

September 24, 2024

Brigade Enterprises Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund-based – Term loan	2,550.00	2,536.00	[ICRA]AA- (Stable); reaffirmed
Long-term fund-based – CC/OD	140.00	250.00	[ICRA]AA- (Stable); reaffirmed
Long-term unallocated limits	310.00	214.00	[ICRA]AA- (Stable); reaffirmed
Short-term non-fund based sublimit of CC/OD	(40.00)	(40.00)	[ICRA]A1+; reaffirmed
Total	3,000.00	3,000.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings factor in Brigade Enterprises Limited's (BEL) strong operating performance in FY2024, marked by healthy growth in area sold to 7.55 million square feet (msf, 19% YoY growth) and reported pre-sales and collections of ~Rs. 6,010 crore (46% YoY growth) and ~Rs. 4,240 crore (9% YoY growth), respectively, from its real estate segment, supported by healthy end-user demand and good affordability. The receivables from the sold area in the completed and ongoing projects improved to ~117% of the pending cost and residential debt outstanding (nil) as of March 2024, from 102% as of March 2023. Additionally, the real estate collections are likely to remain robust and are estimated to increase by 45-50% to Rs. 6,300-6,400 crore in FY2025 and further by ~20-25% in FY2026. This growth is driven by adequate committed sales and construction progress for the ongoing projects and a strong launch pipeline of upcoming projects. Rentals from the leasing segment are likely to remain healthy and are estimated to increase by 7-10% to Rs. 1,200-1,300 crore in FY2025-FY2026, on back of steady occupancy levels. Total collections from the hospitality segment stood at ~Rs. 575 crore in FY2024 and are expected to further increase to Rs. 620-670 crore in FY2025-FY2026 (7-9% YoY increase).

The ratings favourably note the Brigade Group's established position in the Bengaluru market and diversified operations across various segments, including residential, commercial, retail and hospitality. The performance of all the key segments remained healthy in FY2024 and is expected to be sustained in FY2025 and FY2026. The leasing in the Group's completed commercial office properties improved to ~95% in March 2024 against 83% in March 2023, while for retail malls, the occupancy stabilised at 95% as of March 2024 (~95% as of March 2023). In the hospitality segment, the RevPAR grew by 16% to Rs. 4,624 in FY2024 from Rs.3,986 in FY2023. The company raised Rs. 1,500 crore from Qualified Institutional Investors (QIP) in FY2025, which are expected to be largely deployed towards land acquisition. Over the next two years, BEL intends to invest Rs. 4,500-5,000 crore towards land acquisition to maintain its growth trajectory and the same is likely to be funded by proceeds of the QIP and fresh debt and balance through internal accruals. The company's overall leverage is anticipated to remain comfortable with total debt/cash flow from operations (CFO) of 2.3-2.4 times in FY2025 (PY: ~2.9-3.0 times).

The ratings are, however, constrained by the exposure to execution and market risks arising from the company's large expansion plans (estimated launch pipeline of ~15 msf in FY2025 and FY2026 each, across all segments, where the residential segment accounts for ~12 msf each year). Nonetheless, with the incremental leasing tie-ups in FY2024, the leverage and coverage ratios in the office leasing segment have improved, mitigating the refinancing risk for the construction loan. The ratings are constrained by the cyclical risk inherent in the real estate business, geographical concentration risk as the Bengaluru market accounts for ~90% of total residential sales and ~58% of the leasing segment income in FY2024. However, ICRA notes the recent acquisition of prominent land parcels and launches in other key markets viz., Chennai and Hyderabad. This would enable BEL to achieve meaningful geographical diversification once these projects are launched in these markets

over the near to medium term. The ratings also note the vulnerability of the hospitality and retail leasing operations to external shocks.

The Stable outlook on the long-term rating reflects ICRA's opinion that BEL will continue to maintain healthy sales and collections in the real estate segment, adequate occupancy for office and retail mall segments and improvement in REVPARs for the hospitality segment. Consequently, BEL's leverage and liquidity are expected to remain comfortable.

Key rating drivers and their description

Credit strengths

Established position in real estate market with segment diversification – BEL is one of the leading real-estate developers in South India. It has completed and delivered a total area of more than 86 msf, comprising 280+ residential, commercial and hospitality projects. The company has established itself as one of the major diversified real-estate developers in Bengaluru, generating revenue from three segments, sale of residential and commercial real estate projects, lease income from the owned commercial property (office and retail) and income from hospitality projects. It was developing 20.88 msf (BEL's share – 15.73 msf) of real estate projects (by saleable area), 0.97 msf of leasing development and 0.11 msf of hospitality projects as of March 31, 2024. The recent acquisition of prominent land parcels & launches in other key markets viz. Chennai and Hyderabad enables geographical diversification in near term. The diversification in the revenues and cash flows allows the Group to offset the challenges associated with the cyclicity in these sectors, to some extent. BEL has a good brand equity, which supports the saleability of its residential real- estate projects.

Continued healthy performance in residential real estate segment – In FY2024, BEL, on a consolidated basis, sold an area of 7.55 million square feet (msf, 19% YoY growth) and reported pre-sales and collections of ~Rs. 6,010 crore (46% YoY growth) and ~Rs. 4,240 crore (9% YoY growth), respectively, from its real estate segment. The residential real estate segment dominated the pre-sales in FY2024, which accounted for over 98% from the total sold area. The new launches of residential projects of 6.18 msf in FY2024 contributed to high cash flows across the ongoing project portfolio. The good saleability in the ongoing projects has translated into high visibility on cash flows. The real estate segment is expected to grow further, aided by a robust launch pipeline and investments in new land bank, while maintaining low leverage metrics. The receivables from the sold area of the completed and ongoing projects covered ~117% of the pending cost and residential debt outstanding (nil) as of March 2024, which improved from 102% as of March 2023. Healthy cash flows from the residential real estate projects have enabled low reliance on external debt with nil external debt as of March 31, 2024.

Improvement in operational metrics of leasing and hospitality segments – The leasing progress in the Group's completed office properties improved to ~95% in March 2024 against 83% in March 2023, while for retail, the occupancy had stabilised at 95% as of March 2024 (~95% as of March 2023). Nonetheless, with the incremental leasing tie-ups in FY2024, the leverage and coverage ratios in the office leasing segment have improved mitigating the refinancing risk for the construction loan. In the hospitality segment, the RevPAR grew by 16% to Rs. 4,624 in FY2024 from Rs.3,986 in FY2023.

Credit challenges

High dependence on Bengaluru real estate market – BEL's dependence on the Bengaluru real estate market remains high (~90% of total residential sales and ~58% of leasing segment income in FY2024), which exposes it to any region-specific downturn in demand. Out of total launches planned in FY2025 (~ 15.8 msf), the area planned to be launched in various segments (constituting real estate, leasing and hospitality segments) is majorly planned in Bengaluru (56%), followed by Chennai (26%), Hyderabad (13%), Mysore (2%), Gujarat (2%) and Kochi (1%). Recent acquisition of prominent land parcels took place in other key markets viz., Chennai and Hyderabad, which would enable BEL to achieve geographical diversification as these projects are being launched in the near to medium term. While it plans to launch multiple projects in various cities

outside Bengaluru, the extent of scale-up in these territories and their contribution to the consolidated sales mix will remain a key monitorable.

Exposure to execution and market risks – BEL has significant plans of expanding its ongoing portfolio to maintain the growth momentum and strengthen its market presence in the existing as well as new micromarkets. The company plans to launch 15-17 msf across segments (including ~12 msf in residential segment) in FY2025 and FY2026 each in real estate, leasing and hospitality segments, exposing it to execution and market risks. However, ICRA takes comfort from BEL's track record of project execution and sales. It is further exposed to the residual market risk for the vacant area of 0.44 msf in the commercial office space segment.

Cyclicality inherent in real estate sector – The company is vulnerable to the inherent risks in the real estate sector, such as susceptibility to declining property prices, a slowdown in economy and reduction in housing demand. Further, the hospitality and leasing segments are exposed to risks arising from the cyclicality in the sector and vulnerability to exogenous shocks, which could impact the cash flows.

Environmental and social risks

Environmental considerations: The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can affect its business operations. Impact of changing environmental regulations on licences taken for property development could create credit risks.

Social considerations: In terms of social risks, the trend following the pandemic has been favourable to residential real-estate developers as demand for quality home with good social infrastructure has increased. Further, rapid urbanisation and a high proportion of workforce population (aged 25-44 years) will support long-term demand for the real estate sector in India.

Liquidity position: Strong

The company's liquidity profile is **strong**, with cash and liquid investments of Rs. 2,073 crore as of March 31, 2024 (including encumbered cash of Rs. 183 crore towards DSRA). The liquidity is supported by undrawn bank debt levels (including undrawn LRD debt) of around Rs. 1,380 crore. The cash generation from the residential segment is expected to remain strong. Further, company has concluded fund raising through QIP for Rs. 1500 crores in September 2024. BEL's consolidated debt repayments in FY2025 and FY2026 are expected to be ~Rs. 720 crore and ~Rs. 710 crore, respectively, which can be comfortably met from its cash flow from operations.

Rating sensitivities

Positive factors – The ratings may be upgraded, if the company is able to significantly improve its sales and collections along with geographical diversification in the residential segment, while maintaining low leverage. Deleveraging in both the leasing and hospitality segments, along with maintaining the Total Debt to CFO ratio below 2.25 times, on a sustained basis, at the consolidated level, could trigger a rating upgrade.

Negative factors – Any significant weakening of sales velocity and collections in the residential segment, and/or any increase in vacancy in the leasing portfolio, and/or considerable debt-funded investments in new projects resulting in weakening of leverage metrics or liquidity position, on a sustained basis, may lead to a rating downgrade. Specific trigger for a rating downgrade, includes Total Debt to CFO, at the consolidated level, remaining above 3.75 times on a consistent basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty – Lease Rental Discounting (LRD) Realty – Commercial/Residential/Retail Rating Methodology – Hotels
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BEL and its subsidiaries, given the close business, financial and managerial linkages among them. The list of companies are given in Annexure II.

About the company

BEL, a real estate development company, is promoted by Mr. M. R. Jaishankar and his family. The Brigade Group has completed and delivered a total area of more than 86 msf, comprising over 280+ residential, commercial and hospitality projects. The company has established itself as one of the major diversified real estate developers in Bengaluru. It was developing 20.88 msf (BEL's share – 15.73 msf) of real estate projects (by saleable area), 0.97 msf of leasing development and 0.11 msf of hospitality project, as of March 31, 2024. Though BEL's operations are concentrated in Bengaluru, it is developing projects in Chennai, which is emerging as the second-largest market for the company and a few other projects in Hyderabad, Mysore, Kochi, and GIFT City.

Key financial indicators (audited)

Consolidated	FY2022	FY2023	FY2024
Operating income	2,998.8	3,444.6	4896.7
PAT	-67.5	218.1	401.0
OPBDIT/OI	25.6%	25.0%	24.4%
PAT/OI	-2.2%	6.3%	8.2%
Total outside liabilities/Tangible net worth (times)	4.2	4.1	3.9
Total debt/OPBDIT (times)	6.4	5.4	4.6
Interest coverage (times)	1.7	2.0	2.4

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	
			Sep 24, 2024	Mar 22, 2024	May 19, 2023	Mar 31, 2023	Nov 18, 2022	Dec 03, 2021	Aug 02, 2021
1 Term loans	Long-term	2536.0	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
2 Cash Credit (CC)/Overdraft (OD)	Long-term	250.0	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
3 Unallocated limits	Long-term	214.0	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Positive)	[ICRA]A+(Stable)	[ICRA]A+(Stable)
4 Interchangeable LC/ BG -sub limit of CC/OD*	Short-term	(40.0)	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A1
5 WCTL*	Short-term	-	-	-	-	-	-	[ICRA]A1	[ICRA]A1

*Letter of credit/bank guarantee

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Term loan	Simple
Long-term – CC/OD	Simple
Long-term – Unallocated	Not Applicable
Short-term Non-fund based sublimit of CC/OD – interchangeable	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2013-FY2024 [@]	-	FY2039 ^{&}	2,536.00	[ICRA]AA- (Stable)
NA	Overdraft	-	-	-	250.00	[ICRA]AA- (Stable)
NA	Unallocated limits	-	-	-	214.00	[ICRA]AA- (Stable)
NA	sublimit of CC/OD	-	-	-	(40.00)	[ICRA]A1+

[@] Represents loans sanctioned between FY2013 and FY2024

[&] Represents the farthest maturity date among the various maturity dates for different term loans

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Brigade Enterprises Limited (Holding Company)	-	Full Consolidation
BCV Developers Private Limited	67.04%	Full Consolidation
Brigade Properties Private Limited	51%	Full Consolidation
Perungudi Real Estates Private Limited	51%	Full Consolidation
SRP Prosperita Hotel Ventures Limited	50.01%	Full Consolidation
Brigade Hospitality Services Limited	100%	Full Consolidation
WTC Trades and Projects Private Limited	100%	Full Consolidation
Brigade Tetrarch Private Limited	100%	Full Consolidation
Brigade Estates and Projects Private Limited	100%	Full Consolidation
Brigade Infrastructure and Power Private Limited	100%	Full Consolidation
Celebrations Private Limited	100%	Full Consolidation
Brigade (Gujarat) Projects Private Limited	100%	Full Consolidation
Mysore Projects Private Limited	100%	Full Consolidation
Brigade Innovations, LLP	94%	Full Consolidation
Brigade Hotel Ventures Limited	100%	Full Consolidation
Augusta Club Private Limited	100%	Full Consolidation
Brigade Flexible Office Spaces Private Limited	100%	Full Consolidation
Tetrarch Developers Limited	100%	Full Consolidation
Venusta Ventures Private Limited	100%	Full Consolidation
Zoiros Projects Private Limited	100%	Full Consolidation
Vibrancy Real Estate Private Limited	100%	Full Consolidation
Propel Capital Ventures LLP	94%	Full Consolidation
BCV Real Estates Private Limited	67.04%	Full Consolidation
Tandem Allied Services Private Limited	100%	Full Consolidation
Tetrarch Real Estates Private Limited	100%	Full Consolidation

Source: Company

ANALYST CONTACTS

Rajeshwar Burla
+91 40 6939 6443
rajeshwar.burla@icraindia.com

Pulkit Varshney
+91 80 4332 6427
pulkit.varshney@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Sonali Agarwal
+91 80 4332 6418
sonali.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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