



“Brigade Enterprises Limited Q1 FY17 Earnings Conference Call”

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MR. OM AHUJA – CHIEF EXECUTIVE OFFICER-
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Moderator: Ladies and gentlemen, good day and welcome to the Brigade Enterprises Q1 FY17 Earnings Conference Call. We have with us today Mr. M. R. Jaishankar – Chairman and Managing Director; Mr. Suresh Kris – Executive Director and CFO and Mr. Om Ahuja – CEO for Residential. As a reminder, all participants’ lines will be in the listen-only mode and 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 ‘*’ followed by ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. M. R. Jaishankar – Chairman and Managing Director. Thank you and over to you, sir.

M. R. Jaishankar: Good afternoon ladies and gentlemen. So thank you for participating in this conference call. This morning we had our board meeting for Q1 of FY17 and we have already posted our result to the website and also to the Stock Exchanges. We are pleased to inform the revenues for this Q1 stood at Rs. 466 crores as compared to Rs. 441 crores of Q1 FY16 which is an increase of 6%. The EBITDA stood at Rs. 124.7 crores as against Rs. 112 crores which is an increase of 11% as compared to Q1 of FY16. And similarly EBITDA margin has gone up to 26.7% as compared to 25.4% whereas PBT profit before tax has come down to Rs. 34 crores as compared to Rs. 41 crores which is a decrease of 17%.

Similarly the profit after tax has dropped to about Rs. 22 crores as compared to Rs. 25 crores a decrease of 12%. All these accounts have been done under the new Indian Accounting Standards popularly referred to as Ind-AS. And the comparative figures are also given for the Q1 of FY16 is also compared to or is done in Ind-AS, Indian Accounting Standards. So the conditions in real estate market all over the country has been challenging I would say for the last nine months or so and it continues to be challenging and Bangalore is no exception. But particularly with the passage of GST last night and general sentiments in the economy improving that is what we hope. So I do hope by Diwali time November to December things should look up. A positive aspect is the demand for the office space in Bangalore particularly and for that matter across the country is fairly robust which means job creation is happening in the sector which is also our target segments and that is a positive sign.

And generally even since we are also in the hospitality sector our stabilized hotel Sheraton Bangalore and Grand Mercure, Bangalore have shown an improved occupancy level and we are running at 82% per plus average occupancy for the year so far from January to July. That is the plus point and our hotel in Mysore we have commenced which is the Grand Mercure and that is in the process of stabilization and we expect it to stabilize maybe by Q3. A positive thing is our hotel in Chennai has received the approval, I would not say received has been approved for occupancy and formalities of obtaining the physical copy of the occupancy certificate is in process and we hope to start the hotel in the Q3 of FY17. And quite a few of our projects are nearing completion or have completed and the Brigade Group is also in their 30th year of operation or completing 30 years in October of 2016 and we are hoping that to mark this 30th anniversary we are hoping and trying hard to complete almost thirty projects during this year which means October 2015 to October of 2016 we expect almost thirty projects to be completed

out of which more than 22, 23 projects or more have already have been completed in this financial year. It will be a significant achievement as far as we are concerned and I think number of awards have been received by the organization which are all they are available in the Press Release and in the websites and our team of Mr. Suresh Kris the CFO and Mr. Om Ahuja CEO of our residential business are here. They will be happy to take your questions and as I said, thank you again for participating in this conference call.

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

M. R. Jaishankar: So while the questions are about to come I think our CFO would like to take the audience through his report which may in turn help the participants to get an overall detailed view. And based on that the questions can probably come up. Thank you.

Suresh Kris: Thank you very much, sir. This is Suresh here, the CFO. Here the consolidated results have been announced by us and the maximum details has been given and then further more details we would like to give you even though the presentations have been uploaded in the website. I think most of you might be having hard copies or soft copies with you now. So we will talk about the consolidated financials as per the new Ind-AS along with all the I would say comparatives. And maybe in a few cases I would like to give say some more clarity on earlier I-GAAP that is Indian GAAP. So the revenue growth is about 6% if I compare to the same quarter last year and then PBT, PAT has been given by our Chairman and we have the total unrecognized revenue as of date is about Rs. 6,000 crores, details I will give later.

And then during this quarter only one project has now has come for revenue recognition which is the Brigade Panorama Phase I that is Rs. 50 crores is the total revenue recognized during this quarter. And we have also taken from the ongoing projects to the finished inventories about two projects one is Brigade Exotica Phase I and then Brigade Magnum. So there are some changes in the overall I would say project ongoing projects synopsis which I will take you through and then project capitals during this quarter is Grand Mercure, Mysore hotel as well as the Orion East which is a mall this is during the quarter. The impact I would try to give. And then the new launches during this quarter is WTC Kochi Phase II and then Four Points by Sheraton in Kochi, this is a hotel.

We will now go through the total turnover and the EBITDA. There is a reasonable increase over the quarter of last year whereas I mean there is a slight increase in the interest say compared to last quarter as well as the same quarter last year which is due to I would say capitalization of some of the project the interest that is in fact because of the one or two CAPEX earlier whereas it has been crossed revenue because they could not capitalize and it is under operation. One is Orion East which will be around I would say 14 million during this quarter and the Grand Mercure, Mysore which is around 13 million has been charged after revenue and because of Ind-AS I mean some of the financial instruments the discounting factor has to be charged off to P&L. So the balance is that amount.

Same in the case of depreciation even though the WDV on a year-on-year has to come to at least about 10% to 15% because of the component accounting affecting whereas the depreciation has increased due to the again a capitalization of Orion East just to the tune of 17 million and that of Grand Mercure, Mysore which is about Rs. 32 million. These are the extra depreciation charged during this year. That is why the ratio of I would say PBT and PAT even though there is an increase in the EBITDA revenue over the quarters, whereas the percentage of PBT and PAT have come down because of the interest and depreciation.

In fact, the full benefit we may have to see over a period of time especially during third or fourth quarter of this year. And then the main difference between the Ind-AS and the I-GAAP has been listed in I would say note number 3 in the old Clause 41 or the new regulation 33 which has been published at the stock exchanges. There is a reconciliation has been given into this let us say financial result in note number 3 that is the profit as per the I-GAAP, Indian GAAP I mean what is the adjustments and profit as per the Ind-AS the main difference would be due to the joint development agreement accounting and some of the discounting of financial instruments its impact all those things has been given. I do not want to take you all through an Ind-AS class now whereas the main I would say contributor for the new difference is because of grossing up of the joint development agreement effect as well as discounting of some of the financial assets and liabilities etc.

Major contributor to revenue I would say real estate which is around 80%, 85% of our total revenue. And again even when you go through the segmental profit and loss account I would say reduction in profit in hospitality and lease rental is only due to the interest charged against the revenue because of new capitalization of those assets may not have significant revenue especially in Grand Mercure, Mysore in hospitality division and then WTC in Kochi Phase I. So the effect has been given again to have more clarity I would say Grand Mercure, Mysore the interest is around Rs. 13 million it has been charged without much revenue and the depreciation has been charged up to Rs. 32 million and for I would say WTC, Kochi is around Rs. 32 million is the depreciation.

And then Orient East is Rs. 17 million (depreciation) and the interest for Orion East is about Rs. 14 million. These are the effect for the reduction in profit because of capitalization during this quarter. And we are also given the consolidated cash flow. We have total collection of about Rs. 450 crores majority of about Rs. 350 crores is from real estate and about Rs. 66 crores from the lease rental and about Rs. 30 crores from the hospitality. And we have about Rs. 56 crores in the positive operating cash flow and we have the investment activities which is basically for our CAPEX project and we have all the financial activities it is a small surplus this is due to the availment of loan and repayment of loan.

And as for the consolidated capital employed is concerned we have the debt-to-equity ratio of **0.98:1** and majority is for our I would say CAPEX project more than 50% of our debt is in I mean is for the hospitality as well as the lease rental divisions. And our I would say consolidated weighted average cost of borrowing is about 10.7% whereas for the same period last year it was

11.4% and we have credit rating from both CRISIL and ICRA. The sales report has been given and further details will be answered by Om Ahuja and the quarter-on-quarter sales and there is no I mean out of the 371,000 square feet there is no new projects launched so there are no new sales under the new product lines everything is only from the old projects.

And we have totally about 19 million square feet out of which 17.3 million square feet is for real estate and 1.3 million square feet is commercial and 0.5 million square feet from hospitality. Out of about 18 million square feet of total ongoing launched residential projects, the land owner's portion is 2.83 million and our portion is 15.16 million. And we have sold more than half it is 7.5 million square feet has been sold balance 7.64 million square feet. There is a slight change from the earlier synopsis to this because we have moved two projects that is I would say Brigade Exotica Phase I as well as Magnum from ongoing projects to finished projects. So those figures have been already removed from this from the ongoing projects and only the unsold inventory from those projects has been included in 0.66 million of stock sales.

So the total value of the launched project as of June is about Rs. 8,000 crores out of this Rs 3,800 crores has been the sales value and about Rs. 4,000 crores is the unsold value at the current price. Total collection out of these projects is around Rs. 2,500 crores. We have a detailed annexure which will give the breakup about the launched ongoing real estate projects. This may not include the completed projects. And the total balance to be collected is about Rs. 5,400 crores. Out of this about Rs. 8,000 crores we have now recognized revenue of only Rs. 2,100 crores and balance to be recognized over a period of three years is around Rs. 5,900 crores. When you go and see what is to be collected minus what is to be spent the total positive operating cash flow is around Rs. 2,800 crores. Before subtracting the existing borrowings even if you take about Rs. 1,000 crores debt, balance is around Rs. 1,800 crores is the operating cash flow before interest and overheads.

And then coming to the lease portfolio we have added the Orion East during this quarter hence our total leasable area is 2.14 million square feet out of which around 2 million square feet has been already leased out.

And on the hospitality division we have 72% occupancy in this quarter in Grand Mercure and about 82% that is in Sheraton Grand and we have launched the project Grand Mercure, Mysore and those results will be shared maybe in the next presentation because it is only this quarter where the I would say full particulars will be shared in subsequent quarters.

As far as the CAPEX commitment is concerned some of the project has been moved from this table to the completed projects hence the new statement has been given about Rs. 850 crores is the total commitment is the estimated cost for the project. Out of which the I mean towards the commercial it is around Rs. 500 crores and for the hospitality it is around Rs. 330 crores and total incurred for the commercial is around Rs. 240 crores and for the hospitality division it is Rs. 170 crores. So out of Rs. 840 crores we have already spent Rs. 415 crores so balance about Rs. 427 crores to be spent. It will be over a period of two to two and a half years. And as far as

land bank is concerned we have 536 acres total cost is around Rs. 1,700 crores out of which we have now paid around Rs. 1,200 crores and balance about Rs. 500 crores to be paid. Majority is towards the land towards I mean land in Bangalore it is from KIADB and the balance towards the **GIFT City project**. And this land bank is capable of developing around 50 million square feet out of which our share is 37 million square feet. Out of 50 million square feet about 34 million square feet is on the residential as a salable area. And predominantly we have maximum space only in Bangalore, next is Chennai.

As far as the launches are concerned, we have planned for about 4 million square feet to be launched from the real estate side out of which our share would be around 2.4 million square feet.

During this quarter we have moved from to be launched to launch that is WTC Kochi Phase II which is 0.39 million square feet, our share is 100% and also Four Points by Sheraton which is 0.1 million square feet and this also 100% by us. And you have the detailed reconciliation of Ind-AS as well as the I-GAAP in Note #3 of Regulation 33 or old clause 41.

And in case in you have any other questions on to this financial results, you can ask them.

Moderator: Thank you. So we will take our first question now which is from the line of Adhidev Chattopadhyay from Elara Capital. Please proceed.

Adhidev Chattopadhyay: I have a few questions. Just on to dwell on Ind-AS now could you just elaborate if there is any cash flow impact because of the restated financials?

Suresh Kris: Actually there is no cash flow impact at all. This is only the adjustment in some of the areas very important one is the joint development wherein earlier we used to account only for our share assuming that we have 75% and land owner is having 25%. Now we have to account 100% as the revenue and then 25% towards that is as cost and the balance is in towards our costs. So basically it will become a gross accounting instead of net accounting as earlier.

Adhidev Chattopadhyay: Okay and sir just on your rental now you have done around Rs. 57 odd crores of rental income for the quarter and our guidance I think was between Rs. 240 crores to Rs. 250 crores of top line from the rental business. Now but with the new properties getting added so is there any revised guidance under Ind-AS on the revenue figure for the rental income for the year?

Suresh Kris: We do not want to go for say revised guidelines. Presently even when you go gross it comes to around Rs. 240 crores or Rs. 250 crores. Only thing WTC Kochi as well as the Orion East has not earned full rental during this quarter but going forward that will also contribute significantly. So it could be around Rs. 240 crores/ Rs. 250 crores for this year.

Adhidev Chattopadhyay: That is also again with the revised accounting straight lining of even with straight lining of rental income your guidance would remain more or less the same you are saying?

Suresh Kris: No, straight lining of rental income has been done even during last year so there is no effect on to straight lining of the leased rental. Only thing is the interest on the deposit partially would have been classified into rental income, which has been already given effect as we will be able to in previous quarter also. But the effect of that is not very significant for the rental income.

Adhidev Chattopadhyay: Okay so then there is another news item in the press that this Bhuwarka Icon has been completely taken by TCS so could you confirm whether this deal has happened and at what rental it would have happened?

M. R. Jaishankar: It is in the process for advance negotiations or finalization. I think we would like to share in the next couple of weeks. It may become a bit premature to talk about it now. But it is in the process and the active consideration formalities due diligence is in progress.

Adhidev Chattopadhyay: Okay and just last question is on the Sheraton Grand. So on YoY your occupancies have improved so have our ARR so why there is a fall in the GOP for the hotel is there any one-time impact?

M. R. Jaishankar: I think it is a very marginal this thing. It is a marginal drop. I think maybe you can attribute it to the competitive situation for the time being. You know while the occupancy is better certainly it is better but the ARR are under pressure due to competition.

Suresh Kris: There could be an increase in payroll cost compared to the previous year when you go and compare the same period last year that would be increased in the occupancy rate and ARR whereas the FNB revenue is very less as we are doing this quarter and there is a payroll increase of about 12% that is why your GOP is reduced, that is the cost.

Adhidev Chattopadhyay: Okay so then on a consolidated basis for the overall hotel portfolio so what is the sort of top line and EBITDA guidance you are looking at for overall hotel portfolio any guidance you would like to give?

Suresh Kris: Maybe in the next quarter we will give the guidance because we have to see the performance of Grand Mercure, Mysore also and for Chennai so that for the whole year we will give some kind of guidelines during next quarter.

Moderator: Next question is from Ashok Ajmera from Ajcon. Please proceed.

Ashok Ajmera: Mr. Jaishankar, you said that by Diwali we should look up and the office space will be very robust the market. But I would like to ask Mr. Om Ahuja that what about the residential pickup? This is my question number one I mean there is nothing spoken about the residential space. How do you look the market?

Om Ahuja: Mr. Ajmera, good question. I think if you see the numbers at this point of time previous quarter and this quarter is almost 3,90,000 and 3,60,000 square feet. There is a little marginal drop of

around 3%-3.5% in value terms but technically if you see the market this last quarter we had no new launches and primarily in this kind of market where new launches are the only theme because there is a lot of investors who are actual buyers coming in for new launches. We have a good pipeline built in for next two, three quarters hopefully that should build up momentum for us. In addition to that, the market is more end user driven and as Mr. Jaishankar highlighted in the initial part of the call that with Seventh Pay Commission lot of good things what we see is that there are lot of enquiries.

We had a Brigade showcase this is an annual event we do here is the ninth edition of it done last week and we could see over 600 walk-ins in two-day period and we could see a good number of bookings in the two-day period. So there is enough interest in the market. It is a matter of that there is lot of media which is talking about prices and stuff and the market is slowing which is not the case in the ground. I think that is keeping the investors little confused at this point of time but we see the momentum being good and with new launches we should see next two, three quarters doing well.

Ashok Ajmera: Good no I mean Brigade otherwise is doing very well and we are reasonably happy about it. Now my second question is on the debt front and your total commitment you said is Rs. 850 crores out of that you spent about Rs. 450 crores. So this Rs. 400 crores remaining spending how much additional debt will be raised or it will be from the cash accruals?

Suresh Kris: Basically it will be from the internal cash flows but even when we wanted to borrow from here, it is only a capital which we wanted to take it from the system through borrowings. So I think we will be able to keep up this or maximum we can go up to 1.1, 1.2 ratios and depending on our say growth plans.

Ashok Ajmera: As against about 0.98 or 0.95 something net if you take out the cash balance of Rs. 226 crores?

Suresh Kris: Correct.

Ashok Ajmera: That is very good, I mean it is a very good financial management. My last question is that lot of thrust is now being given on hospitality sector by you. So what do you see I mean down the line three to five years' period, are you going to be a sort of a 50:50 in hospitality and real estate or 40:60 or what kind of combination you see down the line for your company your Group?

M. R. Jaishankar: Yes, we are giving the thrust to the hospitality segment. As I said currently we have 500 operating rooms and by Q3 it will increase to 700 and in the next 12 months I would not say 12, 15 months we will reach 1,000 rooms because we have a 275 room Holiday Inn Express near Race Course Bangalore, facing Racing Course Bangalore will open in 15 months. And in 36 months we expect it to reach 2,000 operating rooms for which we have projects are under construction recently started etcetera and to give a thrust to the hospitality segment our Board has taken a call to demerge the business into a 100% subsidiary

The intention is to give the thrust to the business and also to invite you know interested or focused key players in the hospitality segment. So we are of the opinion hospitality segment in the country has a bright future because we are still India is still a novice as far as attracting tourists to the country. We are still in the range of 6 to 6.5 million tourists per annum which is very, very low for a country of our size.

Ashok Ajmera: So the hotel revenue you expect to be crossing Rs. 100 crores plus?

M. R. Jaishankar: No, they have already crossed Rs. 100 crores.

Ashok Ajmera: No, sorry Rs. (+500) crores?

M. R. Jaishankar : Rs. 500 crores in 36 months it will be more than Rs. 500 crores. It is the Rs. 500 crores it will reach.

Moderator: Thank you. The next question is from the line of Prem Khurana from Anand Rathi. Please proceed.

Prem Khurana: Sir, my question was with respect to pre sales I mean the fresh looking sales we have seen during the quarter and on a YoY basis it has come up significantly. So does it mean now we run a risk to our portfolio guidance I mean the growth guidance that we talk about 10%, 15% odd that we look at in terms of YoY growth. So is there any risk to that number? And then second is I mean what exactly is the issue with launches, I mean why are we not able to manage our launches and the timelines that you give at the start of the year sort of if I were to look at last year also we missed some of our new launches that were planned for last year. Now for first quarter we were planning to launch some three odd projects.

But then I mean most of these seems to have been pushed forward now to either Q3 or Q4. So what exactly is the issue I mean is it that we are trying to time these launches properly or you are not able to get the approvals in the times that you envisaged at the time of applying for these approvals?

M. R. Jaishankar: I agree with you some of the launches we have had to postpone it has nothing to do, nothing is intentional it is primarily due to obtaining the final approval. We have a million square feet to be launched in a project called Buena Vista in Bangalore East and that project approval got delayed due to what is called as a STRR Ring Road that the government is planning to start in that area. Anyway that delayed the entire project by at least six months and now that approval is received so we are going to launch that. Similarly in Chennai our project called Brigade Xanadu which was also approved some time back but for whatever due to local rules they held it up and that also got delayed there is a 2.4 million square feet over all but in the first phase it is about 600,000 plus square foot. So these are two major residential launches which got delayed.

And the other reasons are as you know in the month of May National Green Tribunal passed some orders which particularly affects some of our projects you know they changed the rules. Due to the rules some of the projects are held up that is primarily the reason. And few other large projects which we have tied up are in the process of obtaining approvals. Generally not just for Brigade for everybody there is a delay in obtaining approvals across the board.

Prem Khurana: Okay so sir I mean given the situation so how many projects would you be able to manage I mean you are very much confident that these would get launched I mean no matter if you were to kind of have if you see any further delays from government authorities in terms of approval? I mean wherein we only have all the approvals in place wherein we are not required to kind of go back to authority for any kind of approval only. So Chennai you said; you already have approvals in place and which other projects would they be?

M. R. Jaishankar: We have some other commercial projects like one Brookfield project which is an SEZ, 3 million square feet office space that also when the approval is done but the final release of the plans should take place within this month. That will start with the 3 million square Feet SEZ project and in some of our other we have another recently we did the ground breaking which we will be launching in the next couple of weeks which is Brigade Seven Gardens in South Bangalore about 700 plus apartments that is about 800,000 plus square feet. That will be launched in the next two, three weeks' time or so.

Prem Khurana: Sure and how about the pre sales of full year as in do we see?

M. R. Jaishankar: It will be something like a 35 projects 30 to 35 projects are in progress and many as I have mentioned earlier about 23, 24 projects have already been completed and occupancy certificates received. And they are all in the process of handing over the completed units. So we are in a position to take up at least a dozen projects if not more. And in fact tomorrow we are doing the ground breaking for 250,000 square feet of SEZ building in Gift City, Gandhi Nagar, Gujarat and also a 175 room three star IBIS Style hotel in Gift City.

Prem Khurana: Sure okay and on fresh booking and given the fact that this quarter has been somewhat muted so do we see any risk to our guidance that you spelt out last quarter? I mean we are looking at around 15%, 20% odd kind of growth. So I mean would you want to believe that in the next nine months would be somewhat good for us and then we would be able to deliver on our guidance or now we run a risk to our numbers the guidance that we spelt out last quarter?

M. R. Jaishankar: See overall yes we expect about 15% to 20% jump and in the top line but as far as the bottom line is concerned we expect substantial improvement in bottom line. I would not be surprised if the bottom line goes up to 40% to 50% per year this year.

Prem Khurana: Sure. And sir, during the quarter we transferred two projects in inventory I mean Magnum and then there is one more and quantum that is yet to see now I mean it is around Rs. 400 odd crores, Rs. 440 odd crores and I mean we have never had this big a number in terms of inventory any

time in the past. And I mean as Mr. Ahuja said I mean the demand seems to be much better for relatively better for your new launches I mean given the fact that the demand appears to be better for new launches and we have this kind of inventory available. How long in your fair assumption would this take us to kind of liquidize this entire inventory? And would it be possible for you to share the breakup between Magnum and the Residential Exotica, how much is Exotica and how much is Magnum in this Rs. 400 odd crores if I may ask?

Suresh Kris: Yes Prem, actually this has been increased from about say 0.08 million square feet to 0.66 million square feet this quarter and this is mainly due to the Exotica Tower 1 it is around 193,000 square feet just being transferred from ongoing project to finished project. And of course Magnum it is only around 59,000 square feet and we have another two projects which has been added during this quarter even though this was very old project about seven, eight years back. One is it is a Brigade Gardenia which is around 1.6 lakh square feet and in Brigade Millennium which is around 1.6 lakh square feet. So total about 3 lakh square feet with these two projects wherein cost have been already incurred during those years and this expected sale value could be around expect sale value approximately would be Rs. 225 crores where there is no cost. That is why our CMD also told there will be a significant profit.

Moderator: Thank you. The next question is from the line of Danesh Mistry from Tata Mutual Fund. Please proceed.

Danesh Mistry: I have just two questions. So one you basically talked about the hospitality bit where basically if you were to see our consol EBITDA came off and on account of the admin cost. So is it safe to say it is only the employee cost that went up or is there anything else that we should be also looking at?

Suresh Kris: I think it is mainly employee cost during this time, nothing else.

Danesh Mistry: Okay fine. So then do we expect it to was the employee cost on account of the new hotel starting up and that is why it came in?

Suresh Kris: Yes, you are right.

Danesh Mistry: Alright so it is a usual case of revenues yet to come in but cost have been subtracted?

Suresh Kris: Correct.

Danesh Mistry: One more thing sir if you would see Kochi Phase I in WTC Kochi Phase I we said we had to lease about above 127,000 square feet. So what is the scene on that so is it that we are talking to clients or?

M. R. Jaishankar: Yes, we are talking to a number of clients. I think hopefully in this quarter or before Q3 it should fructify.

- Danesh Mistry:** Okay so then should we expect to have the whole building leased out by then the whole 127,000?
- M. R. Jaishankar:** Yes I mean you can give or take 10% it can always may happen or may not happen. So the intention is definitely to lease 100%
- Danesh Mistry:** By Q3 hopefully, okay sir. And Phase II we started work on that, so when do you think that would be ready for possession and lease it subsequently?
- M. R. Jaishankar:** We expect it to take about 15 months around December 2017.
- Danesh Mistry:** Alright sir and sir you know just your sense on what is happening on the ground in terms of the commercial market are we looking at again people trying to pre-lease at the time of construction starting up or are still people waiting for the building to be complete before they come in?
- M. R. Jaishankar:** See in most cases people wait for the building to happen. But pre leases happen is a rare case, it is once in a while it happens and I do not think we can really bank on pre lease in many cases. But I think as the construction happens leasing also takes place. Generally it happens when the projects are nearing completion with a few exceptions.
- Moderator:** The next question is from the line of Rahul Jain from Systematix Shares. Please proceed.
- Rahul Jain:** My question is in the residential space if we are seeing for last four 1Q if we have to see, the run rate has come up from 0.7 million to 0.3 million at the same time we have seen the pricing has been going up on average 7%, 8% every year. So what we see the role of pricing hike on the demand side of the business?
- Om Ahuja:** Well, at this point of time realizations are looking up keeping in mind the kind of projects that we have shared earlier the projects are completing now. So when the building starts getting completed and it is close to the OC and the occupation you can basically look at higher realizations that is the theme currently as we said 30 projects odd we are trying to complete by October this year thus helping us to a great extent. Coming back to in terms of square feet pre sales in terms of what was there last year or the year before that it is primarily that pre launches could actually help us launch and pre launches could help us to get that kind of velocity but these sales what we are reporting today is primarily is current sales and not a new launch sale.
- Rahul Jain:** I mean why pre launches attractive is it that in the same micro market it would be available at a discount to the existing asset, right?
- Om Ahuja:** No, not really. See pre launches primarily have the realizations which are basically the initial start of the period initial start of the project but if you get to the numbers. But in our scheme of things the launches what we are currently focusing on the launches are something which are basically two or three quarters you should be seeing launches which are lined up that will get us a velocity in terms of sales.

- Rahul Jain:** So my understanding what I am trying to bring is that if I get same micro market 4000 for the three year or four year down the line property if I get a little premium and a property which may come one year down the line on possession what would I choose right, I would prefer to go something that may come on possession in one year down the line if premium is not significant?
- Om Ahuja:** Well, I would say if you are an actual user you look at something which is getting ready very soon and you basically have no risk of taking the construction risk or maybe a delay risk in that sense. But if you are looking at a pre-launch it is more investor driven market and the pre-launch at this point of time is still active in Bangalore and the pre-launch and launches are doing well. It is a matter of approvals and matter of timing the market in terms of going forward. That is I would say not that there is a clear differentiation between actual products and pre-launch there are people ready to pay premium for a ready product.
- Rahul Jain:** Okay on the hospitality business we are seeing this profitability at PBT level is going down though we are seeing a GOPs going up or even ARR are better so why is this discrepancy?
- Suresh Kris:** I think this is only because of new hotel which is now coming during this quarter you cannot go and come to a conclusion based on the initial operation of a hotel. We may have to wait and see at least for about two, three quarters.
- Rahul Jain:** Even if I see the Sheraton number for the quarter the occupancy has gone up, ARR has gone up but GOP has gone down?
- Suresh Kris:** Correct that is what I also answered I think may be Adhidev earlier. That is F&B revenue has come down this quarter compared to the same quarter last year. And I mean there is a payroll cost hike of about 12% for Sheraton Hotel. That is the reason for the GOP percentage slightly coming down.
- Moderator:** Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please proceed.
- Parikshit Kandpal:** Sir, I have two questions. First one is on your Note 3 where you have restated the accounts for the fourth quarter. So I am talking about the reconciliation of the I-GAAP and Ind-AS for the fourth quarter of last financial year. There is one this accounting of joint development projects there you are showing a number of Rs. 17 crores loss from that? And for the full year the number is Rs. 9.7 crores. So just wanted to understand is this the actual loss in the joint development projects and because even if we see this quarter the profitability has been around Rs. 22 crores. So what will be the number for this quarter?
- Suresh Kris:** Actually this is not the real cash loss, this is only a reconciliation which we have given as per the Ind-AS. This is the accounting treatment we need to give. That is why I also as I told you that there is no real cash flow impact for the deal. This is only an adjustment entries we need to pass. Not only for the JD accounting which you need to gross it up based on this because one is

based on the percentage of completion and another is based on the time. That is why you may be having a difference. Overall for the project however you go and account report there is no loss. All accounts are JD.

Parikshit Kandpal: But if you gross up the revenue so obviously I mean if we are taking the partner share and then grossing up in the revenues and removing it from the cost. So we will be still be retaining even if we are incurring the 100% project cost on our books but still the recoverings are some gross profits on the project, right?

Suresh Kris: Correct, there is the absolute number of projects the net sales all those things are the same. We are only accounting cost as well as the sale in both the cases to the extent of land owner share.

Parikshit Kandpal: But what will be number during this quarter?

Suresh Kris: During this quarter it is Rs. 75 crores.

Parikshit Kandpal: Again this Rs. 75 crores is the total GD revenue you are talking about?

Suresh Kris: Correct, which has been increased. Even when you go and see the standalone I mean the I-GAAP as well as the Ind-AS which we had given in page 4 and 5 of our presentation we have about Rs. 76.4 crores with the different which is the joint development agreement difference.

Parikshit Kandpal: And what will be the gross profits you would be recorded on that JD revenue?

Suresh Kris: 5% is there.

Parikshit Kandpal: 5% is the gross profit?

Suresh Kris: Yes, it will be the difference because we need to account based on some profit margin. So on the trading accounting when you go to increase the cost as well as the sale value the difference could be about 5%.

Parikshit Kandpal: But how will it proceed so once this number will turn positive in subsequent quarters? I mean significant there the 5% will expand to say 30%, 35%?

Suresh Kris: No. For all purpose you can say it is cost-to-cost you go on inflate the land cost and go and inflate the sales based on the percentage completion. That is all.

Parikshit Kandpal: Okay, so JD revenue so same thing will be removed from the cost you are talking about?

Suresh Kris: Yes.

Parikshit Kandpal: There would not be any margins which will be returned?

- Suresh Kris:** Exactly.
- Parikshit Kandpal:** And there was a second. Question was the CAPEX commitments which you have mentioned. So here you think tomorrow you are going to break the ground for the Gift City. So Gift City and Perungudi CAPEX has not been included in that, right?
- Suresh Kris:** No, Gift City is in Ahmadabad, Gujarat. Perungudi is in Chennai. So as and when you go and launch the project then we will go and do the CAPEX commitments statement. Now the CAPEX statement is only on launched ongoing projects. So when it is launched, it will get added in subsequent presentation.
- Parikshit Kandpal:** And sir, last question is there any land acquired during this quarter?
- Suresh Kris:** The answer is no. Only some small payment has been done during this quarter for the JD which we already signed. There is no new land acquired during this quarter.
- Parikshit Kandpal:** And the spending payment which you are showing under the Bangalore is it largely the KIADB land?
- Suresh Kris:** Correct, that is to be paid.
- Moderator:** Thank you. The next question is a follow up question from the line of Adhidev Chattopadhyay from Elara Capital. Please proceed.
- Adhidev Chattopadhyay:** Sir, just wanted to clarify that under Ind-AS is there any onetime impact during the quarter or all of these are of recurring nature?
- Suresh Kris:** Onetime impact has been already given in opening results during April 1st, 2015. And whatever is there this will be affected in three particular agreements in all the particular projects ends. This is not recurring for life. This is simply project is there or be the instrument is there.
- Adhidev Chattopadhyay:** Sir, then on a bottom line on a consol basis so is it likely it may fall year-on-year or it should go up? I mean just to get an understanding at the console PAT level on the accounting how it would appear?
- Suresh Kris:** To my understanding it will go up year-on-year slightly not significantly.
- Adhidev Chattopadhyay:** And sir, on our presales, this is a question for Om. So what is the range we are looking at in terms of presales for the year now?
- Om Ahuja:** Well, we are looking at 3 million to 3.5 million square feet is this year's target.
- Adhidev Chattopadhyay:** Including land owner share you are saying, right?

- Om Ahuja:** Yes.
- Adhidev Chattopadhyay:** And it should be more back-ended in the second half of the year or you will see a traction from this quarter itself? That is what you are expecting?
- Om Ahuja:** Yes, we have few launches lined up.
- Adhidev Chattopadhyay:** So just to dwell on I think would it be back-ended off from the second quarter itself?
- Om Ahuja:** Yes, we have few launches lined up this quarter and next quarter. That will be that is the numbers coming in from there.
- Adhidev Chattopadhyay:** And sir, just to elaborate on this Gift City Hotel. If you just take us through like what is the thinking behind like what sort like by when it becoming operational and what sort of clientele it would cater to?
- M. R. Jaishankar:** It will substantially cater to the clients in Gift City and surrounding areas and of course the hotel will take about 30 months' time to complete. We can see that operational only December 2018 or so. By that time I think substantial number of people would be working in Gift City. Month-after-month it is increasing. And we hope it will be a magnet in that area.
- Adhidev Chattopadhyay:** And sir, just to get an idea now we will be up to around 1,000 operational hotel rooms by the end of FY17 not counting the Kochi hotel?
- M. R. Jaishankar:** No, I did not say FY17 I said in about 15 months which means it is Q2 or Q3 of FY18.
- Adhidev Chattopadhyay:** That is including the race course road hotel?
- M. R. Jaishankar:** Yes, otherwise there will be 700 rooms.
- Adhidev Chattopadhyay:** Sir, then if we just to say then I think you are starting work on that Kochi Infopark the hotel will come up Four Point and Gift City hotel. So cumulatively 1,500 rooms or it is the right?
- M.R. Jaishankar:** Yes, 2,000 rooms we said we are starting one in an integrated in a mixed used development called Brigade Golden Triangle in Old Madras Road where already 700 apartments are completed and 600,000 square feet of office which is in advance stage of construction. In the same project we are just started work of shopping mall and a hotel. Shopping mall called Orion OMR, Bangalore. Do not get confused with OMR Chennai. Orion OMR Bangalore in that there is a 150 room Holiday Inn Express hotel also.
- Adhidev Chattopadhyay:** So sir, just to highlight on the so beyond these three hotels which are going to start in the next three, four quarters. So what is the incremental capacity totally for all the other balance 1,000 rooms and how is the funding going to be done?

- M. R. Jaishankar:** Funding as we have already has been maintaining it is a combination of internal approvals and institutional funds and as I mentioned earlier the hospitality business is in the process of getting demerged with an intention of inviting the right quality of PE funds.
- Moderator:** Thank you. The next question is a follow up question from the line of Danesh Mistry from Tata Mutual Fund. Please proceed.
- Danesh Mistry:** I just wanted to ask you one thing. I will just draw your attention to slide 15 where we talk about our synopsis of ongoing projects. So when we say stock sales to be sold 0.6 million square feet what you mean by stock sales?
- Suresh Kris:** Stock sales is the total finished stock.
- Danesh Mistry:** And we have completed how many projects sir, till now 23 out of 35 ongoing, correct?
- M. R. Jaishankar:** Yes, you can say 23 to even 25.
- Danesh Mistry:** Okay because see if I want to compare this to the March 2016 number it was about 100,000 quarter feet?
- M. R. Jaishankar:** Yes, correct. See that I can just add. In this it is primarily the increase is primarily contributed by four projects. One is called Brigade Exotica, there are two towers. 750,000 square feet tower A of which is recently completed about 193,000 square feet is unsold. And Brigade Magnum is an office building of 540,000 square feet with our economic interest being about 300,000 square feet. That we have about 60,000 square feet to be leased which is in different stages of negotiation. And also we had two completed projects sometime back. So there are certain number of units and certain areas was under some kind of dispute with the authority. That we got it back and that is another more like 310,000 square feet.
- Danesh Mistry:** Okay so now those properties are out of any dispute or anything?
- M. R. Jaishankar:** Yes.
- Danesh Mistry:** Those are in Bangalore only sir?
- M. R. Jaishankar:** Yes, Bangalore only.
- Danesh Mistry:** And do we have any timelines for selling out this ready inventory which we have because?
- M. R. Jaishankar:** Definitely the intention is to do it in FY17.
- Danesh Mistry:** Okay because I recon this would help your realizations as well?
- M. R. Jaishankar:** Yes, certainly.

- Danesh Mistry:** And cash flow situation?
- M. R. Jaishankar:** Yes.
- Danesh Mistry:** Sir, one more question. On Brookfield project when do we plan to start work on it and how would it be phased out?
- M. R. Jaishankar:** See as I mentioned earlier we are expecting the approvals in this month and we intent to commence work by Diwali time.
- Danesh Mistry:** But how much do you think out of the 3 million would we be?
- M. R. Jaishankar:** So out of the 3 million it may be done in two phases about 1.1 million square feet in phase one and 1.1 plus we have some related commercial development also in the neighborhood shopping etcetera. So you can say about 1.3 million square feet is in the first phase and 1.7 million square feet in the second phase. Naturally the entire project we are seeming to complete within 36 months.
- Danesh Mistry:** This is IT SEZ?
- M. R. Jaishankar:** Yes.
- Danesh Mistry:** So the full 3 million we aiming to complete in 36 months?
- M. R. Jaishankar:** Yes.
- Moderator:** Thank you. The next question is a follow up question from the line of Parikshit Kandpal from HDFC Securities. Please proceed.
- Parikshit Kandpal:** Sir, again on the Ind-AS I was doing this Q1 reconciliation. So Q1 the revenues have gone up by Rs. 68 crores roughly. So I think you have grossed up the number of JD by Rs. 68 crores and the EBITDA difference is a positive. So you have recorded Rs. 124 crores of EBITDA against Rs. 119 crores as per I-GAAP. But in Q4 why there is a negative difference? I mean EBITDA is Rs. 127 crores despite grossing up of revenues and the Indian GAAP EBITDA is Rs. 142 crores. So there is a negative difference of almost Rs. 15 crores?
- Suresh Kris:** Where?
- Parikshit Kandpal:** Sir, in Q4 March number so you have grossed up the revenues but the EBITDA difference is less by almost Rs. 15 crores?
- Suresh Kris:** This is the EBITDA difference is Rs. 124 crores vis-à-vis Rs. 157 crores.

- Parikshit Kandpal:** Sir, Rs. 142 crores was on if you see at slide number 5 so Rs. 142 crores is your IGAAP EBITDA and your Ind-AS is Rs. 127 crores and your revenues are basically difference is almost Rs. 17 crores, Rs. 18 crores. So I was wondering why since you retaining them some slight margin on JDA so why this EBITDA has come off? So it should have been higher than Rs. 142 crores?
- Suresh Kris:** Ok. See I mean there could be lot of adjustments not only because of JDA including some of the interest on the leased pockets and other cost are also there which we need to go and adjust. But on reconciliation has been given in note 3 of it will be able to.
- Parikshit Kandpal:** Yes, I have seen that so there is a Rs. 17 crores of accounting of JD projects you have mentioned Rs. 17 crores in negative?
- Suresh Kris:** That is for the last year not of this year.
- Parikshit Kandpal:** Last quarter, yes. Sir, I am talking about last quarter only. So this number looks to be quite big. So I was wondering if there are some onetime adjustments you have done during this quarter and what kind of run rate should we build? I mean can this kind of surprises come in the following quarter? Because this is restated the number got restated if you see from I-GAAP to Ind-AS it got restated from Rs. 35 crores to almost Rs. 24 crores. While in this quarter there has not been much of a difference. If you see in 1Q the numbers between the two are?
- Suresh Kris:** Basically these are all onetime adjustments doing those periods not for this period.
- Parikshit Kandpal:** Yes, so I was wondering if this kind of negative surprises?
- Suresh Kris:** No, it is not that.
- Parikshit Kandpal:** Because earlier in the call we have said that we are looking to 40% to 50% of growth in the bottom line. So I was wondering with the current run rate of Rs. 20 crores in the first quarter it has to be a significant jump in the following quarters in terms of profitability?
- Suresh Kris:** That is what I have also answered to this is not the what you call recurring event not every time.
- Parikshit Kandpal:** And sir, lastly we have seen in this IT sector the results the performance in this quarter has not been as per the expectations there has been margin compression and there has been talk of like slow recruitment going forward in the IT sector there has been some layoffs. So our market typically where we operate is largely IT driven, ITES driven and they form large chunk of our customers and clientele. So besides that the overall market sentiment has also not been encouraging over last three, four quarters. So what gives us confidence still that we will be able to maintain 15% to 20% pre-sales growth in the coming quarters? Our ticket sizes also increasing. So we have to look into launch something around Rs. 8,000 per square feet. So what gives us so much confidence that we will be able to achieve that?

- Om Ahuja:** There are ways to look at it. One we see the kind of de-flow in the market at this point of time there is a robust deal flow for commercial leasing. There is an enquiry with regard to residential are quite robust I would say. So somewhere we if you relate it to what is happening in the startup world or what is happening in the IT sector but the ground reality seems to be there are people who are coming out and looking for more offices and more office space. So specifically Bangalore as we see there is a shortage of commercial space at this point of time. There is a robust demand. I would like to see that if we are tracking the numbers the numbers we are tracking is almost all agencies which report and what deal flow we are seeing does not gives us any indication of that sort.
- Parikshit Kandpal:** Because I was the numbers somewhere I am not able to erases that. Bangalore typically is an end user driven market and we are not seeing much traction in ready to move in or nearing completion projects. Being it case of Brigade or any other developer for that matter. So we are not seeing much of a movement in ready or nearing completion?
- Om Ahuja:** Commercial is quite robust. If you would see Bangalore has over taken other cities in India.
- Parikshit Kandpal:** Yes, commercial numbers have been encouraging. In fact I think two quarters back the demand was almost equal to what was the supply in that market. So first time I am seeing this.
- Om Ahuja:** In fact the reports say there is shortage almost.
- Parikshit Kandpal:** Yes, demand absorption has been like very supply and absorption has been almost equal two quarters back I think. So but I am talking about residential. So why people are not preferring typically in an end user driven market people are not going for ready or nearing completion inventory and you also highlighted that new launches will basically give you a momentum then it is a risk that nearing completion projects may again link around some more time for on the balance sheet?
- Om Ahuja:** Well, at this point of time the kind of it is again residential is more areas specific gain and the kind of launches we are looking at is all are basically the ticket size is not something like what you said Rs. 8,000 it is ranging between Rs. 4,000 to Rs. 6,000 per square feet. And there is a good amount of demand for that segment.
- Parikshit Kandpal:** Because I am coming from the side that we are forecasting Rs. 2,800 crores of gross cash flows and that will feed into our CAPEX requirements. So if there is a slow movement in ready and nearing completion projects so somewhere there will be a cash flow mismatch over the next couple of years so just coming from that point I wanted your views on that.
- Om Ahuja:** Appreciative point but what you will see is with RERA coming in there is lot more in terms of consolidation in the industry with regard to customers looking at reputed and deliverable projects where they do not see risk of delivery. That is going to be a new game I would say that that is



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exciting at this point of time saying that next two, three years we would see reputed developers will basically see the demand flowing to them.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Om Ahuja for closing comments. Over to you, sir.

Om Ahuja: Thank you everybody. Thanks for spending your evening with us we are happy to take your questions. Really appreciate your patience and we would like to say that we are moving at the pace what we had expected and we hope to see next two quarters for the next two, three quarters we will see good momentum to the economy and that will benefit in the real estate sector and us. Thank you very much.

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