

Brigade Enterprises Limited

Corporate Identity Number (CIN): L85110KA1995PLC019126
Registered Office : 29th & 30th Floors, World Trade Center
Brigade Gateway Campus, 26/1, Dr. Rajkumar Road
Malleswaram - Rajajinagar, Bangalore - 560 055, India
T 91 80 4137 9200 F 91 80 2221 0784
E enquiry@brigadegroup.com www.brigadegroup.com



BRIGADE

Building Positive Experiences

Ref: BEL/NSE/BSE/23052018

23rd May, 2018

Listing Department
National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Department of Corporate Services - Listing
BSE Limited
P. J. Towers
Dalal Street,
Mumbai - 400 001

Re.: Scrip Symbol: BRIGADE/Scrip Code: 532929

Dear Sir,

Sub.: Transcript of Conference Call on the Company's Q4 FY-18 Earnings - 17th May, 2018

We are enclosing herewith the transcript of the Conference Call on the Company's Q4 and year ended financial results for the financial year 2017-18 held on Thursday, 17th May, 2018.

Kindly take the same on your records.

Thanking you,
Yours faithfully,

For Brigade Enterprises Limited


P. Om Prakash
Company Secretary & Compliance Officer

Encl.: a/a



“Brigade Enterprises Limited Q4 FY-18 Earnings Conference Call”

May 17, 2018



**MANAGEMENT: MR. M. R. JAISHANKAR – CHAIRMAN & MANAGING
DIRECTOR, BRIGADE ENTERPRISES LIMITED
MR. K. P. PRADEEP – CHIEF FINANCIAL OFFICER,
BRIGADE ENTERPRISES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY18 Earnings Conference Call of Brigade Enterprises Limited.

We have with us today, Mr. M. R. Jaishankar – Chairman & Managing Director and Mr. K. P. Pradeep – CFO.

As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. M. R. Jaishankar. Thank you and over to you, sir.

M. R. Jaishankar: Good evening. Thank you all for joining for this Conference Call. It is for the FY18 Results so I will take up the consolidated results. The total revenue is at Rs. 1,946 crores vis-à-vis Rs. 2,058 crores for the previous FY17. So there is a marginal decrease of 5%. Like that there are other figures which I think our CFO Pradeep will go through in detail.

As compared to the first three quarters Q1, Q2, Q3; Q4 is a bit muted though the new bookings were nearly 0.5 million square feet residential and others due to some delays in approvals of two projects which were booked during pre-RERA stage. There was a bit of cancellations due to overall pushing of the completion period and because of that the figure shown for new bookings is a bit lower than Q3.

That may have caused us some concerns and number of projects have been completed in FY18 and we are now geared up to launch many new projects of which nearly 5 million square feet is in the affordable housing segment. And another 3 million square feet in regular housing segments. We also have started work for office buildings in the strata sale which will give a realizable value of about Rs. 800 crores for us over a period.

And apart from that we are gearing up to launch more office buildings and whatever our projects that are under construction of nearly 6 million square feet of office space they are all in good progress. The one at Brookefield in Bangalore Whitefield area and also in Chennai the World Trade Center, Chennai is also in good progress.

And our projects in Kochi is nearing completion and so is our project Brigade International Financial Centre in GIFT City is also nearing completion and in the last few weeks and few months we have finalized leasing of about 500,000 square feet. Due to confidentiality reasons I may not be able to share the names because the documentation etcetera is in progress.

And as regards the hotel business, our hotel Four Points by Sheraton in Kochi will get completed and should become operational in Q3 and other hotels under construction are also in decent progress. As far as that newly started hotels the one in Chennai Holiday Inn, which is now about

a year old has started clocking 65% to 70% occupancy and from January itself in the first 4.5 months this year we have an average occupancy of 63% and which is improving week-after-week or month-after-month.

And Holiday Inn Express Bangalore is also turned cash positive though the occupancy is still around 30%. But it is going through the stabilization period whereas Sheraton Bangalore is in the range of 78% to 80% occupancy but with a higher ADR. And Mysore Grand Mercure is also about 50% occupancy level it has reached.

So these are some of the initial opening remarks and once CFO Pradeep takes you through the year and the quarter, we will be happy to answer any questions you may have. Thank you.

K. P. Pradeep:

Thank you and good afternoon everybody. On behalf of the company we would like to welcome you to the earnings call for Q4 FY 2018. At the outset, let me start by saying that this year's financials have been prepared taking into consideration the demerger of assets and liabilities of our hospitality division from the parent entity Brigade Enterprises Limited into its wholly owned subsidiaries Brigade Hospitality Ventures Limited (BHVL), Brigade Hospitality Services Limited (BHSL) and Augusta Club Private Limited (ACPL).

The company received the National Company Law Tribunal's order on the 28th of March 2018 and has consequently affected the same. The results have to be read keeping the same in consideration. So we start with our sales booking of the Q4 like Chairman & Managing Director stated a while ago. We have sales booking this quarter in excess of half a million square foot.

However, this has been mitigated by a few cancellations as a result of delay in approvals that we had in two or three pre RERA projects. We have adjusted our sales numbers for the quarter to reflect a booking of 426,000 square foot as against 463,000 square foot in the previous sequential quarter. However, on a year-on-year basis, the growth in sales booking has been in excess of 14%, 46,000 square foot against 372,000 square foot in the same quarter of the previous year.

Coming to the consolidated performance of Q4 FY18, the consolidated revenue for the 3 months ended stood at Rs. 447.7 crores versus Rs. 560.7 crores in the corresponding quarter of the previous year. The reduction in revenue is on the account of lower project closures in the current quarter Q4 FY18 as against the quarter of Q4 FY17. The real estate segment clocked a turnover of Rs. 251.4 crores versus Rs. 434.8 crores in the corresponding quarter of the previous year and an EBITDA of 29% versus 32% in the corresponding quarter of the previous year.

The hospitality segment clocked a turnover of Rs. 70.5 crores versus Rs. 51.6 crores in the corresponding quarter of the previous year. And an EBITDA of 40% versus 19% in the corresponding quarter of the previous year. The Leasing segment clocked a turnover of Rs. 71.8 crores versus Rs. 74.3 crores in the corresponding quarter of the previous year. And an EBITDA margin of 66% versus 75% in the corresponding quarter of the previous year.

The consolidated EBITDA including other income for the last quarter stood at Rs. 149 crores versus Rs. 205 crores in the corresponding quarter of the previous year. EBITDA margin including other income stood at 33% in this quarter versus 37% in the corresponding quarter of the previous year. The major items being Rs. 36 crores being the margin impact on reduction in revenue and other expenses impact of Rs. 20 crores.

The other expenses include additional expenses during quarter relating to advertisements, CSR spends, property tax and agency commission. The interest and finance charges for the quarter stood at Rs. 74.6 crores versus Rs. 59.2 crores in the corresponding quarter of the previous year. Consolidated profit before tax before exceptional item for the quarter is Rs. 37.1 crores compared to Rs. 113 crores in the corresponding quarter of the previous year. The consolidated tax provision for the quarter is at Rs. 10.2 crores against an amount of Rs. 30.5 crores for the corresponding quarter in the corresponding period of the previous year.

The consolidated profit after tax after minority interest and before exceptional items is Rs. 27.3 crores for the quarter compared to Rs. 74.1 crores during the previous year. We have an exceptional item of Rs. 11.5 crores being the stamp duty on the demerger that we were referring to earlier as regards the hospitality division. The consolidated profit after tax after minority interest and exceptional item for quarter FY18 is Rs. 18.1 crores compared to Rs. 74.1 crores during FY17.

The reasons for the EBITDA variations have been explained a little earlier for the quarter. Coming to the consolidated performance during FY18, the consolidated revenue for FY18 stands at Rs. 1,945.5 crores versus Rs. 2,058.4 crores in the corresponding period of the previous year. The real estate segment clocked a turnover of Rs. 1,422.5 crores during FY18 versus Rs. 1,599.7 crores in the previous year FY17 and an EBITDA of 24% versus 22% in the previous year. The hospitality segment clocked a turnover of Rs. 237.1 crores versus Rs. 193 crores in the corresponding period of the previous year and an EBITDA of 25% versus 19% in the previous year.

The leasing segment clocked a turnover of Rs. 285.9 crores versus Rs. 265.7 crores in the previous year and an EBITDA of 69% versus 65% in the previous year. The consolidated EBITDA including other income for FY2018 stands at Rs. 602.7 crores versus Rs. 608.6 crores in the corresponding period of the previous year. The major items of course being the Rs. 44 crores positive margin that we had in this period mitigated by an increase of Rs. 10 crores in employee cost and Rs. 40 crores in other expenses which include advertisement, CSR spends, property taxes, agency commission and a small provision for inventory.

The EBITDA margin including other income stood at 31% for FY18 versus 30% in the previous year. The interest in finance charges for FY18 stood at Rs. 259.4 crores Rs. 246.4 crores in the previous year. The consolidated profit before tax in exceptional item in FY18 stood at Rs. 205.8 crores compared to Rs. 239.6 crores during FY17. The tax provision for FY 18 is at Rs. 62.8 crores as against an amount of Rs. 73.2 crores in the tax provision for FY17. The consolidated

PAT after MI, before exceptional item for FY18 is Rs. 148.5 crores compared to Rs. 153.1 crores during FY17.

We have an exceptional item as mentioned before of Rs. 11.5 crores being the stamp duty paid on the demerger of the hospitality division and so the consolidated profit after tax after minority interest and the exceptional item for FY18 is Rs. 139.2 crores compared to Rs. 153.1 crores during FY17.

Coming to the debt position, the gross debt as of 31st March 2018 stood at Rs. 2,953 crores, Rs. 791.8 crores being the real estate segment debt, Rs. 434.7 crores being the hospitality segment debt and Rs. 1,726.5 crores being the leasing segment debt.

The corresponding gross debt as of March 31st 2017 correspondingly stood at Rs. 2,177.2 crores, Rs. 922.1 crores being real estate segment debt, Rs. 300.1 crores being the hospitality segment debt, and Rs. 955 crores being the leasing segment debt. The cash and cash equivalent stand at Rs. 375.8 crores as on 31st March 2018 as against Rs. 224 crores as at 31st March 2017. Consequently the company's net debt outstanding as on 31st March 2018 is Rs. 2,577.2 crores as against Rs. 1,953.3 crores as of 31st March 2017. The company's effective cost of debt as on 31st March of 2018 is at 9.21% per annum as against 10.39 % per annum for the corresponding period as of 31st March 2017.

We have a credit rating of A with stable outlook which has been assigned by both CRISIL and ICRA and it continues. I also wanted to share some leverage ratios that we track on a 12 months trailing basis. Interest coverage ratio stood at 2.3x in Q4 FY2018 as against 2.55x in Q3 FY 2018. The net debt to equity stood at 0.89% for Q4 FY2018 as against 0.81% for the sequential Q3 FY2018. The net debt to EBITDA including other income stood at 4.3 for Q4 FY2018 as against 3.51 in Q3 FY2018.

The return on core operating capital employed stood at 15% in Q4 FY 2018 versus 17% in Q3 FY 2018. The return on equity stood at 5.5% for Q4 2018 versus 8.6% for Q3 FY 2018. The board has recommended a dividend of Rs. 2 per equity share. That is a dividend of 20%. The board has also expanded to include 3 whole time directors and 2 independent directors. Details are available in the press release made by the company post its board meeting yesterday.

To give you a brief business update for the quarter, the Real estate space aggregating to around 0.43 million square foot with a total value of Rs. 234.7 crores was sold during the Q4 FY18. The average price realization was Rs. 5,509 per square foot.

The group launched the Brigade International Finance Center, BIFC at the GIFT City Ahmadabad. This is a futuristic development and with the completion of the first tower of approximately 315,000 square foot with 14 storeys, it promises to be an iconic project that will set the stage for many Corporates to establish themselves in GIFT City and also set the benchmark for future development in GIFT City.

The group is also currently developing about 20 million square foot across residential, office, retail and hotel segments. Further launches to the extent about 12 million square foot are planned for the financial year 2018 -2019 across the four segments of residential , commercial strata sale, commercial leasing and hospitality, including about 5 million square foot in the affordable housing segment space. So this is the situation as of the FY18 quarter and for the whole year ended FY18. I will now hand it back to the moderator for questions. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, we will now begin with the question-and-answer session.

The first question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Firstly as we mentioned earlier we have the visibility for 5 lakhs square feet of incremental leasing. So this is across which projects broadly if you could say?

M. R. Jaishankar: This is across the Brookfield project in Bangalore and World Trade Center, Kochi then BIFC, Gift City and also Brigade Opus in Bangalore.

Adhidev Chattopadhyay: So this is just for last quarter we have leased around 5 lakhs square feet you are saying?

M. R. Jaishankar: As I had mentioned, these leases have been sort of finalized but the documentation is in progress, so we may not be able to announce the name of companies. Hopefully it will be done in this quarter with the due diligence and other aspects.

Adhidev Chattopadhyay: So the Tech Gardens, you have already started leasing - tying up space?

M. R. Jaishankar: Yes. This will be the first leasing that we will be doing there. And the first phase of Tech Gardens of about 1 million square feet we are fairly hopeful of completing in FY19.

Adhidev Chattopadhyay: Okay, So you are saying you will finish in this year itself.

M. R. Jaishankar: Yes. The first phase which means it is you know it would have come up in very good time of less than 18 months.

Adhidev Chattopadhyay: Then again question is on the CAPEX commitment. So if I see we have got around balance CAPEX commitment of Rs. 1,900 crores plus now the SAB Miller land again we have included in around 1.7 million square feet. So I am assuming another Rs. 600 crores to Rs. 700 crores of CAPEX will be coming in that project as well. So you have Rs. 2,600 crores of CAPEX over next two, three years?

M. R. Jaishankar: Over a period of 3 to 4 years' time it will happen, the SAB Miller thing because it is still in the process of obtaining approvals and all that. But we are hopeful of commencing the work in FY19

on that project. And by the time it picks up and all that the existing projects should be complete and hopefully the leasing would be at an advanced stage.

Adhidev Chattopadhyay: Okay. And following on that only in almost around roughly Rs. 1,750 crores of CAPEX which you have in Tech Gardens in Chennai, how will the incremental funding happen for this project? How much will be from debt and how much will be from equity and how much would Brigade and GIC, like the equity how would they be putting it in?

K. P. Pradeep: The financial closure has been done. And you are aware about that such projects are normally funded through a mix of debt and equity in a ratio of around 63:37 where 63 is debt, 37 is equity. The 37 of equity will further come in at 50:50 between Brigade and GIC. That is the way it is done.

Adhidev Chattopadhyay: So even the Chennai one has been tied up whatever is the?

K. P. Pradeep: These are all financially closed, Yes.

Adhidev Chattopadhyay: Last one thing I just want some clarification on the cash flow. Both for 17 and 18 our actual interest outgo and interest in P&L seems to be the same amount or even higher in the P&L, even though we have lot of capital WIP projects. Could you just help us understanding of how the accounting is working for the interest costs what you are showing?

K. P. Pradeep: The uptick in the CAPEX has happened from FY18 - 3rd and 4th quarter. That is from when the main CAPEX has started building up. The interest that you see reflected in the P&L is also the reflection of projects that have been complete and subsequent to which all interest payments will have to be accounted for in the P&L. So you will see some traction in the interest cost on this account in Profit and Loss Account, as we complete the projects.

Moderator: Thank you very much. The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Just wanted some clarity in terms of the cancellations in those 2 projects. What will be the gross sales if we exclude the cancellations and what will be quantum of cancellations if you can share? And secondly the impact on cash flow because of these cancellation has it been recorded in this quarter or this would come in subsequent quarters?

K. P. Pradeep: I am not getting into second level detail. It is roughly around 70,000 square feet that has been cancelled. And so you can add that to the existing number of 426 000 square feet that we have just declared to you. You can work the math basis that in terms of value too. Coming to the cash flow impact that has been provided for.

Kunal Lakhan: Secondly, just wanted to understand in terms of if you look at our presales annual presales run rate it is still around at Rs. 900 crores, Rs. 950 crores. I understand that the launches have not

come by and probably because of that. How should we look at this number in FY19 especially with the slew of launches we have lined up? Any color on that will be helpful.

K. P. Pradeep: We should look at this doubling which is what our internal targets are. We are hopeful that some of these should fructify over the Q2, Q3 and Q4 period, since normally Q1 is a little muted. This is what we are anticipating over FY19.

Kunal Lakhan: Sure, you are expecting this run rate to double?

K. P. Pradeep: Yes, that is our internal target.

Kunal Lakhan: Lastly Mr. Jaishankar, any color on the Bangalore market. We have seen some of your peers recording some great numbers over the past 2 quarters which clearly indicates that market has seen some revival of some sort. Any color on how do you expect this market going ahead in FY19/20? What I was trying to ask was like in the past 2 quarters we have some of your peers reporting some great numbers in terms of presales which clearly indicates that the market is seeing some kind of a revival.

How should we look at the Bangalore market going ahead? Especially with us being like a very organized player and which basically we are again expecting to capture market share going ahead from the unorganized sector. How should we look at this pace and can you give some outlook there?

M. R. Jaishankar: The market is beginning to improve no doubt but there is a shift towards affordable segment you know the segments below Rs. 100 lakhs and below even say Rs. 50 lakhs. Some of our peers have launched projects or have stock in that segment so that is where I think the sales would have they would have seen traction. In our case I think all those launches will happen hopefully by end of next month or even more like Q2 because some of the jobs we have commenced but it is going through the process of RERA registration and some final stages of approval etcetera. So a lot of traction we hope to see in Q2 as far as Brigade is concerned.

K. P. Pradeep: Just to also add, if you look at your Q4 number, the number is 353,000 square foot. And if you adjust it for the cancellation we are speaking, technically your booking has been little above the Q3 number itself. Q4 as such even at 353,000 is greater than the Q2 and the Q1 number. So it basically points to a trend and that is what gives us the optimism that it will move forward.

Kunal Lakhan: And lastly just wanted to understand now that the demerger has been done, any color on the divestment in the hospitality SPV?

M. R. Jaishankar: So we were currently talking to investment bankers and we will be appointing an investment banker before the end of this quarter and then take it forward from there. And based on the investment banker it depends on how soon they will be able to finalize with a PE investor.

- Moderator:** Thank you. Next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** We intend to complete this Tech Garden within FY19?
- M. R. Jaishankar:** The first Phase only.
- Parikshit Kandpal:** One million square feet you said, right?
- M. R. Jaishankar:** Yes.
- Parikshit Kandpal:** So by that time it gets completed, what kind of leasing we are expecting and if you can also highlight if there are any pre-leased tie ups already in place for this?
- M. R. Jaishankar:** As I mentioned a couple of minutes back, the first of the leasing is I would say orally committed. And the documentation and due diligence is in progress. And naturally if 1 million square feet will be completed by FY19 our objective and effort will be to try and lease the property before end of the financial year. And then focus on the second phase of the project which is also progressing well and should get completed in FY20.
- Parikshit Kandpal:** What will be the quantum of the lease which has been like verbally tied up or where the progress is?
- M. R. Jaishankar:** It is about 20% of 1 million.
- Parikshit Kandpal:** Okay so 0.2 million has been?
- M. R. Jaishankar:** Yes.
- Parikshit Kandpal:** And in the WTC Chennai any color on like we are targeting?
- M. R. Jaishankar:** Number of discussions have happened and again there is an oral finalization of a smaller space maybe around 50,000 square feet is in advanced stages of finalization.
- Parikshit Kandpal:** The question now comes in like we are basically looking at ramping up the leasing by the time the CAPEX gets over, so when we are tying up the funding for these, so how will we match up because we will not have the rentals LRDs by that time or commitments by the time we complete it. So how do we envisage to basically match the mismatch in terms of cash flows?
- M. R. Jaishankar:** Currently the focus has been to lease the spaces and to complete the project and parallelly other issues are being looked into.

- Parikshit Kandpal:** I mean until unless something some divestment happens at hospitality or any asset level so do you find it that difficult to basically get these projects completed on time because there is clearly a shortfall in cash flow otherwise the debt has to go significantly from here?
- K. P. Pradeep:** Just to answer that we have a plan around the timing of the leasing, given that we have financial closure on the project and given that our project costs are envisaged, and also the share of equity that needs to be brought in by Brigade and GIC - we are comfortable on the commercial side to achieve completion. So we do not envisage any other issues on these counts at the moment.
- Also to add these are SEZ projects, these have to be completed by 31st March 2020. So we are looking at 2nd or 3rd quarter of FY20 for these to be complete and given the timeframes we will also ensure that the leasing is done within a particular timeframe so that these entities or units that are to get into this SEZ make their first invoice before 31st March 2020. So there are lots of things attached to the overall financing and timely completion and we are cognizant that there could be surprises un-envisaged and we will address them as they come up. We are clear that the situation as of now does not warrant this worry.
- Parikshit Kandpal:** That means we will be incurring Rs. 1,000 crores of CAPEX, I mean Rs. 800 crores to Rs. 900 crores of CAPEX in 2019 and 2020 to meet this deadline. So how will that impact the debt levels I mean from the current levels can that lead to other expense?
- K. P. Pradeep:** Yes. So from the current levels debt will go up in line with project completion. On certain parameters like the rentals coverage, your debt EBITDA, what will also happen is simultaneously with your leasing your EBITDA is expected to go up because in leasing, 75% of leasing income goes into the EBITDA in any case. So I do not think there should be a large enough worry on the debt EBITDA side or the capability of the organization to service. If at all there are any unforeseen situations we will address the mismatch with the right instrument. We do not see that situation now.
- Parikshit Kandpal:** By FY20 we can expect another Rs. 600 crores increase of debt like Rs. 300 crores every year?
- K. P. Pradeep:** Yes, that is in line with the projects that are going to execute. We will also see a Rs. 250 crores leasing income currently move upto Rs. 700 crores to Rs. 750 crores. So this moves simultaneously. You could have some timing variations or some period variations. That is of course understandable.
- Parikshit Kandpal:** But till that time we are protected in terms of like capitalization of the interest on that?
- K. P. Pradeep:** That is right.
- Parikshit Kandpal:** Lastly on this residential side, we are planning to launch 5 million square feet of affordable. So if you can just highlight something more in terms of like what kind of price brackets or like we are right now realizing around Rs. 5,800 on the regular portfolio. So what could be the price

advantage in the affordable segment and since most of your competitors are also getting into this segment so do you think that there will be so much of demand for this product?

M. R. Jaishankar: We have projects in 5 to 6 locations in Bangalore. If you want to see the average pricing should be somewhere between Rs. 5,000 to Rs. 5,500 itself. Average pricing will be between Rs. 5,000 to Rs. 6,000 except a small portion maybe 20% portion which will be below Rs. 5,000. But 80% will be in between Rs. 5,000 to Rs. 6,000 category and investment for the house will be below Rs. 65 lakhs.

Parikshit Kandpal: Okay but then how do you categorize this as affordable because it is in line with what your current realizations are? So I was just trying to understand is the macro market there is significantly higher in terms of pricing or?

M. R. Jaishankar: No, see it starts from Rs. 25 lakhs to Rs. 30 lakhs budget and it goes up to Rs. 40 lakhs, Rs. 45 lakhs, Rs. 50 lakhs like that. But even your government definition of affordable is also up to Rs. 65 lakhs. That is the reason we are using that definition. And the sizes of units are much more I would say appealing to the customer base.

Parikshit Kandpal: It is more on sizing not on pricing basically so we are looking at like?

M. R. Jaishankar: As I said we also have at Rs. 4,000 level also we will have some stock.

Moderator: Thank you. Next question is from the line of Prem Khurana from Anant Rathi. Please go ahead.

Prem Khurana: Sir, just to continue on the question that was asked by an earlier participant on hospitality vertical, wherein we are looking to have a partner. Do we have any structure as in we want to cash out or idea is to get the partner invest in the SPV because I mean if I were to look at the CAPEX plan we still have three projects under construction wherein we will need almost Rs. 200 crores of money which we need to invest over the next two years?

M. R. Jaishankar: Yes the idea is to bring in a partner to give equity anywhere from you can say 25% to 40% equities depending on what is negotiated, and the idea is to not only to meet the CAPEX of ongoing projects and also to bring in some amount of money to the parent company.

Prem Khurana: Okay, so essentially it will be a mix of cash out as well as fresh issue of equity in the SPV?

M. R. Jaishankar: Yes cash out to the parent company too.

Prem Khurana: And in the hospitality vertical these are the three projects that we are working with as of now or we have some planning to go I mean planning to have some more, because we were talking about one project in Gujarat which currently under construction?

- M. R. Jaishankar:** What is nearing completion as I mentioned in Q3, we hope to complete Four Points Sheraton in Kochi and in Q4 we are trying to complete the GIFT City project and we have a Holiday Inn Express under construction as part of Orion OMR Mall in Bangalore East, but the mall also is under construction but that may happen in Q1 of FY20. That should get completed in Q1, Q2 of FY20.
- Prem Khurana:** Sure, so even under construction projects would become a part of this transaction?
- M. R. Jaishankar:** Yes.
- Prem Khurana:** And sir just to understand a little better on this launches last year we could not kind of deliver in terms of the number that we were looking at. I mean we started very well, we could launch three projects in first quarter itself but after that we could not do even a single launch.
- So what went wrong in the remaining nine months of last year because I mean we started on a very positive note wherein we could do three launches. And the good thing is I mean these launches have been able to give us good numbers in terms of value booking in FY18 itself. So essentially which suggest I mean there is demand for new launches, but we could not do?
- M. R. Jaishankar:** No, see the prelaunch story is not accepted in the RERA regime and probably from whatever little I know wherever people have come up with prelaunch projects without a RERA registration, I think the authorities also must have clamped on that. So you may have seen one or two pre-launches without full RERA registration but going forward I think you will not see that.
- Prem Khurana:** Okay and how much of this is missing this guidance or launch timelines would you attribute to Mr. Om Ahuja moving out?
- M. R. Jaishankar:** No, I do not think that has any impact at all.
- Prem Khurana:** Sure sir. And then if you could identify or if you could share with us in terms of launches that you are planning, which all projects are the projects wherein I mean we have all the approvals in place and then we are waiting for the right time to hit the market wherein we would have all our approvals in place?
- M. R. Jaishankar:** Okay I will put it this way. If you are familiar with all the project names, I think we have shared that thing. We have Brigade Buena Vista the first phase of 500,000 square feet is launched and it is in good progress and with a good number of bookings have happened and the second phase is going to be launched in Q2. In fact the construction of second phase is already in progress, but I am saying launch because of everything is related to the RERA registration, which is also in an advanced stage.

Then we have Brigade Bricklane, which is about 700,000 square feet that is the pricing would be in the range of about Rs. 35 lakhs to Rs. 40 lakhs, Rs. 45 lakhs category. That work also has started. So the balance of formalities should get completed by July I think. So that will be launched in Q2 for sure. And we have Brigade Woods next to the ITPL in Whitefield, Bangalore.

That should get launched in June I think or June it should happen. And we have Parkside, Sarjapur Road that also should happen in Q2 and like that we have Parkside Mysore, Brigade Oak Tree Place. So these are the six projects which should get launched in Q2. Then we have few more projects which will go to the Q3, Q4.

Prem Khurana: Does it mean we will get to have bunching up of all these launches, would our marketing team be able to kind of focus on all these projects on single time, or do you want to kind of phase these out?

M. R. Jaishankar: I think we are focussed on these things and we are appropriately gearing up for that.

Prem Khurana: And sir, just one last from my end. We have acquired this land parcel the 13-acre land parcel in Hyderabad this quarter, so would you be able to share some more I mean where is this plot exactly and then by when do we expect this to kind of come and start contribute?

M. R. Jaishankar: This is in a place called Sanath Nagar which is close to Banjara Hills and it is walking distance to the Metro station and totally we are planning 2 million square feet in the affordable home market category and pricing again will be around 5,000 square feet. You can say it is a 12 acre land parcel.

Prem Khurana: Sure and the money that we pay it seems it is a revenue share arrangement or an area share?

M. R. Jaishankar: Yes, it is a revenue share project about one third to the land owner.

Moderator: Thank you. Next question is a follow up from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Just want to ask on the hotel business now we have three new hotels which have come in, so how do you see the scale up in terms of the revenues and EBITDA that these three new hotels can deliver over the next couple of years?

M. R. Jaishankar: Next couple of years, I may not have all the figures readily. As I mentioned Holiday Inn Chennai is currently averaging about 63% and whereas Holiday Inn Express is doing about 30% in the first three to four months, but we are also upgrading the hotel to Holiday Inn itself instead of Holiday Inn Express. That process will parallelly go on and it will happen in FY19. And the other hotel is the Grand Mercure, Mysore that also will stabilize.

- Adhidev Chattopadhyay:** Sir, earlier because we were targeting around Rs. 90 crores to Rs. 100 crores of EBITDA right from all the five hotels combined around. So are we like reasonably confident of achieving these numbers at an aggregate level or do you see some slip ups happening? I am just saying based on your experience of now that the hotels are now started?
- M. R. Jaishankar:** No, the business is actually doing fairly well in FY19 and we hope to achieve that.
- Adhidev Chattopadhyay:** And sir, now the commercial obviously SABMiller one land parcel which we have bought so any other plans in FY19 to further add land parcels in the office space?
- M. R. Jaishankar:** No, we do not have any immediate plan to add any additional land parcel.
- Adhidev Chattopadhyay:** Okay and for SABMiller also you are looking for some strategic partner or again right now it is all be self-funded only?
- M. R. Jaishankar:** We are looking for a strategic partner, that should also happen sometime soon.
- Adhidev Chattopadhyay:** Okay and this would be outside of the GIC platform right so GIC we still have space we still have scope to add more land right if we require?
- M. R. Jaishankar:** No, it will be outside of GIC platform only it is not part of the platform.
- Adhidev Chattopadhyay:** Okay and just one last question again is on GIC, sorry to press on this. Now on Cosmopolis which is getting over, so how will the cash flows of that project be utilized? Will it be paid on a form of dividend to both partners or it gets rechanneled into the equity we have to put for Bangalore and Chennai?
- M. R. Jaishankar:** I think Pradeep will answer.
- K. P. Pradeep:** It will get rechanneled basis the plans envisaged in that subsidiary which included channeling of equity into Bangalore and Chennai projects. It is however too early to talk of other plans at this stage. I think we should give it some time.
- Moderator:** Thank you. Next question is from the line of Ujwal Shah from Quest Investments. Please go ahead.
- Ujwal Shah:** Sir, just wanted your views on the affordable segment in Bangalore considering we have positioned a strong launch for coming years as well as all the three, four other dominant players in Bangalore also targeting this segment. Do you think there would be a case of oversupply at some point in this segment because everyone is targeting that Rs. 50 lakhs, Rs. 60 lakhs bracket in this segment and in terms of profitability, how do you see profitability panning out in this segment?

M. R. Jaishankar:

See it is too premature to say whether there will be too much of supply in that. But like the pyramid story, it is in the lower of the pyramid, not at the bottom of the pyramid but in the lower part of the pyramid the demand as per estimates will be much more than the demand at the Rs. 100 lakhs or Rs. 150 lakhs category. And I think this is just the beginning of the story maybe whether too much supply or not we will only be able to say after two years' time.

K. P. Pradeep:

Just to add to that, see affordable housing as the government has defined it comes under various categories, Rs. 0 to Rs. 10 lakhs, Rs. 10 lakhs to Rs. 20 lakhs, Rs. 20 lakhs to Rs. 40 lakhs, Rs. 50 lakhs and it goes all the way to Rs. 65 lakhs. Generally, in a place like Bangalore for someone who is getting a household income of around Rs. 6 lakhs to 7 lakhs around 5 to 6 times the gross is what would seem to be a reasonable estimate of an affordable product.

Though it may not come in the category of what the government calls affordable in that sense as they are catering to a different market. But having said that the large listed developers at least are not concentrating on the Rs. 0 to Rs. 10 =lakhs, Rs. 10 lakhs to Rs. 20 lakhs. They are largely in the Rs. 35 lakhs to Rs. 50 lakhs range and that is where their attention is. Also we should be aware that there is an aspirational bit with the person who is in the Rs. 10 lakhs to Rs. 25 lakhs range wanting to get into the next slab. Like the Rs. 25 lakhs to Rs. 55 lakhs will also be aspirational into the next level.

So to your point whether it is looks an oversupply in that particular category, may not be, because there is always an aspirational aspect of someone in the Rs. 10 lakhs to Rs. 20 lakhs category wanting to move into the Rs. 35 lakhs category. So this will continuously move on. To your question on how does it work in terms of economics, when a product is delivered under the aegis of affordable housing it is not a second level product. In quality terms it is a product of the consistency which developers are used to giving in their larger format category too. Which means effectively if Rs. 2,500 is your cost of construction phase, it will continue to remain the same.

Only thing you will not give a 1,000 square foot product, you may give a 600 square foot product or 800 square foot product. So effectively if you look at rate per square foot, the economics more or less remains the same. To some extent some frills may get removed out of the affordable space and you may find a small reduction in cost. Having said that, on a post-tax basis you should be able to see an EBITDA in the normal format category apply to the affordable segment too because developers have a tax free status on this product and therefore post-tax you should see a similar type of an EBITDA margin as it operates for the normal format.

Ujwal Shah:

And sir, would we be using all those new age technologies like MyWin and all to complete this kind of projects in a much faster timeline?

M. R. Jaishankar:

Yes naturally. MyWin I do not call it as a new age technology at all now because we are using it for the past now may be fifteen years. So it is a new age technology from our point of view. But we are also Brigade as you know is also into Precast construction. In Brigade Orchards we

have our own plant and we have completed more than 1,500 apartments using the Precast. So the project that will come up will be a combination of Precast, MyWin and maybe conventional depending on the size and the type of project in each case.

Ujwal Shah: Great sir. Sir lastly in terms of rental yields in Bangalore are we seeing some trend over there as well?

M. R. Jaishankar: Yes, there is a general uptick in the rental yields, depending on location there is I would say there is a 5% to 10% jump in rental yields in the recent past.

Moderator: Thank you. Next question is from the line of Nalin Bhatt from Kotak Mutual Fund. Please go ahead.

Nalin Bhatt: Couple of questions from my side. So firstly with respect to the completed inventory what is the kind of cash flow that we can get, and what do you think would be a good timeline to actually liquidate that inventory? What is in your assessment a good timeline to liquidate that part?

M. R. Jaishankar: The completed inventory is somewhere in the range of about approximately Rs. 1,000 crores. Rs. 1,000 crores is the completed inventory. We are I would say the team is working hard to come out of this in FY19 ideally that has been our target. We are trying our best to do that and there could be some slippage in a project-to-project basis.

Nalin Bhatt: And second bit was about the 3.5 million square feet, let say 4 million square feet which is as of now already under construction, does it not make sense to kind of try and improve the velocity there and let us say basically the point being that would you launch this 8 million square feet of project in next year, would it have any cannibalizing effect on the existing inventory?

M. R. Jaishankar: Not really primarily because they are all in different segments and different locations. And they are aiming at different targets so that way I do not think there is cannibalization of business within our own projects.

Nalin Bhatt: And the focus would also be?

M. R. Jaishankar: We have taken care of that. I do not think we have such issue.

Nalin Bhatt: And the focus would also remain I suppose very I would say active on liquidating the existing 3.5 million square feet, 4 million square feet also right?

M. R. Jaishankar: Yes naturally. So we have three focuses liquidating the stock of completed projects and naturally liquidating the ongoing projects by the time the projects are complete and to successfully launch new projects. These are the three categories in which we are working towards achieving the result.

- Moderator:** Thank you. Ladies and gentlemen, we will take the last question now which is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.
- Parikshit Kandpal:** Earlier in the call you had spoken about 0.5 million square feet of indicative leasing, so what could be the rentals here, like it will be in the Rs. 60 to Rs. 65 or Rs. 70 range like per square feet?
- M. R. Jaishankar:** Average you can take it as about of Rs. 60. There is something which is higher than Rs. 60, maybe around Rs. 75, something is at Rs. 50 on that basis. Average of Rs. 60 you can take it.
- Parikshit Kandpal:** And just this on liquidating of this existing stock and plus 3 million to 4 million which will get ready probably in few quarters, so how will product pricing be different versus the new launches which we were planning versus the nearing completion inventories. What will drive the buyers to this product basically?
- M. R. Jaishankar:** No, I think it is a new stock, new location, new budget range and I think meeting the new requirements we are also probably the only developers to have come up with senior living project, we have completed one and some of the projects which have launched fall into the senior living category also which is a new segment and we will be launching that in Q2. In case of senior living we are selling the apartments to the prospective buyers and we are going to tie up with a service provider to give the services for the senior living customers.
- Parikshit Kandpal:** Any potential changes maybe more strictness or stricter rules can come in under the new government in RERA any initial views on like how could be the impact on real estate?
- M. R. Jaishankar:** No, I do not think RERA is already strict enough. We do not want any more strictness in RERA but I must also say Maharashtra and Karnataka are the two states which are implementing RERA with all seriousness and zeal and I would say whatever they have done is at an advanced stage of understanding by the customer and the implementation.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Pradeep for closing comments. Over to you, sir.
- M. R. Jaishankar:** I am Jaishankar, I will give the closing comments. On behalf of Brigade Group I thank you all again for participating in this conference. Like some of you may have concerns the Q4 has not been as good as one would have hoped to be and that is why so many questions. But our CFO has given the required clarifications and I am sure FY19 will be much superior with new launches and efforts to close the ongoing projects and completed where the stock is there.
- And the new launches should give a good flip to the organization so is the case with leasing of our projects which are under construction. And that should all add a lot to our annuity income. Similarly the hospitality segment you will see more stabilized hotels by the end of this financial



Brigade Enterprises Limited
May 17, 2018

year apart from launching may be making operational another nearly 400 keys in FY19 that should also help. Overall I think FY19 should be a much better year than FY18.

So we look forward to your interest and participation in Brigade Group and its stocks. Thank you.

Moderator:

Thank you very much members of the management. Ladies and gentlemen, on behalf of Brigade Enterprises Limited, that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.