



Recovery in Sight

Key Market Indicators (Consolidated)

Latest Date	05-Dec-2017
Latest Price (Rs)	296.20
Previous Close (Rs)	298.45
1 Day Price Var%	-0.75
1 Year Price Var%	93.59
52 Week High (Rs)	322.00
52 Week Low (Rs)	145.00
Beta	1.03
Face Value (Rs)	10.00
Industry PE	41.51
TTM Period	201709
TTM EPS(Rs)	12.99
TTM CEPS(Rs)	22.94
Price/TTM CEPS(x)	12.91
TTM PE (x)	22.80
Price/BV(x)	1.82
EV/TTM EBIDTA(x)	10.25
EV/TTM Sales(x)	3.04



Brigade has a diverse and mature portfolio of real estate, lease rental and hospitality businesses and successfully expanded footprints beyond Bengaluru & Mysuru to other high-growth potential cities like Chennai, Hyderabad, Kochi, Mangaluru and GIFT City, Gujarat

It has an in-house, fully integrated property development team comprising engineers and architects who oversee the development of properties from inception to completion. Its land bank strategy includes outright purchase of land parcels as well as entering into joint development agreement (revenue / profit share) with land owners. Its product mix consists of premium residential apartments, mixed use developments and affordable homes.

As a part of our diversification strategy, company **aims to increase revenues from the leasing business.**

Business segment		
Real Estate	Lease rental	Hospitality segment
<ul style="list-style-type: none"> Residential 	<ul style="list-style-type: none"> Retail space 	<ul style="list-style-type: none"> Hotels
<ul style="list-style-type: none"> Office space 	<ul style="list-style-type: none"> office space 	<ul style="list-style-type: none"> Clubs

Company has Completed nearly 200 buildings amounting to over 30 million square feet across residential, offices, retail and hospitality sectors **and currently in the process of developing 30 million square feet across seven cities over the next five years.**

As per management statement in annual report of FY17 Company will be launching 11.53 mn. sq. ft. during the financial year 2017-18. This will comprise of 5.02 mn. sqft. of real estate space, 5.76 mn. sq. ft. of Commercial Space and 0.13 mn. sq. ft. of Hospitality space.

The company expects good demand for its projects, now that RERA/GST uncertainty is clear. It plans to double its hospitality portfolio from 1,000 keys currently to 2,000 keys over next 2-3 years.

Q2 FY18 result Update

(IN CR)	Sep-17	Jun-17	QOQ growth	Sep-16	YOY growth	H1-17	H1-16	Growth
Revenue	499	564	-11.5%	459	8.7%	1064	925	15%
Total expense	443	521	-15.0%	413	7.3%	964	845	14%
PAT	42	30	40.0%	30.6	37.3%	72	53	36%
PAT%	8%	5%	58.2%	7%	26.3%	7%	6%	18%
EPS	3.01	2.45	22.9%	2.53	19.0%	5.47	4.29	28%
Segment revenue	Sep-17	Jun-17	QOQ growth	Sep-16	YOY growth	H1-17	H1-16	Growth
Real estate	361.1	433.6	-16.7%	341	5.9%	794	706	12%
<i>% of revenue</i>	<i>72.2%</i>	<i>76.7%</i>		<i>74.1%</i>		<i>75%</i>	<i>76%</i>	
Hospitality	54.1	52	4.0%	46	17.6%	106	91	16%
<i>% of revenue</i>	<i>10.5%</i>	<i>9.2%</i>		<i>10%</i>		<i>10%</i>	<i>9.83%</i>	
Leasing	72.6	73.44	-1.1%	65	11.7%	146	123	19%
<i>% of revenue</i>	<i>14.5%</i>	<i>13%</i>		<i>14%</i>		<i>13.7%</i>	<i>13.2%</i>	
Segment EBIT	Sep-17	Jun-17	QOQ growth	Sep-16	YOY growth	H1-17	H1-16	Growth
Real estate	87.85	89.9	-2.3%	110	-20.1%	177.75	192.33	-8%
Hospitality	-0.36	-2.44	-85.2%	1.17	-130.8%	-2.8	5.8	-148%
Leasing	39.5	31.23	26.5%	20.06	96.9%	70.76	39.56	79%

Real estate

The total sales volume in this segment decreased by 27% in FY17 to 1.6 mn sq. ft. from 2.2 mn sq. ft

Real-estate space 0.37million sq ft with a total value of 217 Cr sold during the quarter and price realization of 5916 Sq ft

Hospitality

For FY17, the occupancy rate at Grand Mercure was 73% compared to 82% in the previous year. The average room rate (ARR) increased to Rs 6,666 in FY17 compared to Rs 6,470 in FY16.



Sheraton has an occupancy rate of 81% in FY17 compared to 82% in FY16. The average room rate increased from Rs 7,600 in FY16 to Rs 8,258 in FY17.

LEASE RENTALS

The total leasable area is 2.1 mn sq ft. in Retail and Commercial assets of which 2 mn sq. ft. has already been leased out and 0.1 mn sq. ft. is to be leased

- Lease and hospitality segment contribute more to consolidated revenue this quarter
- The interest and finance charges for the quarter was range bound and stood at Rs. 60.45 crores versus Rs. 62.44 crores in the corresponding quarter of the previous year
- The company's effective cost of debt is at 9.66% per annum versus 9.84% per annum in the previous quarter

Management Call Highlights

1. **New sales outlook:** With RERA coming into force from May 1, 2017, BEL stopped marketing its ongoing projects. While the company did launch 2msf projects in Q1FY18, there were no new launches during Q2FY18. This impacted the quarter sales. The company believes disruption due to RERA and GST should largely subside in next few months and expects sales to pick up going ahead.
2. **Debt:** The Company's gross debt increased by 317Cr sequentially to INR2487 Cr Increase in debt was mainly driven by 304Cr sequential rise in leverage in the leasing segment and reduction of 130Cr in Real-estate segment.
3. **Revenue break-up:** Sales business contributed 73% to H1FY18 revenues, while balance came from annuity (leasing/hospitality) business.
5. **Investor induction in hospitality business:** The Company is in the process of transferring its hospitality assets to a separate subsidiary called Brigade Hotel Ventures. It expects to induct a strategic partner in this subsidiary by Q4FY18; this will help the company's its expansion plans in the segment.

Annual Report Highlights

2017	2016
<ul style="list-style-type: none"> • Company plans to increase focus on hospitality business that will result in pure-play aggressive growth and will also reduce dependence on the cyclic residential and commercial segments • Entered into an MOU with Intercontinental Hotels Group (India) Pvt Ltd (IHG) to initially set up 10 Holiday Inn Express hotels out of total 20 hotel properties planned across South India by 2020 and on at present company working on two hotels project for IBIS • company to increase revenues from the leasing business 	<ul style="list-style-type: none"> • The company is focused on the three business segments and the concept of Strategic Business Units (SBUs) for Residential, Lease Rental and Hospitality Projects
<ul style="list-style-type: none"> • Company developed 5 Million more sqft this year • Total building count now is 200 and total buildup area is 30 million sqft • Plan to develop 11mn Sqft 	<ul style="list-style-type: none"> • Completed over 150 buildings amounting to over 25 million sq. ft. in residential, offices, retail and hospitality sectors (Developed 4 million sqft in FY16) • Plan to develop more than 30 mn sq. ft. of projects across 7 cities over the next 5 years.
<ul style="list-style-type: none"> • Revenue mix: Lease 13%, Hospitality 9% and real-estate 78% (Revenue from lease income increased) 	<ul style="list-style-type: none"> • Revenue mix: Lease 12%, Hospitality 10% and real-estate 78%
<p>Brigade has a total land bank of 542 acres at the end of FY17 as of march-17</p> <p>And as of Sep-17 land bank is in 508 acres</p>	<p>Brigade has a total land bank of 539 acres at the end of FY 16.</p>
<p>Promoter take 10% of the profit as remuneration</p>	<p>Promoter take 10% of the profit as remuneration</p>

Segment (In Cr)	Debt-Sep-17	D/E	Debt-Sep-16	Capex planned
Real Estate	923.8	0.67	1053.7	1510
Hospitality	374.4	1.14	243.7	446
Lease Rental	1186.5	1.07	882.1	-
Total	2487.7		2170.5	

Segment	Ongoing project AREA (In Mln sqft)	Land Area (In acres)	Total cost	No.of projects
Real Estate	15.77	404	1013.4	39
Hospitality	4.71	22	26.7	3
Lease Rental	0.59	82	535.3	11
Total	21.08	508	1575.5	53

	Geographical Presence	Land Area(In acres)	Total Cost (In Cr)	No.of projects
Bangalore	74%	378	872	41
Chennai	13%	60	647	4
Mangaluru	5%	29	5.4	2
Mysur	4%	19	9.7	4
Kochi	3%	18	14	1
GIFT City	1%	4	26	1
Total		508 Acres	1575 Cr	53



PEER Comparison

(In Cr)

Description	Brigade Enterprises Ltd.	Prestige Estate Projects Ltd.	Sobha Ltd.
Segment wise Revenue %	Real-estate 75%	Residential 82%	Real estate 58%
	Hospitality 10.5%	Commercial 9%	Contractual 42%
	Leasing 14.5%	Hospitality 4%	-
	-	Retail 5%	-
Land bank	508 acres	424 Acres	2400 Acres
Sales	2058	4774	2230
PAT	166	367	147
CMP	298	316	591
Equity(Net worth)	2444	4646	2644
Reserves	2073.47	4171.2	2616.50
Market cap	4061.15	11850	5688.24
Book value	162.38	121.232	281.69
P/B	1.84	2.607	2.10
TTM EPS	12.99	8.863	19.15
TTM PE	22.97	35.655	30.85
EV / TTM EBIDTA (x)	10.30	15.759	15.35
Mcap / TTM Sales (x)	1.91	2.345	2.32

Description	Brigade Enterprises Ltd.	Prestige Estate Projects Ltd.	Sobha Ltd.
Total Debt/Equity(x)	0.94	1.28	0.84
PATM (%)	8.20	7.69	6.58
ROA (%)	2.69	2.19	1.74
ROE (%)	10.33	8.47	5.68
ROCE (%)	11.78	8.52	8.21

Asset Turnover(x)	0.33	0.28	0.27
Inventory Turnover(x)	0.89	0.71	0.48
Sales/Working Capital (x)	14.23	4.73	1.00

Cash	473	445	186
CFO	397.00	484	353
Free cash flow	-193.00	-462	193
Total Debt	2487	5739	2471
Finance cost as % of sales	8.3%	7.8%	7.7%
* In Cr			

Outlook & valuation

Brigade, September Quarter sales were up 8% YoY to Rs 484Cr and PAT was up by 38% YoY to Rs 41.62 Cr. Company plans to increase focus on hospitality and leasing business and is expected to improve on its sales with diversified portfolio.

BEL highlighted the fact that sales for Q2FY18 were slow because of RERA-related compliance. Going forward sales are expected to pick up from Q4FY18, as BEL is launching 2.4 mn sq ft under both residential and commercial project, 2mn sq ft of commercial-lease project and building 0.43 mn sq ft of two IBIS Hotels in the second half of FY 17-18.

Our Estimated Earnings per share (EPS) for FY 18 is 17.50. **We arrive at target price of Rs. 350/Share, with Estimated P/E of 20 for FY2018.** We have 'ACCUMULATE' rating on the stock, considering projects that have visibility over next year.

Projections

	H1 FY18	H2 FY 18 "Expected"
	(Mn Sqft built)	(Mn Sqft expected)
Residential	2.03	2.4
Commercial		2.4
Lease	3.37	2
Hotels		0.43
Total (In Mn Sqft)	5.4	7.23

Valuations

Particulars	H1 FY 18	H2 FY 18 "Expected"	Revenue 2018(E)
Residential and commercial	2.03	4.8	
AVF/Sqft	5870	5900	
	11916.1	28320	
Total Contribution (in millions)		40236.1	
Brigade shares (70%)		28165.27	2,816
Lease	3.37	2	
Occupancy	60%	40%	
Avg rental(rs/sqft/month)	100	100	
	2426.4	960	
Total Contribution (In Mn)		3386.4	
Brigade Shares (60%)		2031.84	203
Total Revenue (In Cr)			3,019
PAT		(NPM 8%)	241.52
EPS			17.50
P/E			20
Target price			350

Financial Highlights

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
SALES	2,058.38	2,070.67	1,330.84	966.69	834.61	651.03	529.92	391.36	408.79	507.13
PAT	166	137.79	114.95	88.95	60.02	56.93	120.52	46.57	38.22	101.6
ROCE	11.78	11.9	11.42	10.04	6.48	6.29	9.39	3.41	4.35	17.71
ROE	10.33	9.55	8.72	7.15	5.06	4.98	11.3	4.71	4.1	19.54
EV/EBITDA	10.3	7.66	7.93	5.25	8.13	8.05	9.41	29.67	11.94	14.5
P/E	22.97	13.35	16.98	7.81	10.43	11.48	8.31	32.93	10.05	18.53
P/B	1.84	1.08	1.19	0.54	0.53	0.56	0.89	1.53	0.4	2.12

DESCRIPTION	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Total Income	2058.38	2070.67	1330.84	966.69	834.61	651.03
PAT	166.00	137.79	114.95	88.95	60.02	56.93
Cash Profit	288.55	243.71	214.13	170.71	137.35	110.16
Sources of Funds						
Equity Paid Up	113.66	113.18	112.74	112.25	112.25	112.25
Reserves and Surplus	1580.27	1423.41	1243.79	1167.84	1099.85	1054.20
Net Worth	1685.64	1528.30	1356.53	1280.09	1208.74	1163.08
Total Debt (Long Term plus Short Term)	2576.31	2458.70	1663.21	1021.47	1204.56	852.70
Capital Employed	4262.93	3988.22	3019.90	2301.70	2413.30	2015.78
Application of Funds						
Gross Block	533.47	372.44	1714.30	1477.03	1226.46	607.93
Investments	1031.00	994.02	34.47	82.17	7.42	1.81
Cash and Bank balance	136.33	108.93	82.93	38.29	47.03	48.90
Net Current Assets (Including Current Investments)	135.47	172.79	44.01	-16.38	603.98	584.59
Total Current Liabilities	2664.50	2657.40	1865.50	1373.82	682.49	652.19
Total Assets	6349.95	5996.62	4298.08	3341.31	2956.55	2737.76
Cash Flow						
Cash Flow from Operations	397.83	338.69	25.96	490.34	28.81	249.16
Cash Flow from Investing activities	-334.59	-948.02	-387.56	-233.75	-84.46	-222.52
Cash Flow from Finance activities	-108.51	630.73	373.38	-261.61	53.78	-22.87
Free Cash flow	-193.75	-770.86	-350.86	226.02	-167.85	-121.88
Key Ratios						
Debt to Equity(x)	1.53	1.61	1.23	0.80	1.00	0.73
Current Ratio(x)	1.05	1.07	1.02	0.99	1.88	1.90
ROCE(%)	11.78	11.90	11.42	10.04	6.48	6.29
RONW(%)	10.33	9.55	8.72	7.15	5.06	4.98
PBIDTM(%)	30.07	25.66	30.75	33.63	26.84	29.51
PATM(%)	8.20	6.76	8.77	9.40	7.30	9.29

Balance sheet

DESCRIPTION	Mar-17	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
EQUITY AND LIABILITIES						
Share Capital	113.66	113.18	112.74	112.25	112.25	112.25
Share Warrants & Outstandings	0.98	1.22	0.16	0.14	0.00	0.00
Total Reserves	1580.27	1423.41	1243.79	1167.84	1099.85	1054.20
Shareholder's Funds	1694.91	1537.81	1356.69	1280.23	1212.10	1166.45
Minority Interest	227.44	123.82	25.84		5.45	
Long-Term Borrowings						
Secured Loans	1203.16	1041.12	624.10	374.71	785.47	683.47
Unsecured Loans	385.31	459.24	268.45	157.95	57.25	
Deferred Tax Assets / Liabilities	61.93	61.89	33.12	34.17	24.43	20.45
Other Long Term Liabilities	111.97	114.63	123.85	119.96	164.86	212.63
Long Term Trade Payables					23.87	
Long Term Provisions	0.73	0.71	0.53	0.47	0.63	2.57
Total Non-Current Liabilities	1763.10	1677.59	1050.05	687.26	1056.51	919.12
Current Liabilities						
Trade Payables	516.12	423.96	298.40	203.25	84.99	116.40
Other Current Liabilities	1905.78	2037.82	1473.20	1125.09	532.36	499.40
Short Term Borrowings	228.58	176.56	60.93	16.39	26.84	9.98
Short Term Provisions	14.02	19.06	32.97	29.09	38.30	26.41
Total Current Liabilities	2664.50	2657.40	1865.50	1373.82	682.49	652.19
Total Liabilities	6349.95	5996.62	4298.08	3341.31	2956.55	2737.76
ASSETS						
Non-Current Assets						
Gross Block	533.47	372.44	1714.30	1477.03	1226.46	607.93
Less: Accumulated Depreciation	79.81	32.31	352.38	250.40	173.28	99.96
Less: Impairment of Assets						
Net Block	453.66	340.13	1361.92	1226.63	1053.18	507.97
Lease Adjustment A/c						
Capital Work in Progress	1555.30	1396.74	471.56	244.64	388.56	925.00
Intangible assets under development	8.38	14.09	14.09	1.35		
Pre-operative Expenses pending						
Assets in transit						
Non Current Investments	1031.00	968.13	34.47	32.84	3.37	1.81
Long Term Loans & Advances	431.39	383.90	427.72	399.92	190.11	31.33
Other Non Current Assets	70.25	63.44	78.81	78.49	31.50	31.50
Total Non-Current Assets	3549.98	3166.43	2388.57	1983.87	1666.72	1497.61
Current Assets Loans & Advances						



Currents Investments		25.89		49.33	4.05	
Inventories	2263.91	2306.69	1544.38	1123.09	909.88	819.96
Sundry Debtors	37.37	42.94	14.96	37.19	19.75	35.57
Cash and Bank	136.33	108.93	82.93	38.29	47.03	48.90
Other Current Assets	243.27	209.52	133.38	30.69	8.55	3.16
Short Term Loans and Advances	119.09	136.22	133.86	78.85	297.21	329.19
Amt Due from firm (directors interested)						
Total Current Assets	2799.97	2830.19	1909.51	1357.44	1286.47	1236.78
Net Current Assets (Including Current Investments)	135.47	172.79	44.01	-16.38	603.98	584.59
Total Current Assets Excluding Current Investments	2799.97	2804.30	1909.51	1308.11	1282.42	1236.78
Miscellaneous Expenses not written off					3.36	3.37
Total Assets	6349.95	5996.62	4298.08	3341.31	2956.55	2737.76
Contingent Liabilities	122.65	152.82	98.51	79.18	29.24	730.57
Total Debt (Long Term Plus Short Term)	2576.31	2458.70	1663.21	1021.47	1204.56	852.70
Book Value	148.31	135.03	120.32	114.04	107.68	103.62

Particulars	201709 % of Shares	201703 % of Shares	201603 % of Shares	201503 % of Shares	201403 % of Shares
Total of Promoter and Promoter Group	46.88	55.97	56.31	57.42	57.67
Public Shareholding					
Institutions	27.46	12.84	7.27	7.14	5.47
Non-Institutions	25.67	31.2	36.41	35.44	36.86
Total Public Shareholding	53.12	44.03	43.69	42.58	42.33
Total of Promoter and Public Shareholding	100	100	100	100	100

Holder Name	2016 Q4	2017 Q1	2017 Q2	2017 Q3	Change	PositionD n
JAISHANKAR M R	258,09,189	258,09,189	258,09,189	258,09,189	0	18.97
SHANKAR GITHA	187,00,500	187,00,500	187,00,500	187,00,500	0	13.74
MYSORE SURAJ GURUMURTHY	58,06,045	58,06,045	58,06,045	58,06,045	0	4.27
NOMURA				53,52,000	53,52,000	3.93
TEMPLETON ASSET MGMT	24,09,863	34,04,534	45,25,435	45,03,435	20,93,572	3.86
ICICI PRUDENTIAL ASSET MGMT CO	27,38,049	38,31,685	51,19,821	46,62,254	19,24,205	3.38
KUMAR M R KRISHNA	40,51,687	39,51,687	39,51,687	39,51,687	-1,00,000	2.90

SHIVRAM M R	37,77,090	37,77,090	37,77,090	37,77,090	0	2.78
KOTAK MAHINDRA OLD MUTUAL LIFE			14,29,473	21,62,732	7,33,259	1.57
ICICI LOMBARD GEN INSURANCE CO	20,00,000	20,00,000	20,00,000	20,00,000	0	1.47
SUNDARAM ASSET MANAGEMENT CO LTD	12,03,492	12,46,241	18,82,021	18,32,123	6,28,631	1.35
L&T INVESTMENT MANAGEMENT LTD		7,66,400	19,14,300	17,79,300	10,12,900	1.34
MONSOON INFRA & REAL COINV	18,00,000	18,00,000	18,00,000	18,00,000	0	1.32
SANJEEVANATH SUMANA	16,21,477	16,21,477	16,21,477	16,21,477	0	1.19
DHAWAN ASHISH	13,64,309	13,64,309	13,64,309	13,64,309	0	1.00
NORDEA BANK AB	9,46,174	9,91,688	13,08,369	13,10,117	3,63,943	0.96
MYSORE AMAR SHIVARAM	12,84,070	12,84,070	12,84,070	12,84,070	0	0.94
GURUMURTHY M R	11,37,722	11,37,722	11,37,722	11,37,722	0	0.84
TATA ASSET MANAGEMENT LTD	3,85,000	3,85,000	14,83,901	10,98,901	7,13,901	0.81
ICICI PRUDENTIAL LIFE INSURANCE	9,47,611	10,04,805	10,04,284	10,04,284	56,673	0.74
HSBC			9,21,886	9,21,886	9,21,886	0.68
L&T MUTUAL FUND	0	2,00,000	8,59,160	7,70,825	7,70,825	0.57
DIMENSIONAL FUND ADVISORS LP	5,04,782	5,04,782	6,18,458	6,93,303	1,88,521	0.51
ARUNDHATI G R	5,60,393	5,40,393	5,40,393	5,40,393	-20,000	0.40

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