

Life-time high sales volume growth...

Key highlight of Brigade Enterprises' (BEL) Q4FY21 result was lifetime high sales volume of ~1.7 million sq feet (msf) worth ₹ 1018 crore, up 58% YoY and 56% YoY, respectively, driven by strong traction of newly launched project in along with ongoing projects. On the financial numbers, reported revenues grew 24.4% YoY to ₹ 791.2 crore, on account of strong revenue recognition in the residential segment. Reported EBITDA margins were up 260 bps YoY to 23.9%. BEL reported a loss of ₹ 39.6 crore.

Strong residential volumes growth

During the quarter, BEL launched projects spanning ~3 msf (~6 msf for FY21). The company indicated that 30% of the sales value were from new projects in Q4FY21 and Hyderabad & Chennai accounted for 40% of the volumes. Going ahead, BEL has a launch pipeline of 1.43 msf (BEL's share: 0.91 msf) and further projects worth ~2 msf is likely to get approval for launch within the next two quarters. This should aid sales volume ahead along with continued traction in ongoing projects (~7.2 msf of area to be sold) as well as land bank of ~27 msf. Post a strong 4.6 msf sales volume in FY21, we bake in 4.5 msf of sales volume in both FY22E and FY23E.

Commercial segment stable; malls, hotels recovering

Overall lease rental was at ₹ 121.4 crore, up 16.3% aided by incremental lease revenues from Brigade Tech Garden (BTG) Phase 2. Footfall recovery at malls was at ~75% and consumption at 90% of pre-Covid levels. With lockdown led closure in Q1FY22 owing to second wave, BEL indicated that it would continue to follow a similar formula of waiver. Commercial leasing segment for offices remains stable for BEL and has achieved 99% collections. During Q4 it leased ~0.1 msf. On the new commercial property, it is yet to lease 1.65 msf and 0.3 msf in **BTG Phase 2** and **WTC Chennai**. BEL indicated that there is an increased momentum in office leasing enquiries. The active leasing pipeline is ~1 msf and BEL expects to the same to fructify gradually as the economy reopens. The hotels occupancy rose from 27% in Q3 to 43% in Q4FY21, with gross operating profit (GOP) of ₹ 7.3 crore (₹ 4.2 crore in Q3). GOP margin was at 22% vis-à-vis 16% in Q3).

Valuation & Outlook

The strong recovery in the residential segment aided the overall cash generation and debt reduction by ~₹ 195 crore in residential segment in FY21 while commercial leasing pickup could be gradual, going ahead. Furthermore, full reopening of economy is likely to boost retail and hospitality segment from H2FY22 with full year pre-Covid normalised operation pushed to FY23. BEL has comfortable debt-equity and sufficient liquidity from operational commercial assets. We maintain **BUY** with an SoTP based target price of ₹ 320/share (unchanged).



Particulars

Particulars	Amount (₹ crore)
Market Capitalization	5,478.4
Total Debt	4,299.6
Cash	559.4
EV	9,218.6
52 week H/L (₹)	303/ 90
Equity capital	210.9
Face value (₹)	10.0

Key Highlights

- Key highlight of Brigade Enterprises' (BEL) Q4FY21 result was lifetime high sales volume of ~1.7 million se feet (msf) worth ₹ 1018 crore, up 58%, 56% YoY, respectively, driven by strong traction of newly launched projects along with ongoing projects
- Maintain BUY with target price of ₹ 320/share

Key risks to our call

- Delay in pickup of office leasing and hospitality
- Any weakness in Southern India real estate markets

Research Analyst

Bhupendra Tiwary, CFA
bhupendra.tiwary@icicisecurities.com

Lokesh Kashikar
lokesh.kashikar@icicisecurities.com

Key Financial Summary

(₹ crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	2972.8	2632.2	1950.0	2835.5	3462.5	33.3%
EBITDA	789.7	663.2	471.9	779.4	1134.3	55.0%
EBITDA Margin(%)	26.6	25.2	24.2	27.5	32.8	
Net Profit	239.9	130.6	-46.3	158.1	339.9	NA
EPS (₹)	11.4	6.2	-2.2	7.5	16.1	
P/E(x)	22.8	42.0	NM	34.6	16.1	
EV/EBITDA(x)	11.3	14.5	19.3	11.8	7.7	
RoE(%)	11.1	5.7	-2.0	6.7	13.2	
RoCE(%)	11.8	7.6	4.4	9.0	13.0	

Source: Company, ICICI Direct Research; *Under Ind-As 115 which came into effect from April 1, 2018, BEL switched to project completion method from percentage completion method earlier. Consequently, it had to reverse revenues & PAT to the tune of ~₹ 2,300 crore & ~₹ 400 crore, respectively. A major portion of these revenues is got booked in FY19 and FY20.

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (Chg %)	Q3FY21	QoQ (Chg %)	Comments
Income from Operation	791.2	672.0	635.9	24.4	644.6	22.7	Higher revenue recognition in residential led to beat at topline level
Other Income	29.6	9.0	8.4	251.8	9.0	228.4	
Total Operating Cost	343.5	275.2	299.7	14.6	276.5	24.2	
Employee cost	47.3	42.0	45.6	3.8	39.9	18.5	
Other expenditure	107.5	70.0	115.8	-7.2	65.4	64.5	
EBITDA	188.7	164.8	135.2	39.6	148.4	27.1	
EBITDA Margin (%)	23.9	24.5	21.3	260 bps	23.0	83 bps	
Depreciation	66.1	59.1	56.3	17.3	59.1	11.8	
Interest	90.0	85.6	80.5	11.7	85.6	5.1	
PBT	62.3	29.1	6.7	826.0	12.7	389.2	
Total Tax	7.0	7.4	-2.8	-351.6	-5.2	-234.0	
Pat after Minority Interest	39.6	27.6	2.7	1,376.5	-16.1	-345.5	

Key Metrics

Sales Volume (in lakh sq ft)	16.6	14.1	10.5	57.6	15.3	8.3
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Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

₹ Crore	FY20	FY21	FY22E			FY23E			Comments
			Old	New	% Change	Old	New	% Change	
Revenue	2,632.2	1,950.0	3,148.2	2,835.5	-9.9	3,489.8	3,462.5	-0.8	Realign estimates post Q4FY21
EBITDA	663.2	471.9	1,071.7	779.4	-27.3	1,228.0	1,134.3	-7.6	
EBITDA Margin (%)	25.2	24.2	33.9	27.5	-641 bps	35.2	32.8	-244 bps	
PAT	130.6	-46.3	199.7	158.1	-20.8	247.7	339.9	37.2	
EPS (₹)	6.2	-2.2	9.8	7.5	-20.8	12.1	16.1	37.2	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	FY20	FY21	FY22E		FY23E		Comments
			New	Earlier	New	Earlier	
Volume sold in msf	4.3	4.6	4.5	4.5	4.5	4.5	Maintain volume estimates

Source: Company, ICICI Direct Research

Other highlights

- Residential:** Despite a washout Q1FY21, BEL recorded its highest ever pre-sales of ~4.6 mn sq ft (msf) in the real estate business during FY21, which is valued at ₹ 2766.7 crore (up 16% YoY). During Q4FY21, the company achieved pre-sales of ~1.66 msf valued at ₹ 1,017.6 crore (up 56% YoY). Residential segment contributed 98.1% to the pre-sales figure while rest is formed by commercial segment. Additionally, average selling price improved to ₹ 6,128 (2% QoQ). The residential cash inflow for Q4FY21 was at ₹ 840 crore (₹ 531 crore in Q3FY21) mainly aided by higher sales and pick-up in construction activities. Also, the management attributed robust pre-sales growth in the residential segment to its right pricing/location of the projects, uptick in demand for completed and larger sized inventory, better affordability due to lower interest rate, and customer's preference towards organized players. Going forward, while sales during April 2021 and May 2021 were muted due to lockdown-like situations in its key operating areas, the management expects strong demand to rebound in the normalised situation. Also, the company currently has a strong pipeline of 18 msf ongoing projects and 1.43 msf upcoming projects (which includes a) Brigade Orchards – Goldspire Block, Brigade Millennium Annexe, Brigade Northridge Phase 2, Brigade Atmosphere Phase 2, Brigade Gem at Bangalore location and b) Brigade Xanadu Cluster 3, Brigade Residences at WTC Chennai – A3 Block at Chennai location). The company also expects further projects worth ~2 msf to get approval for launch within the next two quarters. The project pipeline is likely to aid sales volume, going ahead, along with continued traction in ongoing/completed projects & other new projects
- Office & mall portfolio:** Commercial leasing segment remained stable for BEL during Q4FY21 and achieved 99% collections. Additionally, the company has managed to retain 100% of its tenant in FY21. Going forward, it is expecting most of the tenants to get retained upcoming for renewals (~4.9msf of area occupied by tenants are confirmed and rest 0.1 msf are under various stages of discussions). Also, the company is experiencing increased momentum in office leasing enquiries mainly led by IT and ITeS sector with an active pipeline of ~1 msf. The company has concluded five transactions (0.1 msf) in Q4FY21 and hoping for more (~0.25 msf) during post lockdown period. In the retail segment, the consumption has improved to 90% of pre-Covid levels. Additionally, rent recovery reached 96% in Q4FY21 (compared with Q4FY20 period) particularly led by regained sales by the tenants having business in the areas of cosmetics, consumers, electronics and departmental stores. However, retail mall performance is likely to be under pressure in the near term due to recent lockdown restrictions announced in the operating state. The company is likely to follow the rental waivers formula similarly to the method used in the last lockdown (based on different product/service categories – mix of minimum guaranteed rentals and achieved sales slab)
- Hospitality business:** Hospitality revenues were down 29% YoY while gross operating profit was at 7.3 crore (margin: 22%). In the hotels business, occupancy rose from 27% in Q1FY21 to 43% in Q4FY21. However, average room rate continued to remain under pressure and stood at ₹ 2,921 during Q4FY21 (vs. ₹ 3,085 in Q3FY21). As per the management, occupancies were improving on an QoQ basis and F&B business in hotels were registering gradual improvements with increased footfalls in the restaurants. The banquets business was limited mostly to smaller residential events. However, performance in the hotels business in the near term are

likely to remain benign due to renewed travel restrictions and lockdowns caused by the second wave of Covid-19

Other highlights

- Construction activities across project sites have slowed down to some extent currently with decline in labour availabilities to 7,000 labours now (vs. 11,000 in Q4). The management expects labour availability to increase post lockdown period
- Net outstanding debt at the end of Q4 was at ₹ 3,574 crore vs. ₹ 3820 crore in Q3 (BEL's share: ₹ 2,655 crore vs. ₹ 2,948 crore in Q2). Given the strong sales and operating cash flows witnessed in Q4FY21, the company has repaid residential debt to the tune of ₹194.6 crore during Q4. Average cost of debt for the company has reduced to 8.4% (down 117 bps YoY)

Company Analysis

Exhibit 4: Consolidated cash flows

Particulars	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Operating Activities					
Total Collection	718.4	375.7	535.9	681.9	1118.4
Direct Cost/Construction Cost	-303.7	-185.9	-214.5	-267.6	-445.2
LO Payment	-49.5	-35.8	-35.3	-52.4	-61.8
Employee And Admin Expense	-65.3	-37.0	-52.4	-63.5	-69.2
Sales & Marketing Expense	-34.7	-10.7	-20.0	-18.1	-45.0
Statutory Payments	-55.3	-23.8	-25.5	-29.6	-91.8
Other Payments	-1.1	-0.3	-5.3	-0.9	-3.3
Net Cash Flow From Operating Activities(A)	208.8	82.2	182.9	249.8	402.1
Investment Activities					
Cash from Investment Activities	40.9	49.9	103.9	101.1	183.0
Construction Cost-(CWIP/Capex Projects)	-190.7	-119.2	-137.9	-135.7	-127.2
Investments in Land/JD/JV/TDR	-0.1	-7.0	-165.5	11.2	-24.3
Other Investments (FD&Mutual fund)	-75.5	-139.2	-108.8	-126.3	-325.1
Net Cash Flow From Investment Activities(B)	-225.4	-215.5	-308.3	-149.7	-293.6
Financing Activities					
Debt Drawdown	367.4	343.2	443.8	149.8	878.9
Proceeds from QIP/ESOP	0.3		26.9	25.0	36.3
Dividend Payment	-25.3				
Debt Payment	-222.4	-242.2	-241.9	-184.1	-858.5
Interest Payment	-94.8	-55.8	-119.8	-98.2	-97.4
Investment by PE	15		50.0	1.0	35.0
Net Cash Flow from Financing Activities (C)	40.2	45.2	159.1	-106.5	-5.7
Net Cash Flows for the Period(A + B + C)	23.6	-88.1	33.7	-6.4	102.8

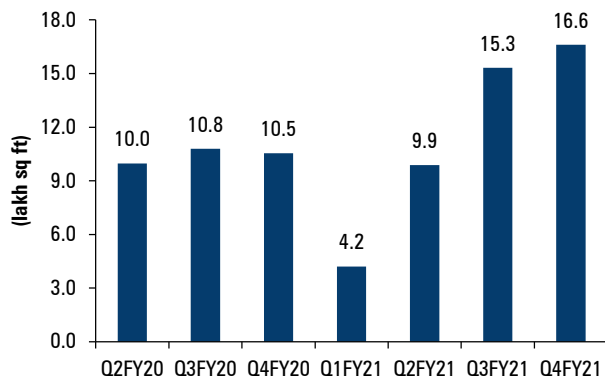
Source: Company, ICICI Direct Research

Exhibit 5: Consolidated debt profile

Particular	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Real Estate	691.9	691.5	749.5	608.4	497.3
Hospitality					
GOP Securitised	417.2	420.6	430.2	425.7	458.7
Capex	121.9	122.6	127.3	148.1	127.1
Leasing					
Securitised Lease Rental	1267.7	1521.3	1701.1	1719.3	2105.2
Capex	1456.9	1338.1	1333.0	1397.6	1111.3
Less:Liquid Investments	437.4	461.3	513.3	485.2	726.0
Net Debt	3518.2	3624.0	3827.8	3813.9	3573.6
Less:SPV partners's share of Debt	684.1	749.9	836.7	866.0	918.9
Exposure of BEL	2831.1	2874.1	2991.1	2947.9	2654.7
Cost of Debt	9.57%	9.56%	9.23%	9.00%	8.40%
Credit Rating	CRISIL "A"	CRISIL "A"	CRISIL "A"	CRISIL "A"	CRISIL "A"
	ICRA "A"	ICRA "A"	ICRA "A"	ICRA "A"	ICRA "A"

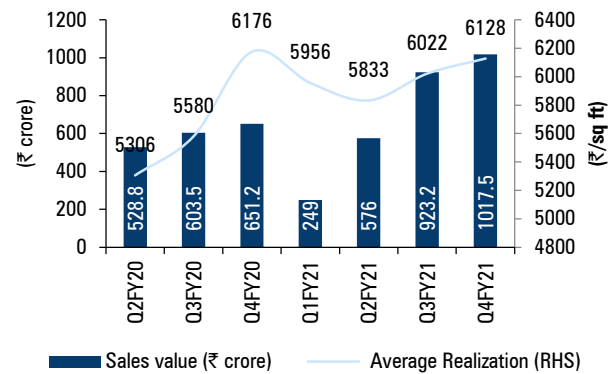
Source: Company, ICICI Direct Research

Exhibit 6: Quarterly sales volume trend



Source: Company, ICICI Direct Research

Exhibit 7: Quarterly sales value & realisation trend



Source: Company, ICICI Direct Research

Exhibit 8: Consolidated synopsis of real estate projects as of Q4FY21

Particulars	Ongoing BEL Projects	Ongoing SPV Projects	Stock Sales	Total
(in msf)				
Total super built-up area of projects on sale basis	15.62	2.39	1.13	19.13
Less: LO Share	4.28	0.00	0.00	4.28
Co share of saleable area	11.34	2.39	1.13	14.85
Sold till date	6.47	1.20	0.00	7.66
To be sold	4.87	1.19	1.13	7.19
(in ₹ crore)				
From Sold units	3586.2	741.2	484.8	4812.1
From Unsold Units	2800.7	847.1	626.8	4274.5
Estimated Receipts	6386.9	1588.3	1111.6	9086.6
Collection Till Date on Sold Units	1659.9	410.5	235.5	2305.8
Balance collection for the projects (From Sold Units)	1926.3	330.7	249.3	2506.3
Balance collection for the projects (Sold and Unsold units)-A	4727.0	1177.8	876.1	6780.8
Estimated Total cost to be spent	5033.2	1295.2	401.3	6729.7
Cost incurred till date	1693.6	938.4	401.3	3033.3
Balance Cost to be incurred to finish the project- B	3339.6	356.8	0.0	3696.4

Source: Company, ICICI Direct Research

Valuation & Outlook

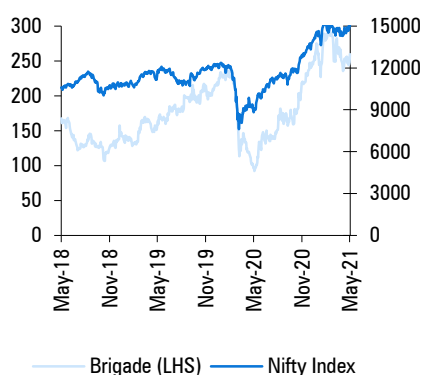
The strong recovery in the residential segment aided the overall cash generation, while commercial leasing pickup could be gradual, going ahead. We expect retail and hospitality to start recovering segment from H2FY22E. BEL has comfortable debt-equity and sufficient liquidity from operational commercial assets (and likely operational assets in FY22). We maintain **BUY** with SoTP target price of ₹ 320/share.

Exhibit 9: Valuation

Project	Value	NAV Multiple	NAV/share	Contribution (%)	Remarks
Residential/Commercial Sales					
Completed	113	1.0	6	2	
Ongoing	1192	1.0	58	18	
New Launches	282	1.0	14	4	We have discounted cash flow at 13% discount rate while land bank is valued at 1x amount invested.
Land Bank	637	1.0	31	10	
Total	2224	1.0	109	34	
Leasing Portfolio					
Completed	3383	1.0	166	52	
Ongoing	2586	1.0	127	39	We have considered cap rate of 8% and discount rate of 13%
Total	5969	1.0	292	91	
Hospitality Portfolio	1013	1.0	50	15	10x FY23E EV/EBITDA
Total Gross Asset Valuation	9206		450	141	
Less: Net Debt	2655		130	41	We have considered Brigade effective net debt
Target Valuation	6551		321	100	
Rounded-off target			320		

Source: Company, ICICI Direct Research

Exhibit 10: Price Performance



Source: Company, ICICI Direct Research

Financial summary

Exhibit 11: Profit and loss statement				
	₹ crore			
₹ crore	FY20	FY21	FY22E	FY23E
Net Sales	2,632.2	1,950.0	2,835.5	3,462.5
Other Income	49.4	60.4	63.4	66.6
Total revenues	2,681.6	2,010.4	2,899.0	3,529.1
Cost of Materials Sold	1,315.4	1,053.0	1,457.5	1,631.3
Employee Cost	216.0	150.9	200.0	210.0
Other Expenditure	437.5	274.2	398.7	486.9
Total Operating Expenditure	1,968.9	1,478.0	2,056.2	2,328.2
EBITDA	663.2	471.9	779.4	1,134.3
Interest	340.3	346.8	369.3	369.3
Depreciation	192.0	236.9	264.0	334.5
PBT	159.8	(127.7)	209.4	497.1
Tax	47.4	(28.7)	52.8	125.3
Reported PAT	112.4	(99.0)	156.7	371.8
Minority Interests	(16.6)	(50.1)	1.4	35.0
Profit for the company	130.6	(46.3)	158.1	339.9
EPS (₹)	6.2	(2.2)	7.5	16.1

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
	₹ crore			
₹ crore	FY20	FY21	FY22E	FY23E
Equity Capital	204	211	211	211
Reserves & Surplus	2,243	2,252	2,252	2,507
Networth	2,281	2,348	2,346	2,566
Total Debt	4,522	4,300	4,104	4,104
Deferred Tax Liability	10	7	7	7
Source of Funds	6,979	6,769	6,574	6,829
Gross Block	3,638	5,841	5,891	5,941
Less: Accumulated Dep	656	893	1,157	1,492
Net Block	2,981	4,997	4,734	4,449
Capital WIP	2,089	495	495	495
Total Fixed Assets	5,070	5,492	5,229	4,944
Investments	72	89	89	89
Inventories	5,209	5,902	6,493	6,891
Trade Receivables	431	527	678	716
Loans & Advances	295	361	464	490
Cash & Bank Balances	305	559	282	741
Other Current Assets	330	349	448	473
Total Current Assets	6,967	8,013	8,769	9,737
Trade Payable	500	577	742	783
Provisions	11	9	9	9
Other Current Liabilities	4,771	6,465	6,989	7,376
Total Current Liabilities	5,282	7,051	7,740	8,169
Net Current Assets	1,685	962	1,030	1,569
Application of Funds	6,979	6,769	6,574	6,829

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement				
	₹ crore			
₹ crore	FY20	FY21	FY22E	FY23E
Profit before Tax	160	(128)	209	497
Depreciation	192	237	264	334
Interest paid	340	347	369	369
CF before wc changes	693	443	775	1,096
Net Increase in CA	(491)	(874)	(945)	(486)
Net Increase in CL	327	1,768	689	429
Net CF from op. activities	465	1,449	377	891
Purchase of Fixed Assets	(741)	(609)	(50)	(50)
(Purchase)/Sale of Inv.	(13)	(17)	-	-
Net CF from inv. activities	(703)	(512)	68	23
Proceeds from Borrowing	732	(222)	(196)	-
Interest Paid	(386)	(347)	(369)	(369)
Dividend Paid	(57)	-	(158)	(85)
Net CF from fin. activities	321	(569)	(723)	(454)
Net Cash flow	83	368	(278)	459
Opening Cash	222	305	559	282
Closing Cash	305	559	282	741

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
	FY20	FY21	FY22E	FY23E
Per Share Data				
Reported EPS	6.2	(2.2)	7.5	16.1
Cash EPS	15.3	9.0	20.0	32.0
BVPS	108.2	111.3	111.2	121.7
Operating Ratios				
EBITDA / Net Sales	25.2	24.2	27.5	32.8
PAT / Net Sales	5.0	(2.4)	5.6	9.8
Return Ratios				
RoE	5.7	(2.0)	6.7	13.2
RoCE	7.6	4.4	9.0	13.0
RoIC	19.7	16.8	30.5	46.9
Valuation Ratios				
EV / EBITDA	14.5	19.3	11.8	7.7
P/E	42.0	NM	34.6	16.1
EV / Net Sales	3.7	4.7	3.2	2.5
Market Cap / Sales	2.1	2.8	1.9	1.6
Price to Book Value	2.4	2.3	2.3	2.1
Turnover Ratios				
Asset turnover	0.4	0.3	0.4	0.5
Gross Block Turnover	2.0	1.4	2.0	2.3
Solvency Ratios				
Net Debt / Equity	1.8	1.6	1.6	1.3
Current Ratio	1.2	1.0	1.0	1.0
Quick Ratio	0.2	0.2	0.2	0.2

Source: Company, ICICI Direct Research

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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,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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