Brigade Hotel Ventures Ltd.

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IPO Note **23rd July 2025**

Company Overview

Brigade Hotel Ventures Ltd., a subsidiary of Brigade Enterprises Limited (BEL), is a prominent hotel owner and developer in key cities across India, with a primary focus on South India. As of March 31, 2025, they are the second largest owner of chain-affiliated hotels and hotel rooms in South India (comprising the states of Kerala, Andhra Pradesh, Tamil Nadu, Karnataka, Telangana, and the Union territories Lakshadweep, Andaman and Nicobar Islands and Pondicherry) among major private hotel asset owners (i.e., investors owning at least 500 rooms pan India). Their promoter, BEL, entered into the hospitality business in 2004 with the development of their first hotel, Grand Mercure Bangalore, which commenced operations in 2009. The company has a portfolio of nine operating hotels across Bengaluru (Karnataka), Chennai (Tamil Nadu), Kochi (Kerala), Mysuru (Karnataka), and GIFT City (Gujarat), with a total of 1,604 keys, managed by global brands such as Marriott, Accor, and IHG. Their hotels offer a comprehensive customer experience, featuring fine dining and speciality restaurants, meeting venues, incentives, conferences, and exhibitions ("MICE"), lounges, swimming pools, outdoor spaces, spas, and gymnasiums. The company's portfolio is strategically located near business hubs and tourist attractions, enhancing guest accessibility and demand. It has been recognized for its quality through several prestigious awards and achieved an average occupancy of 76.76% in FY25, surpassing the industry average. The company is well-positioned for future growth with plans to develop five new properties under renowned brands such as Grand Hyatt, Fairfield by Marriott, InterContinental, JW Marriott, Courtyard by Marriott, and The Ritz-Carlton. Leveraging Brigade Enterprises Limited's real estate expertise and the leadership of an experienced management team, the company continues to expand its presence in high-growth markets through a brand-agnostic, asset-ownership model in collaboration with leading global hospitality operators.

Objects of the issue

The company proposes to utilise the net proceeds from the issue towards the following objects:

⇒ Repayment/ prepayment, in full or in part, of certain outstanding borrowings availed by the company and material subsidiary, namely, SRP Prosperita Hotel Ventures Ltd.;

⇒ Payment of consideration for buying of an undivided share of land from the promoter, BEL;

⇒ Pursuing inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes.

Investment Rationale

Strategically located award-winning hotels with diversified offerings in the key cities, primarily in South India

The company is an owner and developer of hotels in key cities in India, primarily across South India. It has a portfolio of nine operating hotels, located in Bengaluru, Chennai, Kochi, Mysuru, and GIFT City, with a total of 1,604 keys. The company's hotels are operated by leading global brands, including Marriott, Accor, and IHG, reflecting its commitment to offering curated experiences to customers. These hotels are categorised in the upper upscale, upscale, upper-midscale, and midscale segments. Their hotels are typically located in high-demand areas, driven by factors such as population density, premium neighbourhoods, commercial centres, IT hubs, or strong leisure potential. Their experience and familiarity in the Indian hospitality market, coupled with the expertise of their promoter, BEL, in the Indian real estate sector, enable them to identify locations for their hotels with growth potential, particularly near airports, business hubs, and retail centres to develop large-scale hotels that exceed average room inventory in their segments. BEL's experience as a real estate developer has helped them build quality hotels at key markets, such as Sheraton Grand Bangalore at Brigade Gateway in North-west Bengaluru (Karnataka), Grand Mercure Bangalore in Koramangala area (Karnataka) and others which have received industry awards for their quality and service, positioning their properties to capitalise on future demand growth. They boast an aggregate MICE area of approximately 2.15 lakh square feet at their hotels and feature over 30 restaurants and bars. In FY25, F&B services, including MICE, reported a revenue of Rs. 1,553 million, accounting for 32.8% of operational revenue, underscoring the company's diversified revenue base. With a brand-agnostic, asset-owning model and a robust development pipeline under marquee brands like Grand Hyatt, The Ritz-Carlton, and JW Marriott, the company is well-positioned for continued growth in India's hospitality sector.

Focus on asset management, resulting in operating efficiencies

The company have a business model wherein they either own or lease hotel assets and engage global hospitality companies to operate, maintain and market their hotel assets under management contracts. This approach enables them to attract a global clientele, efficiently manage day-to-day operations, and attract top talent. Their engagement with global hospitality companies also provides them with access to their management expertise, industry best practices, marketing strategies, operational know-how, and human resources. They closely monitor and exercise regular oversight to optimize the performance of their hotels. The company engage with each hotel's operator management team to discuss and agree upon budgeting, cost management, and operational and financial targets.

Issue Details	
Offer Period	24th Jul 2025 - 28th Jul 2025
Price Band	Rs. 85 to Rs. 90
Bid Lot	166
Listing	BSE & NSE
Issue Size (no. of shares in mn)	84.4
Issue Size (Rs. in bn)	7.6
Face Value (Rs.)	10

Issue Structure	
QIB	75%
NIB	15%
Retail	10%
BRLM	JM Financial Ltd., ICICI Securities Ltd.
Registrar	KFin Technologies Ltd.

Particulars	Pre Issue %	Post Issue %
Promoters and promoter group	95.3	74.1
Public	04.7	25.9
Total	**100.0**	**100.0**

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

They regularly review performance reports, conduct meetings with the operator's management teams, and participate in the recruitment of key personnel for their hotels, including the general manager, executive chef, and director of finance. In addition to their asset management practices, they strive to optimize their operating expenses. These initiatives include optimal space utilization to reduce operating costs such as utility and maintenance costs and improve overall efficiency, optimising energy consumption by implementing the use of LED lighting, HVAC regulation, energy-efficient appliances, and renewable energy sources like solar and wind. They also implement shared services across hotels for functions such as finance, IT, sales, and HR, particularly among properties managed by the InterContinental Hotels Group. Continuous facility upgrades help diversify revenue streams. Staff efficiency is improved through training programs, resulting in a staff-to-room ratio that falls below industry benchmarks. The company also leverages technology extensively, including biometric access, cloud-based property management systems, mobile key entry, contactless payments, and digital food ordering, to streamline operations and enhance the guest experience. Additionally, digital solutions are used for staff training, loyalty program management, billing integration with the GST portal, and reservation personalization, reflecting their commitment to innovation and operational excellence.

Valuation

The Indian hospitality sector is expected to experience steady demand growth, driven by increased business travel, domestic tourism, leisure, MICE, weddings, and social events, on the back of rising incomes and improved connectivity. Despite the increasing demand, the supply of hotels is expected to remain limited, resulting in a shortage of supply. This demand-supply gap leaves ample room for growth and expansion among its players. Brigade Hotel Ventures Ltd, a prominent hotel owner and developer in key cities across India, with a strategic focus on South India, is well-positioned to capitalize on the growth opportunity in the industry. Due to its association with Brigade Enterprises Limited (BEL), a reputable real estate developer, the company benefits from strong parentage, deep real estate expertise, and brand credibility, which helps them to strategically identify high-growth areas, particularly near airports, business hubs, and retail centres and build quality hotels such as Sheraton Grand Bangalore at Brigade Gateway, Grand Mercure Bangalore, Holiday Inn Bengaluru Racecourse, etc. The company have a business model where they either own or lease hotel assets and engage global hospitality companies to operate, maintain, and market their hotel assets under management contracts, which attracts global clientele. Additionally, the company strive to optimize their operating expenses, resulting in improved profitability. Furthermore, the company plans to expand its operations and market presence with five new projects in the luxury and upper mid-scale segments. This expansion plan positions the company well to capture on future growth opportunities in the industry. Financially, the company has reported a revenue CAGR of 15.6% from Rs. 3,502 million in FY23 to Rs. 4,683 million in FY25. The EBITDA of the company showed a CAGR of 30.3% from Rs. 968 million in FY23 to Rs. 1,644 million in FY25. The company reported a net loss of Rs. 31 million for FY23. In FY24, the company turned profitable with a profit of Rs. 311 million. However, in FY25, the company's net profit reduced to Rs. 237 million. According to management, this decline in profit was due to the adjustment of deferred tax in accordance with new accounting standards. As of March 31, 2025, the company holds a debt of Rs. 1,394 million, and management intends to pay off a portion of this debt using the proceeds from the IPO. **The company is valued at a PE ratio of 125x on the upper price band based on FY25 earnings, which is comparatively higher than its peers. Considering the company's expanding portfolio, operational efficiency, favourable industry dynamics, and intention to repay debt, we recommend a "SUBSCRIBE" rating for this issue for a medium to long-term perspective.**

Key Risks

⇒ The company has entered into hotel operator services and related agreements with leading global hospitality brands such as Marriott, Accor, and InterContinental Hotels Group to receive operating and marketing support for its hotels. In FY25, two Marriott-operated hotels accounted for 43.8% of the company's revenue from operations. Any termination or non-renewal of these agreements could adversely impact the company's business, operational results, financial condition, and cash flows.

⇒ A substantial portion of the company's revenue is generated from its four hotels in Bengaluru, Karnataka, which contributed 63.2% of revenue from operations in FY25. Additionally, the three key properties - Sheraton Grand Bangalore at Brigade Gateway, Holiday Inn Chennai OMR IT Expressway, and Holiday Inn Bengaluru Racecourse - accounted for 62.0% of revenue during the same period. Any adverse developments impacting these specific hotels or their locations could negatively affect the company's business, financial condition, cash flows, and operating results.

⇒ The company plans to develop five additional hotels. Any delays or inability to complete these developments on schedule could adversely impact its business, operating results, financial condition, and cash flows.

Brigade Hotel Ventures Ltd.

Income Statement (Rs. in millions)

Particulars	FY23	FY24	FY25
Revenue			
Revenue from Operations	3,502	4,017	4,683
Total Revenue	**3,502**	**4,017**	**4,683**
Expenses			
Cost of materials consumed	351	403	448
Employee benefits expense	633	763	863
Other expenses	1,550	1,436	1,727
Total Operating Expenses	**2,534**	**2,602**	**3,038**
EBITDA	**968**	**1,415**	**1,644**
Depreciation & amortization	494	436	498
EBIT	**474**	**978**	**1,146**
Finance costs	692	689	726
Other Income	62	32	24
Exceptional Items	-110	0	0
PBT	**-45**	**321**	**445**
Total tax	-15	9	209
PAT	**-31**	**311**	**237**
Diluted EPS	**-0.1**	**0.9**	**0.7**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY23	FY24	FY25
Cash Flow from operating activities	1,079	1,549	1,490
Cash flow from investing activities	10	-453	-950
Cash flow from financing activities	-1,322	-921	-818
Net increase/(decrease) in cash and cash equivalents	**-234**	**174**	**-278**
Cash and cash equivalents at the beginning of the period	**99**	**-135**	**39**
Cash and cash equivalents at the end of the period	**-135**	**39**	**-239**

Note: Cash and cash equivalents at the end of the period includes Bank Overdraft

Source: RHP, BP Equities Research

Brigade Hotel Ventures Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY23	FY24	FY25
ASSETS			
Non-Current Assets			
Property, plant and equipment	6,267	6,508	7,297
Capital work in progress	294	717	203
Intangible assets	13	9	18
Financial assets			
Investments	1	1	1
Other non-current financial assets	83	105	121
Deferred tax assets (net)	791	782	574
Other non-current assets	14	15	278
Current tax assets (net)	45	56	106
Total Non Current assets	**7,508**	**8,192**	**8,597**
Current assets			
Inventories	44	59	67
Financial assets			
Trade receivables	207	218	230
Cash and cash equivalents	78	80	108
Bank balances other than cash and cash equivalents	233	123	116
Other current financial assets	21	29	98
Other current assets	317	168	261
Total Current Assets	**899**	**676**	**879**
TOTAL ASSETS	**8,407**	**8,868**	**9,476**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	10	10	2,814
Instruments entirely equity in nature	2,819	2,819	15
Other equity	-2,408	-2,159	-1,961
Equity attributable to equity holders of the parent	**421**	**670**	**869**
Non-controlling interests	57	120	155
Total equity	**478**	**790**	**1,023**
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	5,011	5,491	4,934
Lease liabilities	675	1,183	1,394
Other non-current financial liabilities	21	21	3
Other non-current liabilities	89	88	86
Non-current provisions	9	11	16
Total Non-Current Liabilities	**5,805**	**6,794**	**6,433**
Current liabilities			
Financial liabilities			
Borrowings	1,315	521	1,239
Lease liabilities	-	-	8
Trade payables	315	273	381
Other current financial liabilities	329	310	233
Other current liabilities	156	165	139
Current provisions	10	14	19
Total Current Liabilities	**2,124**	**1,283**	**2,020**
Total Equity and Liabilities	**8,407**	**8,868**	**9,476**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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