	
EBITDA	2,020	3,448	(41.4)	
PAT	631	973	(35.2)	Lower than anticipated deliveries and weak EBITDA margin driving the miss on P&L

Source: Company, DART

Exhibit 2: Change in Estimates

Particulars (Rs mn)	FY24E			FY25E		
	Old	New	Chg (%)	Old	New	Chg (%)
Presales	39,193	39,998	2.1	39,334	41,211	4.8
Revenue	41,485	43,378	4.6	45,607	47,156	3.4
EBITDA	10,474	10,869	3.8	12,076	12,434	3.0
PAT	2,506	2,633	5.1	3,413	3,628	6.3

Source: Company, DART

Exhibit 3: Brigade – quarterly P&L summary

(in Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	4QFY23	YoY %	QoQ %
Revenue from operations	9,423	9,025	8,792	8,203	8,426	(10.6)	2.7
COGS	5,238	4,902	4,683	3,902	4,142	(20.9)	6.1
Gross Profit	4,185	4,123	4,109	4,301	4,284	2.4	(0.4)
GP margin	44.4	45.7	46.7	52.4	50.8		
Employee Expenses	623	626	640	708	709		
Other Expenses	1,510	1,171	1,304	1,514	1,556		
Total Expenditures	7,371	6,698	6,628	6,124	6,406		
EBITDA	2,052	2,327	2,165	2,079	2,020	(1.6)	(2.9)
EBITDA margin (%)	21.8	25.8	24.6	25.3	24.0		
Depreciation	908	751	780	781	834		
EBIT	1,144	1,576	1,385	1,298	1,186	3.7	(8.6)
Interest	1,094	1,061	1,096	1,184	1,000		
Other Income	224	178	330	383	295		
Exceptional Items	200	(97)	(183)	-	(170)		
PBT	74	790	801	497	651		
Total Tax	192	184	283	70	21		
Reported PAT	(117)	606	517	427	631	NA	47.8

Source: Company, DART

Exhibit 4: Brigade: Quarterly operational summary by segment

(in Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	4QFY23	YoY %	QoQ %
Sales (msf) break-up								
Residential	1.08	1.51	1.11	1.15	1.45	2.33		
Commercial	0.01	0.04	0.11	0.04	0.08	0.04		
Total	1.09	1.55	1.22	1.19	1.53	2.37	40.2	28.4
Sales (Rs mn) break-up								
Residential	6,801	9,931	7,428	7,614	9,394	14,631		
Commercial	41	348	711	335	703	254		
Total	6,842	10,279	8,139	7,949	10,097	14,885	47.6	27.0
Avg. realization (Rs/sf)	6,277	6,644	6,589	6,678	6,590	6,284	5.0	-1.3
Collections (Rs mn)	10,951	13,335	12,103	14,220	13,283	14,632	21.3	10.2
Leasing portfolio (msf)								
Retail								
Leased out	1.17	1.16	1.17	1.2	1.2	1.2		
To be leased out	0.14	0.15	0.14	0.1	0.1	0.1		
Total	1.31	1.31	1.31	1.31	1.31	1.31		
Office								
Leased out	4.84	5.06	5.43	5.7	6.0	6.2		
Hard option	0.24	0.37	0.37	0.3	-	-		
To be leased out	2.31	1.96	1.57	1.4	1.4	1.2		
Total	7.39	7.39	7.37	7.37	7.37	7.37		
Hospitality segment								
Occupancy (%)	59	49	71	68	68	69		
ARR (Rs)	3,858	3,891	5,363	5,650	6,081	6,022		

Source: Company, DART

Exhibit 5: Brigade - key financials and operating metrics

Rs mn, Fiscal-end March	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Total Sales	8,964	16,440	23,768	27,667	30,227	41,085	39,998	41,211	39,001
Sales growth	(6.2)	83.4	44.6	16.4	9.3	35.9	(2.6)	3.0	(5)
Trailing 3Y moving average	10,336	11,653	16,391	22,625	27,221	32,993	37,103	40,765	40,070
OCF after tax before NWC	4,628	7,036	6,292	4,215	6,274	7,290	9,102	9,999	10,339
NWC changes	(4,141)	(2,363)	(1,643)	3,814	4,047	2,374	4,082	4,776	8,699
OCF (before int paid)	487	4,672	4,649	8,029	10,321	9,665	13,183	14,776	19,039
Net interest paid	(2,048)	(2,984)	(3,704)	(3,856)	(3,300)	(3,387)	(3,165)	(2,903)	(2,454)
Investments	(9,140)	(6,005)	(7,328)	(4,670)	(2,084)	(2,656)	(11,671)	(6,337)	(139)
FCFE	(10,700)	(4,317)	(6,383)	(497)	4,936	3,621	(1,653)	5,535	16,446
FCFE yield (%)	(21.8)	(8.8)	(13.0)	(1.0)	10.0	8.7	(4.0)	13.2	39
Net Worth	22,870	21,694	22,811	23,477	29,099	32,450	34,622	37,788	41,570
Net Debt	27,604	31,968	36,708	36,937	34,281	30,145	23,030	17,050	567
ND / Equity	120.7	147.4	160.9	157.3	117.8	92.9	66.5	45.1	1

Source: Company, DART

Valuation and key risks

Our SOTP based Mar'24 TP of Rs590 is arrived by applying a blended methodology, whereby, we value the residential / development business using the average of NAV premium approach and multiple based (EV / EBITDA) valuation..

For EV / EBITDA, we apply a 10x multiple on 3yr moving average FY25E presales, EBITDA margin profile of 24% and Brigade economic share at 80%. A lower multiple captures relatively muted margin profile, land reinvestment risk and lack of geographic diversification.

Key upside risks to earnings and TP include higher sales velocity in new launches, margin accretive land acquisition, visibility on new segments (warehousing / industrial), higher FSI for existing & upcoming commercial projects and geographic diversification with scale.

Exhibit 6: Brigade - Mar '24E SOTP summary

Mar'24 SOTP	Value (Rs mn)	Per share	% of GAV	Comments
Ongoing + Development potential	31,766	138	23	includes landbank potential
Inventory & Receivables	9,920	43	7	
Rental portfolio	70,325	305	51	FY25E NOI at 8% cap rate
Hospitality	25,112	109	18	basis 18x EV / EBITDA
Total GAV	1,37,124	594		
Net Debt (Adj. for pending land liabilities)	23,121	100		basis Brigade share of debt
NAV	1,14,003	494	100	
Shrs outstanding	231			
NAV / sh	494			
Premium to Development GAV (%)	15			basis 5msf of annual sales / execution starting FY30; Brigade economic share: 100%
Premium to Development GAV (Rs / share)	27			
Target NAV (Rs / share)	521			

Source: DART

Exhibit 7: Brigade - Valuation basis blended approach

Particulars (in Rs mn)	EV / EBITDA	NAV premium approach	Average
Residential business	78,268	47,939	63,104
Rental portfolio	70,325	70,325	70,325
Hospitality	25,112	25,112	25,112
Total GAV	1,73,706	1,43,377	1,58,542
Net Debt	23,121	23,121	23,121
NAV	1,50,585	1,20,256	1,35,420
Target NAV / share	653	521	587

Source: DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Revenue	34,446	43,378	47,156	48,583
Total Expense	25,856	32,509	34,722	35,395
COGS	17,629	23,424	24,993	25,749
Employees Cost	2,683	3,085	3,548	3,796
Other expenses	5,545	6,000	6,182	5,850
EBIDTA	8,590	10,869	12,434	13,187
Depreciation	3,146	3,303	3,468	3,642
EBIT	5,444	7,566	8,965	9,546
Interest	4,342	4,094	4,094	4,094
Other Income	1,186	929	1,190	1,640
Exc. / E.O. items	0	0	0	0
EBT	2,289	4,400	6,062	7,092
Tax	558	1,109	1,528	1,787
RPAT	2,464	2,633	3,628	4,244
Minority Interest	(692)	658	907	1,061
Profit/Loss share of associates	41	0	0	0
APAT	2,464	2,633	3,628	4,244

Balance Sheet

(Rs Mn)	FY23A	FY24E	FY25E	FY26E
Sources of Funds				
Equity Capital	2,307	2,307	2,307	2,307
Minority Interest	(1,013)	(355)	552	1,613
Reserves & Surplus	30,143	32,315	35,481	39,263
Net Worth	32,450	34,622	37,788	41,570
Total Debt	45,488	45,488	45,488	45,488
Net Deferred Tax Liability	120	120	120	120
Total Capital Employed	77,045	79,875	83,948	88,791

Applications of Funds

Net Block	46,608	46,608	49,477	45,974
CWIP	7,405	7,405	7,405	7,405
Investments	259	55	55	55
Current Assets, Loans & Advances	109,503	99,530	90,961	93,070
Inventories	73,273	56,129	41,777	26,978
Receivables	4,616	4,671	4,475	4,338
Cash and Bank Balances	14,781	21,896	27,876	44,921
Loans and Advances	4,313	4,313	4,313	4,313
Other Current Assets	11,958	11,958	11,958	11,958
Less: Current Liabilities & Provisions	86,729	73,723	63,950	57,714
Payables	7,347	6,042	4,686	4,686
Other Current Liabilities	79,383	67,681	59,264	53,027
<i>sub total</i>				
Net Current Assets	22,774	25,807	27,011	35,357
Total Assets	77,045	79,875	83,948	88,791

E – Estimates

Important Ratios

Particulars	FY23A	FY24E	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	48.8	46.0	47.0	47.0
EBIDTA Margin	24.9	25.1	26.4	27.1
EBIT Margin	15.8	17.4	19.0	19.6
Tax rate	24.4	25.2	25.2	25.2
Net Profit Margin	7.2	6.1	7.7	8.7
(B) As Percentage of Net Sales (%)				
COGS	51.2	54.0	53.0	53.0
Employee	7.8	7.1	7.5	7.8
Other	16.1	13.8	13.1	12.0
(C) Measure of Financial Status				
Gross Debt / Equity	1.4	1.3	1.2	1.1
Interest Coverage	1.3	1.8	2.2	2.3
Inventory days	776	472	323	203
Debtors days	49	39	35	33
Average Cost of Debt	9.3	9.0	9.0	9.0
Payable days	78	51	36	35
Working Capital days	241	217	209	266
FA T/O	0.7	0.9	1.0	1.1
(D) Measures of Investment				
AEPS (Rs)	10.7	11.4	15.7	18.4
CEPS (Rs)	24.3	25.7	30.8	34.2
DPS (Rs)	2.0	2.0	2.0	2.0
Dividend Payout (%)	18.7	17.5	12.7	10.9
BVPS (Rs)	140.6	150.1	163.8	180.2
RoANW (%)	8.0	7.9	10.0	10.7
RoACE (%)	7.8	9.4	10.5	10.9
RoAIC (%)	8.3	12.6	15.7	19.1
(E) Valuation Ratios				
CMP (Rs)	539	539	539	539
P/E	50.5	47.3	34.3	29.3
Mcap (Rs Mn)	124,433	124,433	124,433	124,433
MCap/ Sales	3.6	2.9	2.6	2.6
EV	154,578	147,463	141,483	124,438
EV/Sales	4.5	3.4	3.0	2.6
EV/EBITDA	18.0	13.6	11.4	9.4
P/BV	3.8	3.6	3.3	3.0
Dividend Yield (%)	0.4	0.4	0.4	0.4
(F) Growth Rate (%)				
Revenue	14.9	25.9	8.7	3.0
EBITDA	12.1	26.5	14.4	6.1
EBIT	30.9	39.0	18.5	6.5
PBT	488.2	92.3	37.8	17.0
APAT	76.7	6.9	37.8	17.0
EPS	76.7	6.9	37.8	17.0

E – Estimates

Cash Flow

Particulars	FY23A	FY24E	FY25E	FY26E
Profit before tax	2,780	3,742	5,155	6,031
Depreciation & w.o.	3,146	3,303	3,468	3,642
Net Interest Exp	4,342	4,094	4,094	4,094
Direct taxes paid	(1,591)	(1,109)	(1,528)	(1,787)
Change in Working Capital	2,374	4,082	4,776	8,699
Non Cash	0	0	0	0
(A) CF from Operating Activities	9,665	13,183	14,776	19,039
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(2,656)	(11,671)	(6,337)	(139)
Free Cash Flow	7,008	1,512	8,438	18,900
(Inc.)/ Dec. in Investments	(504)	0	0	0
Other	0	0	0	0
(B) CF from Investing Activities	(2,706)	(10,743)	(5,147)	1,501
Issue of Equity/ Preference	78	0	0	0
Inc./ (Dec.) in Debt	(2,820)	0	0	0
Interest exp net	(3,841)	(4,094)	(4,094)	(4,094)
Dividend Paid (Incl. Tax)	0	0	0	0
Other	(24)	658	907	1,061
(C) CF from Financing	(6,952)	(3,897)	(3,648)	(3,494)
Net Change in Cash	6	(1,456)	5,980	17,045
Opening Cash balances	3,745	3,751	2,295	8,275
Closing Cash balances	3,751	2,295	8,275	25,320

E – Estimates

Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jul-22	Reduce	450	452
Aug-22	Reduce	500	507
Nov-22	Reduce	560	517
Feb-23	Reduce	560	479

**Price as on recommendation date*

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